

Aura

Verifiable M&A Earn-out Protocol – Embedding Trust into Post-Acquisition Payments

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What is M&A Earn-out

- Why It Matters

In M&A deals, buyers worry about overpaying if the target underperforms, while sellers want future growth reflected in the price.

- The Solution: Earn-out

A contractual mechanism where part of the purchase price depends on the acquired company's future performance.

How It Works



Buyer pays an initial amount at closing.



Additional payments occur only if predefined metrics (e.g., revenue, EBITDA, KPIs) are met within a set period.

Why It's Growing

- 1 For high-potential or innovation-driven companies, earn-outs align incentives and reflect future value creation.
- 2 With the rise of AI, Web3, and emerging tech startups, earn-out structures are becoming increasingly common.



Pain Points in M&A Earnout Nowadays

- When earn-out occurs

Lack of Transparency

Post-closing performance records are often opaque, creating trust breakdown and information asymmetry.

Seller's Concern

Fears buyer may manipulate or passively manage performance to avoid earn-out targets.
→ Demands higher upfront payment to hedge against risk.

Buyer's Challenge

Faces valuation uncertainty and risk of overpaying or underpaying when future performance is unclear.

Result

Both parties struggle with effective pricing under the earn-out structure, leading to disputes and inefficiency.

Pain Points in M&A Earnout Nowadays

Post-Closing Manipulation and Data Integrity Issues

Manipulation Risks

- Both parties may exploit loopholes in the agreement, such as:
- Accounting methods (e.g., depreciation, inventory cost, expense allocation)
 - Target revenue metrics

No Single Source of Truth

Disputes arise because evidence is fragmented and easily manipulated.

Buyer's Advantage After Control Transfer

Buyer can alter post-acquisition records to reduce earn-out payments.

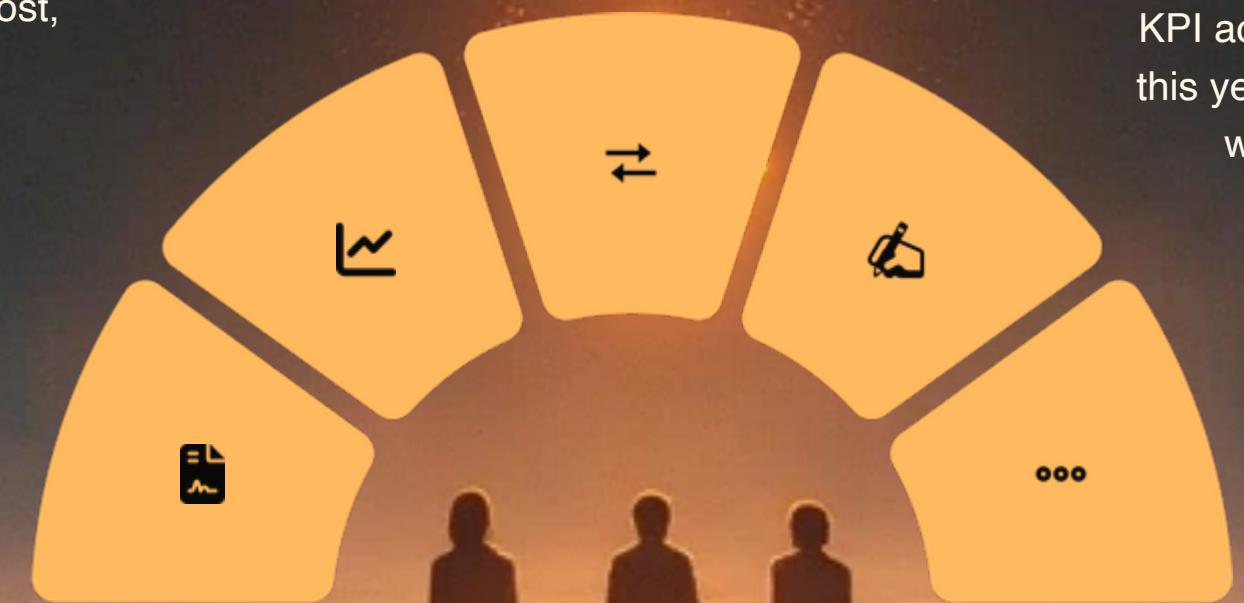
- Example: Revenue confirmed at \$40M is later adjusted to \$30M, artificially lowering growth.

Performance Reinterpretation

KPI achievement acknowledged at 40% this year, but later reinterpreted as 30%, weakening payout calculation.

