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Peter Cifichiello Writes "Handle Earnout Transactions with Care" for Mergers & Acquisitions Magazine

BY PETER F. CIFICHIELLO • SEPTEMBER 16, 2024

Given market conditions, earnouts may seem like a great deal structuring tool in merger and acquisition transactions these days. However, as Peter Cifichiello writes in his article in *Mergers & Acquisitions* magazine, these contingency payment plans can easily become short-term solutions that lead to long-term problems, and buyers and sellers need to pay attention to the details when structuring these deals. Here is an excerpt:

> Certainly, there are many reasons for earnouts' increasing popularity. Perhaps most important, they give buyers and sellers a way to strike a deal without settling on the aggregate purchase price prior to the closing date. This can be especially helpful for buyers who are wary of a target business' economic outlook or trying to be judicious about future capital layouts. They offer certain comfort, knowing that if a company does not hit revenue targets, there will be some financial relief for the buyer. For sellers, there are plenty of advantages too. Earnouts give them a chance to maintain some control over their business' future success and offer the potential to generate additional deal proceeds post-closing.

Continue reading "Handle Earnout Transactions with Care" in *Mergers & Acquisitions* magazine.