



# M&A: Investor Communication Roadmap for Success

Capital Allocation Series

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**M&A: Investor Communication Roadmap for Success** takes a deep dive into one of the most complex undertakings in the capital allocation stack: M&A.

Corbin Advisors' proprietary research finds institutional investors, on average, are responsible for **45 core portfolio holdings** while concurrently researching another **55 investment opportunities** that fundamentally align with their firm and/or fund investment criteria.

For the past 15 years, **free cash flow generation** and **effective capital deployment**, namely M&A, have continued to proliferate as an investment factor and serve to positively differentiate companies that have demonstrated strong, consistent execution in this area.

According to our **proprietary buy-side research**, Capital Allocation is one of the **Corbin Critical Five investment factors**, a distinguished group of measures cited as most important to institutional investors beyond quantitative screening when determining where to allocate capital.

## Methodology

### Investor Perspectives

To provide the Street's view, we mined the **Corbin Analytics** database, a compilation of insights spanning 16+ years based on over 24,000 **Voice of Investor®** interviews globally across 1,000+ companies and recently surveyed<sup>2</sup> **75 global investment community professionals** about their M&A communication preferences.

#### CORBIN ANALYTICS DATABASE

**24,000** interviews

**1,000+** companies

**150+** benchmarking measures

**16+** years

### Corporate Practices

To evaluate common M&A communication practices, we conducted bespoke research on a **randomized sample of 30 companies** across diverse market caps (>\$1B) and sectors. Transactions occurred during 2022 and 2023 with values >\$1B with a range of \$1.2B to \$25.2B. Half the sample group is public-to-public deals.

2. Survey timeframe: February – June 2024

# Executive Summary

## Key Findings and Insights

### M&A Framework and Pre-Acquisition Announcement

- **Strategic Fit** is identified as the leading determinant of M&A success by investors, followed by **Overall ROIC** and **Price Paid**
- **88%** of top-quartile companies ranking highest on M&A track record in the **Corbin Analytics** database have an established and regularly communicated M&A framework
- Leading M&A framework elements include:
  - **Top Strategic Filters:** *Improving Market Positioning, Extending Customer Reach, and Clear Operational Synergies*
  - **Leading Financial Criteria:** *Return on Investment, Growth, and Earnings* metrics

### Acquisition Announcement

- **83%** of investors believe an acquisition warrants a webcast if it represents **10%** or more of revenue or EBITDA, with **52%** targeting the **10–20%** range
- **57%** of companies hosted a dedicated webcast; this includes **66%** of public-to-public deals and **47%** of public-to-private deals
- Average webcast durations were 44 minutes, featuring participation from the acquiring CEO, CFO, and in **29%** of cases, additional leaders such as group or segment presidents; **47%** included the target CEO, who participated in both prepared remarks and Q&A
- **64%** of companies include at least one slide on the acquisition in their subsequent earnings presentation

### Post-Acquisition Announcement Prior to Close

- **83%** of companies addressed the acquisition in the subsequent earnings press release beyond basic financials; of these, **76%** included a brief mention, while **28%** created a dedicated section to highlight strategic and financial elements (best practice)
- **75%** of public-to-public transactions resulted in the target company ceasing to host earnings webcasts following the transaction announcement, with an average time of 5.5 months between announcement and close

### Post-Acquisition Close

- More, **46%**, of the investment community expect EPS accretion within two years of close versus **32%** within the first full year
- **60%** of the investment community favor adjusted EPS to exclude intangible asset amortization for clearer cash flow visibility
- **80%** of companies issued new combined company guidance in the quarter following the acquisition close, **65%** of which provided annual guidance
- Companies provided acquisition updates for an average of four earnings calls post close



- Maintain a pulse on investor cash deployment preferences
- Be aware of your M&A archetype perception
- Institute and regularly communicate an M&A framework
- When in doubt about whether or not an acquisition warrants a call, err on the side of transparency
- Provide regular updates on earnings calls
- Leverage cost synergy targets as a KPI
- Provide examples of revenue synergies
- Craft an M&A scorecard to track and communicate success
- Host an investor day within 12 months of closing a material acquisition

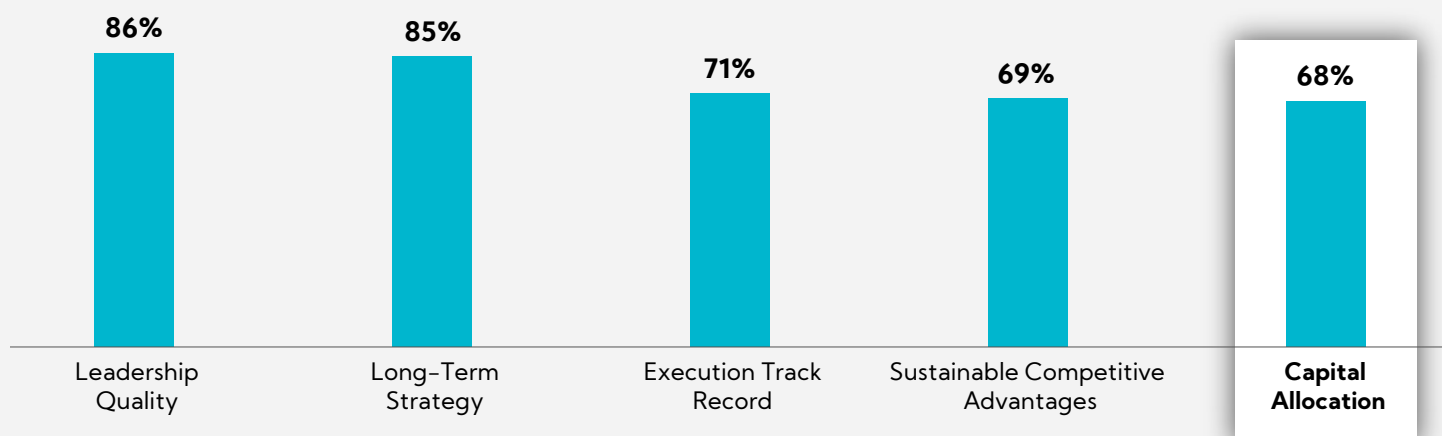
See page 21 for comprehensive recommendations



## Setting the Stage

According to our **proprietary buy-side research spanning 16+ years** based on over **24,000 interviews globally**, Capital Allocation is one of the **Corbin Critical Five** investment factors, a distinguished group of measures cited as most important to institutional investors beyond quantitative screening when determining where to allocate capital.

### "Corbin Critical Five" Investment Factors



Perspectives on capital deployment vary significantly across companies and investors, with history, timing, and context each playing integral roles in both decisions and assessments.

However, when looking at institutional investor views on specific portfolio companies as part of our **Voice of Investor® Perception Study** research, patterns emerge in preferred uses of cash based on certain company characteristics, which we have categorized into four distinct profiles: **The Acquirers**, **The Steady-Eddies**, **The Laggards**, and **The Leveraged**.

