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2026 M&A Earnouts & Claims Study

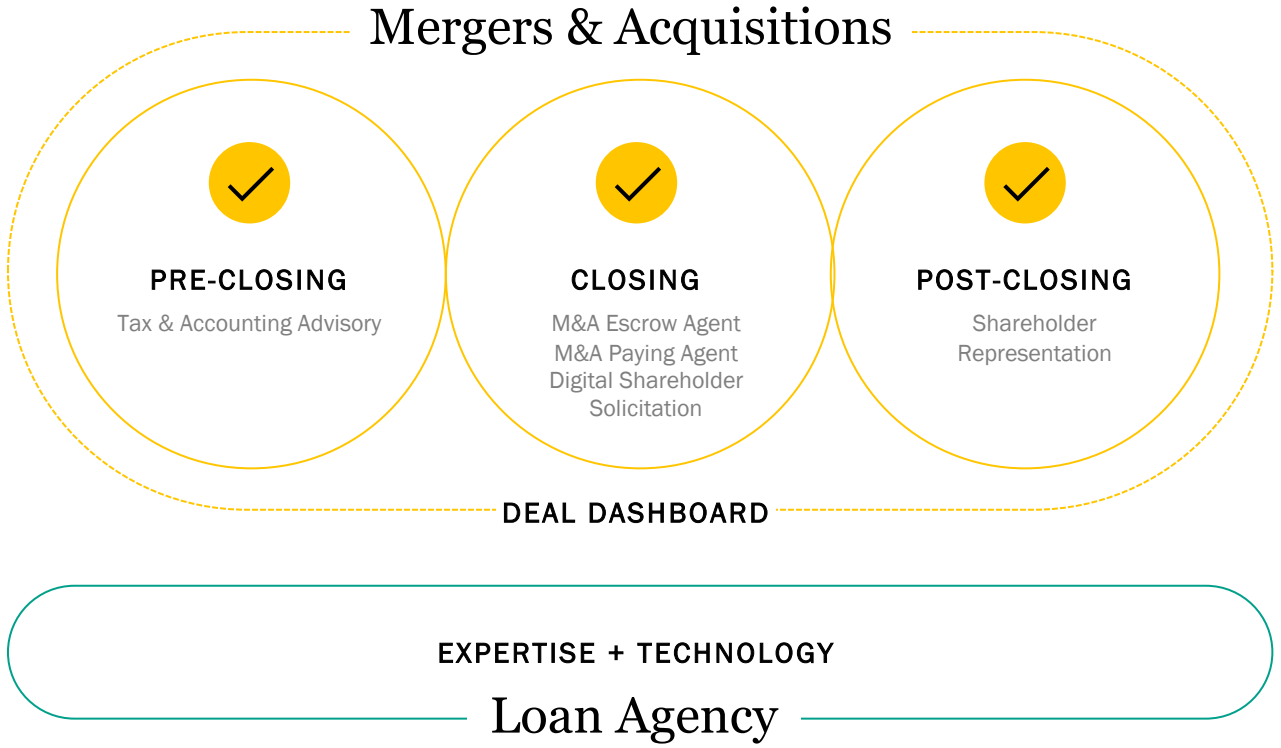
An experience-driven analysis of the level of earnout achievement and incidence of post-closing indemnification claims against an escrow for deals with private targets

Please direct inquiries to: claimsstudy@srsacquiom.com

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Comprehensive Suite of Solutions

SRS Acquiom delivers the smartest way to run a deal™ with solutions that reduce the administrative burden.



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The Smartest Way to Run a Deal™

Since 2007, we have helped sophisticated deal parties reduce administrative drag, enabling them to focus on building great businesses and maximizing value.

12,000+
deals engaged on to date

$2.2T+
aggregate deal value

680K+
shareholders represented* in 150+ countries

4,000+
total indemnification claims resolved

$3.9B+
total value of contested claims

$2.5B+
total amount of contested claims SRS Acquiom has returned to shareholders

$130B+
aggregate potential earnout value†

1,000+
deals with contingent consideration: earnouts, milestones, and contingent value rights (CVRs)†

$2B+
Total amount of contested earnout and milestone payments SRS Acquiom negotiated on behalf of shareholders†

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** As post-closing shareholder representative.*
† Includes life sciences deals.

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About the proprietary data in the

2026 M&A Earnouts and Claims Study

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The three datasets in this study collectively analyze 1,174 private-target acquisitions valued over $1T, closed between 2009 and mid-2026, the majority of which closed in the last three years.

Private-target M&A Earnouts

199
private-target deals

405
metrics or triggers

Earnout deals closed since 2021 with a completed performance period and no pending disputes

Excludes life sciences deals*

Expense Fund Utilization

870
private target deals

$202M
in total funds

Deals closed since 2022 with fully distributed expense funds

Indemnification Claims

587
private-target deals

366
indemnification escrow claims

Deals where the indemnity escrow was fully released between Q3 2024 and Q2 2026

Excludes "no indemnity" deals

WHY OUR REPORT IS UNIQUE

- SRS Acquiom provided professional and financial services on these deals; the vast majority of these are not publicly reported.
- As shareholder representative, we have access to seller management, shareholders, and all deal documents. We manage all post-closing matters with an in-house team of attorneys, accountants, paralegals, and other M&A experts.
- See slide 36 for additional disclosures.

* *Learn more from the SRS Acquiom Life Sciences M&A Study.*

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Key Findings: By the Numbers

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Private-Target M&A Earnouts

52%	**Percent of earnout deals (excluding life sciences) with any amount paid (i.e. any level of success).**	However, payment is often only cents on the dollar of maximum earnout potential.	SLIDE 9 >
74%	**Percent of earnouts with a performance period of one year or less that had any level of success.**	Longer performance periods saw lower levels of success.	SLIDE 12 >

Post-Closing M&A Indemnification Claims

28%	**Percent of deals with a post-closing indemnification claim.**	Whether a deal has M&A transactional insurance matters; deals with RWI identified see significantly more claims.	SLIDE 19 >
38%	**Percent of breach of seller representations and warranties claims for tax related matters.**	Sales and Use Taxes continue to be a pain point that often lasts beyond closing.	SLIDE 18 >
48% **47%**	**Average and median percent of the indemnity escrow claimed for breach of the customer contracts seller rep.**	Similar average and median claim sizes is notable; typically, the median is much lower.	SLIDE 21 >
2.5%	**Percent of deals with post-closing indemnification claims with at least one claim ending in a trial or arbitration decision.**	Full resolution of any claims via litigation or arbitration remains rare; only 0.5% of all deals.	SLIDE 30 >

NEW DATA POINT

"New Data Point" buttons appear on all slides featuring new data points throughout this study.

KEY FINDING

Click on the "Key Finding" button throughout the study to return to this page.

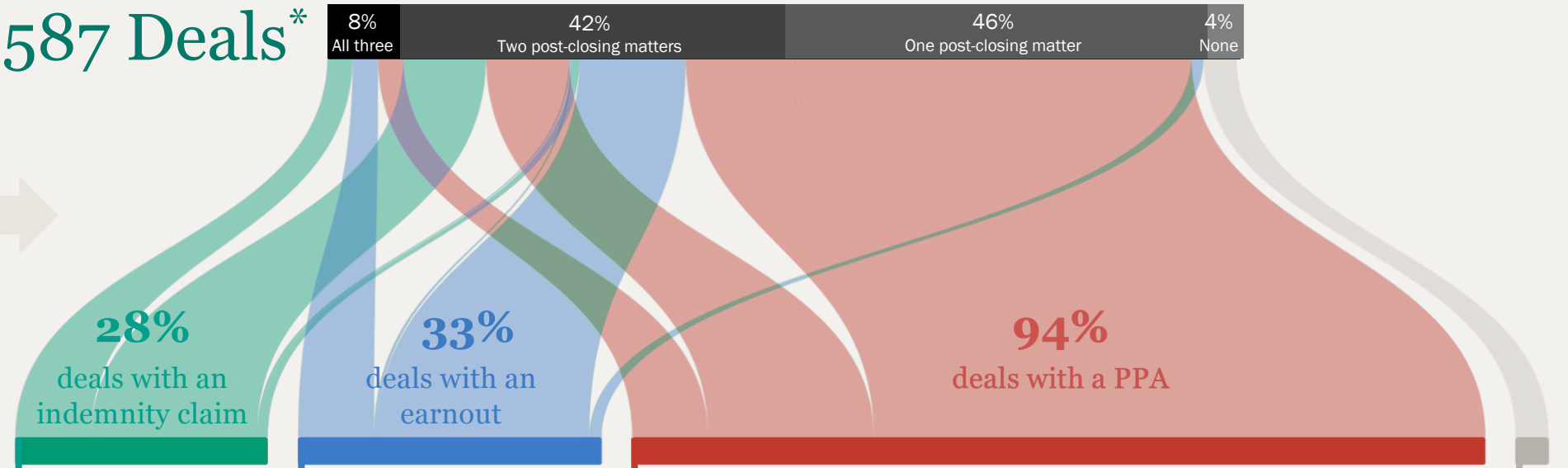
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Almost All Private-Target M&A Deals Have a Post-Closing Matter

96% of private-target M&A transactions have a post-closing matter (post-closing indemnification claim, earnout, or PPA)

50% of private-target M&A deals have two or more post-closing matters

587 Deals*



1,300 Post-Closing Matters

366 Claims

See the "Indemnification Claim Activity" section in this study. Collectively with past reports—the 2024 M&A Claims Insights Report and 2022 M&A Claims Insights Report—SRS Acquiom has analyzed claims from over 2,100+ private-target M&A transactions.

400+ Earnout Milestones/Metrics

For Earnout Achievement insights: Core M&A (non-life sciences) in this study, and the 2025 SRS Acquiom Life Sciences M&A Study.

551 Purchase Price Adjustments (PPAs)

See the 2026 SRS Acquiom Working Capital Purchase Price Adjustments Study for data on PPA adjustment outcomes and disputes.

No Post-Closing Matters

*For illustrative purposes, the dataset used for the indemnification claims analysis in this study is presented here to demonstrate the volume and interplay among post-closing matters representative of all private-target M&A deals.

