

DO'S AND DON'TS IN AN M&A SHAREHOLDER VOTE

A targeted strategy can help ensure your proxy vote passes without problems.

By W. Sam Chandoha

M&A TRANSACTIONS are arguably the most consequential events companies can take on—for buyers, sellers and the C-Suites in the middle. From understanding shareholders to targeting the investors that truly matter, executives must be proactive in the run-up to these all-important corporate reforming proxy votes. This is particularly true when investor opposition and public scorn can stymie deals before they are consummated.

To ensure executives appreciate the risks and opportunities of M&A shareholder votes, Alliance Advisors has developed a list of Do's and Don'ts, explaining how partnering with industry experts can help a deal go smoothly.

THE DON'TS

Don't assume you have the vote or be passive. For a shareholder vote to succeed, executives must know their shareholder base.

Even with a premium-priced transaction, deals can only succeed if companies develop a detailed picture of their shareholders.

Careful stock surveillance or Ownership Intelligence is therefore important, because it offers an early indication as to how a deal is being met by the marketplace and investors. Ownership Intelligence is market surveillance that identifies and tracks the true institutional shareholders holding share positions and hiding behind custodians in a company's stock.

Don't forget about the sell-side analysts—they can be a powerful ally in articulating the deal terms.

Too often, companies overlook the role of sell-side analysts during an M&A transaction. But these individuals are regularly in front of your investors. If analysts misunderstand or misinterpret the transaction, that misunderstanding can trickle into the shareholder base, especially for institutional investors who lean on analyst notes for quick takes.

Spend time ensuring the sell-side understands the transaction rationale. If you're not

proactive in this area, you run the risk of leaving the narrative to be interpreted—or misinterpreted—by others. And once a negative view takes hold in the market, it's hard to unwind.

Don't believe your shareholder base has remained static. Pay attention to shareholder base shifts—stock loan analysis is critical.

Once a deal is announced, the makeup of the shareholder base will change radically and rapidly. Stock loan analysis identifies the top in-

M&A votes demand an all-hands-on-deck approach; a company should have its regular proxy solicitor and IR firm on board. Don't switch up your team. Now is not the time to be holding the hand of a new firm.

Do include retail shareholders in your strategy—they can make or break the vote.

Retail shareholders specifically registered and NOBO shareholders can be the difference between a successful vote and failure. More times

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stitutions lending out shares to short sellers and helps you assess how this impacts the voteable share positions.

Why is this important? Because a large institution like Vanguard or BlackRock might report a significant record date stake in your company's stock. However, since they both actively engage in securities lending, a portion of those shares could be out on loan and are not eligible to vote. This effectively reduces the voting power of that institution on its reported record date position.

Companies that fail to do this early in the transaction may find themselves wondering where certain institutional votes are at the last minute when fewer votes have appeared from record date positions. By this time, it might be too late to scramble to replace those lost votes.

than not, companies facing tough votes have relied on the retail shareholders to push the vote over the needed threshold.

Retail engagement campaigns take time; that's why it's critical to plan upfront to include them in the overall strategy.

M&A shareholder votes should not fail, but they do, and if you're a C-Suite executive or board member, you certainly don't want it to happen to your deal. By adopting a targeted strategy—one dovetailing best-in-class ownership intelligence, end-to-end shareholder engagement with focused investor relations—companies can ensure M&A votes pass without problems.

THE DO'S

Do take a proactive approach—this is not a routine shareholder meeting.

Just the threat of an activist investor seeking more is enough to know that companies must communicate with all investors, regardless of the premium involved. The statistics are stark: M&A demands appeared in over half of H2 2024 campaigns.



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