**68%**

of investors point to Capital Allocation as a critical factor when evaluating investments

## Key Capital Allocation Profiles

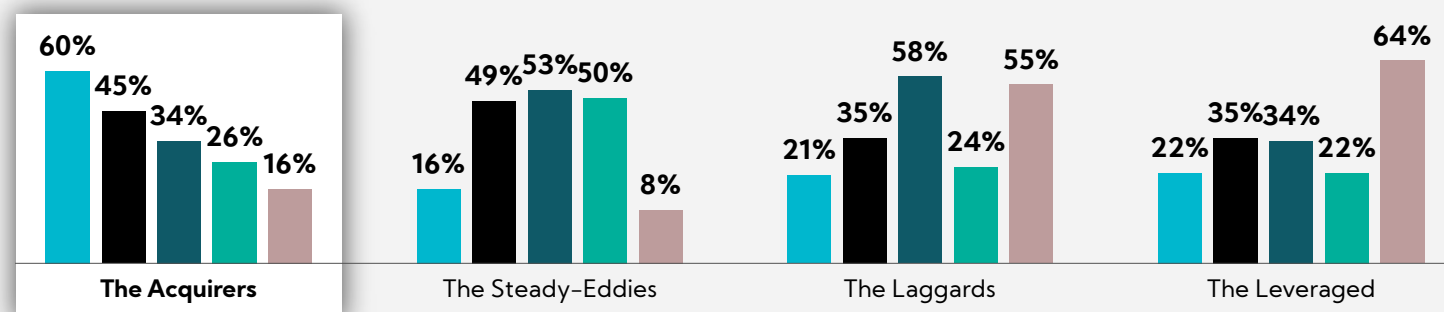
1	2	3	4
Acquisitive Companies <i>"The Acquirers"</i>	Non-Acquisitive Companies <i>"The Steady-Eddies"</i>	Underperforming Companies <i>"The Laggards"</i>	Debt Ladened Companies <i>"The Leveraged"</i>
<ul style="list-style-type: none"> <li>History of acquisitions and/or strong M&amp;A appetite</li> <li>Comprises Street-defined best-in-class and compounder companies that generally possess a strong and consistent M&amp;A track record</li> </ul>	<ul style="list-style-type: none"> <li>Limited M&amp;A appetite, income-paying, and/or defensive</li> <li>Typically have strong balance sheet; debt reduction is a not prevalent priority</li> </ul>	<ul style="list-style-type: none"> <li>Bottom 25% of companies that experienced significant share price decreases over a 3-year period, on average, prior to conducting Perception Study</li> <li>Typically undergoing a turnaround; have distressed share price and cash flow challenges</li> </ul>	<ul style="list-style-type: none"> <li>Companies with debt level identified as a weakness and, in most companies, valuation detractor, in Perception Study</li> <li>Primarily, companies with &gt;3.5x Net Debt-to-EBITDA ratio, although this threshold is lower for more cyclical companies</li> </ul>

Across our database, investment community capital deployment preferences for these profiles are shown below. We'll be focusing our analysis on ***The Acquirers*** — companies that see support for M&A from a majority of surveyed constituents, on average, including shareholders, qualified prospects, and covering analysts — but also for emerging acquirers that may come from the other capital allocation profile types.

## Voice of Investor®: Investor Capital Deployment Preferences

Represents Each Use Being a Top Two Preference for Companies, on Average

M&A Reinvestment Buybacks Dividends Debt Paydown



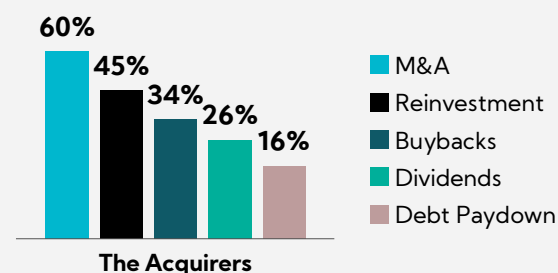
Source: Corbin Advisors

Within *The Acquirers* cohort, **not all acquirers are created equal.** Indeed, companies tend to fall within the following archetypes in the eyes of investors, which is a result of the organizations' M&A objectives, history, and execution success:

- **Transformational Acquirers:** These companies pursue large, strategic acquisitions aimed at fundamentally altering or repositioning their business model, market position, or competitive landscape. They typically involve high-dollar value deals that significantly impact the acquirer's operations, aiming to enter new markets, add new capabilities, or drastically change the company's growth and/or margin trajectory. This strategy often requires substantial financial investment and comes with higher risk amid multi-faceted execution factors and given an inherently risk-averse investment community.
- **Serial Acquirers:** These companies frequently engage in bolt-on (target company operations remain intact) or tuck-in (target company is integrated completely into existing business) acquisitions to incrementally enhance or expand their existing operations. They usually have established M&A teams and processes, focusing on acquiring complementary businesses that can be integrated quickly and efficiently. *Serial Acquirers* often operate in fragmented industries where they seek to consolidate market share through numerous smaller deals.

