The Merger Expert
Since 1983
Sell-Side Merger & Acquisitions Exclusively

(503) 746-6736

16578 SW 72nd Avenue
Portland, OR 97224

Michael Crawford, Managing Principal and Founder of The Merger Expert, Inc. with over 35 years intermediary experience says,

“Recently, I came across the article “The Due Diligence Beast” by Peter Lehrman. With my experience in the industry, I feel he makes many valid points, and his insights are valuable in every respect. This is an informative article I wish to share.”

The Due Diligence Beast

Posted by Peter Lehrman

No experienced buyer purchases a company without first learning everything there is to know about it. That learning process is known as “due diligence”.

During due diligence, a buyer, its accountant(s), lawyer(s) and any other professional advisor it employs will examine every aspect of every one of the seller’s contracts, procedures, relationships, plans, agreements, systems, leases, manuals and financial documents.

This process requires an extraordinary amount of time and attention on both the buyer’s and the seller’s parts. That’s why we recommend that owners initiate the due diligence process as soon as they decide to sell their companies and have an indication from a transaction intermediary that the business is salable for sufficient money to meet their financial security wishes and needs.

Starting the due diligence process well before the buyer requests documents gives sellers the opportunity to remove any obstacle that might prevent a buyer from traveling a straight path to closing. Keeping the road to closing free from unnecessary impediments compresses the time between the buyer’s offer and the closing. In a sales transaction, time rarely favors the seller so owners want to condense the process.

Buyers are looking for the skeletons in your closet and are very skilled at finding them. They are looking for malfeasance or undisclosed material risks. They will look for fraud (on the part of an owner or manager) or any misrepresentations you have made such as improperly recognized revenues or expenses, and any information you have omitted, such as: unpaid taxes, pending or threatened litigation or obsolescent business equipment, processes, products or services.

The buyer is also looking for information that would affect the value of the company and the advisability of purchasing it. Up to the moment due diligence begins, you have controlled the information flowing to the buyer. You give up much of that control during the buyer’s due diligence.

(503) 746-6736

16578 SW 72nd Avenue
Portland, OR 97224

Finally, if the buyer's search for malfeasance, misrepresentations or information that would affect the company's value yields no results, the hunt is on for anything that the buyer could use to lower the price or improve its terms. And that ulterior motive-lowering price and improving the buyer's terms-permeates the entire due diligence process. Is it any wonder that sellers hate (and that is not too strong a word) this process?

And, is it any wonder that we strongly suggest (as we do) that you and your advisors clean up every contract, agreement, stock book, record of corporate actions, manual, lease, or threatened law suit BEFORE you take your company to market?