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Private-Target M&A Earnouts
Achievement and Disputes

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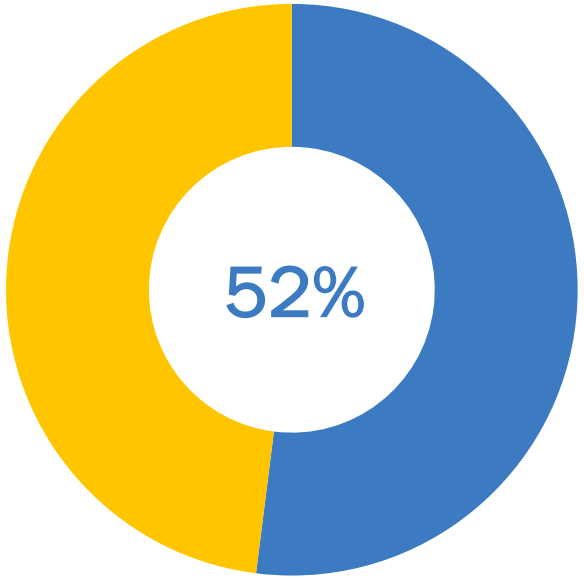
Earnout Achievement Overview

Excluding Life Sciences Deals

KEY FINDING

EARNOUT ACHIEVEMENT

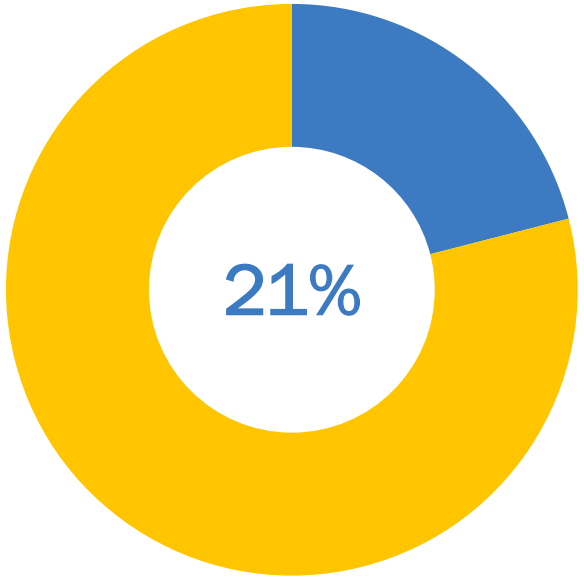
Deals in this dataset where some amount (partial or full) was paid out on the earnout.



Deals

EARNOUT POTENTIAL

Percentage of aggregate maximum earnout potential paid to date.



Dollars

For more information, see the SRS Acquiom article:

How to Structure Earnouts in M&A

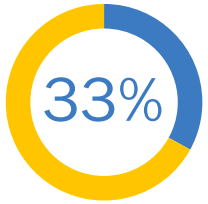
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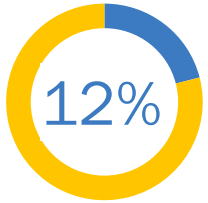
Earnout Achievement Overview

Excluding Life Sciences Deals

EARNOUT ACHIEVEMENT



Percent of deals in this dataset where sellers contested* the earnout



Percentage of earnout payments paid as a result of renegotiations

ADDITIONAL DETAILS

199	Number of deals with an earnout due in this dataset (excluding Life Sciences deals, “this dataset”)
$25.5B	Aggregate transaction value of the deals in this dataset
$6B+	Aggregate potential earnout payments for deals in this dataset
33%	Percent of deals in this dataset where sellers contested* the earnout
35%	Percentage of deals with a contested earnout where sellers were successful (payment amount increased)
$157M	Aggregate additional earnout payments as a result of renegotiations
3%	Percent of deals with a contested earnout that was fully resolved via litigation or arbitration to final judgment

** At least in writing to the buyer: please note this dataset excludes pending earnouts such as contested earnouts that are not yet resolved.*

For more information, see the SRS Acquiom success stories:

Professional Shareholder Representation Services Success Stories

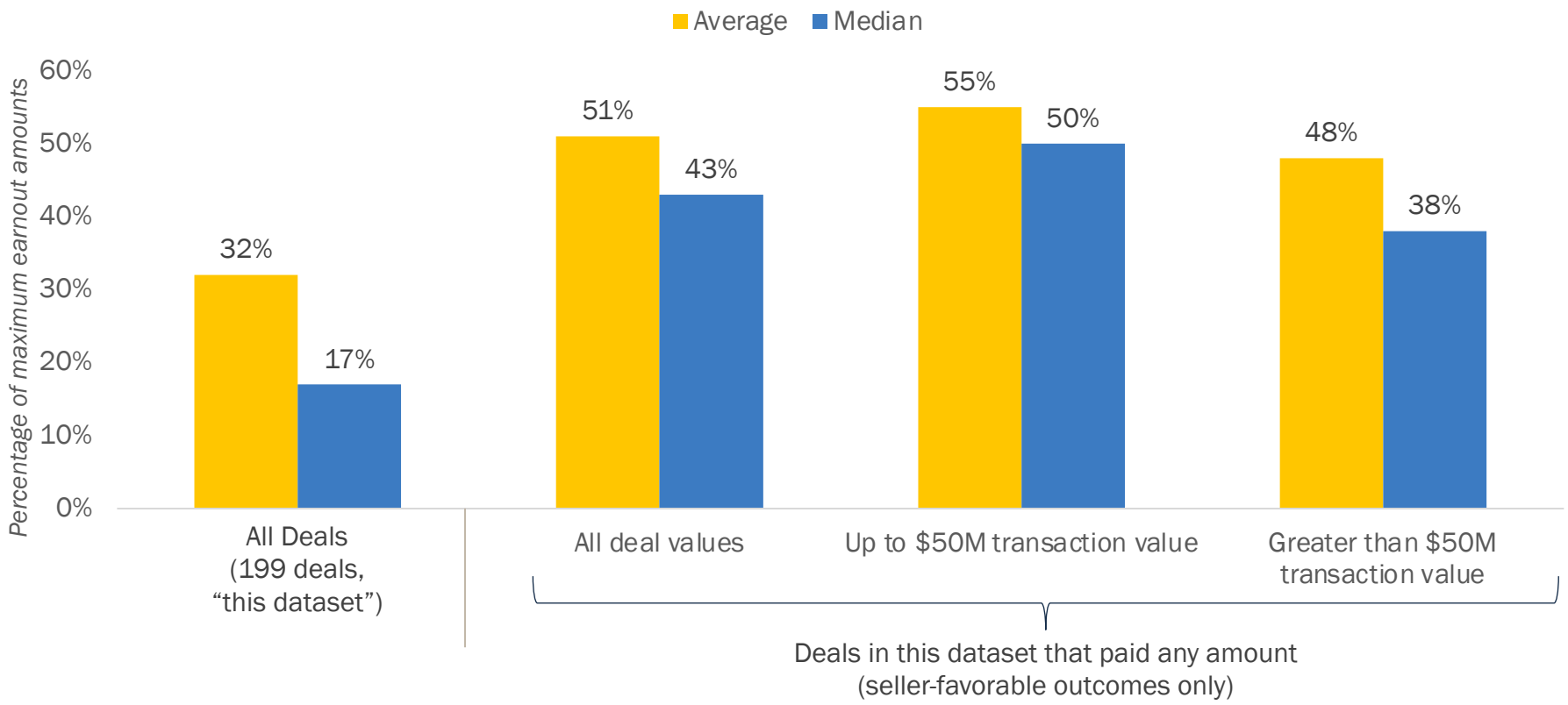
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Earnout Achievement Detail

Excluding Life Sciences Deals

EARNOUT ACHIEVEMENT RATES, AS A PERCENTAGE OF MAXIMUM POTENTIAL PAYMENT AMOUNTS, BY CATEGORY



For more information, see the SRS Acquiom article:

A Review of Earnouts in M&A Transactions

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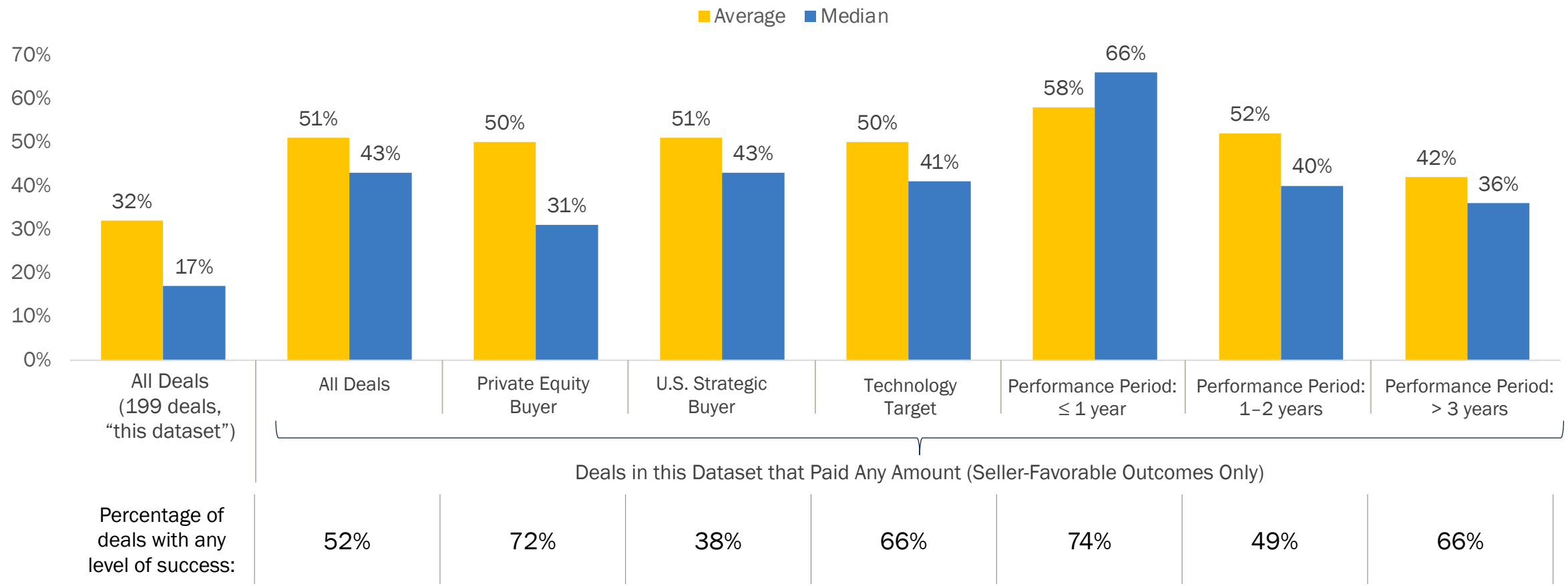
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Earnout Achievement Detail