## Voice of Investor®: Investor Capital Deployment Preferences

Represents Each Use Being a Top Two Preference for Companies, on Average

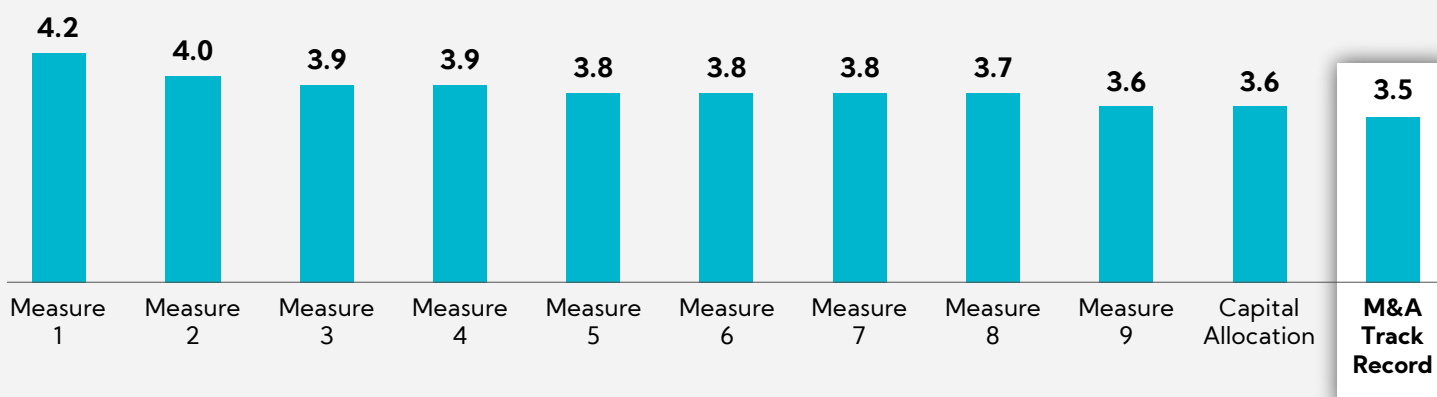


- **Periodic Acquirers:** These companies engage in acquisitions of varying sizes over infrequent timeframes, typically to plug gaps in the business model or to take advantage of opportunistic timing and pricing. *Periodic Acquirers* may not have a continuous M&A strategy, but instead act strategically when the right opportunities arise, balancing the need to address specific business objectives with the financial and operational capacity to integrate new acquisitions.
- **Rookie Acquirers:** These companies have little to no previous M&A experience and are often undertaking their first sizable acquisition. Typically targeting smaller companies or those in emerging markets, *Rookie Acquirers* often lack dedicated M&A talent or established processes. Their acquisitions are generally smaller in financial commitment compared to more experienced acquirers.
- **Challenged Acquirers:** These companies have a history of at least one problematic acquisition (or more) and have faced integration hiccups and performance challenges. They might be in the "doghouse" with previous acquisition attempts that did not meet expectations. *Challenged Acquirers* often exhibit varied deal sizes and impacts, with strategies that may be perceived as unfocused, reactive, or trend chasing. Despite having experience, their M&A processes may be lacking in efficiency and effectiveness, leading to a lack of credibility with the Street.

Prominent academic studies show that 70% to 90% of all acquisitions fail,<sup>1</sup> with our proprietary buy-side research finding that **M&A Track Record** receives the lowest rating from the investment community among more than 10 normative management benchmarks, on average.

## Voice of Investor®: Management Benchmarks

Aided, Based on a 5.0-point Scale, Where 5.0 is the Highest



Putting aside the challenges associated with timing an acquisition and price paid versus benefits gained, **our research finds that most companies employ a suboptimal communication approach around M&A**, which is a critical factor in achieving the proverbial Roman *thumbs up* or *thumbs down* by the Street. Indeed, our research and experience find companies offer limited upfront table setting on the capital deployment strategy, more often than not opt to under-communicate versus over-communicate when announcing transactions, and often cease communication once a deal closes or shortly thereafter. Based on our research into best-in-class companies and the holy grail of investment opportunities — the compounder — **we have identified successful M&A as a critical ingredient in company outperformance.**

Ever focused on helping clients minimize risk and maximize value, we dive into the heart of the matter — the *why* behind market perception and **The Big So What™** companies can do about it to drive greater buy-in, build credibility, and develop M&A as a core competency in the eyes of the Street.

1. Source: [Harvard Business Review](#)



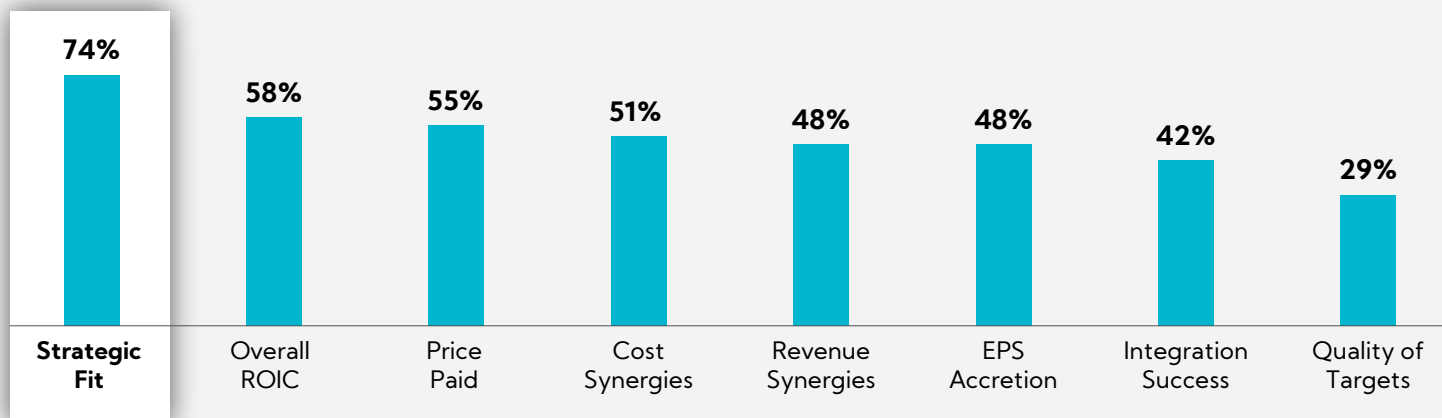
# Investor Communication Roadmap for Success

## Pre-Work is the Key Work.

To support client outperformance, we queried investors on critical M&A execution and communication success factors. The result: **Strategic Fit** is by far the leading determinant of M&A success, followed by **Overall ROIC** and **Price Paid**. Notably, **EPS Accretion**, previously identified as one of the most critical measures in our ongoing research, falls lower on the scale.

### Voice of Investor®: Most Important M&A Performance Benchmarks

Aided, % of Institutional Investors Considering Each Measure Important or Critical



How, exactly, do companies rally the investment community behind an acquisition and build appreciation for **Strategic Fit**? Furthermore, how can they ensure that M&A activities are being perceived through the proper lens?

As our findings demonstrate, fostering investor buy-in and, subsequently, establishing credibility for acquisitions starts well before a deal is announced.

## Instituting an M&A Framework

Wherever a company may fall within the Acquirer Archetypes, developing and regularly communicating an M&A framework is one of the most impactful steps a company can take to build confidence with the investment community. This framework should encompass both strategic and financial criteria and serve as an anchoring mechanism for which the company's acquisition activities are evaluated and justified.

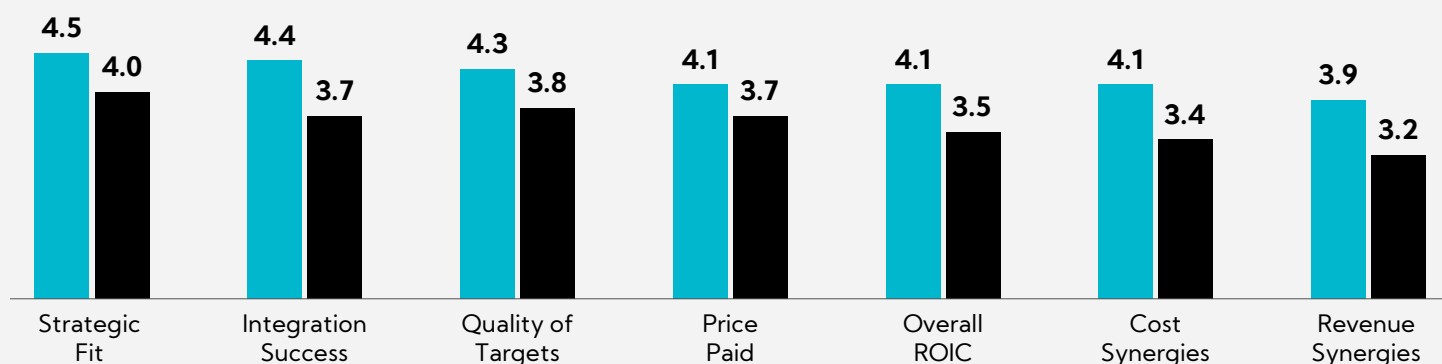
Of the companies that score in the top quartile of our **Corbin Analytics** database amongst normative M&A benchmarks, 88% have established M&A frameworks that are communicated regularly throughout investor materials.

