DealRoom

Deal Structure x DD x Integration Interdependency Cheat Sheet

Deal Structure

WHAT IT INCLUDES:
Cash vs. equity consideration, earnouts, escrows, rollover equity, seller notes, etc.

WHY IT MATTERS:
Determines upfront cost, risk-sharing, and long-term alignment.

TRADE-OFFS:

- **Heavy cash** = simplicity but greater buyer risk.
- **Equity** = long-term alignment, but possible dilution and seller influence.
- **Earnouts** = risk mitigation, but can strain seller relationship or cloud post-close operations.

LINKS TO OTHER VARIABLES:

- **DD red flags** (e.g. customer concentration) → conservative structures (e.g. earnouts).
- **Integration strategy** may dictate seller involvement — impacts rollover/earnouts.

Due Diligence

PURPOSE:
Validate the target's value drivers and uncover risks.

DIMENSIONS:
Financial, commercial, legal, tech, people.

INFLUENCES:

- **Findings shape structure** (e.g., underperformance → price adjustment).
- **Recurring revenue** → higher multiples, less need for earnouts.
- **Poor data/forecasting** → conservative terms, slow integration.

STRATEGIC COMPROMISE:

- Rigorous diligence slows the process but avoids surprises.
- Sometimes buyers accept uncertainty and mitigate with terms (e.g. indemnities).

Integration

KEY QUESTIONS:
How fast to integrate? What to integrate? Who leads?

OPTIONS:
Full absorption, phased integration, or standalone.

IMPACTS:

- **Aggressive** = faster synergies but higher risk.
- **Light-touch** = preserves goodwill, delays benefits.

LINKS TO OTHER VARIABLES:

- Earnouts may delay/limit integration to avoid KPI disputes.
- Cultural findings shape the pace.
- Integration costs feed back into structure and valuation.