Excluding Life Sciences Deals

KEY FINDING

EARNOUT ACHIEVEMENT RATES, AS A PERCENTAGE OF MAXIMUM POTENTIAL PAYMENT AMOUNTS, BY CATEGORY



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Expense Fund
Utilization

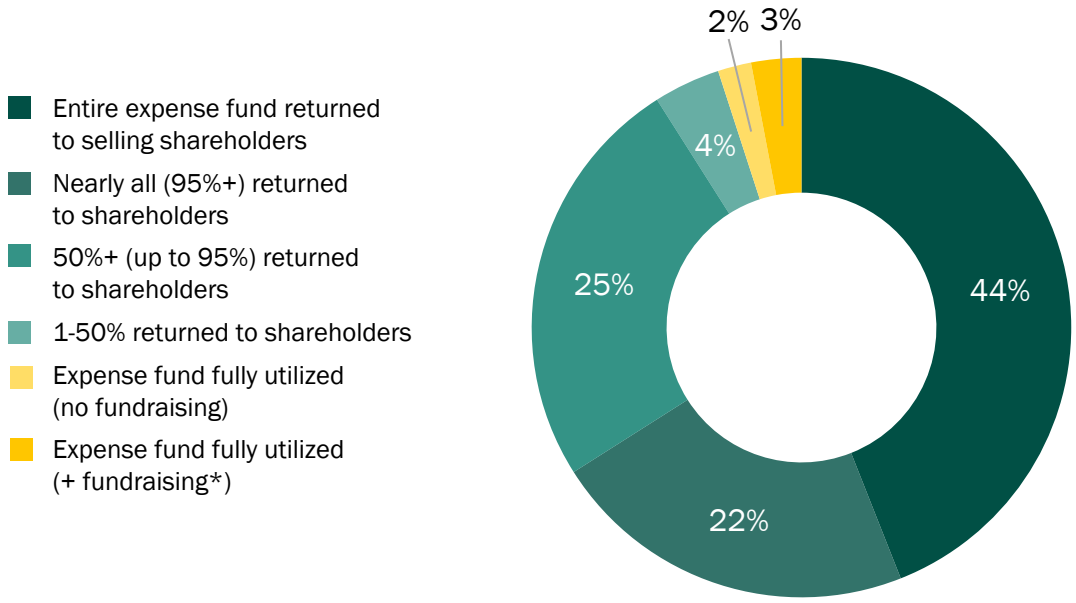
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Expense Fund Utilization*

HOW OFTEN ARE EXPENSE FUNDS FULLY UTILIZED?

95% of deals had some or all of the expense fund returned to the shareholders.



HOW OFTEN IS NEARLY THE ENTIRE EXPENSE FUND RETURNED TO SELLERS?

Percentage of expense funds returned to selling shareholders:

	ALL DEALS	RWI IDENTIFIED DEALS	NO RWI IDENTIFIED DEALS
Average	87.3%	85.9%	88.3%
Median	99.4%	98.6%	99.8%

* The need for fundraising was either a result of too small of an initial amount or exhausting the expense fund to defend claims. Fundraising is an arduous process, often resulting in major and key investors contributing a disproportionate amount.

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Indemnification
Claim Activity

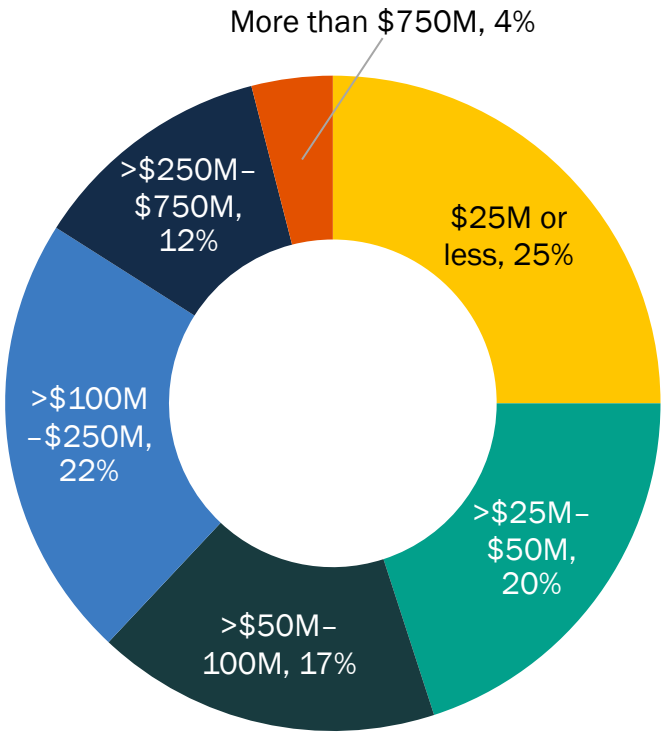
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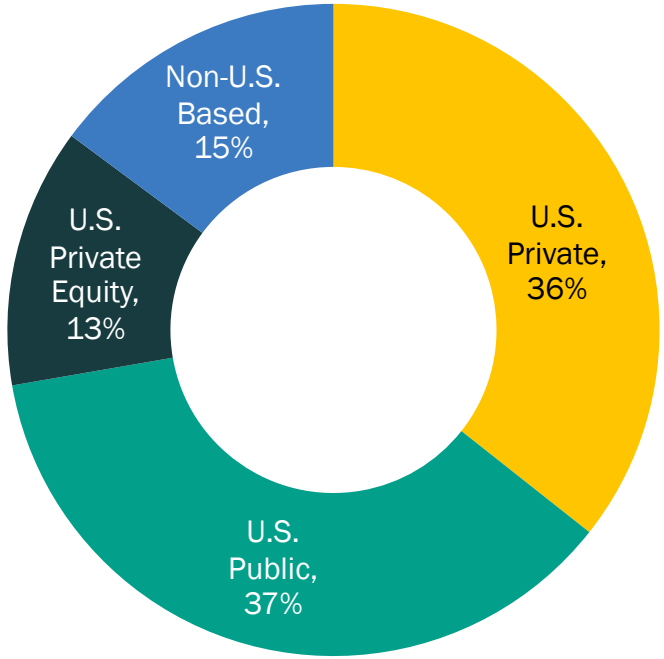
Indemnification Claims Deal Set Overview:

587 Deals by Transaction Value and Buyer Type

TRANSACTION VALUES*



BUYER TYPES



** The term "transaction values" includes escrowed amounts but does not include potential earnout consideration.*

Due to rounding, percentages may not total 100% throughout this study.

For more information, see the SRS Acquiom article:

M&A Escrows: What You Need to Know

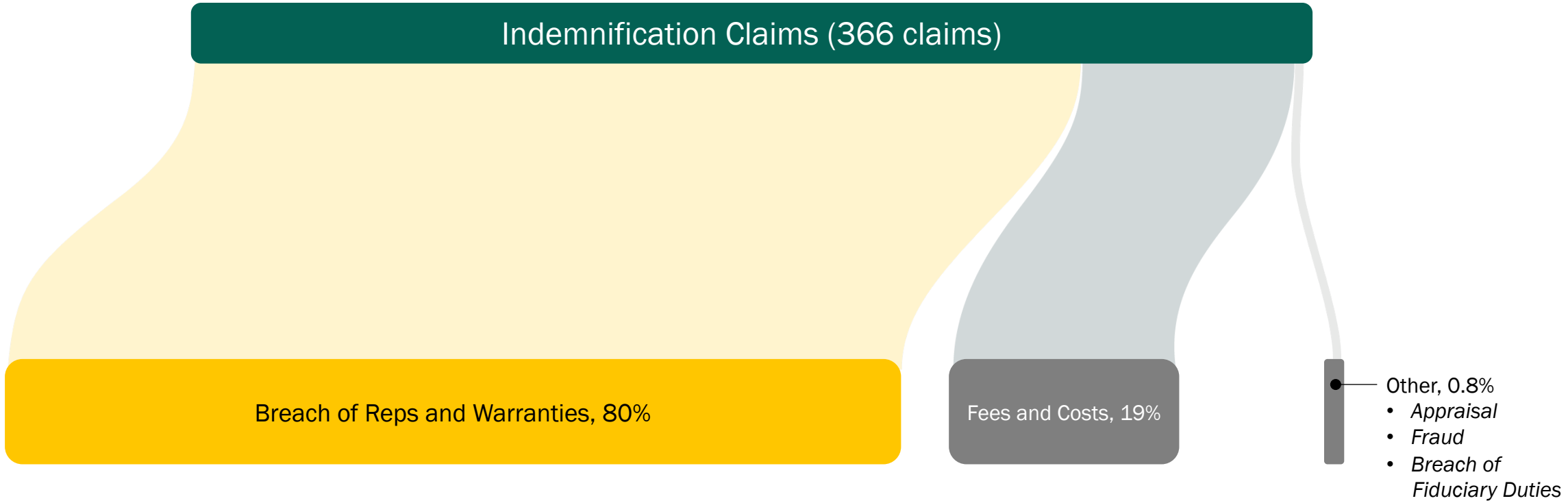
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Indemnification Claims Data Detail:

366 Claims Against an Indemnification Escrow (or Other Source of Recovery)

BREACHES OF REPS & WARRANTIES MAKE UP 80% OF CLAIMS AGAINST THE INDEMNITY ESCROW; FEES & COSTS OFTEN RELATE TO SUCH BREACH CLAIMS



Due to rounding, percentages may not total 100% throughout this study.

