



**Houlihan
Lokey**

Tax Receivable Agreements Market Update

Q2 2025

01 | Introduction

Houlihan Lokey is pleased to present its Tax Receivable Agreements Market Update for Q2 2025, 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, buybacks, M&A transactions, and transactions that occurred in Q2 2025. We also discuss the ways in which key tax provisions of the One Big Beautiful Bill Act⁽¹⁾ (OBBBA) are anticipated to impact TRA cash flows.

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

(1) Long title of the OBBBA is an Act to provide for reconciliation pursuant to title II of H. Con. Res. 14.

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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.



02 | Recent Transactions Q2 2025

M&A Events Impacting TRAs

In total, there were two M&A transactions where the target/acquirer 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
 Charter COMMUNICATIONS		5/16/25	\$34,500.0	\$0.0	TRA Amended	<ul style="list-style-type: none"> Transaction consideration will include 33.6 million common units of Charter Holdings and \$6.0 billion in notional amount of convertible preferred units, convertible into Charter common units. Charter's preexisting TRA was amended to entitle Cox equity holders to 50% of the tax benefits Charter realizes from the conversion of Cox's common and preferred units into Charter Class A common stock. As of March 31, 2025, the estimated present value of tax benefits was \$1.3 billion, assuming conversion of Cox's common and preferred units starting in 2035 and a weighted average cost of capital of 7.3%.
 		5/25/25	\$2,100.0	\$63.4	Negotiated Value	<ul style="list-style-type: none"> E2open's TRA will be settled at \$52.5 million, which represents a ~50% reduction to the TRA early termination payment of \$101.9 million. In connection with the merger, the board of directors formed a TRA committee of disinterested and independent non-management directors. Both the TRA committee and the board of directors determined that the transactions contemplated by the merger, including the treatment of the TRA, were fair to, and in the best interest of, E2open and its stockholders.

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



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02 | Recent Transactions

Q2 2025 (cont.)

TRA Buybacks

Two TRA obligors repurchased their TRA obligations in Q2 2025. Shift4 announced plans for a TRA buyback as well, but the transaction was ultimately terminated prior to closing.

TRA Issuer	Buyback Date	Stated TRA Liability at Last Filing Date (\$M)	Settled TRA Value (\$M)	Full Payment or Negotiated Value	Notes
 BITCOIN DEPOT	5/30/25	\$2.2	\$8.4	NA	<ul style="list-style-type: none"> Bitcoin Depot eliminated its Up-C structure to streamline its organizational and capital structure, aiming for improved stock liquidity and greater flexibility for acquisitions. As part of the restructuring, Bitcoin Depot paid \$8.4 million to settle the TRA.
 NETPOWER	6/12/25	\$0.0	\$0.0	Full Payment	<ul style="list-style-type: none"> As of March 31, 2025, the company concluded that TRA payments were no longer probable and reduced its prior Q4 2024 TRA liability of \$21.3 million to zero. On May 12, 2025, the company delivered an early termination notice to the TRA Representative, determining that no early termination payment was due. The TRA was officially terminated on June 12, 2025.
SHIFT ④	--	\$362.6	--	Negotiated Value	<ul style="list-style-type: none"> In Q1 2025, Shift4 announced plans to collapse its Up-C structure contingent upon the ratification and confirmation by the U.S. Senate of Jared Isaacman, Shift4's Founder and then-CEO, as NASA Administrator. The restructuring would have eliminated \$542 million in TRA payment obligations and other benefits to the company arising from the contemplated transactions (the "Company Benefits"). In exchange for the Company Benefits, Mr. Isaacman would have received approximately \$198 million, comprising cash and convertible preferred stock. On June 4, 2025, the restructuring transaction was automatically terminated after Mr. Isaacman's nomination was withdrawn. Mr. Isaacman was then appointed as Shift4's Executive Chairman.

