M&A Earnout and Milestone Trends

Earnouts and milestones continue to play a significant role in private-target M&A, with both long-term and recent trends highlighting their growing use. Earnout use continues to increase as valuation gaps persist and buyer behavior evolves. While historical norms have been closer to 15%, earnouts appear in 24% of 2025 deals (excluding life sciences), more than 75% of 2025 biotechnology/pharmaceutical transactions, and have increased in prevalence among other private-target M&A sectors, including technology, energy, and manufacturing.

As a professional shareholder representative, SRS Acquiom has unique insight into how these earnouts ultimately perform and our exclusive data provides valuable insight for sellers and buyers alike. Drawing on four proprietary SRS Acquiom studies and more than 4,000 deals closed through 2025, this summary highlights key trends across sectors and deal types.

Percentage of Deals (excluding life sciences) Including an Earnout or Milestones

2025 DEALS VS. 2014–2022 DEALS

M&A Category	2025 Deals	2014–2022 Deals
All Deals*	**24%**	17%
Biotechnology/Pharmaceutical Targets	**78%**	72%
Healthcare Services Targets	**37%**	26%
Tech Targets	**22%**	14%
Lower Middle-Market Deals (deals valued at $50M or less)*	**30%**	23%
Jumbo Deals (deals valued at more than $750M)*	**6%**	5%
U.S. Public Buyers	**18%**	15%
U.S. Private Equity Buyers	**24%**	13%

Source: 2026 SRS Acquiom M&A Deal Terms Study

**Excludes Life Sciences deals.*

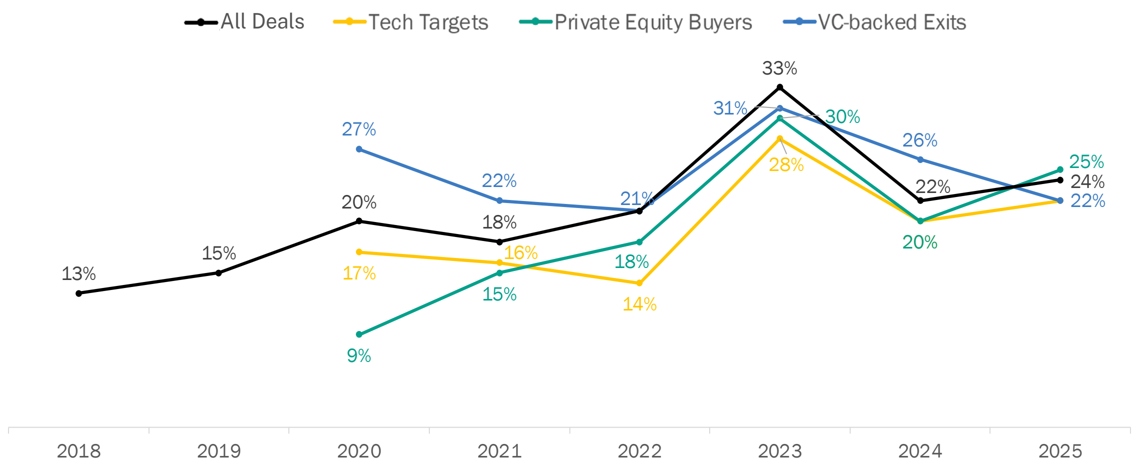
1 Earnout Structures on the Rise

M&A sectors other than life sciences continue to experience a higher prevalence of earnouts. Higher-valuation targets often attract greater interest from both private equity and strategic buyers, but that attention can come with an earnout structure. Understanding current market trends can help dealmakers set realistic expectations for earnout structures and outcomes.

Historically, deals involving private equity buyers or technology targets have been less likely to include earnouts. In 2025, however, both categories saw modest increases. Earnout use in VC-backed exits has varied over time and generally remains at or above the rate for all non-life sciences deals. In recent years, VC-backed technology exits have included fewer earnouts, consistent with market demand for early-stage AI and blockchain companies.

Earnouts (Non-Life Sciences Deals)

EARNOUT INCLUDED (2014-2025 DEALS)



Source: 2026 SRS Acquiom M&A Deal Terms Study and prior-year studies and MarketStandard.®

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To learn more about earnout structures and which buyer types use them more, see the 2026 SRS Acquiom M&A Deal Terms Study and MarketStandard.®

