BUY-SIDE DUE DILIGENCE STEPS

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CPAs & BUSINESS ADVISORS

1

You have questions on a Target's financial information. Also, your lender, or another party, has requested a third party perform financial (i.e. quality of earnings), tax and/or technology due diligence to gain comfort around the company to be acquired. You are about to sign, or just signed, a letter of intent.

2

Inquire with various vendors to determine which can perform third party diligence, then inform them of the key aspects of the deal and the major concerns.

3

Collaboratively decide on a scope of work with the due diligence vendor.

4

Make an introduction to the Target's CFO/sell-side advisor, who will assist from the seller's perspective on carrying out due diligence. At the same time, the CPA firm and advisors will send their data request list.

5

You, as the buyer, can be as involved as you wish in the due diligence process. You are encouraged to participate in introduction calls and onsite visits.

6

Within 3 to 5 weeks, the CPA firm performing due diligence will usually have their report in draft form. Then, have a follow-up call or meeting with the CPA firm to discuss the main findings.

7

Consider if any of the findings in key areas, including EBITDA/cash flows, concentrations, tax risks or technology concerns should impact the valuation or any deal terms.

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