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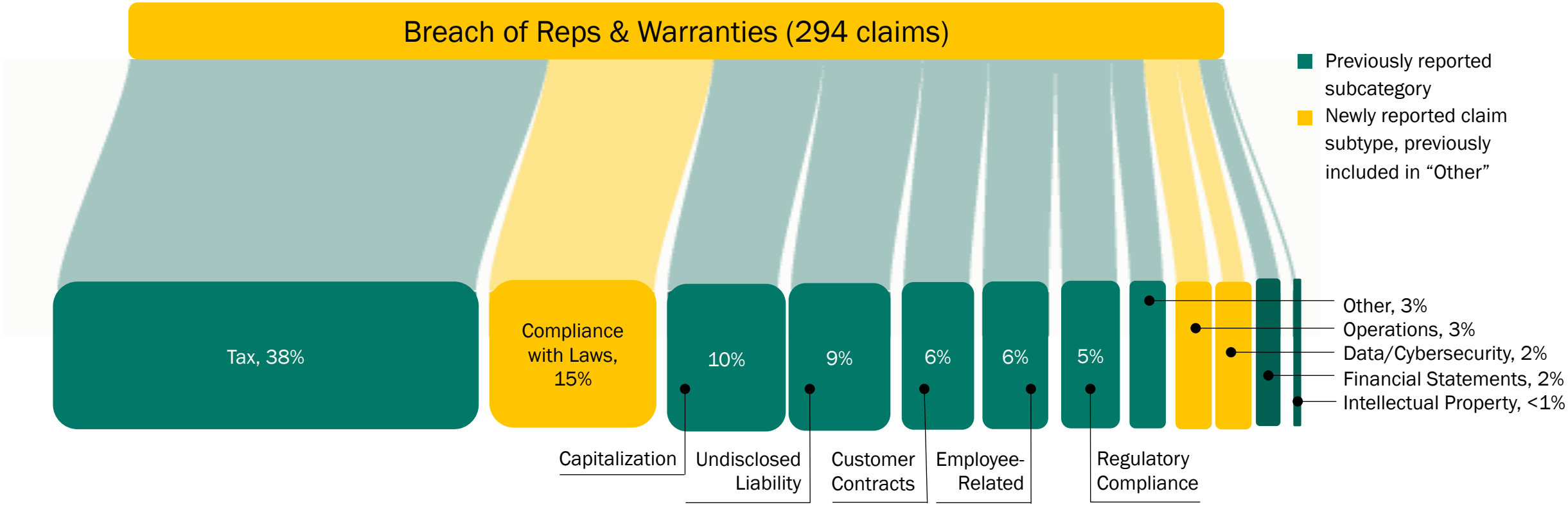
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Breach of Reps & Warranties Claims by Subcategory

KEY FINDING

NEW DATA POINT

WHERE THE 294 REPS & WARRANTIES CLAIMS FALL BY SUBJECT MATTER



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Claims Frequency

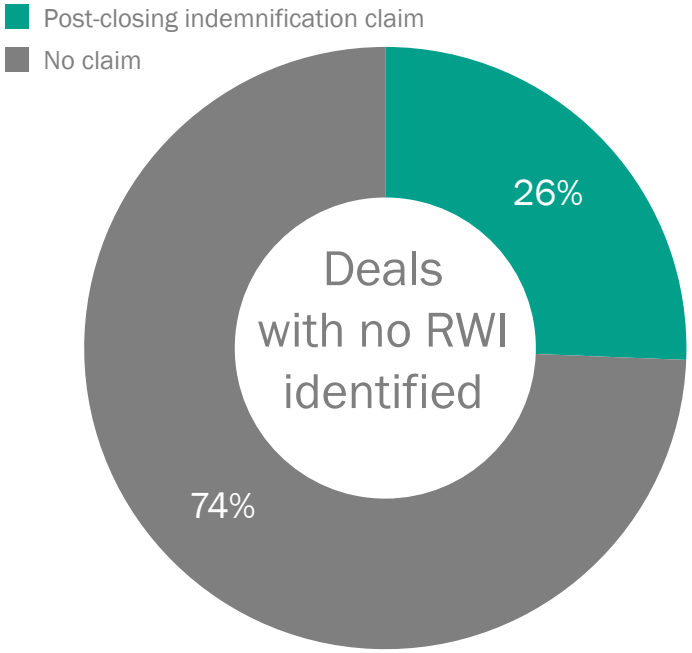
"3 in 10 Deals" Does Not Tell the Whole Story

KEY FINDING

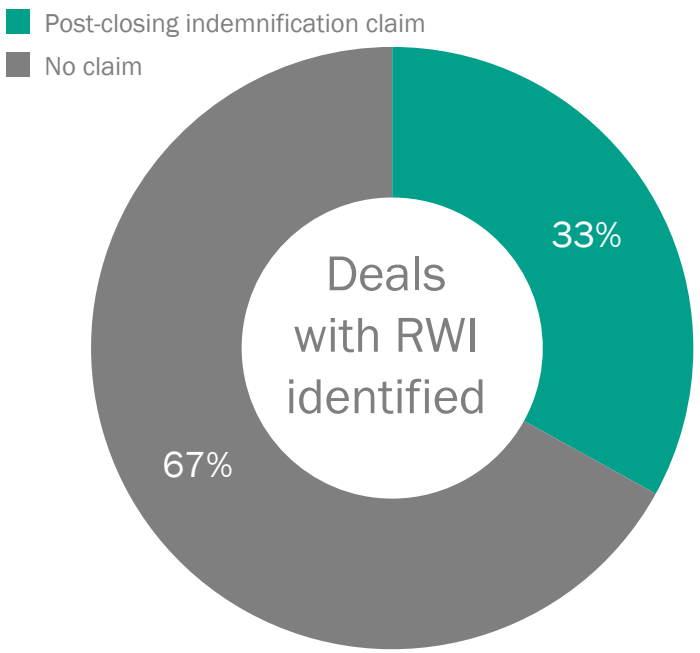
NEW DATA POINT

28% Percent of deals with a post-closing indemnification claim

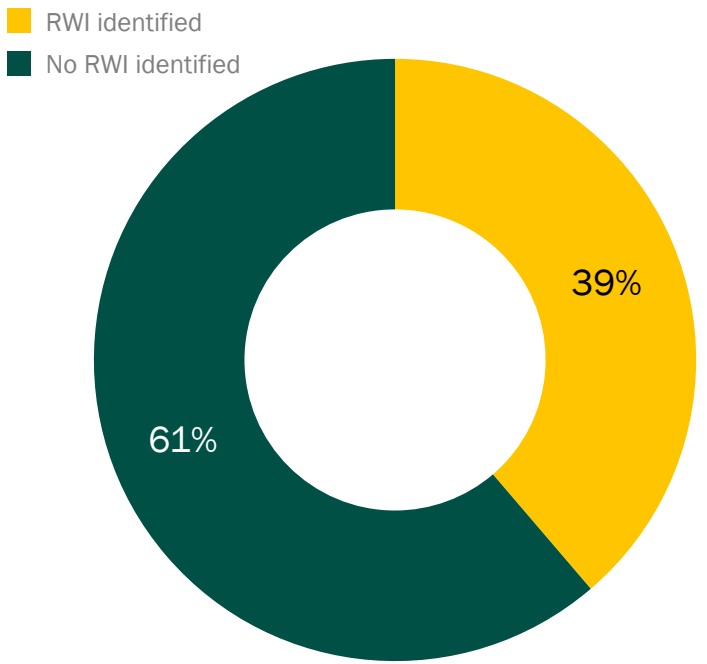
NO RWI IDENTIFIED—CLAIM FREQUENCY



RWI IDENTIFIED—CLAIM FREQUENCY



ALL DEALS—RWI FREQUENCY



29% Deals with RWI identified are 29% more likely to experience a claim than deals with no RWI identified.

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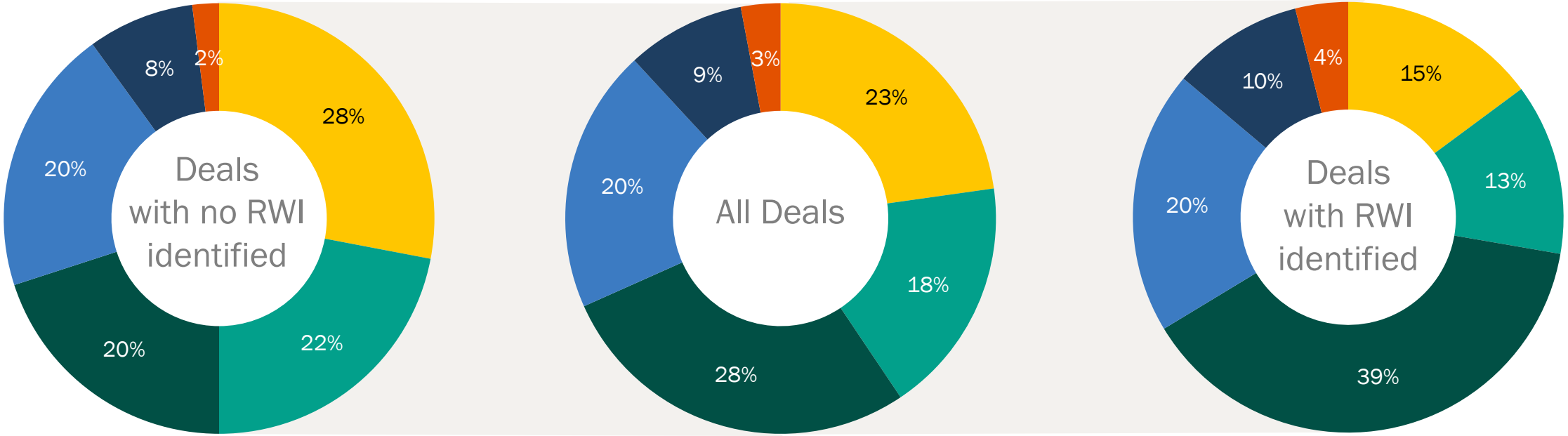
Indemnification Claim Sizes

