

Due Diligence and Quality of Earnings

Are you contemplating acquiring a business? Or perhaps contemplating taking your business to market for a potential sale? The MCM CPAs & Advisors Transaction Advisory Services Team can help you determine if a transaction is a good fit. Our team applies deep industry knowledge and expertise, while taking both a qualitative and quantitative approach to identifying risks and opportunities to help our clients make the most informed decisions before proceeding with a transaction.

Overview

We begin each engagement by consulting with your team. This may include your internal management team and external advisors. The kick-off meeting sets the scope, timing and nature of our due diligence analysis. While each business is unique, our analysis typically includes the following critical procedures:

- Quality of Earnings Analysis
- Calculation of Adjusted EBITDA
- Analysis of Balance Sheet and Income Statement
- Analysis of Monthly Net Working Capital
- Proof of Cash Analysis

What are the Benefits of Due Diligence and Quality of Earnings

A thorough financial diligence process goes a long way in ensuring a smooth transaction. Our procedures can be applied to both buy-side and sell-side engagements. On the buy-side, this analysis validates factors that impact deal value, such as recurring cash flows, EBITDA and net working capital. On the sell-side, we perform similar analysis, but with the objective of providing transparency over financial reporting. By proactively identifying areas of importance in our sell-side analysis, the diligence process by a potential third-party buyer may go more smoothly.

If you have any questions about Due Diligence & Quality of Earnings Analysis, please contact Drew Chambers at drew.chambers@mcmcpa.com or visit www.mcmcpa.com/service/advisory-services/valuation-services



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