

Beyond the Purchase Price

The headline number gets the attention. The structure determines the outcome.

Cash at closing, retained equity, contingent payments and post-closing obligations all affect what you ultimately take home.

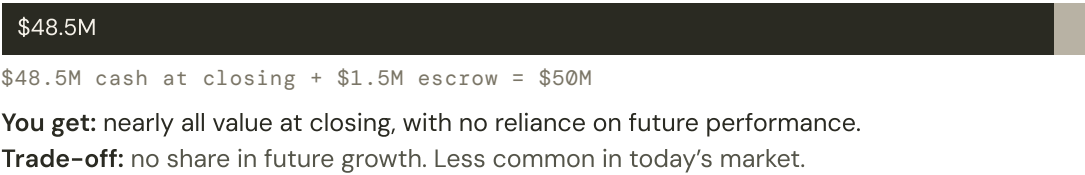
SAME HEADLINE, DIFFERENT OUTCOMES

To illustrate: three ways a \$50 million offer might be structured.

■ Cash at closing ■ Escrow ■ Rollover equity ■ Earnout (contingent)

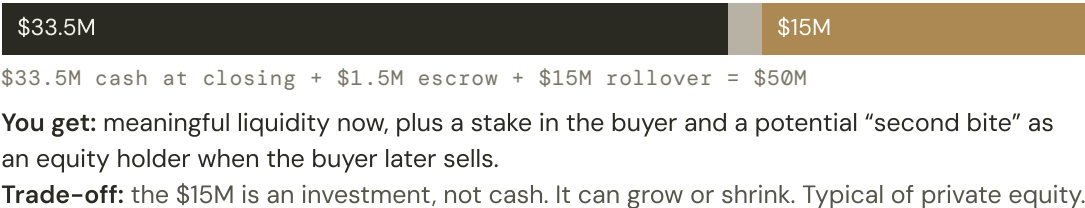
OFFER A

All cash
\$50M



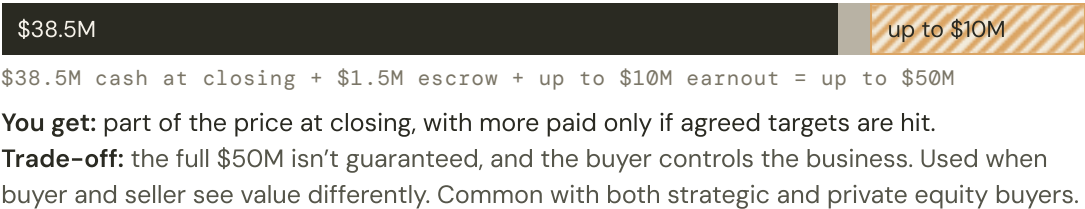
OFFER B

Cash + rollover
\$50M



OFFER C

Cash + earnout
Up to \$50M



HOW THE STRUCTURES COMPARE

	Cash at closing	Future upside	Risk you keep	Involvement after
All cash	● ● ●	○ ○ ○	● ○ ○	● ○ ○
Cash + rollover	● ● ○	● ● ●	● ● ○	● ● ○
Cash + earnout	● ● ○	● ● ○	● ● ●	● ● ●

Illustrative only. Assumes a cash-free, debt-free deal with normalized working capital and a \$1.5M escrow, typical of deals with reps and warranties insurance. Without insurance, escrows are often around 10% (about \$5M). Excludes taxes, closing adjustments and transaction and advisory fees (legal, accounting, investment banking and other advisors), which reduce what you take home. Rollover shown at deal value, not a guaranteed future amount.

From headline price to take-home cash

Most offers are quoted as enterprise value, before debt, fees and adjustments. Here's how a \$50M all-cash offer can work out.

Headline price		\$50.0M
Less debt paid off		-6.0
Less transaction and advisory fees*		-1.5
Working capital adjustment		-0.5
Escrow held back		-1.5
Cash at closing		\$40.5M
Less estimated taxes		-8.0
Net to you		\$32.5M

*Legal, accounting, investment banking and other advisor fees, typically paid at closing. Escrow is often released around 12 months after closing if no claims arise. Taxes vary widely with entity type, state and whether it's an asset or stock sale.

Four ways you can be paid

	What it is	Often	Watch for
Cash at closing	Paid when the deal closes	The majority of value	What's deducted before it reaches you
Equity rollover	Part of your proceeds reinvested in the buyer	10–30% of value	Your rights, dilution and when you can sell. Can often be tax-deferred.
Earnout	Paid only if agreed targets are hit	10–30%, over 1–3 years	How targets are defined and who controls the business
Seller note	A fixed amount paid later, usually with interest	5–20%, over 3–5 years	The buyer's ability to pay and where you rank behind lenders

Full sale

You sell 100% and exit ownership. A transition period is still common.

Majority sale (recap)

You sell control and keep a minority stake, usually through rollover. Typical of private equity.

Minority sale (recap)

You sell a minority stake and keep control. A way to take some chips off the table while you still have runway to grow.

These pieces are often combined. A majority sale might include cash, rollover and an earnout.

Terms that change what you keep

Some affect the final amount. Others stay with you after closing.

Working capital target

The price moves up or down depending on working capital delivered at closing versus an agreed target.

Escrow and holdbacks

Part of the price held to cover claims. Often around 10% without insurance; roughly 1–3% with it.

Earnout terms

Targets are measured after the buyer takes control, and many earnouts pay well below the maximum. If payment depends on you staying employed, it may be taxed as ordinary income.

Employment and transition

Owners often stay 6–24 months to support customers, staff and operations.

Asset vs. stock sale

Buyers usually prefer assets, sellers stock. One of the biggest drivers of after-tax proceeds.

Indemnification and R&W insurance

You may owe the buyer for certain losses after closing. Reps and warranties insurance can shift much of that risk.

Rollover equity rights

Share class, dilution, governance and exit terms determine what your stake is worth.

Restrictive covenants

Non-compete and non-solicit terms, often 3–5 years, limit what you can do next.

Five questions to ask about any offer

- 01 How much cash will I actually receive at closing?** After debt, fees, working capital, escrow and taxes.
- 02 How much depends on future events?** Earnouts, rollover and deferred payments, and what it takes to collect.
- 03 What risk do I keep?** Equity exposure, the buyer's ability to pay and indemnification.
- 04 What will be expected of me after closing?** Your role, authority, time commitment and how they tie to future payments.
- 05 Does the structure fit what I want next?** Financial security, family, risk tolerance and how involved you want to stay.

THE BOTTOM LINE

The highest offer isn't always the best outcome.

The right structure reflects both the value of the business and your personal and financial goals.