As shown, this group outperforms across every normative M&A measure, led by — you guessed it — **Strategic Fit**.

### Voice of Investor®: M&A Performance Benchmarks

Aided, Based on a 5.0-point Scale, Where 5.0 is the Highest

■ Top Quartile Avg. ■ Corbin Universe Avg.



#### PRE-ACQUISITION ANNOUNCEMENT

88%

of top-quartile companies in the Corbin Analytics database have an established and regularly communicated M&A framework

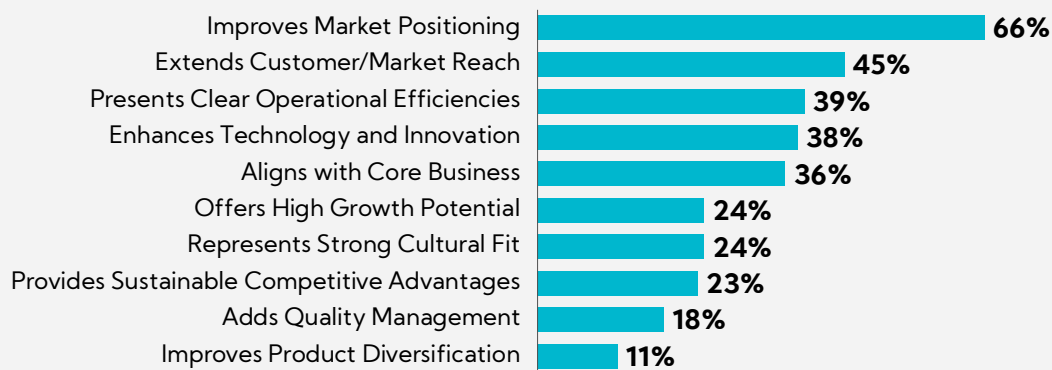
To garner insights into **M&A Framework** elements, we conducted a **randomized analysis of 100 M&A frameworks from public companies of at least \$1B in market cap across all sectors.**

Our insights reveal *Improving Market Positioning*, *Extending Customer Reach*, and having *Clear Operational Synergies* are the most oft-cited strategic filters, whereas *Return on Investment*, *Growth*, and *Earnings* metrics represent leading financial benchmarks.

## M&A Framework:

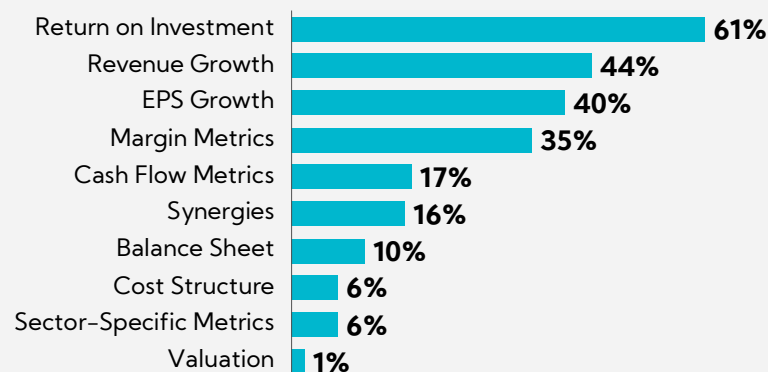
### Top 10 Strategic Criteria

Public Companies >\$1B Market Cap, n = 100



### Top 10 Financial Criteria

Public Companies >\$1B Market Cap, n = 100



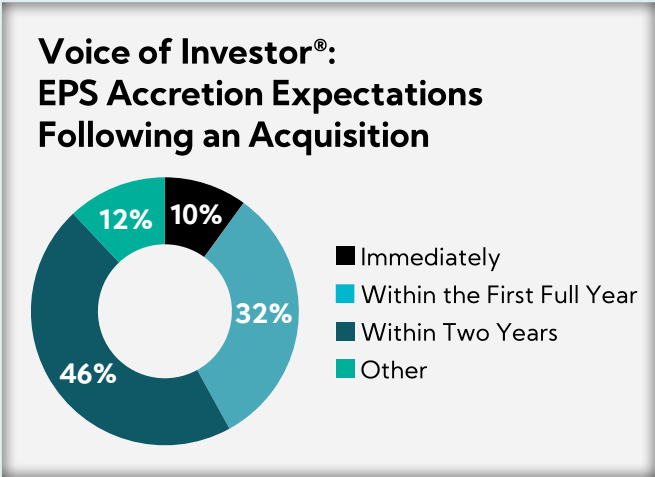
In comparison, when analyzing the M&A frameworks of companies scoring in the top quartile of the **Corbin Analytics** database, a larger focus is placed on *Enhancing Technology and Innovation* and pursuing *High Growth Potential* targets from a strategic perspective, while *Margin* filters play a more prominent role within financial criteria.

Notably, 43% of companies within the top quartile link their frameworks to *Exposure to Favorable Growth Trends*, compared to only 7% of the broader group of 100. Additionally, 86% of top-quartile companies supplement their frameworks with an “M&A Scorecard” — an early investor communication innovation of ours — and benchmark the strategic and financial filters highlighted within the framework against their acquisition history. Two companies go so far as to include an “M&A Operational Model” which details the integration process, including timelines and key milestones, a best practice.

For companies providing *Earnings* and *Return on Investment* metrics, 24% and 20%, respectively, the most common timeframes to achieve are:

EPS Accretion Timeframes (24%)	ROIC Timeframes (20%)
1. Within First Full Year (54%)	1. 3 Years (44%)
2. “Immediately”/“Near Term” (25%)	2. 5 Years (31%)
3. Within Two Years (21%)	3. 3–5 Years (25%)

Notably, when we surveyed the investment community on when they expect incremental EPS accretion to be achieved following an acquisition, more, 46%, point to within two years of the close, though just under one-third assert their expectations are within the first full year.



**Selected Investment Community Commentary**

“You’d probably want to start seeing something within two years. There might be amortization issues, which might impact in terms of the benefits in year one. I think if you start pushing too much further than two years, then you’re going to the point where it’s dependent on all sorts of cost cuttings and reorganization, and then you’re getting into the territory of questioning if this is actually going to execute as management are anticipating it to. You want there to be some visibility around the uplift going forward, but you don’t want it to be a deal that’s done for a short-term gain.”