Other Issues

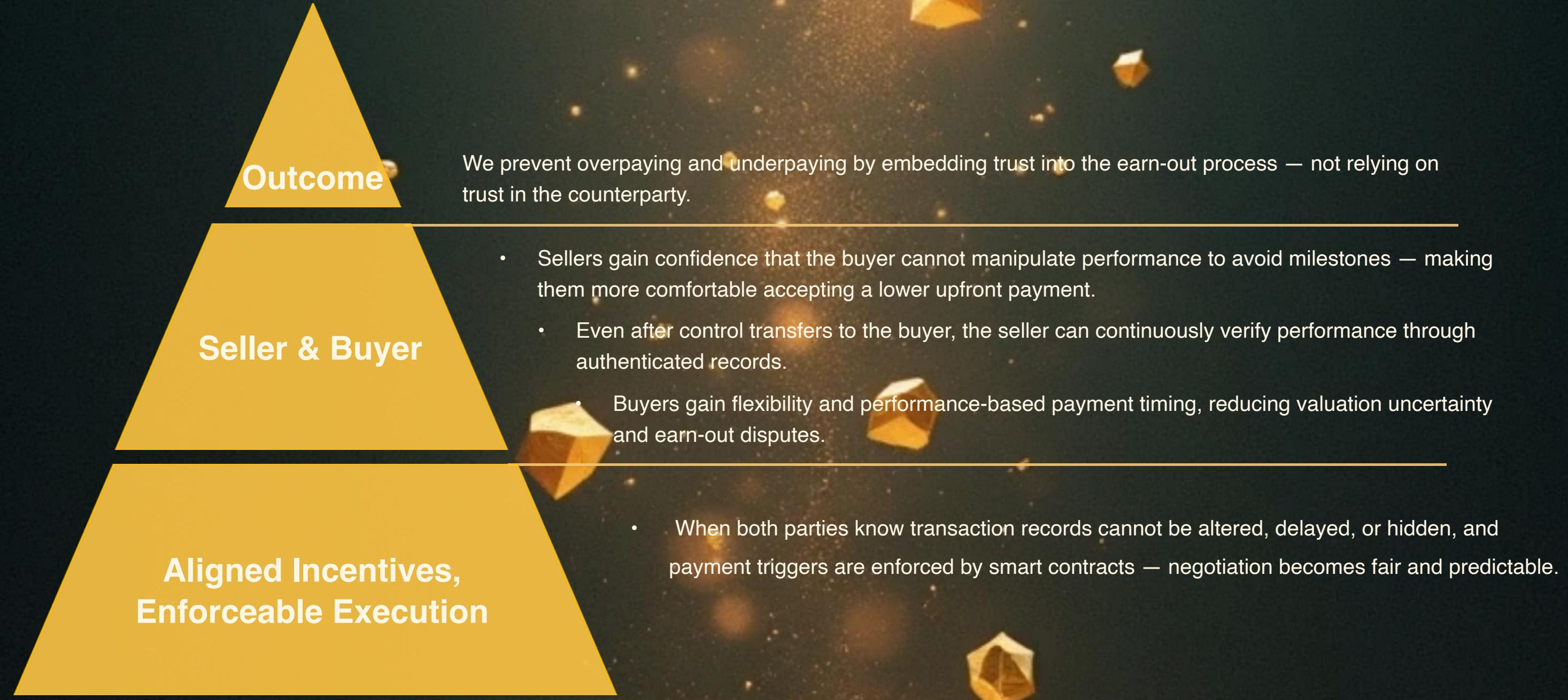
- Seller meets earn-out requirements, but buyer refuses to pay.
- Seller cannot verify buyer's post-acquisition decisions.



Product Essence

We enable secure, tamper-proof sharing of post-acquisition transaction records using decentralized storage and cryptographic access control.

With smart contracts, verification and earn-out payments become automated, transparent, and trustless.



Product Essence

Real-Time Audit

All financial evidence and supporting documents exist as a single verified source of truth.

Auditors can shift focus from data collection and reconciliation toward identifying anomalies and high-risk entries.

This reduces compliance cost, improves audit quality, and mitigates financial reporting risks.

Efficiency for the Entire M&A Lifecycle

Our system transforms earn-outs from a manual, adversarial process to an automated, enforceable, real-time mechanism.

As a result, M&A negotiations become faster, monitoring becomes cheaper, and value transfer becomes fairer.



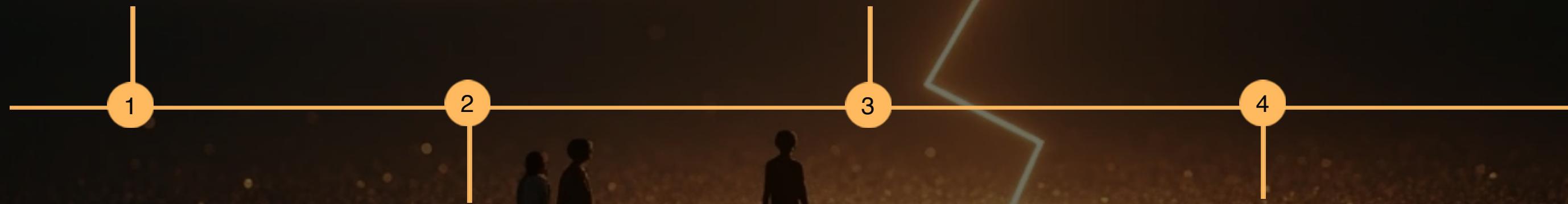
How we work

When M&A earn-out occurs

Earn-out terms are encoded into a smart contract at deal signing, ensuring clarity and enforceability.

