

# Internet Appendix for

*“Venture Capital and Private M&A Contracting”*

Lauren Vollon

University of Notre Dame, Mendoza College of Business

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For correspondence: Lauren Vollon, [lvollon@nd.edu](mailto:lvollon@nd.edu)

**Table IA.1: Benchmarking Proprietary Sample**

Panel A: Sample Distribution by Startup Industry

Startup Industry	Proprietary Sample		Pitchbook Sample	
	Obs	Pct(%)	Obs	Pct(%)
Commercial Products	25	2.9	67	1.5
Commercial Services	76	8.9	502	11.1
Consumer Products	38	4.4	288	6.4
Consumer Services	54	6.4	441	9.8
Energy	9	1.1	72	1.6
Financial Services	12	1.4	110	2.4
Healthcare - Devices	62	7.3	189	4.2
Healthcare - Pharma and Biotech	43	5.1	318	7.0
Healthcare - Services	51	5.1	162	3.6
IT-non-software	69	8.1	343	7.6
IT-software	412	48.4	2,004	44.4
Total	851		4,516	

Panel B: Summary Statistics of M&amp;A Purchase Price

Purchase Price (in mil- lions)	N	Mean	SD	Median
Proprietary Sample	851	173.836	273.473	75.000
Pitchbook Sample	1,825	620.220	1,730.368	103.100
DealStats Sample	1,761	240.546	596.813	24.402

Table IA.1 presents sample characteristics of my proprietary sample compared to other data sources. Panel A reports the sample distribution by startup industry for my sample and a representative sample from Pitchbook between 2015 and 2020. The total number of observations in each industry and the corresponding percentage relative to the entire sample are presented. Panel B provides summary statistics for the variable M&A purchase price for my sample, and a sample from Pitchbook and Dealstats. The Pitchbook sample includes all M&A contracts of startups in the VC dataset between 2015 and 2020 where the variable "Dealsize" is available. The DealStats sample encompasses the entire universe of M&A transactions between 2015 and 2020 where the variable "MVIC Price" is available. All other variables are defined in Appendix A.

**Table IA.2: Alternate Definition of  $\mathbb{I}(\text{Earnout})$** 

Dep. variable: $\mathbb{I}(\text{Low Investor Concentration})$	No FE	Baseline	Additional FE		
	(1)	(2)	(3)	(4)	(5)
$\mathbb{I}(\text{Venture Capital})$	-0.114*** (-3.913)	-0.088*** (-3.059)	-0.098** (-2.091)	-0.101** (-2.574)	-0.064** (-2.111)
Control variables:	Y	Y	Y	Y	Y
Fixed effects:					
Startup-Industry $\times$ Year	N	Y	Y	N	N
Startup Legal Advisor	N	N	Y	N	N
Startup-Industry $\times$ Buyer-Industry $\times$ Year	N	N	N	Y	N
Startup-Industry $\times$ PP Quintile $\times$ Year	N	N	N	N	Y
Adjusted R-Squared	0.030	0.192	0.201	0.220	0.237
Observations	812	812	525	615	721

Table IA.2 reports results from my analysis of the association between VC Participation ( $\mathbb{I}(\text{Venture Capital})$ ) and the use of pro-rata earnouts in the M&A Contract ( $\mathbb{I}(\text{Low Investor Concentration})$ ), using OLS regressions. Low Investor Concentration Earnouts are earnouts in which a broad group of equityholders participate (defined as earnouts having a hhi score below 2,500). The analysis is executed at the M&A transaction-level. M&A transactions with missing information on the underlying shareholder participants are left out of the sample. The sample period is from 2015 to 2020. All variables are defined in Appendix A. Standard errors are clustered at the Industry  $\times$  Year level. T-statistics are reported in parentheses. \*\*\*, \*\*, and \* indicate statistical significance at the 1%, 5%, and 10% levels (two-tailed), respectively.