“We’re investing on a multi-year horizon. If they’re not seeing the upside within a couple of years, then they made a mistake.”

“If it’s heavily debt financed it might not be accretive right away. Everyone would love to say every acquisition done is immediately accretive, but that’s not the case sometimes.”

“Within a year is the general hope or expectation, but not always realistic.”

Source: Corbin Advisors

## Knowing When an Acquisition Warrants More Robust Communication

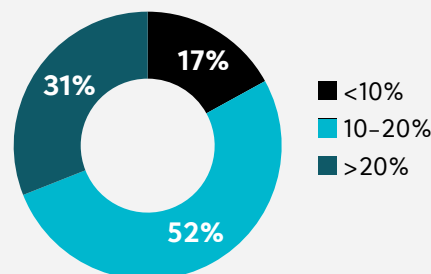
Establishing the proper M&A framework and communicating it to the Street are great first steps, but knowing when and how to roll out the red carpet publicly for an acquisition announcement is equally important.

We asked the investment community to pinpoint at what percentage of revenue or EBITDA an acquisition warrants a webcast with prepared remarks, presentation, and Q&A. Our research finds the majority, 83%, coalesce around 10% or greater.

Notably, institutional investor expectations for robust acquisition communication are not only limited to the size of the target company. Our research and experience find there are additional situations in which proactively communicating to the Street serves to educate, bolster sentiment, and assuage concerns surrounding a deal.

According to the investment community, a significant *shift in strategy* or an acquisition that is *outside of the core* business are the most prevalent situations warranting more robust communication. Notably, a small contingent, 17%, note *all situations* warrant a webcast. While not always recommended, at the very least this view underscores the importance of consistent and transparent communication regardless of acquisition size or profile.

### Voice of Investor®: M&A Thresholds as a % of Revenue / EBITDA Warranting More Robust Communications



### Voice of Investor®: Additional Situations Warranting More Robust Communication



### ACQUISITION ANNOUNCEMENT

**83%**

of investors believe an acquisition warrants a webcast if it represents 10% or more of revenue/EBITDA, with 52% targeting the 10-20% range



### **Selected Investment Community Commentary**

*"If it is a big strategy shift, something away from the legacy or core business, or if a company is starting to take a different direction such as entering a new geography, it could be worth webcasting. It warrants a webcast if it is sizable or something that meaningfully changes the company leverage-wise and causes them to take on a lot more debt or have a meaningful impact on credit metrics, whether it is leverage going higher, margins taking a big cut, or maybe capex needs for the business step up."*

*"Anything outside of strategic scope or viewed to be a surprise from investors, anything material to the business strategy in the near/medium term."*

*"Every [transaction] should have a webcast so people can understand what's going on. Information may not be available otherwise in terms of the structure of it, the why, and other things, unless you have a call with management. Usually, you start with understanding what's going on, and that's a good source for every M&A transaction."*

*"The most obvious one is transformative, but anything that deviates from a strategy and not just a bolt-on type of purchase I think would warrant some sort of explanation and then in my mind anything that involves a change in management or segments I think would trigger some questions. Funky financing or less straightforward financing would warrant a call if it were not well articulated in their releases."*

## • Sticking the Landing •

As the saying goes, “you only get one shot”, and it all starts with the M&A announcement. Sticking the landing is crucial to managing investor expectations and setting the stage for successful execution.

### Announcement Press Release

The press release announcing a transaction is the first line of defense — it’s consumed immediately and its contents shape perceptions just as quickly. Tone and transparency matter meaningfully and can serve as a significant factor in building — or eroding — management credibility. The press release should, in large part, mirror the M&A framework that is being regularly communicated throughout investor-dedicated materials and address the rationale through the lens of strategic criteria and financial benefits.

Further, it is crucial to “own” the transaction. Very few deals check all the boxes and even fewer are going to appeal to everyone all at once. Avoid pulling the wool over investors’ eyes — they will see right through it — rather, communicate robustly and transparently. Whether you include information or not in the press release, you will get asked about it in subsequent, private conversations. By leveraging your first line of defense, you have the ability to broadly educate and influence views, as well as control the narrative and neutralize skepticism proactively. Communicating sub-optimally relative to investor expectations introduces risk and serves to erode trust and leadership credibility.

#### POST-ACQUISITION ANNOUNCEMENT PRIOR TO CLOSE

**83%**

**of companies mentioned the acquisition in the subsequent earnings press release beyond basic financials; of these, 76% included a brief mention, while 28% created a dedicated section to highlight strategic and financial elements**

## Strategic and Financial Benefits

In an analysis of transaction press releases, *extends customer/market reach*, *improves market positioning*, and *provides scale advantage* are the most oft-cited strategic elements, while EPS accretion, multiple paid, and cost synergies are the most common financial elements. Notably, the strategic and financial metrics emphasized in these releases largely align with key M&A framework measures. However, there is a disparity in focus on ROIC, which is provided by only 7% of companies during the announcement compared to 58% of the investment community that considers it a crucial M&A factor.

### Transaction Announcement Press Release:

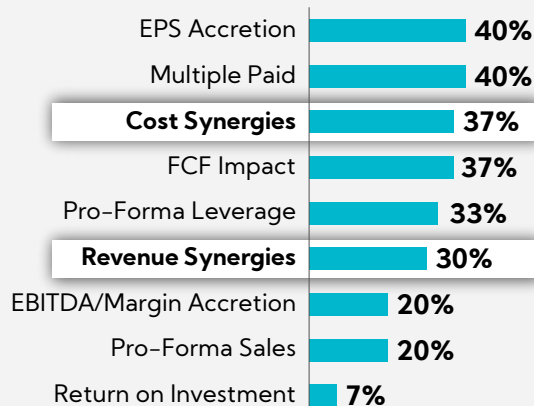
#### Strategic Elements

Public Companies >\$1B Market Cap and Deal Value, n = 30



#### Financial Elements

Public Companies >\$1B Market Cap and Deal Value, n = 30



72%

quantified the amount and provided a timeframe to achieve, ranging from immediately to three years

22%

quantified the amount and provided a timeframe to achieve, ranging from two years to three years

