

# Founder & Management Incentives in Private Equity

From incentives to impact:

Key takeaways to scale and sustain value

DECEMBER 2025



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# From incentives to impact:

## Key takeaways to scale and sustain value

*In private equity deals, the most effective value-sharing arrangements are those that combine meaningful founder rollovers with well-structured management incentives, agreed early and documented clearly.*

*When designed and communicated properly, incentive schemes promote an ownership mindset, support and guide capital allocation and execution pace, and can move the needle on value at exit by focusing managers on value creation above the hurdle while preserving relationships throughout the hold.*

*We have selected **10 practical keys** to help founders, management teams and sponsors align interests, protect relationships and accelerate value creation across the investment lifecycle.*

1

**Treat rollover as a primary commercial term, not an afterthought**

In many deals, the founders and members of management are uniquely positioned as both sellers and buyers. That dual role makes the rollover decision central to alignment. In practice, sponsors and investment committees expect clarity on commitment at signing, not at closing.

2

**Use a management term sheet to lock commercial alignment pre-signing**

The most efficient processes front-load agreement on the handful of points that truly drive outcomes. A term sheet for founders and management teams anchors critical commercial points before final offers are in: reinvestment instruments, incentive package, further funding needs, leaver treatment, exit mechanics, and, where appropriate, transition arrangements. This preserves momentum and supports clean execution at signing while enabling thoughtful communication with the wider team pre-closing.

3

**Reinvestment can be a key term to close the deal - make sure you know the market trends**

Market experience shows net proceeds rollovers trending around the 40–50% range in private equity transactions in Europe, with flexibility where personal circumstances or exceptional team breadth justify an adjusted outcome. However, the substance of the commitment is as vital as the headline number: agreeing funds sources and instruments avoids surprises, enables faster signing and sets the tone for a partnership rather than a negotiation at the eleventh hour.

4

**Ordinary equity as the engine of upside - calculating the value of the sweet or phantom equity**

Across European buyouts, the prevailing architecture splits capital between preferred and ordinary equity. Preferred typically compounds at an agreed coupon, with the residual value accreting to ordinary shares where management “sweet equity” participates or the phantom scheme defines its valuation. This design intends to focus management on the true equity creation above the hurdle. Notwithstanding, effective plans should consider incentive allocation, alignment metrics, and anti-dilution protections.

5

**Expand participation thoughtfully;  
communicate early with the wider team**

There is a clear trend towards broader participation beyond the C-suite—particularly in people-intensive or multi-site businesses. Senior leadership should identify “go-forward” roles early and map award sizes to impact and retention needs. Pre-closing communication is critical: set expectations, funding support, vesting/ leaver terms, and how performance drives value at exit. The earlier the conversation, the stronger the alignment and the lower the execution risk.

6

**Define exit and liquidity up front**

The lifecycle of private equity investments is lengthening, and long-term capital and continuation vehicles may extend ownership beyond the traditional cycle, so MIPs should hardwire what counts as an “exit” and the liquidity routes available to management. Well-structured plans consider synthetic liquidity for long hold scenarios and pre-agreed options for continuation funds, ensuring participants are not locked in indefinitely.

7

**Calibrate vesting and leaver terms to reinforce  
performance and fairness**

Vesting should reward contribution over time and through to exit while protecting the business if circumstances change. Balanced leaver rules distinguish bad leavers from good and intermediate cases, with appropriate buy-back mechanics and valuation. The C-suite must consciously manage the tension between negotiating sensible protection for themselves while insisting on robust standards for the broader team to avoid leakage of talent and value mid-plan.

8

**Align structure and tax from day one**

Valuation of sweet equity and the classification of management returns are determinative of after-tax outcomes across jurisdictions. Early tax work—tailored to the relevant countries and using supportable valuation approaches—reduces reclassification risk and enhances net value for participants. Insurance products may also play a role in mitigating reclassification risk in select cases.

9

**Plan for further funding and M&A**

Buy-and-build strategies are powerful but can strain incentives if additional equity layers in without protections. Pre-agreeing anti-dilution mechanics for management and transparent rules for participation in follow-on rounds maintains fairness as capital needs evolve. Where founders remain active, governance and transition pathways should be defined to avoid friction when opportunity arises.

10

**Process discipline increases value and preserves relationships**

The most successful outcomes on value creation share some guidelines: early planning ahead of signing; benchmarking to current market practice; and a structured, advisor-led process underpinned by data to preserve relationships and execution momentum. Founders and managers should have room for separate advice and discussion to fully understand their role and align their interests. An organized process depersonalizes difficult topics, enables constructive negotiations and protects relationships that must endure through the next ownership cycle. With the right preparation, incentives become a catalyst for value creation rather than a closing-table hurdle.

# Private Equity

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Legal 500, 2025

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Private equity in Portugal



Recommended firm  
in Private equity  
in Portugal



Leading law firm  
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- We regularly advise national and international private equity firms and funds, fund sponsors, management companies, investors, portfolio companies, and banks and financial institutions.
- In 2024, we advised on over 60 private equity and venture capital transactions in Spain and Portugal.

