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## TRANSACTION SERVICES

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# BUYER CONSIDERATIONS

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### *Evaluate Risks and Rewards With Buyer Due Diligence*

In the next 10 years a huge number of baby boomers and others will be exiting their businesses. As a result, there will be good opportunities for our clients to buy businesses. These may include financial investments or a synergistic opportunity for an existing company.

The equation is pretty simple—risk equals reward. The more risk a buyer might assume the more reward s/he will need. A good due diligence process can uncover risk and potentially lower the deal price for the buyer. Once a letter of intent is signed, the seller's leverage stops and the buyer's team takes over.

Eide Bailly's transaction services group has developed a comprehensive due diligence process and reporting package. Based on the scope of each situation, we customize our process to meet your specific needs. Assurance services, such as agreed upon procedures, can also sometimes be helpful in evaluating a deal, but should not replace a good "look under the hood" to see if the value of the company is real and sustainable.

Buyer due diligence is designed to focus on the key areas the buyer or investor would consider most risky, such as:

- Quality of earnings
- Quality of revenues and revenue recognition
- Add-backs and EBITDA adjustments proposed by seller
- Estimates
- Quality of working capital
- Tax matters and state and local tax reporting
- Inventory valuation
- Earn out considerations

An effective buyer due diligence process can help you realize the greatest reward from a potential investment in or purchase of a business.

#### **Next Steps?**

Contact your Eide Bailly service provider, or a member of our transactions services team, to discuss how our Firm can help you consider future business opportunities. Even if a potential exit is years away, we will help you focus on key business issues, develop a planning process for the future transaction and coordinate services with our wealth management team.

You may be dealing with a challenging and highly competitive market when you buy or sell a business. By utilizing a team approach, we can help you realize your return on investment.

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#### **FOR MORE INFORMATION**

Chad Flanagan, CPA/ABV  
Director of Transaction Services  
800.497.4303  
cflanagan@eidebailly.com

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