At month-end, seller calculate KPIs directly from verified data.

Once milestones are met, the smart contract triggers immediate payout – no delays, no disputes.



For post-acquisition transaction records

Control shifts to buyer but seller still concerns with performance

- The buyer uploads transaction records to Walrus and encrypted with Seal for privacy when transactions occur. These records form a single, tamper-proof source of truth.
- Auditor can access records instantly for compliance checks.
- Seller can verify performance anytime to ensure that buyer doesn't manipulate it.

Result

A fair, automated, and transparent earn-out process that protects both sides and accelerates deal success.

Business Model

Integration Fee

We provide customized workflow integration and ERP system connectivity.

Subscription Fee

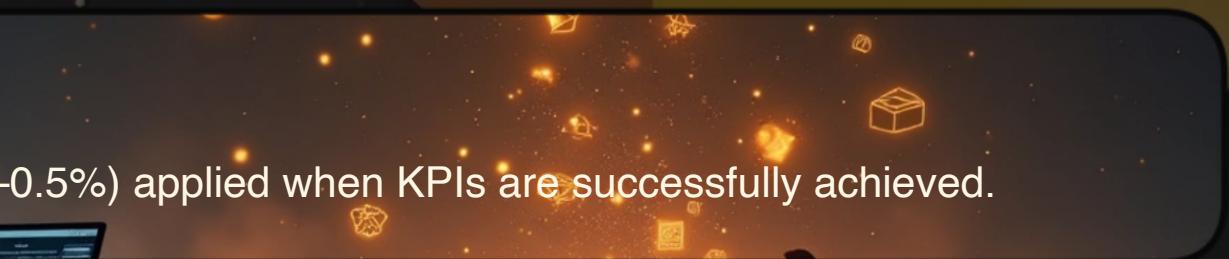
A recurring fee for managing the earn-out process during the agreed period.

Payout Fee

A small commission (0.1–0.5%) applied when KPIs are successfully achieved.

Escrow Fee

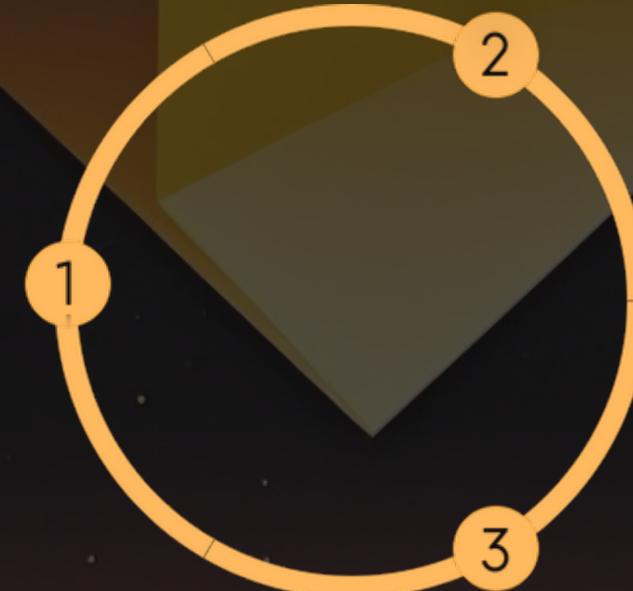
A management fee for holding and administering contingent consideration in escrow.



Potential Impact in Market

Structural

Resolves conflicts of economic interests caused by the transfer of control, improving efficiency in M&A resource allocation.



Standardization

Establishes a new market standard for M&A based on verifiable data flows.

Cost Efficiency

Reduces disputes, litigation, and compliance or audit consulting costs for both parties.

Future Work – Expand Aura Protocol

Extend the applicability of Aura to all agreements that rely on future performance-based payments, providing a secure, transparent, and automated execution standard.

1 Research Funding Allocation

Release funds precisely based on verified research outcome reports.

2 Automated IP Royalties

Enable automatic royalty payments to artists based on authenticated sales reports.

Allow buyers and sellers to choose whether contingent consideration locked in smart contracts should be simply held until milestones are met or managed by the platform for potential profit-sharing.



Redefine how trust and value move in M&A — with verification, not assumptions.