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

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03 | Impact of the OBBBA on TRA Cash Flows

In this edition, we discuss the impact of the recent passing of the OBBBA on future TRA cash flows.

The OBBBA—General Tax Provisions

The OBBBA was signed into law on July 4, 2025, and with it comes several changes to general business tax provisions that will impact future cash flows from TRAs. Notably, the new law allows businesses to:

- Elect 100% bonus depreciation on a permanent basis for eligible business property acquired after January 19, 2025;
- Elect to claim bonus depreciation on qualified production property;⁽¹⁾
- Elect to immediately expense qualifying domestic research and experimental costs previously required to be capitalized under Section 174 for amounts paid or incurred after December 31, 2024, on a permanent basis;
- Calculate the limit on deductions for business interest expense using a cap based on 30% of tax-EBITDA rather than tax-EBIT; and
- Elect to deduct previously capitalized costs under Section 174 (for tax years 2022 to 2024).⁽²⁾

The analysis below from the Joint Committee on Taxation highlights the net government revenue effects from the general business tax provisions. The OBBBA is likely to result in lower corporate taxable income in the near future and accelerate tax savings for business taxpayers, with the majority of such savings coming in the next three years.

Business Reforms: Relative to Current Policies	Effective Date	2025E	2026E	2027E	2028E	2029E	2030E-2034E	Total
Full Expensing of Business Property	PAA 1/19/25	(\$33,505)	(\$54,214)	(\$35,617)	(\$26,045)	(\$18,911)	(\$51,165)	(\$219,457)
Qualified Production Property	7/4/2025	(2,167)	(30,280)	(34,374)	(33,959)	(28,524)	(12,092)	(141,396)
Full Expensing of Domestic R&D	TYBA 12/31/24	(53,793)	(33,585)	(20,483)	(13,794)	(7,480)	(12,327)	(141,462)
Modification of 163(j) to EBITDA	TYBA 12/31/24	(8,268)	(6,519)	(6,183)	(5,673)	(5,260)	(28,607)	(60,510)
Other		(2,301)	(4,786)	(5,307)	(4,671)	(1,179)	12,171	(6,073)
Total		(\$100,034)	(\$129,384)	(\$101,964)	(\$84,142)	(\$61,354)	(\$92,020)	(\$568,898)

(1) The construction of which begins after January 19, 2025, and before January 1, 2029—such property includes domestic, nonresidential real property that is integral to manufacturing, producing, or refining tangible products.

(2) To be deducted during the first two tax years beginning after December 31, 2024, in either one year or two years at the election of the taxpayer.

PAA refers to "property acquired after."

TYBA refers to "taxable years beginning after."

Source: Joint Committee on Taxation Analysis—July 1, 2025.

03 | Impact of the OBBBA on TRA Cash Flows (cont.)

The OBBBA—Accelerated CapEx Deductions

While corporate tax rates were unchanged in the OBBBA, the new law nonetheless provides cash tax cuts for domestic manufacturing through accelerated depreciation regimes.

Accelerated depreciation on capital expenditures impacts both the actual taxable liability (calculated with TRA attributes) and hypothetical tax liability (calculated without TRA attributes) of TRA issuers and, all else equal, is likely to decelerate or be neutral with respect to the timing of TRA cash flows. If a TRA issuer does not have sufficient taxable income to fully absorb both the accelerated depreciation deductions for capital expenditures and all TRA-eligible deductions, then the tax benefit from TRA-eligible deductions is delayed until sufficient taxable income becomes available. As a result, the permanent allowance of 100% bonus depreciation is generally expected to slow down the utilization of TRA-eligible deductions, with a greater impact on TRA cash flows stemming from asset-intensive businesses.

While bonus depreciation in general is nothing new, TRA investors should be apprised of the potential effects of the introduction of bonus depreciation for qualified production property. Under the OBBBA, large domestic investments in new manufacturing and production facilities from 2025 to 2031 could reduce TRA payments due to the associated upfront acceleration of depreciation.