**Table IA.3: Alternate Definition of  $\mathbb{I}(\text{Venture Capital})$** 

Dep. variable: $\mathbb{I}(\text{Earnout})$	No FE	Baseline	Additional FE		
	(1)	(2)	(3)	(4)	(5)
$\mathbb{I}(\text{Venture Capital})_{Alt}$	-0.066** (-2.257)	-0.057* (-1.954)	-0.095** (-2.218)	-0.045 (-1.031)	-0.055** (-2.035)
Control variables:	Y	Y	Y	Y	Y
Fixed effects:					
Startup-Industry $\times$ Year	N	Y	Y	N	N
Startup Legal Advisor	N	N	Y	N	N
Startup-Industry $\times$ Buyer-Industry $\times$ Year	N	N	N	Y	N
Startup-Industry $\times$ PP Quintile $\times$ Year	N	N	N	N	Y
Adjusted R-Squared	0.020	0.187	0.208	0.213	0.230
Observations	851	851	549	648	760

Table IA.3 reports results from my analysis of the association between VC participation ( $\mathbb{I}(\text{Venture Capital})_{Alternative}$ ) and the use of earnouts in the M&A contract ( $\mathbb{I}(\text{Earnout})$ ), using OLS regressions. The analysis is executed at the M&A transaction-level. The sample period is from 2015 to 2020. All variables are defined in Appendix A. Standard errors are clustered at the Industry  $\times$  Year level. T-statistics are reported in parentheses. \*\*\*, \*\*, and \* indicate statistical significance at the 1%, 5%, and 10% levels (two-tailed), respectively.

**Table IA.4: VC Participation and Earnout Size**

Dep. variable: Earnout Size	No FE	Baseline	Additional FE		
	(1)	(2)	(3)	(4)	(5)
$\mathbb{I}(\text{Venture Capital})$	-0.033** (-2.342)	-0.016 (-1.437)	-0.023 (-1.462)	-0.025* (-1.676)	-0.018 (-1.597)
Control variables:	Y	Y	Y	Y	Y
Fixed effects:					
Startup-Industry $\times$ Year	N	Y	Y	N	N
Startup Legal Advisor	N	N	Y	N	N
Startup-Industry $\times$ Buyer-Industry $\times$ Year	N	N	N	Y	N
Startup-Industry $\times$ PP Quintile $\times$ Year	N	N	N	N	Y
Adjusted R-Squared	0.068	0.361	0.369	0.400	0.437
Observations	851	851	549	648	760

Table IA.4 reports results from my analysis of the association between VC Participation ( $\mathbb{I}(\text{Venture Capital})$ ) and the earnout size, calculated as the maximum earnout size divided by the purchase price including earnouts, using OLS regressions. The analysis is executed at the M&A transaction-level. The sample period is from 2015 to 2020. All variables are defined in Appendix A. Standard errors are clustered at the Industry  $\times$  Year level. T-statistics are reported in parentheses. \*\*\*, \*\*, and \* indicate statistical significance at the 1%, 5%, and 10% levels (two-tailed), respectively.

**Table IA.5: Number of VC Firms and Earnouts**

Dep. variable: $\mathbb{I}(\text{Earnout})$	No FE	Baseline	Additional FE		
	(1)	(2)	(3)	(4)	(5)
Number of VC Firms in Transaction	-0.020*** (-3.848)	-0.009** (-2.114)	-0.014** (-2.443)	-0.009* (-1.723)	-0.003 (-0.904)
Control variables:	Y	Y	Y	Y	Y
Fixed effects:					
Startup-Industry $\times$ Year	N	Y	Y	N	N
Startup Legal Advisor	N	N	Y	N	N
Startup-Industry $\times$ Buyer-Industry $\times$ Year	N	N	N	Y	N
Startup-Industry $\times$ PP Quintile $\times$ Year	N	N	N	N	Y
Adjusted R-Squared	0.033	0.182	0.210	0.212	0.234
Observations	851	851	549	648	760

Table IA.5 reports results from my analysis of the association between the number of (participating) VC firms and the use of Earnouts in the M&A Contract ( $\mathbb{I}(\text{Earnout})$ ), using OLS regressions. The analysis is executed at the M&A transaction-level. The sample period is from 2015 to 2020. All variables are defined in Appendix A. Standard errors are clustered at the Industry  $\times$  Year level. T-statistics are reported in parentheses. \*\*\*, \*\*, and \* indicate statistical significance at the 1%, 5%, and 10% levels (two-tailed), respectively.