Global Private M&A Guide - Limited External Content - Brazil

Agreeing to the acquisition agreement → Purchase price

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# Is a purchase price adjustment common?

Frequency/market practice: Purchase price adjustments are common and may even be negotiated when signing and closing are simultaneous, because of the length of time that may elapse from the date of the base balance sheet for valuation purposes and the actual closing.

# What type of purchase price adjustment is common (e.g., debt-free, cash-free)?

Frequency/market practice: Different price adjustments are seen, including cash-free debt-free, working capital and net asset value adjustments.

# Is there a collar on the purchase price adjustment?

Frequency/market practice: Rarely; collars are not common, but not unheard of either.

# Who usually prepares the closing balance sheet (where applicable)?

Frequency/market practice: This is usually prepared shortly after the transaction closing by the buyer or an independent appraiser appointed by the buyer.

# Is the balance sheet audited (where applicable)?

Frequency/market practice: Rarely; except for listed companies, large-scale companies (entities or a group of entities under common control with assets higher than BRL 240 million in the latest fiscal year or annual gross earnings higher than BRL 300 million), multinational subsidiaries or entities involved in activities regulated by the government, most Brazilian companies are not audited.

# Is an earn-out common?

Frequency/market practice: Earn-outs are fairly common, especially in transactions:

Where the sellers continue to manage the target company after closing

In private equity transactions

If a future renewal of a relevant license or a concession is not certain

If there is a future commercial operation date

If the target needs to achieve a certain financial goal in the future.

# Is a deposit common?

Frequency/market practice: Rarely

# Is an escrow common?

Frequency/market practice: Escrows are very common. The escrow account is the most common guarantee in private M&A transactions involving a Brazilian target business, even if an escrow account can only be maintained with financial institutions that charge fees for their services. In Brazil, it is quite common to have escrow funds applied in interest-bearing financial applications.

# Is a break fee common?

Frequency/market practice: Rarely

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