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Source: Joint Committee on Taxation Analysis—July 1, 2025.

03 | Impact of the OBBBA on TRA Cash Flows (cont.)

The OBBBA—(Re)acceleration of Domestic R&D Deductions

The Tax Cuts and Jobs Act of 2017 required that qualifying R&D expenditures be capitalized and amortized over five years for domestic spend and 15 years for foreign spend, starting in tax years beginning after December 31, 2021. As a result, many taxpayers, especially those in the technology, life sciences, and aerospace and defense industries, experienced higher-than-expected cash tax expenses and arguably higher-than-anticipated TRA outflows relative to book income due to capitalizing R&D costs between 2022 and 2024.

With the passing of the OBBBA, many taxpayers will take advantage of the ability to immediately expense qualifying R&D expenditures. In addition, taxpayers may also immediately expense previously capitalized costs incurred from 2022 to 2024 during 2025 and 2026. Among the changes to general business tax provisions included in the OBBBA, the Joint Committee on Taxation analysis expects taxpayers to receive the highest tax benefit during 2025 from the return to immediate expensing of domestic R&D expenditures. Generally speaking, we would expect TRA cash flows owing from taxpayers who heavily invest in R&D (e.g., taxpayers in the technology, life sciences, and aerospace and defense industries) will be reduced in the near future when compared to tax policies that were in place prior to the OBBBA.

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03 | Impact of the OBBBA on TRA Cash Flows (cont.)

The OBBBA—Reversion to Tax EBITDA Calculation for Interest Expense Limitations

From 2022 to 2024, the U.S. federal income tax code limited the amount of annual interest expense that a taxpayer could deduct to 30% of EBIT (as calculated for U.S. income tax purposes). To the extent actual interest expense exceeded this annual limitation, the amount was carried forward and available to be deducted in future periods, subject to similar annual limitations. For most TRA issuers, the calculation of tax EBIT (and therefore interest expense limitation) was lower when calculated with TRA attributes than without TRA attributes, as the majority of TRA-eligible deductions constituted depreciation and amortization. Generally, during the 2022 to 2024 periods, this resulted in lower TRA outflows because actual tax liabilities were artificially higher than expected relative to hypothetical tax liabilities (which were less burdened by restrictive interest expense limitations).

For tax years beginning after December 31, 2024, the OBBBA allows taxpayers to deduct interest expense using a limitation equal to 30% of EBITDA (as calculated for U.S. income tax purposes). We expect this to generally result in TRA issuers having the same or similar annual interest expense limitations when calculating both actual and hypothetical tax liabilities. For TRA issuers that accumulated disallowed interest expense for actual tax liability purposes from 2022 to 2024, the higher prospective limitation may free up previously disallowed deductions in the actual tax liability. All else equal, this is expected to result in higher TRA outflows because actual tax liabilities will benefit from interest expense deductions that were previously deducted in the calculation of hypothetical tax liability.

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03 | Impact of the OBBBA on TRA Cash Flows (cont.)

The OBBBA—Other Considerations

While the OBBBA includes many other changes to the U.S. federal tax code, we focused our discussion on the revisions expected to be most impactful to the TRA market. As evident throughout this newsletter, the OBBBA is generally expected to reduce actual tax liabilities in the near future when compared to previous baseline policies. However, many of the provisions of the OBBBA carry the ability to elect to accelerate or decelerate future deductions to minimize actual tax liabilities of corporate taxpayers. The impact of the OBBBA on the cash flows of a specific TRA is therefore likely to be dictated by the industry, growth plans, and previous tax history of the respective TRA issuer.

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Source: Joint Committee on Taxation Analysis—July 1, 2025.

04 | How Houlihan Lokey Can Help

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:

- Sellside Advisory of Your TRA
- 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.

Want to see previous updates and other TRA content? Visit us at [HL.com/insights/tax-receivable-agreements](https://hl.com/insights/tax-receivable-agreements).

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