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News & Types: Corporate, Finance & Acquisitions Update

Tariffs And M&A Transactions—Reshaping M&A Risks

12/18/2025

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Practices: Corporate, Finance & Acquisitions

Shifting tariff policies are increasingly influencing deal valuations and timelines. Companies with significant import exposure, concentrated offshore supply chains, or tariff-sensitive customer bases are seeing greater pricing pressure and more frequent delays, making tariff analysis a core issue in early-stage M&A planning.

As a result, due diligence has expanded meaningfully. Buyers are now modeling multiple tariff scenarios, assessing supplier concentration risk, and evaluating the target's ability to adjust sourcing or manufacturing in response to tariff changes. Legal diligence often includes reviewing trade classifications, importer-of-record practices and any prior mitigation efforts. Missteps in these areas can create liability exposure, including unexpected post-closing cost burdens or compliance penalties.

Tariff-driven uncertainty is also changing transaction risk allocations. Parties are negotiating more detailed purchase agreement provisions addressing tariff changes between signing and closing. Material Adverse Effect (MAE) clauses—which historically excluded broad market risk—are now more actively negotiated to clarify whether significant tariff shifts could justify termination. Buyers are increasingly relying on price adjustments, earn-outs and tariff-related indemnities to protect against downside risk.

Given this environment, deal teams must proactively evaluate tariff exposure—including supply-chain resilience and compliance posture—and negotiate clear contractual protections. Strong diligence and robust allocation mechanics are becoming essential to preserving deal value and avoiding costly post-closing surprises. It is imperative that clients engage counsel at the earliest stages of negotiation in order to best evaluate tariff concerns.

Masuda Funai is a full-service law firm with offices in Chicago, Detroit, Los Angeles, and Schaumburg.