

DUE DILIGENCE IN THE MODERN DEAL

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VALUED REPRESENTATION

Due diligence remains the stage where good deals are confirmed and bad deals are exposed. The fundamentals have not changed: a buyer must verify that the business being purchased is the business being presented. What has changed is the scope. Today, the value of most companies lives as much in data, technology, contracts, and people as it does on the balance sheet, and the diligence process must expand to match.

START WITH THE NUMBERS

Financial review is still the foundation. A quality of earnings analysis should test whether reported profits are sustainable under new ownership. Key areas include:

- The mix of recurring versus one-time revenue, and how much is under contract
- Customer and supplier concentration, where losing one relationship could reshape the business.
- Working capital trends and seasonality, which show how much cash the business truly needs.
- Off-balance-sheet obligations such as leases, guarantees, and deferred liabilities.

The goal is not simply to confirm the numbers, but to understand the engine that produces them, so the buyer can judge whether it will keep running after the keys change hands.

THE NEW DILIGENCE FRONTIERS

The areas that most often produce post-closing surprises today sit outside the traditional financial file. Every modern diligence plan should examine:

- Cybersecurity and data privacy, including past breaches and compliance in every market served.
- Technology and intellectual property, confirming the company owns what drives its value.
- Key contracts, verifying that agreements, leases, and licenses survive a change of ownership.
- People and culture, identifying employees whose departure would materially damage the business.

Any one of these areas can reshape the price, the structure, or the decision to proceed at all, and it is far better to discover an issue before closing than after.



RUN A FASTER, SMARTER PROCESS

Technology has transformed how diligence is conducted. Virtual data rooms allow advisors on both sides to review documents securely from anywhere, and analytical tools can scan thousands of contracts to flag unusual terms in a fraction of the time manual review once required. To keep the process moving:

- Prepare a tailored diligence checklist before the letter of intent is signed.
- Assign clear ownership of each workstream to a specific advisor or team member.
- Set milestone dates and hold regular calls to surface issues while they are still small.

A disciplined process protects both sides. The buyer gets answers sooner, and the seller spends less time distracted from running the business being sold.

PROTECT THE RELATIONSHIP

Diligence is an examination, but it should never feel like an interrogation. Explain why each request matters, sequence sensitive requests later in the process, and acknowledge the seller's effort in responding. The tone set during diligence carries directly into the final terms and the working relationship that follows.

MAKING IT WORK

Thorough preparation, modern tools, and professional conduct are the foundation of effective due diligence. When a buyer examines every dimension of the business, moves quickly, and treats the seller's team with respect, the process confirms value rather than destroying momentum. Buyers who take these steps consistently avoid costly surprises, negotiate from knowledge, and preserve the goodwill needed on the first day of ownership, when the real work of integration begins.

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