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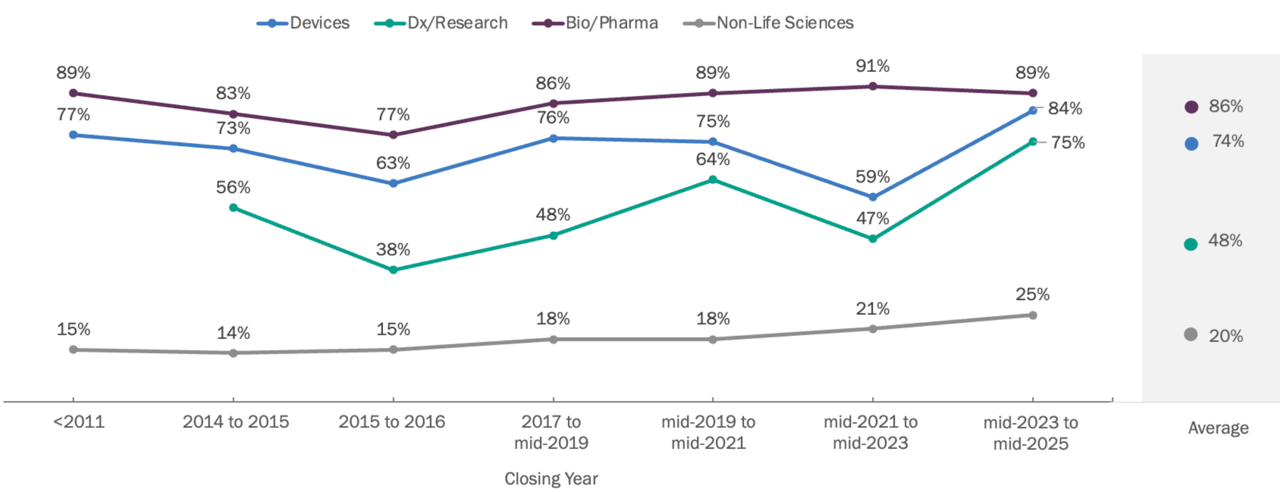
2 M&A Continues to Learn From Life Sciences Deals

Milestones are a critical and highly specialized element of Life Sciences transactions, particularly deals involving biotechnology, pharmaceutical, medical device, and diagnostic companies. Because milestones are common in Life Sciences deals, buyers' diligence obligations — particularly Commercially Reasonable Efforts — have drawn increased attention following recent Delaware court decisions. Although Life Sciences and non-life sciences transactions differ significantly, these developments are beginning to influence negotiations beyond the life sciences sector. Interestingly, milestone achievement rates remain similar across both (see section four of this summary sheet).

Life Sciences M&A: Frequency of Milestones

PERCENT OF DEALS WITH AN EARNOUT — LIFE SCIENCES SECTORS AND OTHER INDUSTRIES



Source: 2025 SRS Acquiom Life Sciences M&A Study

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Download the 2025 SRS Acquiom Life Sciences M&A Study for detailed analysis, including development stages, commercial milestones like "biobucks," and sub-industries.

3 More Earnouts and More Dollars at Play for Lower Middle-Market Deals

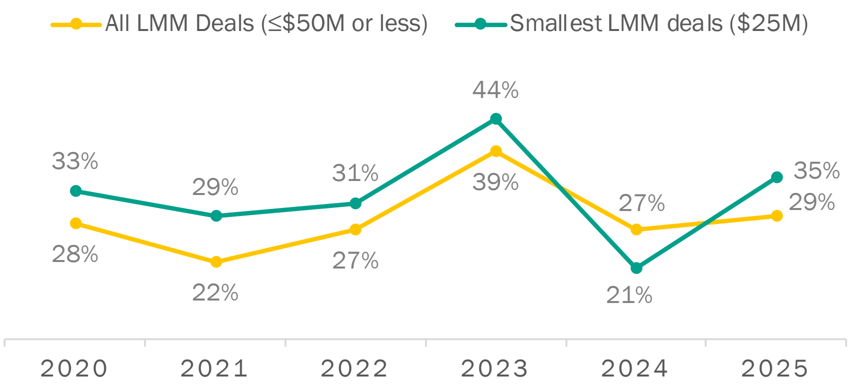
Lower middle-market deals with upfront payments of $50 million or less — especially those of $25 million or less — are more likely to include earnouts tied to a larger share of total transaction value.

LMM deals see lower earnout achievement rates as well, with a median of 43 cents on the dollar for those LMM deals with any level of earnout achievement. Larger deals, with upfront payments exceeding $50 million and any level of success on the earnout, saw a materially higher 67 cents on the dollar paid. Because lower middle-market transactions account for 40% of deal volume, they provide meaningful insight into the broader market.

Earnouts (Non-Life Sciences Deals)

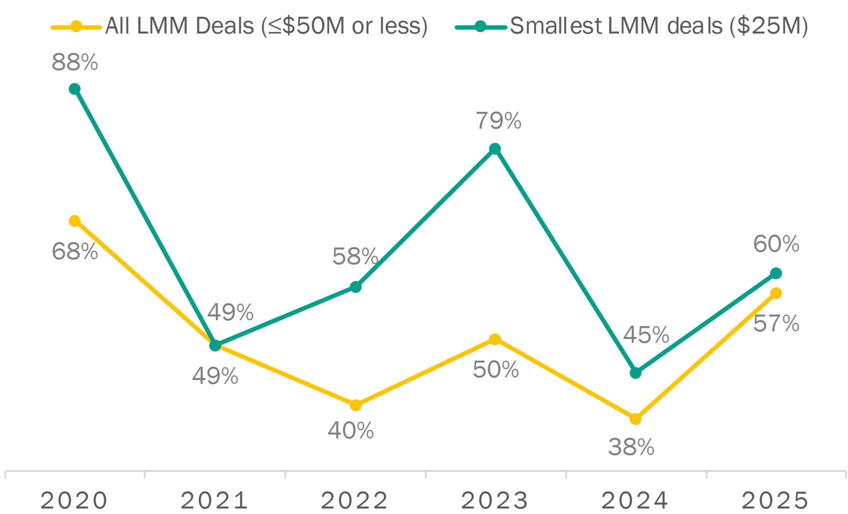
Subset: Lower Middle-Market Deals (2020–2025)