All Deals, Including a Comparison of Deals With and Without RWI Identified

NEW DATA POINT

DEALS WITH NO RWI IDENTIFIED | ALL DEALS | DEALS WITH RWI IDENTIFIED

Up to $50K | >$50K–$150K | >$150K–$500K | >$500K–$2M | >$2M–$10M | >$10M



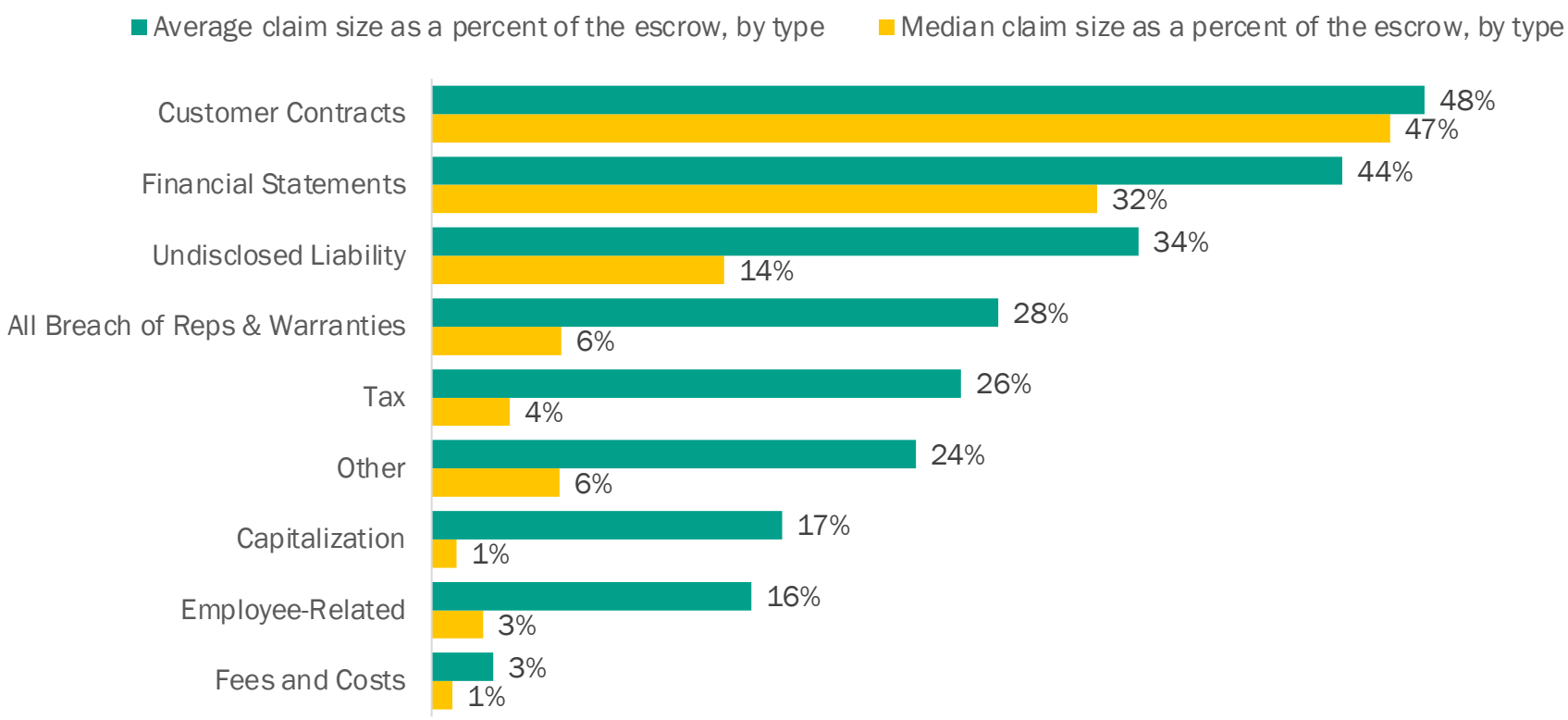
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Indemnification Claim Sizes Relative to the Escrow

All Deals

KEY FINDING

AVERAGE AND MEDIAN CLAIM SIZE AS PERCENTAGE OF THE INDEMNITY ESCROW, BY CLAIM TYPE



Note: There was insufficient data for claims regarding appraisal, fraud, and breaches of the compliance with laws, data or cybersecurity, intellectual property, operations, and regulatory compliance reps.

For more information, see the SRS Acquiom article:

The Importance of M&A Tax Advisory for Your Next Deal

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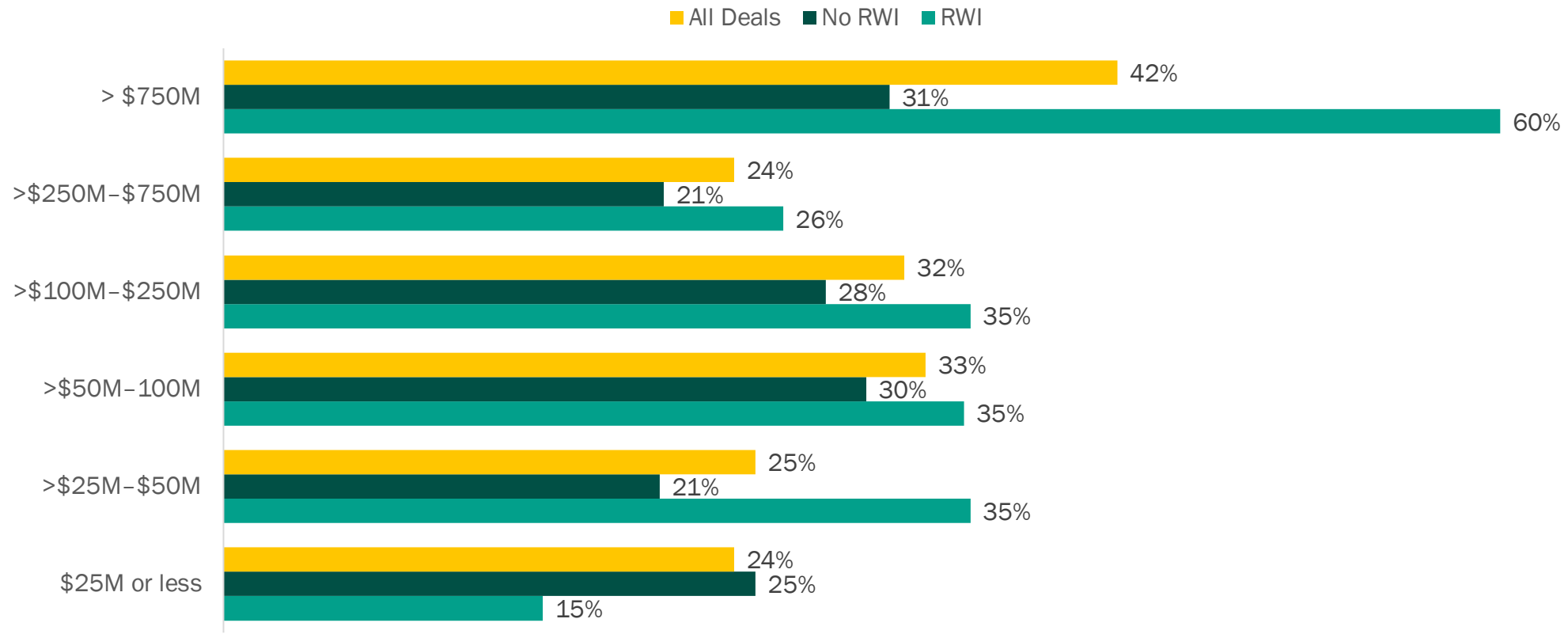
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Indemnification Claim Frequency by Transaction Value

All Deals, Including a Comparison of Deals With and Without RWI Identified

NEW DATA POINT

PERCENTAGE OF DEALS WITH A CLAIM, BY TRANSACTION VALUE



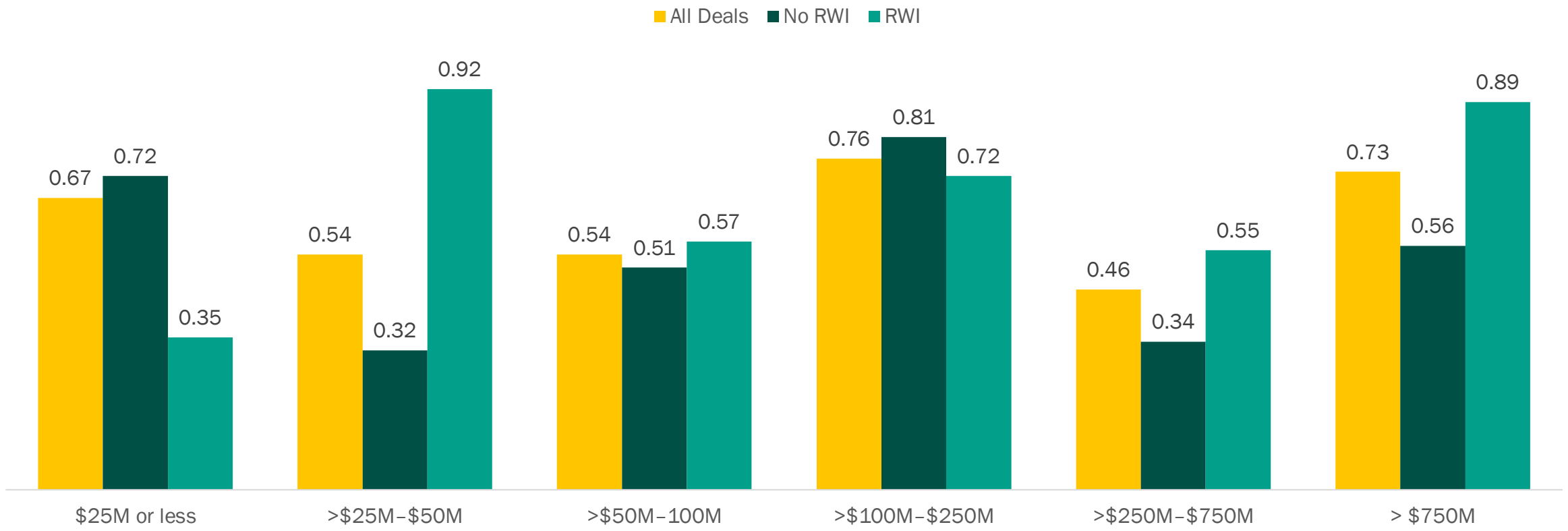
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Number of Indemnification Claims by Transaction Value

