Houlihan Lokey



Tax Receivable Agreements Market Update

Q3 2026

01 | Introduction

Houlihan Lokey is pleased to present its Tax Receivable Agreements Market Update for Q3 2026, which presents an overview of the market for tax receivable agreement (TRA) holders, investors, and industry stakeholders.

In this issue, we highlight recent public TRA issuances, M&A transactions, and buyback transactions that happened in Q3 2026. We also discuss common approaches for TRA holders to monetize their positions, including outright sales and structured financing transactions.

We hope you find this quarterly update to be informative and that it serves as a valuable resource to you for staying up-to-date on the TRA market. If there is additional content you would find useful for future updates, please email us with your suggestions. We look forward to staying in touch with you.

Sincerely,
Houlihan Lokey's TRA Team

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Contact Us

Please reach out to us to schedule a call to discuss this quarter's market update or to explore how we can serve your business needs.

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02 | Recent Transactions Q3 2026

New TRA Issuance

There were four new public TRA issuances that were filed, announced, or closed in Q3 2026.

Target/Issuer	Transaction Type	Transaction Date	Implied Market Cap ($M) on 9/30/26	Notes
Jersey Mike's Subs	IPO	7/29/26	$5,352.3	• Assuming all units are exchanged at an expected IPO price of $23.00 and a 24.8% tax rate, total TRA payments of 90% of realized tax benefits are estimated at $2,084.0 million. • Based on the expected IPO price of $23.00 and an early termination rate assuming SOFR of 3.7%, the early termination payment was estimated at $1,444.0 million.
accelevation	IPO	9/29/26	$4,014.3	• As a result of the transaction, the company will record an initial TRA liability of $65.0 million. • Assuming all units are exchanged at the expected IPO price of $18.00 and a tax rate of 24.0%, incremental TRA payments are estimated at $589.8 million largely over the next 15 years.
CoVolt Power	IPO	TBD	NA	• The TRA was created in connection with the IPO of CoVolt using an Up-C structure, and TRA payments will be based on 85.0% of future tax benefits realized by CoVolt. • Upon a change of control or other early termination event, the early termination rate is set at SOFR + 1.0%.
bamboo	IPO	TBD	NA	• Assuming all units are exchanged at the expected IPO price of $19.00, TRA payments are estimated at $368.0 million over the next 19 years. • Based on the expected IPO price of $19.00 and an early termination rate assuming SOFR of 3.6%, the early termination payment was estimated at $252.0 million.

Sources: Public company filings, S&P Capital IQ, and press releases.

02 | Recent Transactions Q3 2026 (cont.)

M&A Events Impacting TRAs

In Q3 2026, there were two M&A transactions where the target was the obligor to a TRA.

Target	Acquirer (If Any)	Announcement Date	Approximate Transaction Value ($M)	Stated TRA Liability at Last Filing Date ($M)	TRA Status/Full Payment or Negotiated Value	Notes
Utz	Intersnack	7/21/26	$2,900.0	$23.7	Negotiated Value	• As part of the transaction, UTZ Brands will terminate its TRA for $44.0 million in cash. • A special committee of the board approved the transaction agreements and determined that the transaction (including the $44.0 million TRA payment) was fair to, and in the best interest of, the company and its stockholders.
The Baldwin Group	Sequence Holdings / DFO	9/14/26	$7,700.0	$144.6	Negotiated Value	• As part of the transaction, Baldwin Insurance Group's TRA will be terminated in full through a settlement payment, calculated as though the company exercised its early termination right under the TRA as of January 1, 2027, subject to a cap of $298.5 million.

TRA Buybacks

One TRA obligor repurchased a portion of its TRA obligations in Q3 2026.

TRA Issuer	Announcement Date	Stated TRA Liability at Last Filing Date ($M)	Settled TRA Value ($M)	Full Payment or Negotiated Value	Notes
MediaAlpha	9/9/26	$22.7(1)	$12.0	Negotiated Value	• MediaAlpha purchased Parallaxes' interest in the TRA for $12.0 million in cash, representing a $10.7 million (47.1%) discount to the associated TRA liability of $22.7 million as of June 30, 2026. • The transaction did not constitute a change of control or early termination of the TRA, and payments will continue being made to the remaining TRA holders. The company estimated a remaining TRA liability of $32.0 million as of September 30, 2026. • The transaction was approved by the company's board of directors, a majority of whom are independent and disinterested directors.