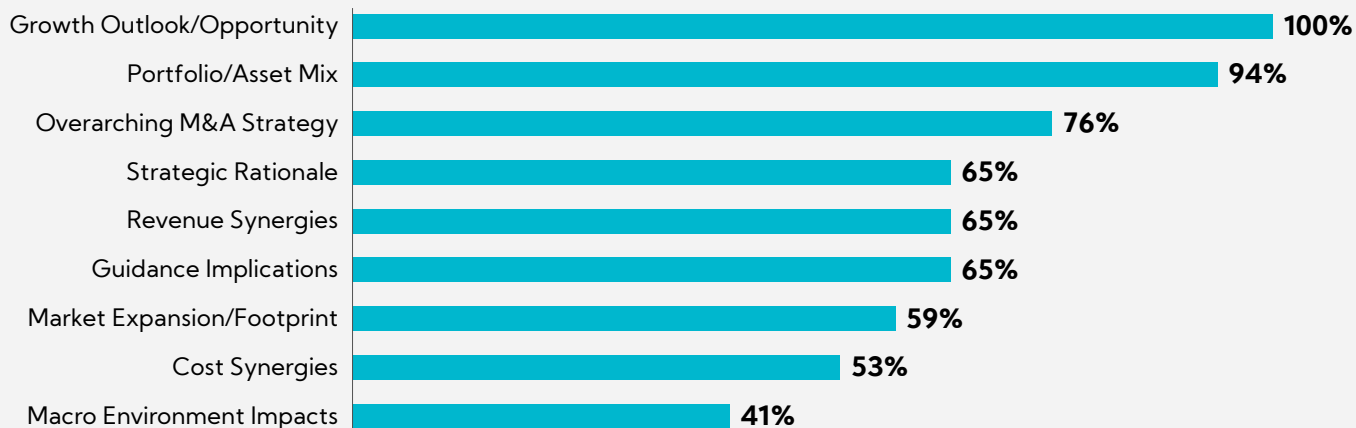
## Dedicated Webcast and Supporting Materials

Of the companies analyzed, 70% produced a dedicated presentation outlining the strategic and financial elements of the deal, and 57% elected to host a dedicated webcast, with larger deal sizes most likely to institute this approach. While public-to-public and public-to-private deals were equally likely to produce a dedicated presentation, not surprisingly, companies executing public-to-public transactions were more likely to host a dedicated call, occurring across 66% of the relevant study group versus 47% for public-to-private deals. Overall, calls averaged 44 minutes, with a range of 23 to 76 minutes, and included participation from the acquiring company CEO and CFO, though 29% also involved other leaders with group/segment presidents the most common additional participants.

Just under half, 47%, included the target company CEO as a webcast participant. Within this group, CEOs universally participated in the prepared remarks portion and provided an overview, latest results, and reinforced the strategic rationale of the combination. Further, 88% participated in the Q&A portion, providing clarifying responses to target company composition and end markets.

Companies received an average of 14 questions from sell-side analysts predominantly relating to the new *growth outlook and opportunity* and *portfolio/asset mix*. Notably, over three-quarters also received questions regarding their overarching M&A strategy, with queries ranging from appetite for additional deals to overall capital allocation framework implications.

### Transaction Announcement Dedicated Webcast: Top 10 Analyst Questions



## Following Through

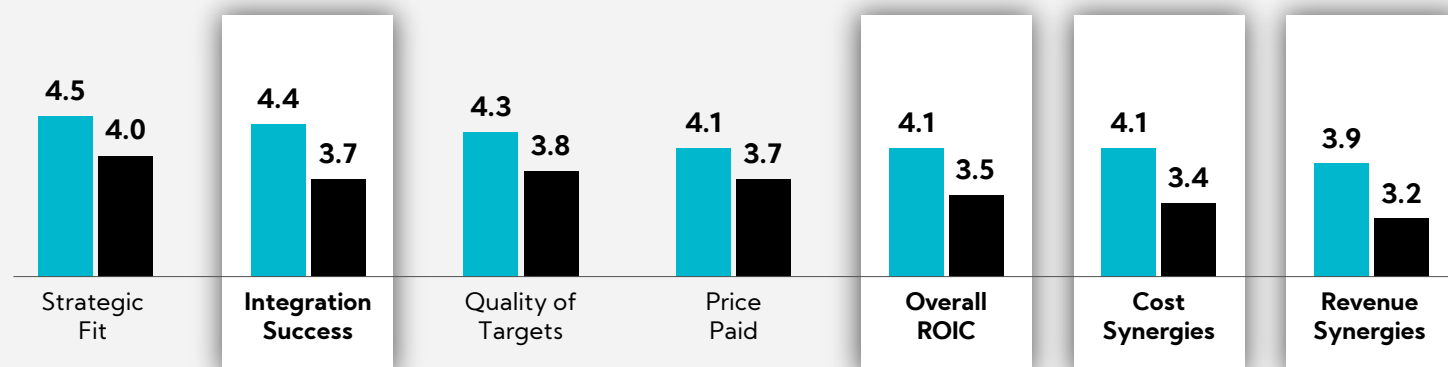
According to our research, the largest disparities between companies that score in the top quartile of our **Corbin Analytics** database and the broader **Corbin Universe** on normative M&A benchmarks predominantly relate to post-announcement elements.

Specifically, while we already established top-quartile companies, on average, excel the most in **Strategic Fit**, they also demonstrate significant prowess in **Integration Success**, **Synergy Realization** — both cost and revenue — and **Overall ROIC**, which typically takes three to five years to achieve. In other words, it starts with strategy and expectations management and follows through with execution and communication.

### Voice of Investor®: M&A Performance Benchmarks

Aided, Based on a 5.0-point Scale, Where 5.0 is the Highest

■ Top Quartile Avg. ■ Corbin Universe Avg.



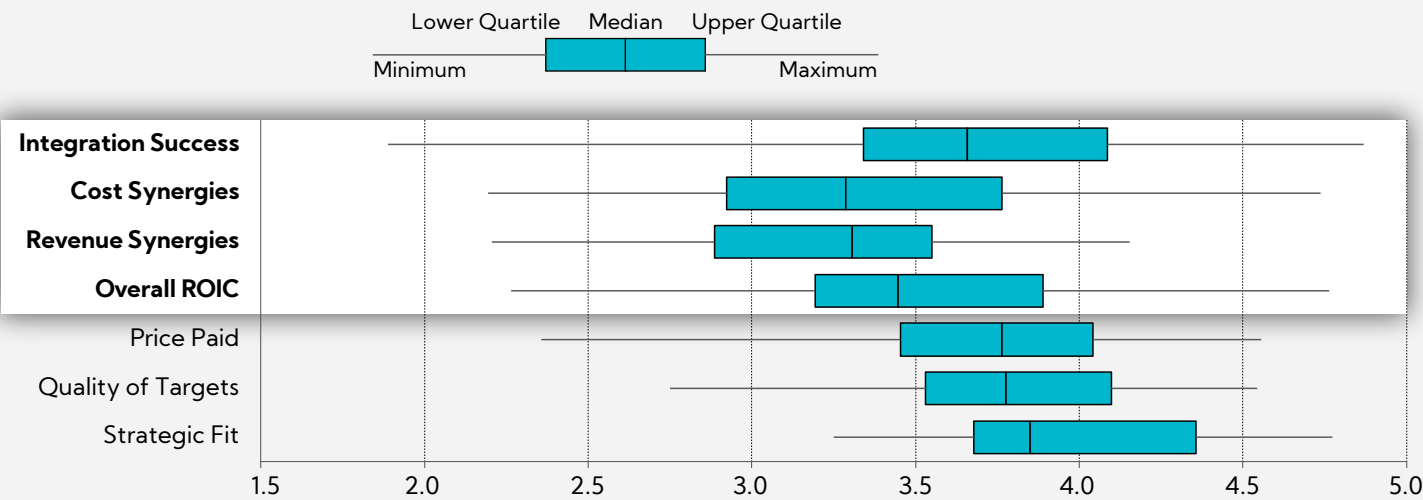


In fact, when looking at the variance of the data across these four M&A benchmarks, interesting insights emerge.

