



TRANSACTION ADVISORY SERVICES

Buy-Side Quality of Earnings

Your Partners For Success

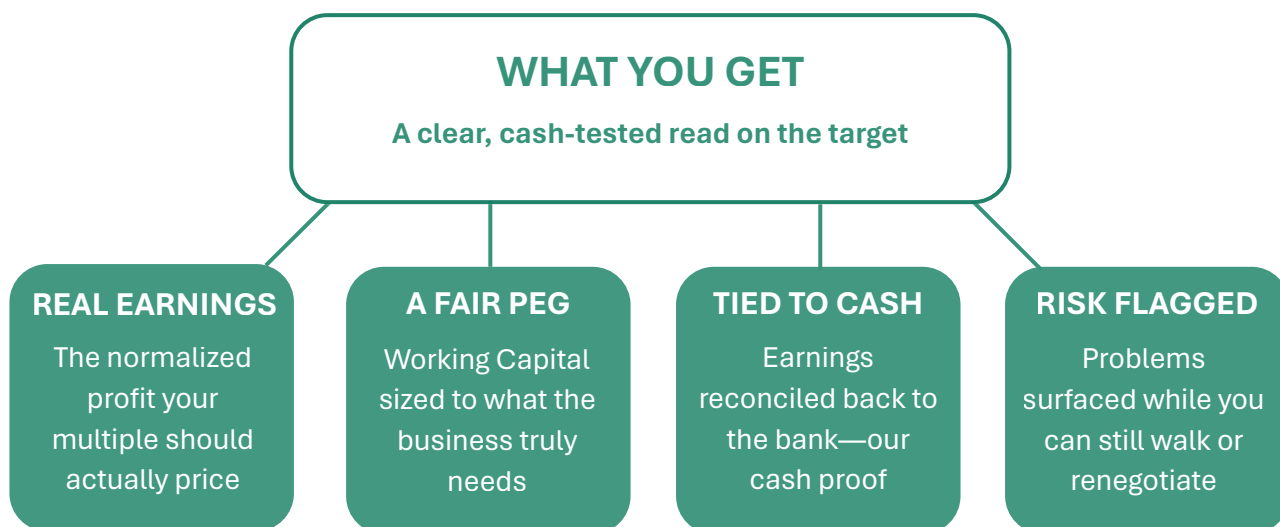


➤ Buy-Side Quality of Earnings

Know what you're really buying—before you sign

The seller's numbers tell the seller's story. A **buy-side Quality of Earnings analysis** gives you an independent read on what the business truly earns, what it really takes to operate, and where the risk is—so you pay the right price and structure the deal around what you find.

What is it? A Quality of Earnings analysis is an independent look behind a company's reported profit—separating real, repeatable earnings from one-time items, owner perks, and accounting choices. The seller's statements tell you what the numbers are. This tells you what they mean for your deal.



▶ A **buy-side Quality of Earnings analysis** is designed to help you price, structure, and finance the deal with fewer blind spots.



Why buyers don't rely on the seller's numbers

Reported earnings and deal-ready earnings aren't always the same thing. Here's what we test to close that gap before you sign:

An audit opines on whether financial statements are fairly presented. A Quality of Earnings analysis is forward-looking—it asks whether this year's earnings will repeat next year under new ownership.

1 - VALIDATE

Confirm the earnings you're paying for

Your price is a multiple of EBITDA. We test whether that number is real and repeatable—or propped up by one-time items and add-backs that won't survive the close.

2 - FIND RISK

Surface problems before you sign

Customer concentration, debt-like items, margin sustainability, owner dependency—the things a standard audit never tests, found while you can still act on them.

3 - SUPPORT TERMS

Back your price with facts

Findings give you the footing to set the Working Capital peg, shape the purchase agreement, and support your lender—with evidence, not assertions.



The gap between reported and normalized earnings is often the most consequential number in a deal—and it moves price and structure far more than the cost of the analysis.

What we test — so you don't overpay

We look past the income statement to the things that move price and structure—and quantify them so they hit the deal, not your balance sheet after close:



Owner add-backs & perks



One-time vs. recurring costs



Customer concentration



Debt-like items



Related-party rent & deals



Revenue recognition

THE CORE OF EVERY ENGAGEMENT



EBITDA & Add-Backs

We rebuild reported EBITDA into a defensible, adjusted number—including revenue quality, margin trends, and collection patterns.



Working capital and the peg

We size the peg to what the business actually needs, so you're not funding a shortfall on day one.



The cash proof

An automated proof reconciles reported earnings back to the bank, before you wire the money.



Scoped in as the deal needs it

Cash-to-accrual conversion, capital expenditures (growth vs. maintenance), and deeper dives into risk areas like deferred revenue, payroll, inventory—added when the deal calls for them.



How we work—and why Ennis Pellum

From the first data pull to the closing table, here's how we move a buy-side engagement forward:

1 - PLAN & GATHER

Scope the engagement and pull the data room together fast.

2 - ANALYZE

Test earnings, Working Capital, and cash proof against the numbers.

3 - REPORT

Findings that affect price and structure, laid out clearly.

4 - SUPPORT

Backing your negotiation and financing through closing.



Partner-led, on your timeline

Senior people do the work and meet aggressive deal deadlines—not junior staff learning on your transaction.



Tax + financial under one roof

Quality of Earnings paired with tax diligence and deal structuring—and the BDO Alliance USA behind us.



Built for your market

Right-sized, practical Financial Due Diligence for founder-owned targets, and clear findings you and your lender can act on.

UNDER A LETTER OF INTENT, OR STARTING TO LINE UP A TARGET?

We can help you move through diligence with confidence, on a timeline that fits your deal.

Let's have a confidential conversation about where you are in the process.

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