Sources: Public company filings, S&P Capital IQ, and press releases.
(1) Reflects the liability owned by Parallaxes. Total TRA liability as of June 30, 2026, was $54.7 million.

03 | Paths to TRA Monetization

In this edition, we discuss two possible approaches for TRA holders to monetize their positions: an outright sale and a structured financing transaction.

TRAs often generate payment streams that extend 15 years or more, which frequently exceed the remaining life of many private equity funds that must return capital to LPs and wind down before the final TRA payout is received. As a result, TRA monetization has become an increasingly important consideration. While an outright sale offers a clean exit with simplicity and execution certainty, structured financing has emerged as a compelling alternative, enabling holders to unlock upfront liquidity while retaining residual economic upside.

Outright Sale vs. Structured Financing Transactions

The two primary means to monetize a TRA include an outright sale of a TRA back to the public company issuer or to a third party, or a structured financing transaction in which a lender issues a loan facility that is repaid using the TRA's future cash flows. Outright sales of TRAs have been more prevalent and more straightforward than structured financings because TRA holders generally will seek liquidity ahead of an end-of-life to their fund in an all-cash transaction.

By contrast, a TRA-based structured financing enables a holder to unlock upfront liquidity without transferring long-term economic ownership. Under this structure, the holder receives capital collateralized by the TRA and retains the residual value once the facility is repaid. Given the uncertainty surrounding the amount and timing of future TRA payments, these transactions are typically structured with a loan-to-value (LTV) ratio that would depend on the credit quality of the public company obligor and other risks around the forecast and usage of tax attributes. These facilities also generally include certain lender protections and covenants, effectively leaving some of the risk of the underlying cash flows with the TRA holders but attracting investors with lower costs of capital than that of investors in an outright sale.

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Comparing the Two Approaches

The choice between an outright sale and a structured financing is highly situational and depends on the holder's liquidity needs, return objectives, and appetite for ongoing exposure to the TRA. Key considerations and trade-offs of each approach are summarized in the table below.

Outright Sale of the TRA

Key Advantages:

- ✓ Simple transaction structure and provides for a clean exit when addressing end-of-fund-life situations.
- ✓ Maximizes upfront proceeds with full transfer of future credit, tax rate, and payment timing risks to the buyer.
- ✓ Broader buyer universe than that of structured financing transactions, with the potential to form a syndicate of buyers and provide higher execution certainty for larger transaction sizes.

Key Considerations:

- ❖ Forgoes residual economic participation once sold.
- ❖ Uncertainty around timing and magnitude of future crystallization events may impact upfront valuation.

Structured Financing of the TRA

Key Advantages:

- ✓ Retains the benefit of the residual value of the TRA, with flexibility to sell the remaining interest in the future.
- ✓ Maintains ownership of the TRA and any associated TRA representative and information rights.
- ✓ Typically underwritten at lower costs of capital than those of an outright sale, with the potential for refinancing at a better rate or upsizing the financing upon future crystallization events.

Key Considerations:

- ❖ Lower upfront proceeds compared to an outright sale.
- ❖ Retains ongoing exposure to the obligor's credit profile and the timing of future tax realizations.
- ❖ More complex transaction structure with lender protections and financing covenants similar to those of traditional debt.

As the secondary market for TRAs continues to develop, an outright sale and a structured financing are both ready options for parties pursuing liquidity. While an outright sale can be a simpler path, a structured financing offers holders upfront liquidity at a lower cost of capital while retaining the residual value of the TRA. The ability to market a TRA under either structure, depending on the specific circumstances around the TRA and the holder, can provide greater optionality and enhanced returns.

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TRAs represent a unique and growing asset class that provides a bridge in negotiations between buyers and sellers when tax assets are present.

Houlihan Lokey's cross-functional team focused on TRAs has expertise spanning investment banking, tax, board advisory, and complex, illiquid financial instruments.

Houlihan Lokey can help you with the following matters:

- TRA Sellside Advisory
- Advising Boards and Special Committees on Amending TRA Terms and/or a TRA Buyback
- Monetizing Tax Assets Through a Primary TRA Issuance
- Fund-to-Fund Transfers Involving a TRA
- Fairness Opinions for Deals Containing a TRA



If you have any feedback or questions, or if there is a TRA-related topic you'd like to see in future editions of this newsletter, please contact the TRA team at TRA@HL.com.

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Visit us at HL.com/insights/tax-receivable-agreements.

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