M&A Nugget: Acquihire

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One of the busiest areas of merger activity is in the government contracting sector. A major subsector of merger activity within that sector is acquihires. An acquihire is the purchase of a company, often a technology company, for the skills and expertise of its people. Acquihires have their own challenges for sellers and buyers. Since the main asset being acquired is the skill and knowledge of the seller's employees, retention of the employees is crucial. That is why buyers often insist on a substantial portion of the purchase price being earned over time, and why sellers often request that buyers include stay bonuses as a deal component. Creative compensation models for the acquired employees must be considered. Since the main asset being acquired is basically people, the role of non-competition agreements is even more important. The golden point here is that a team of employees with unique technology skills and knowledge is valuable and both seller and buyer must consider the best ways to motivate the employees in the overall structure of the transaction.