Sell Your Business for Maximum Value:
Due Diligence

Proper preparation positions sellers to enter the due diligence process with confidence that the information presented to buyers is valid and supportable. Prior to the closing, buyers will be reviewing information for inconsistencies and if found, can often result in renegotiation of the purchase price.

During the due diligence process, buyers verify the information provided and relied on in the development of their offer. The additional requested information during due diligence can be overwhelming. It can be driven by lenders, investors, private equity groups, appraisers, insurance companies, and other stakeholders, on behalf of the buyer.

An example of a typical due diligence list of requested documentation is available on the **DLA website**. Gathering, reviewing, and cataloging due diligence materials in advance of potential transaction discussions is always recommended. This due diligence information should not be a surprise to the CFO. Rushing to collect the requested information can potentially lead to costly mistakes.

Valid and accurate financial information is an important starting point. Inaccurate, inconsistent, or unsubstantiated financial reporting will damage the credibility of information and introduce an element of doubt throughout the review process. The quality of earnings will be scrutinized during the due diligence process. A component of the due diligence process will usually be a Quality of Earnings (Q of E) report. A Q of E report involves an audit-like review of the financial information provided, to verify the accuracy. Accurate financial reports are an essential building block for value. In addition to an underlying foundation of accurate and verifiable financial reports, there are other specific items that buyers tend to pay special attention to.

Download our Top Seven Value Drivers & Discount Factors document for additional information.