



M&A Insights

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Private-target M&A insights based on proprietary data from thousands of deals

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PPAs: Trends and New Insights

This issue of The Q focuses on working capital purchase price adjustments (PPAs). A decade ago, only 50% of private-target deals included them. Today, they're nearly ubiquitous. Read on for insights into PPA trends and tips on how to better prepare pre-closing.

- **Important trends:** The median size of a PPA has increased to about 1% of transaction value for the last two years, yet nearly one-quarter (24%) of buyer claims exceed that amount. [The 2025 SRS Acquiom M&A Working Capital Purchase Price Adjustment Study](#) reveals more.
- **Expert tips:** Learn about nuanced working capital challenges for better negotiations in [Purchase Price Adjustments: Insider Tips for Better M&A Merger Agreements](#).
- **Set for success:** Get our checklist of the top 5 things to watch for when crafting a PPA provision in [Working Capital Purchase Price Adjustment Mechanics — Avoid Costly Disputes](#).



On your next M&A agreement, specify which working capital financial metrics to include or exclude.”

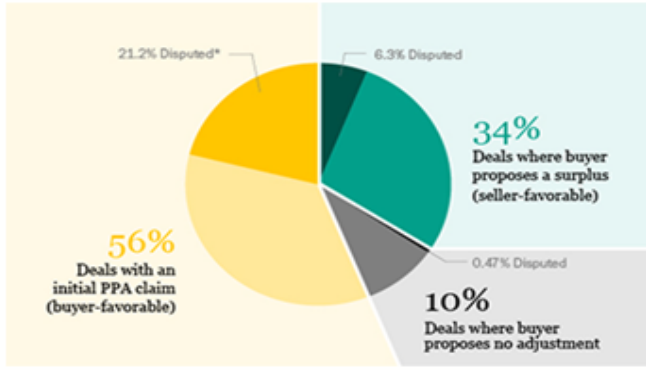
Paul Eastwood

SENIOR FINANCE DIRECTOR, SHAREHOLDER ADVISORY

90% Chance of PPAs

The [2025 SRS Acquiom M&A Working Capital Purchase Price Adjustment Study](#) of more than 1,200 private-target deals uncovers key insights:

- **More than 90% of private-target M&A transactions today include a PPA, up from 50% just 10 years ago.** PPA negotiations and customization of provisions are also on the rise.
- **75% of deals with a PPA have a separate PPA escrow.** There is no “right size” for PPA escrows, but they tend to be about 1% of the transaction value.
- **Sellers accepted a buyer’s PPA calculations about 70% of the time.** Median claim resolution timeframe was about two months.

PPA Claims and Surpluses:
Buyer Initial Calculations and Sell-side Reviews

Sellers (often via the shareholder representative) dispute approximately 30% of the buyer’s proposed PPA.

READ THE REPORT

The Experts’ Take on PPAs

[Purchase Price Adjustments: Insider Tips for Better M&A Merger Agreements](#) offers ideas for avoiding costly issues post-closing:

- **Consider “deemed-final” provisions:** Ensure the contract defaults to sellers’ estimated pre-closing calculations in case the buyer is late delivering the PPA.
- **Monitor accounts receivable windfalls:** Buyers can benefit by collecting excluded accounts receivable after the PPA is negotiated. Define the working capital adjustment period to account for this loophole.
- **Avoid a second bite at the apple:** If a buyer-proposed adjustment is ruled in favor of the selling shareholders, buyers can revisit the issue as a breach of a representation. Avoid time-consuming conflicts by adding language that the PPA is the exclusive remedy.

GET THE INSIDE SCOOP

PPA Provisions: Best Practices

Craft effective PPA provisions that minimize post-closing disputes with our article [Working Capital Purchase Price Adjustment Mechanics — Avoid Costly Disputes](#):

- **Calculate working capital** based on the target’s business and use that method consistently in the PPA.
- **Clearly define PPA terms** for smoother communication and effective deal documentation.
- **Select a custom accounting schedule** instead of relying on GAAP or past practices to prevent future misunderstandings.



A sample working capital PPA calculation attached as an exhibit or a schedule to the agreement can also help avoid misunderstandings or misinterpretation.”

Casey McTigue

MANAGING DIRECTOR, PROFESSIONAL SERVICES GROUP

AVOID COSTLY ISSUES

Go Further

- [The Working Capital Adjustment M&A Checklist and Guidelines](#) has all the best practices for a well-crafted PPA.
- Can PPAs be avoided? Find out in [Optimizing Outcomes for M&A Post-Closing Purchase Price Adjustments and Net Working Capital](#).
- **Get your advance copy of the [2025 M&A Deal Terms Study](#)** for the latest trends on PPAs, earnouts and more. Register to receive your copy next month before its release to the public.

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