All Deals, Including a Comparison of Deals With and Without RWI Identified

NEW DATA POINT

AVERAGE NUMBER OF CLAIMS PER DEAL, BY TRANSACTION VALUE*



** Including deals with no claims.*

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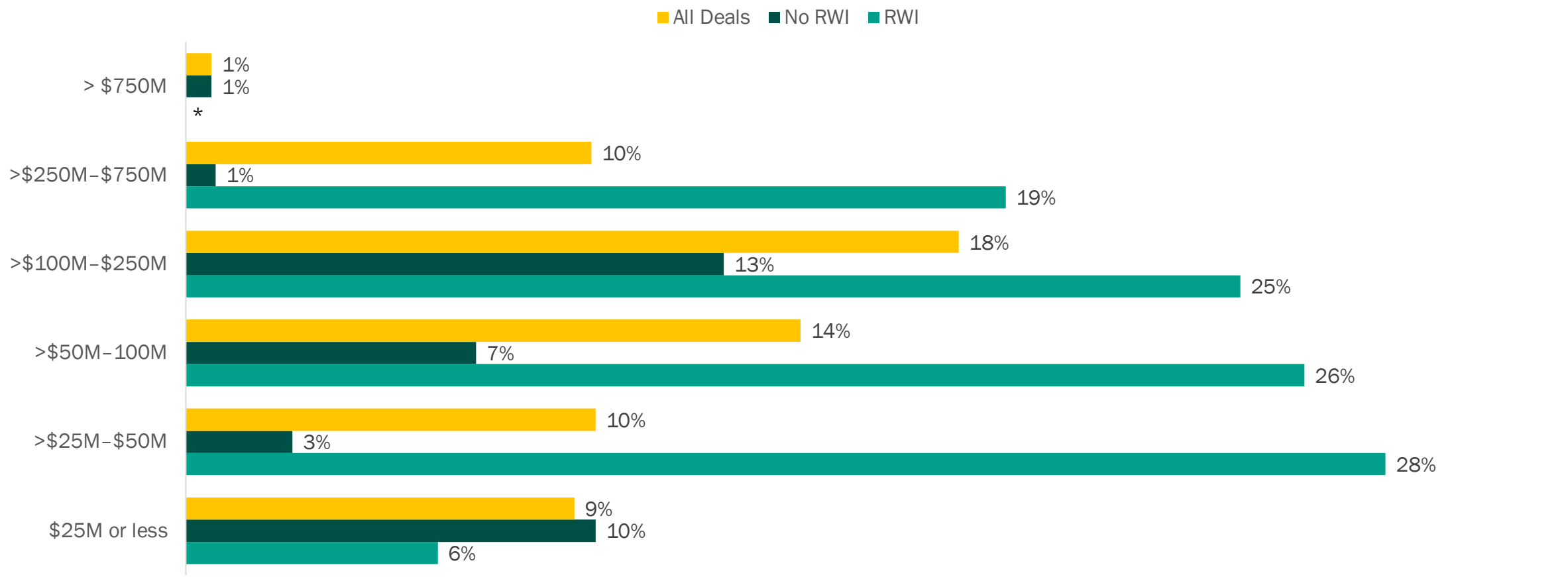
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Percent of Escrow Claimed by Transaction Value

All Deals, Including a Comparison of Deals With and Without RWI Identified

NEW DATA POINT

AVERAGE PERCENTAGE OF ESCROW CLAIMED PER DEAL, BY TRANSACTION VALUE



** Insufficient data to report on this subcategory. About 36% of deals with a transaction value greater than $750 million had RWI identified. However, the majority of those deals do not have general indemnify escrows.*

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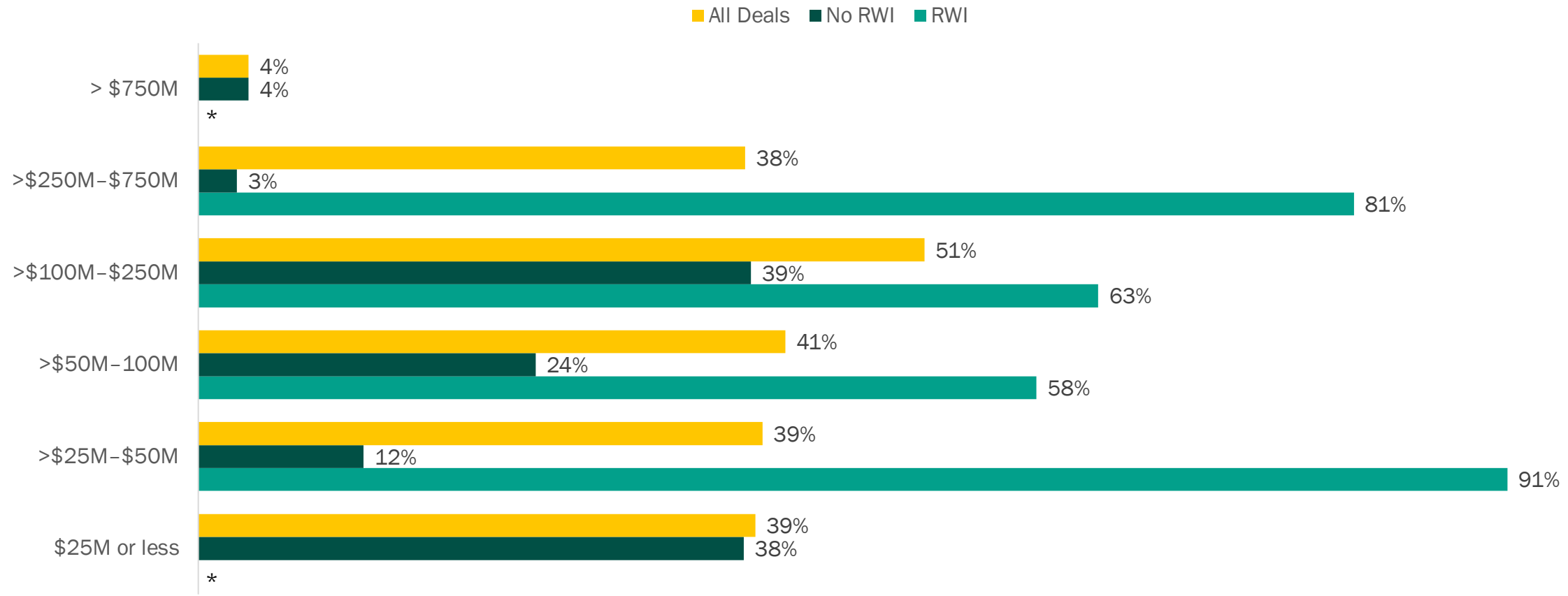
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Percent of Escrow Claimed by Transaction Value

NEW DATA POINT

All Deals With a Claim, Including a Comparison of Deals With a Claim With and Without RWI Identified

AVERAGE PERCENTAGE OF ESCROW CLAIMED PER DEAL, BY TRANSACTION VALUE



** Insufficient data to report on this subcategory.*

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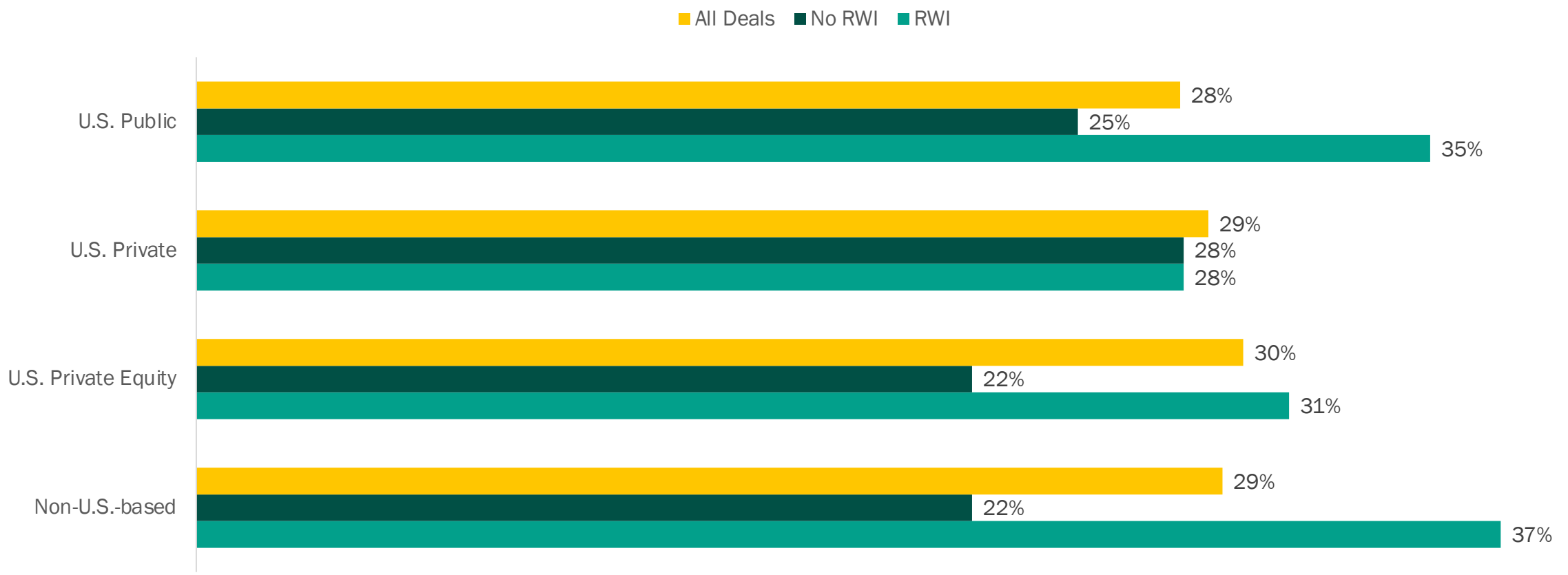
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Indemnification Claim Frequency by Buyer Type