EARNOUT INCLUDED (NON-LIFE SCIENCES DEALS)



Subset: Lower Middle-Market Deals (2020–2025)

MEDIAN EARNOUT POTENTIAL AS A PERCENTAGE OF CLOSING PAYMENT*



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To learn more about earnouts for Lower Middle-Market deals, see the 2026 Lower Middle-Market Deals report.

* *Calculated as the sum of potential earnout payments over the amount paid at closing (including escrowed amounts).*

Source: 2026 SRS Acquiom Lower Middle-Market Deals report.

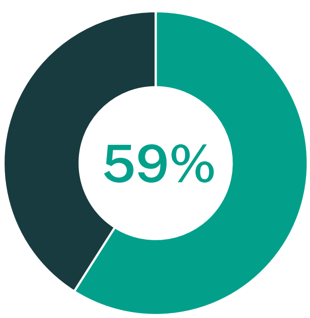
4 Earnouts and Milestones Are a Cautionary Tale

Most earnouts achieve at least some level of success. In those transactions, sellers typically receive about 50 cents on the dollar. However, deal size and target industry can be major factors. Overall, sellers receive approximately one in five potential earnout dollars across all earnout transactions. The details in negotiating and drafting the contractual provisions matter. Having the latest deal terms and outcome data from SRS Acquiom will help inform the process.

Milestone Achievement Overview

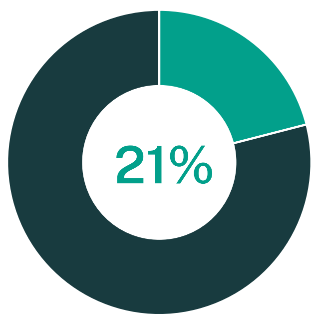
Private-Target M&A Deals (excluding life sciences)

PERCENTAGE OF DEALS WHERE SOME AMOUNT (PARTIAL OR FULL) WAS PAID OUT ON THE EARNOUT*



Deals

PERCENTAGE OF AGGREGATE MAXIMUM EARNOUT POTENTIAL PAID TO DATE

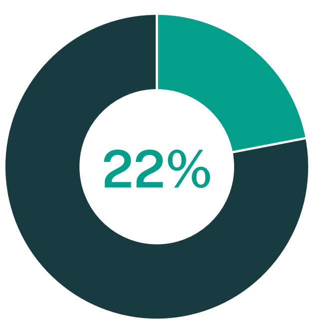


Dollars

*See the 2024 SRS Acquiom M&A Claims Insights Report for details on the dataset of 100 private-target transactions with an earnout closed between 2021 and mid-2024.

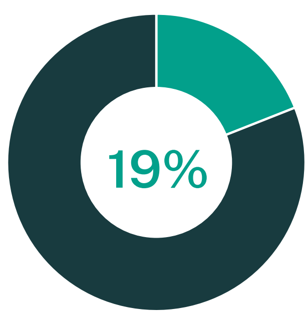
Private-Target Life Sciences M&A Deals (biotechnology, pharmaceutical, medical devices, diagnostic tools, and research)

PERCENTAGE OF MILESTONE EVENTS† WITH ANY LEVEL OF SUCCESS



Milestone Events

PERCENTAGE OF MILESTONE† DOLLARS PAID



Milestone Dollars

†Excludes milestones not yet deemed due. See the 2025 SRS Acquiom Life Sciences M&A Study for more information on the dataset of nearly 350 Life Sciences deals closed since 2008.

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To learn more about milestones not yet deemed due for all private-target deals, see the 2024 SRS Acquiom Claims Insights Report. For life sciences transactions, see the 2025 SRS Acquiom Life Sciences M&A Study.

ABOUT THE AUTHOR

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Kip is a senior director leading the SRS Acquiom thought leadership practice, the mission of which is to share resourceful content built from SRS Acquiom expertise and proprietary data. In addition to facilitating scores of interactive presentations at M&A conferences and law firms, Kip authors a plethora of articles and data studies regularly utilized by the market.

Previously, Kip was a part of the SRS Acquiom Transactional Group, where he collaborated with clients and counsel to negotiate M&A documents including purchase, escrow, payments, and other transactional agreements. Before joining SRS Acquiom, he was an attorney with a Denver-based boutique business law firm working on middle-market M&A deals.

Kip holds J.D. and M.S. (Econometrics) degrees and is a member of the Colorado bar.

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