



TRANSACTION ADVISORY SERVICES

# Sell-Side Quality of Earnings

*Your Partners For Success*

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# ➤ Sell-Side Quality of Earnings

*Control your numbers before a buyer does.*

When you sell your business, the buyer will dig into your numbers no matter what. A **sell-side Quality of Earnings analysis** lets you go first—so you can defend your price, fix problems before they cost you, and keep the deal moving through diligence.

**What is it?** A Quality of Earnings analysis is an independent look at what a business truly earns—stripping out one-time items, owner perks, and accounting quirks to show the real, repeatable profit a buyer will pay for. Your statements tell a buyer what the numbers are. This tells them what they mean.



▶ A **sell-side Quality of Earnings analysis** is designed to help you defend value and reduce surprises in diligence.

# **Why sellers do this before going to market**

Buyers will test every number in your business regardless of whether you go first. Here's why sellers get ahead of that process instead of waiting for it:

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. Doing this before you go to market means you're the one answering that question, not the buyer.

## **1 - GO FIRST**

**Find it before the buyer does**

The buyer's team will test every number. A Quality of Earnings analysis surfaces the issues early—while you still have time to fix or explain them on your terms.

## **2 - DEFEND VALUE**

**Prove your real earnings power**

An independent, cash-tested view of what the business truly earns gives buyers confidence in your numbers—and gives you the footing to hold your price.

## **3 - PROTECT THE DEAL**

**Fewer surprises, less retrade**

Surprises late in diligence are where deals stall and prices get chipped. Getting ahead of them helps keep momentum—and your leverage—intact.

 Most private-equity buyers commission a Quality of Earnings analysis on nearly every deal; only about half of owner-led sellers do. That gap is your disadvantage at the table—unless you close it.

# What buyers test and what we prepare

A buyer's team looks past the income statement. We get ahead of the questions that move price, framing them as known facts—not red flags found late. We adjust earnings in both directions, because a balanced analysis earns trust. Areas we commonly address:



**Owner compensation & perks**



**Related-party rent & deals**



**One-time vs. recurring costs**



**Customer concentration**



**Revenue recognition**



**Debt-like items**

## THE CORE OF EVERY ENGAGEMENT



### **EBITDA & Add-Backs**

We rebuild reported EBITDA into a defensible, adjusted number—including owner comp, related-party deals, and one-time costs you can stand behind.



### **Working capital and the peg**

We set your Working Capital target to trailing twelve-month reality, so the peg is yours to defend—not the buyer's to dictate.



### **The cash proof**

An automated proof reconciles reported earnings back to the bank, so buyers have far less to question.



### **Scoped in as the deal needs it**

Cash-to-accrual conversion, capital expenditures (growth vs. maintenance), and deeper dives into customer concentration, revenue recognition, and debt-like items—added when the deal calls for it.



# How we work—and why Ennis Pellum

Here's how a sell-side engagement runs, start to finish:

## 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 support your price and hold up under buyer diligence.

## 4 - SUPPORT

Backing your negotiation and diligence responses through closing.



### Partner-led, start to finish

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



### Local roots, national reach

Jacksonville-based since 1978 and a member of the BDO Alliance USA—local service, national-firm resources.



### Real deal depth

Hands-on Quality of Earnings and Financial Due Diligence across construction, manufacturing, distribution, healthcare, and services.

Thinking about a sale in the next 6–18 months?

## Start your Quality of Earnings before you go to market

The best time is 3–6 months ahead—while there's still room to act on what we find. Let's talk, confidentially.



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