All Deals, Including a Comparison of Deals With and Without RWI Identified

NEW DATA POINT

PERCENTAGE OF DEALS WITH A CLAIM, BY BUYER TYPE



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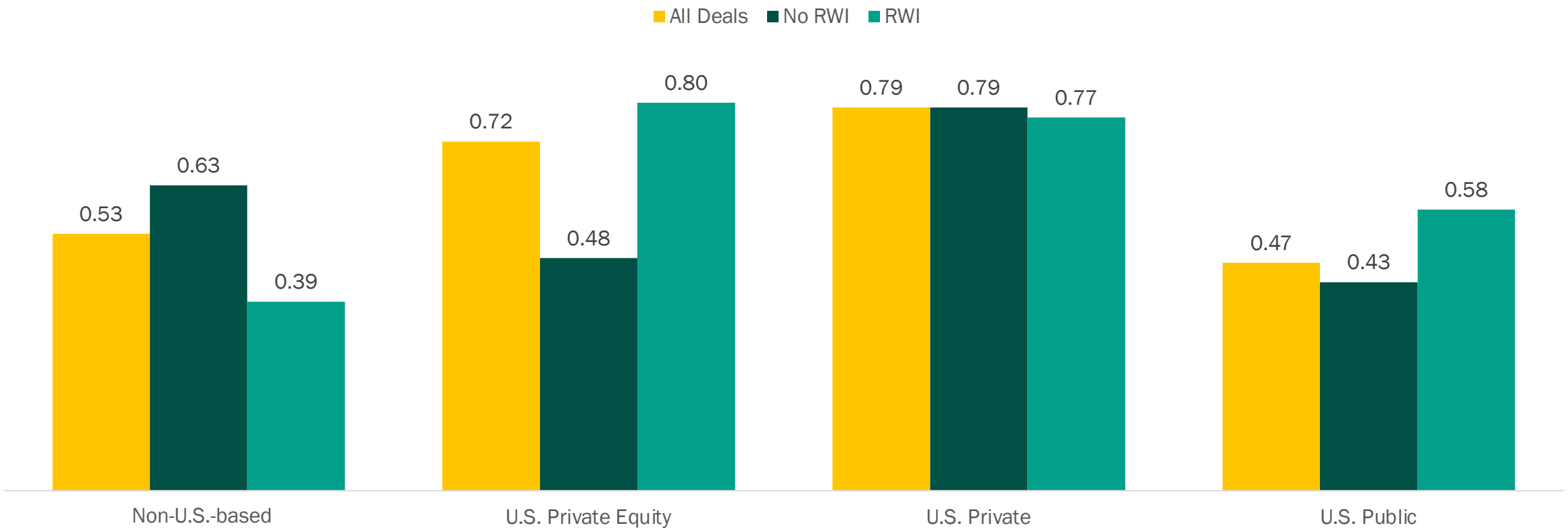
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Number of Indemnification Claims by Buyer Type

All Deals, Including a Comparison of Deals With and Without RWI Identified

NEW DATA POINT

AVERAGE NUMBER OF CLAIMS PER DEAL, BY BUYER TYPE*



** Including deals with no claims.*

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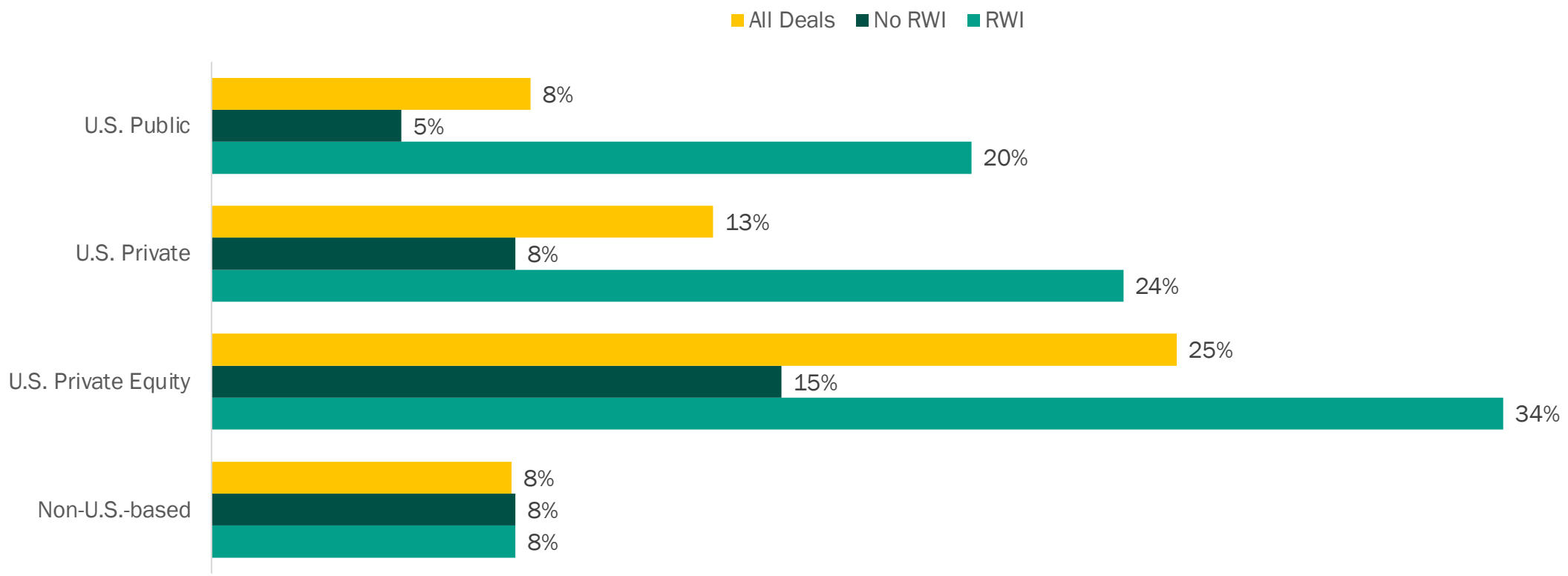
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Percent of Escrow Claimed by Buyer Type

All Deals, Including a Comparison of Deals With and Without RWI Identified

NEW DATA POINT

AVERAGE PERCENTAGE OF ESCROW CLAIMED PER DEAL, BY BUYER TYPE



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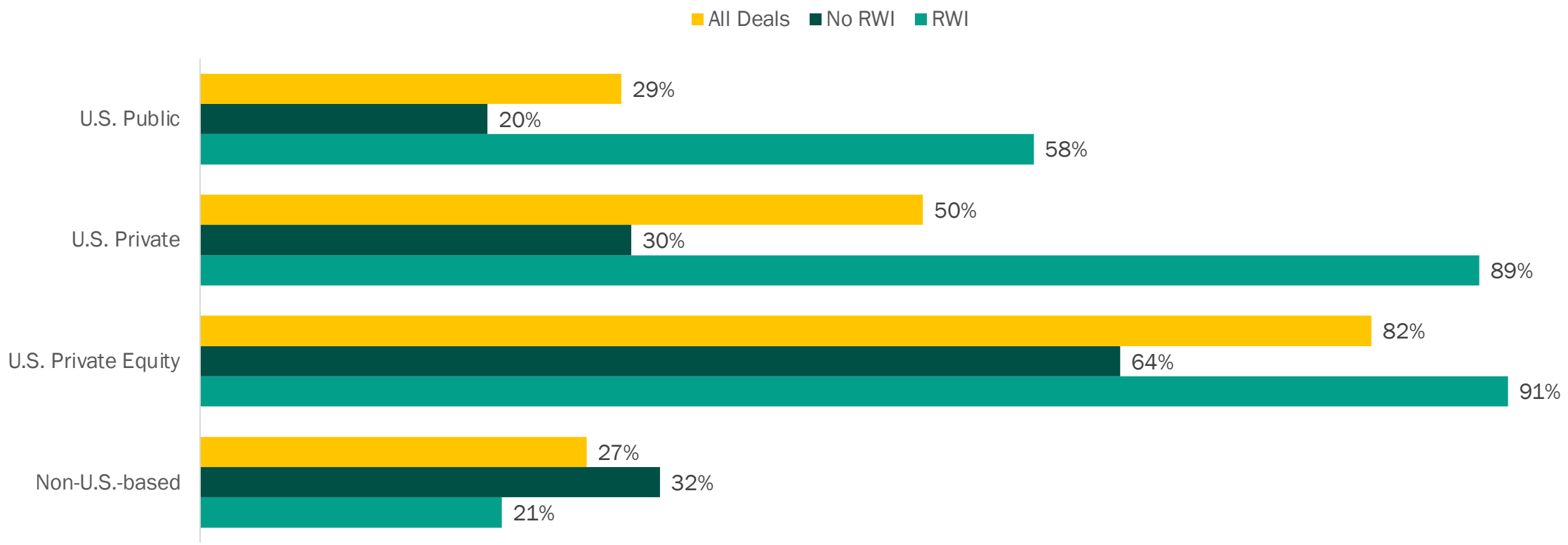
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Percent of Escrow Claimed by Buyer Type

NEW DATA POINT

All Deals With a Claim, Including a Comparison of Deals With a Claim With and Without RWI Identified

AVERAGE PERCENTAGE OF ESCROW CLAIMED PER DEAL, BY BUYER TYPE



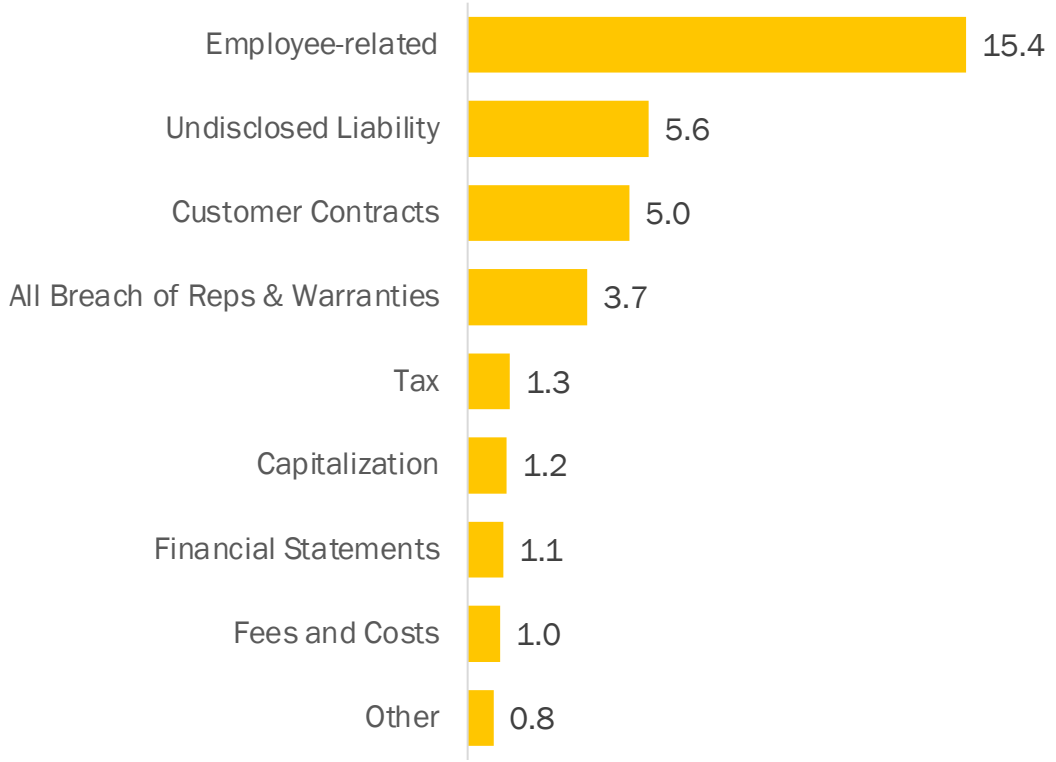
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Resolution Time by Claim Type

KEY FINDING

MONTHS TO RESOLVE, MEDIAN



Note: There was insufficient data to report for claims regarding appraisal, fraud, and breaches of the compliance with laws, data/cybersecurity, intellectual property, operations, and regulatory compliance reps.