*Integration Success* receives the *widest* variance among the M&A normative benchmarks (denoted by the black horizontal lines), meaning companies within our **Corbin Analytics** database experience the *largest dispersion* of investment community perception of performance in this area. Furthermore, *Cost* and *Revenue Synergies*, when applicable, prove the most difficult in garnering appreciation, as evidenced by the lowest *medians* of all benchmarks (denoted by the black vertical line within each box).

**Voice of Investor®:**  
**Box-and-Whisker of M&A Performance Benchmarks**

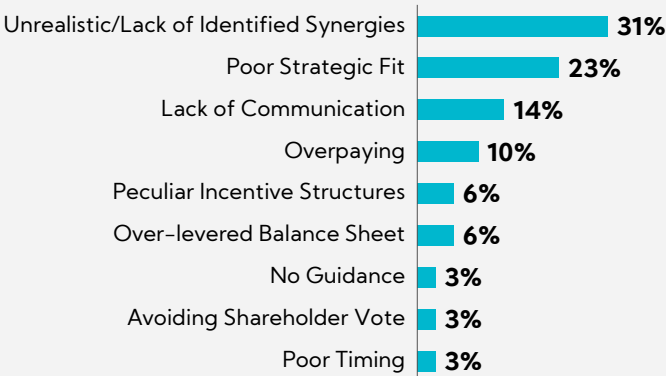
Aided, Based on a 5.0-point Scale, Where 5.0 is the Highest, Desc. Lowest Quartile



As mentioned, effective expectations management doesn't end with the announcement; it involves following through with educational communication as an integral part of investment community events and materials for many subsequent periods, including well beyond the completion announcement.

Many of the worst practices, as outlined by the investment community to the right, are effectively mitigated by ensuring that the communication strategy is comprehensive, specific, realistic, and ongoing.

**M&A Worst Practices and Red Flags**



Source: Corbin Advisors

## Subsequent Earnings Communication and Beyond

### Earnings Communications

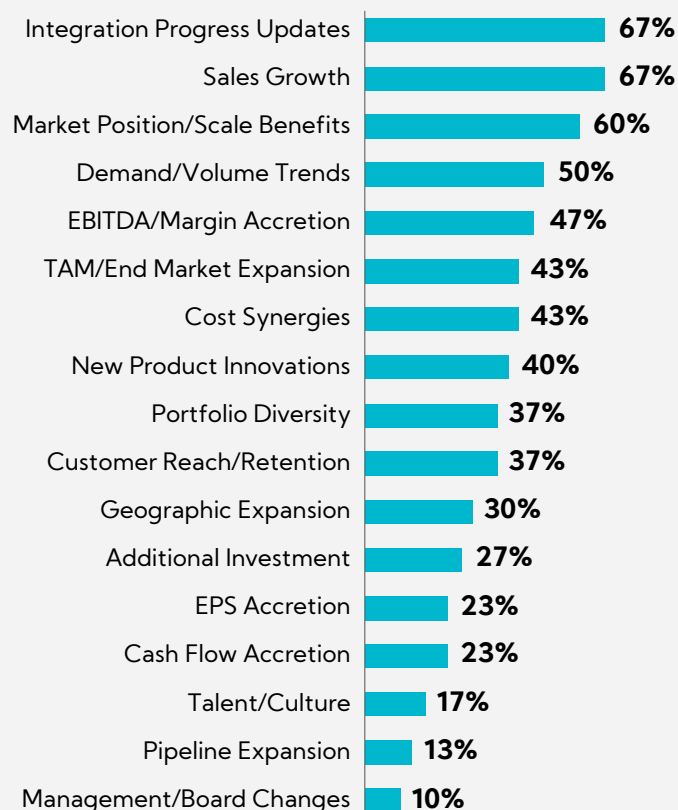
As a part of the earnings period immediately following the acquisition announcement, 83% of companies specifically addressed the acquisition within the earnings press release beyond basic financial impacts (i.e., integration costs, financing mechanisms, etc.). Of this group, 76% mentioned the acquisition briefly, such as within a quarterly highlight bullet at the top of the press release or within the CEO's quote, though 28% went so far as to create a dedicated section, reminding the investment community of the strategic and financial elements of the deal, which is best practice.

Further, of the companies that produced a supplemental earnings presentation, 64% dedicated at least one slide to the acquisition. On the subsequent earnings call itself, companies received an average of two acquisition-related questions from analysts.

As it relates to earnings communications more broadly following the *close* of an acquisition<sup>3</sup>, our analysis reveals companies provided relevant acquisition updates in prepared remarks for an average of four subsequent earnings calls before the updates were fully integrated into the overall growth narrative.

The most common topics discussed over this timeframe included a mix of both reiterating the strategic elements and rationale of the deal, such as *market position/scale benefits* and *TAM/market expansion*; tactical updates such as *integration progress*, target company *sales growth* and *demand/volume trends*; and any realized or projected financial puts and takes.

### Earnings Communications Following Transaction Close: Prepared Remarks



IMPORTANTLY, OF THE PUBLIC-TO-PUBLIC COMPANY TRANSACTIONS (50%)

75%

of target companies ceased hosting earnings webcasts following the transaction announcement

3. 80% of companies produced a transaction completion press release, while the remainder notified the investment community through an 8-K only, the former being best practice

## Guidance

Following the transaction announcement, but prior to close, *Acquiring* companies continued to update/reaffirm standalone company guidance, excluding the acquired company (i.e., “business as usual”). However, once the acquisition closed, of the 83% of the study group that historically provided guidance, 80% issued new combined company guidance in the subsequent quarter post close, 65% of which was annual.

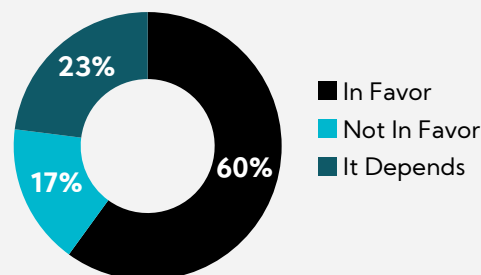
## Adjusted Financials

In the scenario where there is sizable amortization of intangible assets, the majority of surveyed investors and analysts, 60%, are in favor of providing an adjusted EPS metric, owing to the belief that amortization is not a useful economic cost and adjusting helps provide a clearer picture of cash flow. Of the companies analyzed, more than half, 53%, provided an adjusted EPS number reflecting this.

