

BUYER POWER RATIO

Source: 2018 & 2019 MarketStandard® Deals

About Buyer Power Ratio

Many parties wonder how **market-wide deal terms data** compare to their upcoming strategic M&A transaction. One way to focus on the most relevant slice of the market is using **Buyer Power Ratio** to home in on deals that are similarly situated by one aspect of party negotiating leverage.

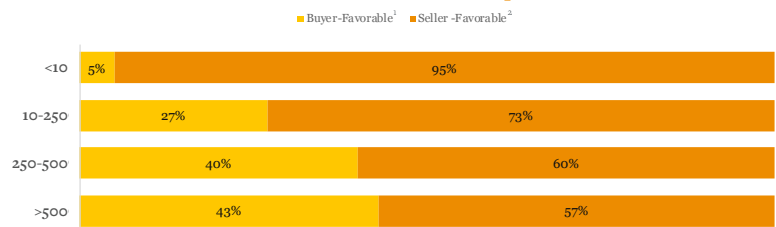
Developed by SRS Acquiom and the M&A Committee of the ABA's Business Law Section, **Buyer Power Ratio** compares the buyer's market capitalization to the size of the transaction—the purchase price (including escrowed amounts, but not including potential earnouts).

$$\text{Buyer Power Ratio} = \frac{\text{Buyer Market Cap}}{\text{Purchase Price}}$$

1

As Buyer Power Ratio increases, a larger percentage of 2018/2019 deals include either a "10b-5" representation, a "full disclosure" representation, or both.

"10b-5" or "Full Disclosure" Representation

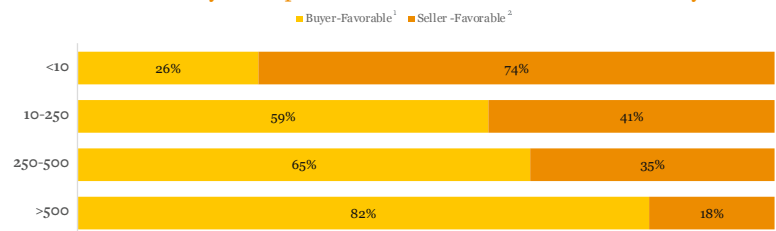


¹ Buyer-Favorable = Either a "10b-5" or "Full Disclosure" Rep Is included; ² Seller-Favorable = Neither a "10b-5" nor "Full Disclosure" Rep Is included.

2

As Buyer Power Ratio rises, the materiality standard applicable to the accuracy of seller representations is likelier to be "in all material aspects" rather than MAE.

"Accuracy of Representations" Condition—Materiality

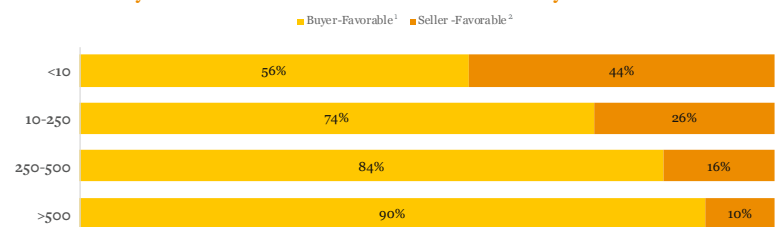


¹ Buyer-Favorable = "in all respects" or "in all material respects"; ² Seller-Favorable = "MAE"

3

When Buyer Power Ratio is high, it is much less likely that recoverable losses will be reduced by tax benefits.

Buyer's Indemnifiable Losses Reduced by Tax Benefits



¹ Buyer-Favorable = Agreement Silent; ² Seller-Favorable = "Buyer's Indemnifiable losses reduced by tax benefits"

EXPLORE BUYER POWER RATIO FURTHER 

<https://srsacquiom.com/marketstandard>

Coming Later This Year: 2020 Buyer Power Ratio Study

presented by SRS Acquiom and the M&A Committee of the American Bar Association's Business Law Section