MEDIAN RESOLUTION TIMES, BY LEVEL OF DISPUTE; FORMAL DISPUTE FREQUENCY

15 months	Full resolution of contested claims litigated or arbitrated through judgment from notice date (median).
6 months	Full resolution of all contested claims from notice date (median), including claims fully adjudicated, settled, or negotiated in good faith.
1.5 months	Full resolution of all claims (including formal disputes, contested claims, and uncontested claims) from notice date (median).
2.5%	Deals with claims where one or more claims were litigated or arbitrated through judgment 0.5% of all deals (including deals with no claims).

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Glossary

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Glossary (A–Fe)

Appraisal Rights	Shareholders' statutory right under state law to seek judicial determination of the value of their shares when the corporation is party to a merger. Appraisal rights claims are third-party claims where the buyer seeks indemnification for payments made, or that might be made, to dissenting shareholders.
Arbitration	A method of alternative dispute resolution whereby a dispute, with the consent of the parties, is submitted to a neutral person or group for a decision. Usually includes a full evidentiary hearing and presentations by attorneys for the parties. The merger agreement may provide that the arbitrator's decision be binding or non-binding.
Capitalization Claim	These claims are typically made because a person or entity has claimed that they are entitled to additional merger consideration based upon inaccuracies in the closing capitalization and/or consideration spreadsheet. Includes former and current employees of the target who claim they are due additional merger consideration based on options or similar equity-based pay.
Compliance with Laws Claims	May be either a direct or third-party claim type. These claims are based on an alleged breach of the representations and warranties concerning the target's compliance with applicable laws and regulations. Common examples include allegations of non-compliance with licensing or permits, employment laws, environmental regulations, or industry-specific rules.
Customer Contract Claim	Third-party or direct claim type. Claims are placed in this category where the buyer's claim is based on a customer contract of the target. Common examples include claims that the target failed to provide a contracted service or product to the customer. Does not include claims involving contracts with vendors or suppliers of the target.
Data or Cybersecurity Claim	May be either a direct or third-party claim type. These claims are based on an alleged breach of the representations and warranties regarding the target's data privacy and cybersecurity practices. Common examples include claims arising from a pre-closing data breach, failure to comply with applicable privacy laws or regulations, inadequate safeguarding of personal or proprietary data, or unauthorized access to the target's systems that surfaces after closing.
Earnout	Contingent consideration earned and payable after a set period of time and/or based on the level of achievement of certain milestones such as financial metrics (e.g., revenue, EBITDA, etc.) or operational metrics (e.g., regulatory approval).
Employee Claim	Third-party claim type. Examples of claims in this category include claims by former employees involving non-equity-based compensation, lawsuits by former employees for discrimination or harassment, and claims by former consultants that they were in fact employees of the corporation and, as such, entitled to additional compensation.
Escrow	In the M&A context, a portion of the transaction consideration that is held to secure the selling shareholders' indemnification obligations to the buyer. After a predetermined period has passed (the "escrow period"), any amount in the escrow account not claimed by the buyer is released to the selling shareholders. This study does not distinguish between escrows and holdback accounts retained by the buyer for the same purpose.
Expense Fund	A voluntary fund set aside by the shareholders from the merger consideration at closing for potential third-party expenses that might be incurred during the post-closing period.
Fees and Costs Claim	May be either a direct or third-party claim type. These claims may be based on terms such as seller's obligation to pay outstanding transaction costs, or costs relating to audits or litigation disclosed prior to closing.

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Glossary (Fi–Pur)

Financial Statements Claim	Direct claim type. These claims are based on an alleged breach of representations and warranties regarding the accuracy of the target's financial statements. This may also include claims for a net working-capital adjustment included in the indemnification section rather than as a dedicated, short-term, post-closing adjustment mechanism.
Fraud Claim	A claim based on the buyer's allegations that the target and/or selling shareholders committed fraud and/or intentional misrepresentation in connection with the transaction. Common examples include allegations that the target intentionally misrepresented its financial condition or fraudulently concealed certain liabilities.
Indemnification	Where one party secures another against suffered losses. In the M&A context, the selling parties almost always agree to indemnify the buyer against certain types of losses that could be suffered in connection with the transaction.
Intellectual Property Claim	Usually a third-party claim type. Intellectual property claims are often based on alleged patent infringement by the target. Can also include a direct claim by the buyer that the target's proprietary technology had defects.
Mediation	A form of alternative dispute resolution where the parties attempt to negotiate a settlement with the assistance of a neutral third party. Unlike arbitration or litigation, the resulting agreement, or lack thereof, is wholly controlled by the parties. [2026 PPA Study]
Non-U.S.-based Buyer	Includes foreign companies headquartered outside of the US. Both public and private foreign companies are included.
Operations Claim	May be either a direct or third-party claim type. These claims are based on issues arising from the ordinary conduct of the target's business operations. Common examples include claims relating to undisclosed operational liabilities, business interruptions, or a failure to operate in the ordinary course consistent with past practices during the interim period.
"Other Breaches of Reps & Warranties" Claim	May be either a direct or third-party claim type. This category includes claims that do not fit into other categories included in this study. Examples of claims in this category include claims for royalty payments, an alleged breach of the "no broker" representation, an alleged breach of the material changes representation and related covenants, claims relating to missed sales due to technology breakdown, or self-audits.
Post-Closing Matter	For purposes of this study, a post-closing matter is a working capital purchase price adjustment, earnout, or claim against an indemnification escrow (or other seller-funded source of recovery).
Private Buyer, PE-backed (U.S.)	The portfolio of companies of private equity firms.
Private Buyer, Non-PE-backed (U.S.)	Non-public companies headquartered in the US. Also includes companies whose stock is traded on the OTCBB or Pink Sheets.
Private Equity (PE) Buyer	Buyer that acquires a target as an investment rather than for the purpose of expanding its own business or for other strategic purposes.
Public Buyer (U.S.)	Acquiring companies listed on the US public stock exchanges (e.g., NYSE or NASDAQ).
Purchase Price Adjustment (PPA)	A common deal feature where the transaction consideration is adjusted shortly after closing in accordance with a specified financial metric. While there are several metrics used to determine the adjustment, the most common is some variation of a net working-capital formula. As a result, claims in this category are commonly referred to as "Net Working Capital" claims. The adjustment can be in favor of either the buyer or selling shareholders.

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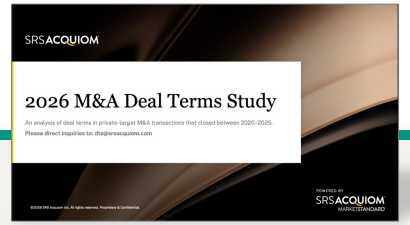
Glossary (Reg–U)

Regulatory Claims	May be either a direct or third-party claim type. These claims are based on an alleged breach of representations and warranties dealing with the target's compliance with financial regulations (e.g., securities, banking, anti-money-laundering, or other financial services rules)
Representations & Warranties	In the context used in this study, a section of the merger agreement where certain assurances are made by the target as to the existence or non-existence of certain facts. These facts typically concern the condition of the target at the time it is acquired.
Representations & Warranties Insurance (RWI)	Representations and warranties insurance is purchased to protect against losses arising due to the seller's breach of certain of its representations in the merger agreement.
Tax Claim	Tax claims are based on the target's alleged failure to pay applicable state, federal, or foreign taxes. Includes, among others, income, sales, and use taxes.
Transaction Value	The enterprise value to be paid by the buyer according to the transaction agreement. Does not include contingent consideration or adjustments to the purchase price.
Undisclosed Liabilities Claim	These claims are based on the target's alleged failure to disclose a liability in the disclosure schedules. The undisclosed liabilities representation is sometimes used as a catch-all by buyers for unexpected third-party claims that do not fit under the financial statements or material contracts representations. The most common example is a buyer's claim that the target did not disclose outstanding obligations to a vendor, supplier, or other partner.

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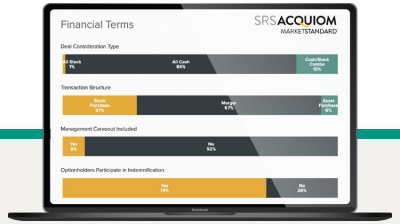
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Please note that we cannot provide data that can be used to ascertain confidential information about deals or clients.

SRS Acquiom receives claim notices with varying levels of specificity, and the claim resolution process is not always the result of communication supported by formal documentation between the parties. Categorization of claim and resolution data is often subjective. Therefore, the conclusions presented in this study may be subject to important qualifications not expressly articulated herein. All information herein is subject to change. Note that claim sizes listed here are based on the amount claimed by the buyer, not the eventual claim resolution amount. Earnout potential calculations generally exclude variable or formula-driven payments having no defined dollar amount or cap.

Buyers do not always disclose the presence of a buy-side RWI policy, and "Deals with RWI" data subsets in this study likely omit a small number of deals with RWI policies. SRS Acquiom may not see claims on deals with RWI once the escrow is exhausted.

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