## Contact



**Mariana Norton dos Reis**  
**Partner**

[mariana.norton@cuatrecasas.com](mailto:mariana.norton@cuatrecasas.com)



# Fact Sheet

25

Offices

+2000

Professionals

12

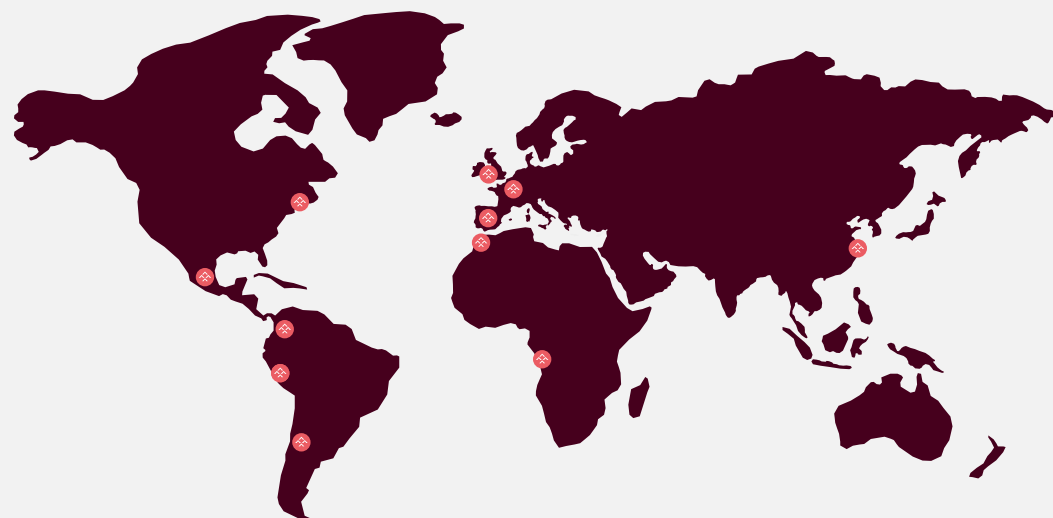
Countries

29

Nationalities &  
16 languages

25%

Women  
in top positions



**THE LAWYER**

Highly commended in Iberia,  
2024  
Firm of the Year in EU  
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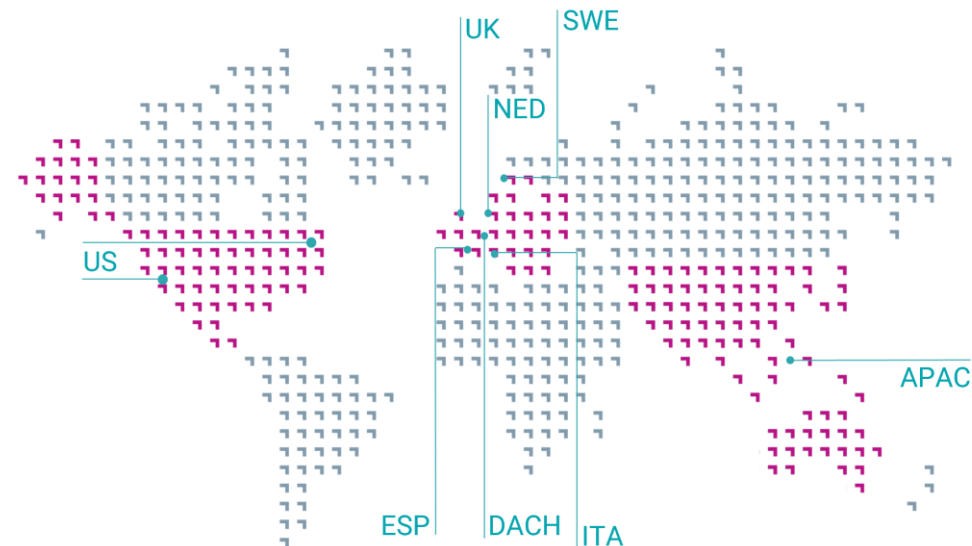
\* In collaboration with a local firm.

# About Jamieson

*Leaders in structuring and benchmarking Founder and management equity arrangements*

**Founded in 2005 and with a dedicated IBERIA coverage presence since 2014**, we are a global management advisory firm providing commercial advice to Founders and management teams on their incentive arrangements with private capital providers. We provide:

- **Unrivalled experience** in structuring rollovers and incentives across all jurisdictions
- An **experienced sounding board** to Founders, CEOs and management teams on all aspects of a sale process
- **Proprietary benchmarking data** on equity structures, economics, key SHA terms and governance terms to **support negotiations**
- Support or lead negotiations on behalf of Founders and Management teams to preserve relationships and ensure a **streamlined and efficient process**
- Assistance in the **effective communication** of private capital equity structures to Management teams and other key employees



€600bn+

Transaction Values

1,000+

Teams advised

50+

Staff globally

9

Offices

90+

Deals in last 12 months

## IBERIA Coverage



**José Basabe**

[Jose.Basabe@jamiesoncf.com](mailto:Jose.Basabe@jamiesoncf.com)



**Daniel Meschaninov**

[dmeschaninov@jamiesoncf.com](mailto:dmeschaninov@jamiesoncf.com)



*For a deeper discussion on structuring founder rollovers and management incentive plans across transaction types and jurisdictions, please reach out to our specialized teams.*



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