

Impact of Coronavirus (COVID-19) on M&A and Private Equity

Alert

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The COVID-19 crisis is having a disorienting and disruptive effect on the M&A process, including the acquisition agreement that we have come to rely on for the orderly progression of transactions.

Buyers are trying to assess in what various ways and to what extent this coronavirus will affect the business and employees of the target company, efforts which the target company is often addressing concurrently. Boards are seeking guidance regarding special fiduciary issues raised by the COVID-19 crisis in approving potential transactions. Buyers are dealing with increasing uncertainty in securing acquisition financing as lenders seek assurances and support from federal and state banking agencies to continue funding loans. Target companies are confronted with their sudden vulnerability to unsolicited bids or hostile takeovers, causing them to explore defense tactics such as poison pills. As a result of recent events, even the previously routine provisions of the acquisition agreement now require careful analysis to account for the impact of COVID-19.

To assist in navigating the M&A process in this unprecedented and uncertain environment, we have prepared this article to share some general insights that we are gaining about certain aspects of the acquisition agreement from ongoing transactions. We encourage you to reach out to your Stinson contact to discuss any specific questions or issues that you may have regarding your particular situation.

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CONTACTS

Jack Bowling

David J. Kim

Patrick J. Respeliers

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