What You Risk When You Skip Diligence

GUARDIAN
Due Diligence

Due diligence is a significant part of any deal. It should be a major component of your decision making process. Without it, you are put in a position in which you must trust the word of a seller who is motivated to get you on the hook.

Let's talk about the guy who skimped on diligence and made a mistake. What happens to him?

Sh#t Gets Real Fast

Loan closed, business bought. But wait...3 months later, revenue and EBITDA are down 50%!!!! This could have been avoided.

But You Saved Money on Diligence...

You were smart enough. You look over financials all the time. You're a do-it-yourself kind of guy. WELL. You made the biggest bet of your life without diligence. Was it worth it?

Sugar to ____

Wait! You thought you bought a skyscraper and now you own a crater.

Now You Have a Job, Buddy

You work for the bank. Instead of growing the business to become rich, you fight each month to make a payment to the bank. (Pro tip: Most people never get out of this situation. They waste 1-2 years while still losing their assets.)

Personal Guarantee

You pledged your house, your 401k, your kid's college accounts as a personal guarantee. Now, the business cannot cover the bank payment. EVERYTHING you've worked for is subject to seizure.

Family Trouble

Your wife trusted you. You were a hero to your kids. Now you're family is in the fight with you because all the assets are tied up.

The Shameful 20%

20%

Unfortunately, you are not alone. Roughly 20% of deals end up this way. The winners in the deal business shout their successes on podcasts, but you didn't consider the losers who just "went home". They don't do podcasts.

Very Few Ways Out

I wish this story ended well. It doesn't. When you miss things in diligence, you are subjecting yourself to financial ruin. Avoid this at all costs!

Elliott Holland • Partner

Phone: 404-441-2637

eholland@guardianduediligence.com

Get a Quote

What You Risk When You Skip Diligence

GUARDIAN
Due Diligence

How Do You Avoid These Outcomes?

Hiring an expert in due diligence is the most reliable way to avoid a making a bad deal. Those with deep acquisition experience are equipped to spot problem areas that might not be obvious to someone new to the industry. There are many angles to view a deal from, and you want to make sure you have them all covered. Involving a trusted partner in your deal will give you the peace of mind that you're making a solid investment.

This is What You'll Learn from Due Diligence:

- Client retainability. Once the previous owner of the business steps down, how can you be sure the clientele will remain?
- Unusual trends and variances in internally prepared balance sheets and income statements.
- Nature and extent of period-end closing adjustments and reconciling items between general ledger balances and internally prepared financial statements.
- Significant and/or unusual accounting policies.
- Changes in accounting methods, principles, policies, procedures or practices.
- Unusual or nonrecurring items of income or expense.
- Transactions with related parties.
- Proof of Cash. Analysis of cash receipts and expenditures compared to reported EBITDA (earnings before interest, tax, depreciation, amortization)
- Customer sales, concentrations and backlog analysis.

YOUR MAJOR TAKEAWAY

Don't make a million-dollar mistake by skimping on due diligence!

Start Now!

Elliott Holland • Partner
Phone: 404-441-2637
eholland@guardianduediligence.com

Get a Quote

What You Risk When You Skip Diligence

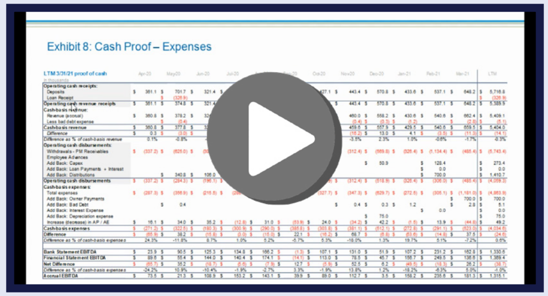
GUARDIAN
Due Diligence

Learn the Key Elements of a Quality of Earnings Report

1. EBITDA and the adjustments

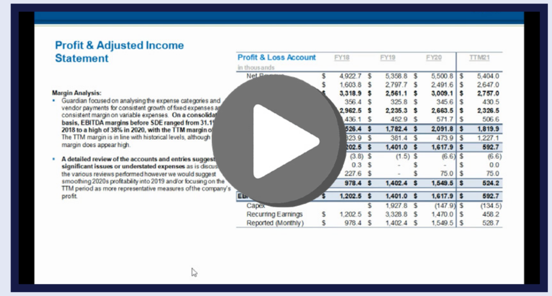
- Start with unadjusted EBITDA.
- Review the EBITDA adjustments, and be sure they are true expenses you will not need to pay going forward.
- Total adjustments should be a reasonable percentage of adjusted EBITDA. Look for large areas of difference that may still make sense (like owner salary for instance).
- This is how the experts do it!

2. Proof of Cash



- In a Proof of Cash, we build the financials out of the bank statements.
- Review the bank's version of revenue, costs, and profit.
- A good deal has very small differences, and the differences are especially small in the previous year leading up to the acquisition.

3. Profit per Product or Service



- Review the consistency of margins as the business grows.
- Look for any known expenses that you'd expect to see - and make sure they are represented.
- This is where your industry knowledge comes into play.

Learn more at www.guardianduediligence.com.

Elliott Holland • Partner
Phone: 404-441-2637
eholland@guardianduediligence.com

Get a Quote

About Guardian Due Diligence

GUARDIAN
Due Diligence

We are your deal champion. Each deal needs a lawyer, a CPA, and an expert deal professional. Guardian is the expert. We provide the advice that allows buyers to more effectively manage the highly layered process of buying a business and feel comfortable that they are not getting fleeced or buying a lemon. This allows our clients to focus on the deal and not the details. Our services provide an expert layer of protection for your investment.

Deal Sourcing & Evaluation

Sourcing high quality deal flow & evaluating best deal opportunities to pursue.

Preliminary Negotiations

Creating Indication of Interest (IOI) and Letter of Intent (LOI). Guiding discussions with sellers.

Due Diligence

Deep financial & operational analysis. Manage 3rd party vendors in specialty areas (Lawyer, CPA, etc.).

Transaction Completion

Finalize negotiations. Deal structuring and capital raising.

Post-Close Growth Planning

What operational levers will grow the business? How can we maximize ROI/IRR?

Other Helpful Resources

Due Diligence War Stories

Sample Quality of Earnings Report

Due Diligence Case Studies

Elliott Holland • Partner
Phone: 404-441-2637
eholland@guardianduediligence.com

Get a Quote