## Segment Changes

Integrating a new business or entire organization often necessitates a portfolio reframing. Within our study group of company acquisitions, 20% announced segment changes, half of which were communicated as part of the transaction close. Additionally, two companies announced segment changes shortly preceding the acquisition close, while one company announced the update on the subsequent earnings call roughly one month post close.

## Voice of Investor®: Preferences Toward Adjusting EPS to Exclude Amortization of Intangible Assets



## Selected Investment Community Commentary

*“Most companies do adjust that out. I tend to focus more on free cash flow. So, in that sense, it kind of adjusts out in the free cash flow anyway. For the most part, I would adjust for that for very material acquisitions.”*

*“As long as it reflects the way the management team is managing the business, I am in favor of them adjusting that out.”*

*“I am in favor of them moving to an EPS number that adjusts that out, more so in Tech than other places, but that is normal. I like apples-to-apples comparisons in terms of adjusted EPS. Netting it out works.”*

*“It’s certainly a consideration because ultimately you want to get a sense of the cash flow as opposed to just the accounting elements. You want to understand the dynamics of what’s driving that amortization within the financials, but if you’re looking at it on an EBITDA basis, then that should be stripping that out. I don’t necessarily know that you’re going to some other kind of metric, but some disclosure around the cash impact is useful.”*

*“I generally like closer to GAAP. I hate restructuring add-backs and things like that, but certainly amortization is not a useful economic cost. Honestly, inventory step-ups and things like that are also confusing, so unless you add them back in the first quarter or two, the acquisition can be confusing.”*



Recognizing each acquisition brings a different slate of information to message — and some are more complex than others, consider the following:

There are clear best practices for communicating with the Street once the deal has closed to mitigate risk and maximize value ascribed. Proper preparation can make the difference between a successful reception and a challenging “wall of perception.”



#### **Maintain a Pulse on Investor Cash Deployment Preferences**

Understanding shareholder views on capital deployment is a critical piece of the puzzle. While not a deal breaker, understanding sentiment allows you to more effectively target your transaction communication and address disconnects with your capital allocation strategy and investor preferences and perceptions. Avoiding coming off as tone deaf and being as transparent as possible when bucking consensus can significantly enhance investor and analyst confidence and support. Regularly survey and engage with your investor base to stay updated on their evolving priorities.



#### **Be Aware of Your M&A Archetype Perception**

Knowing how your company is perceived within the M&A archetypes is essential. Whether your company is a *Transformational*, *Serial*, *Periodic*, *Rookie*, or *Challenged Acquirer*, investor reactions will vary based on your credibility and track record. Being realistic and not complacent about your position will aid in tailoring your communication strategy to better manage investor expectations.



### **Institute and Regularly Communicate an M&A Framework**

Establishing an M&A framework and communicating it frequently is one of the most impactful steps a company can take if M&A is a consideration. This framework should include both strategic and financial criteria. As our research demonstrates, regular communication of this framework will help prevent surprises and ultimately demonstrate a disciplined approach toward growth and value creation.



### **When in Doubt About Whether or Not an Acquisition Warrants a Call, Err on the Side of Transparency**

Comprehensive, educational communication is key to building and maintaining investor confidence. Our research on value creation in general finds robust communication solves many issues related to investor understanding, buy-in, and skepticism. The global investment community is highly fragmented and, as a public company, the board, CEO, and CFO are stewards of shareholder capital. Hosting a webcast to discuss the acquisition and opening the floor to the investment community will serve to enhance the flow of communication and reinforce a commitment to openness and transparency. As you will always hear us advise — control the controllable and own your own narrative. Is it more work? Yes! Does it mitigate risk and maximize value? Also, yes!



### **Provide Regular Updates on Earnings Calls**

Maintaining investor confidence requires consistent communication and reinforcement of execution proof points. And when it comes to shareholder capital stewarded to M&A, over-communication is key. Regularly providing updates on earnings calls post close in both prepared remarks and supplemental presentations is crucial to educating investors and building confidence in your company's acquisition acumen. Highlighting integration progress, cost synergies, revenue synergies, as well as other relevant accretion KPIs and/or benefits keeps investors both informed and assured about the acquisition's tangible contribution to the organization.



### **Leverage Cost Synergy Target as a KPI**

While all deals are not rife with cost opportunities, many are, and this can and has served as a meaningful way to build or reinforce management credibility when communicated and executed against. Assuming cost synergies are material, a conservative target and timeframe (between one and three years) to achieve should be communicated in the initial transaction announcement. In all subsequent communications (earnings calls, one-on-ones, conferences, etc.), the cost synergy target and progress to date should be consistently addressed. Visually depicting the total goal, watermark progress, and timestamps in presentations is an ideal way of demonstrating execution and building a track record. Communicating increases to the target at later junctures further reinforces integration success.

*"As we have continued with our integration, we have identified an additional \$10 million in cost takeout, bringing our total to \$50 million, up from \$40 million, of which we have captured \$17 million in annualized run-rate savings."*





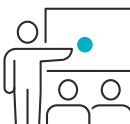
### Provide Examples of Revenue Synergies

As previously noted, revenue synergies are a less frequently quantified financial benefit as they are more difficult to capture in the integration process from a total company perspective. That being said, growth is a critical element of acquisitions and companies can bring to light revenue synergies through case studies. Detailing several examples where synergies are being captured within the business (what we define as “singles and doubles”, which ultimately add up) as part of ongoing investor communication efforts provides the proof points that investors require to gain confidence in delivering on the deal’s strategic and financial benefits.



### Craft an M&A Scorecard to Track and Communicate Success

Creating an M&A scorecard is a critical tool for tracking and communicating the success of past acquisitions. This scorecard should be grounded in previously disclosed strategic and financial criteria and measure what each deal has brought/is bringing to the equation of  $1+1 = 3$ . Regularly updating and sharing this scorecard with the investment community serves to provide quantifiable evidence of acquisition performance, which helps in maintaining transparency while reinforcing execution success.



### Host an Investor Day within 12 Months of Closing a Material Acquisition

One key consideration is that material acquisitions present a prime opportunity to host an investor day or other similar investment community event (e.g., an innovation/technology day or a business segment/market overview update). This dedicated event allows companies to communicate long-term strategy and direction and how the acquired business fits into the framework, provide a deeper dive into the integration and benefits realized to date and opportunities ahead, and showcase added leadership who joined as part of the transaction. As well, it’s an opportunity to refresh the capital allocation strategy, outlining whether all remains the same or priorities have shifted. Importantly and generally unappreciated, these investor events serve as a forcing function for leadership to crystallize thinking and the equity narrative, outline the roadmap to success, and maximize value creation as the communicated plan is executed.

#### INVESTOR DAYS ARE BEST PRACTICE

94%

of investors view investor days as a valuable use of their time, when successfully executed



Let Corbin help you cut through the noise and develop a differentiated investment thesis that serves to educate and capture investor mindshare.



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