

Earnout Structures May Gain Traction as Companies Hedge Bets on Covid-Driven Trends

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According to some industry advisors, earnout deal structures may be attractive to players in sectors that have been affected by Covid-19 as a way to navigate uncertainties and potential new business trends emerging from the pandemic.

One such industry that may see an uptick in earnouts is travel. With lockdown measures beginning to ease and regional travel increasing, deal-making could be driven by this trend.

Speaking with Reorg, Joshua Margolin explained that earnout structures would allow buyers to hedge their risks if the trend does not last, noting that earnouts are particularly useful when buying an asset or company that has not yet reached its full potential. "I think the earnout would be perfect to hedge the bet of how quickly pre-Covid volumes return," Margolin said, adding that travel platforms, hotels and rental car companies would likely want to price a recovery into any deal they make amid the pandemic.

Read the [full article in Reorg](#) (subscription required).

Attorney

- Joshua S. Margolin

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