

Due Diligence

Once the price and terms for the sale of a business are agreed, the process of due diligence must take place. This can be an exhausting and sometimes frustrating process.

- The process of due diligence is undertaken by the purchaser, to determine both the assets and liabilities of the business and the various claims made throughout the negotiating phase.
- Due diligence is about what can be proved, and this means obtaining evidence to support assertions.
- Due Diligence has a variety of areas and the most common in an advice firm transaction are financial, regulatory, employment and commercial.
- The process should ideally take a few weeks, with the purchasers' representatives visiting on one or two occasions, asking questions and requesting further documentation as evidence.
- The purchasers' representatives will produce reports, detailing their findings and sometimes providing guidance for the purchaser.
- The due diligence process frequently results in a change to the price and/or terms, where the seller's claims about their business cannot be substantiated with physical evidence.
- Sellers can undertake their own due diligence prior to commencing the process of selling the business. This can be a great way to prepare the business to be presented in the best way possible.

Do

- Establish the proposed scope and depth of due diligence.
- Carefully manage the messaging with your team, so any physical visit can be undertaken appropriately.
- Request the establishment of a data room if you want to keep the due diligence process away from your offices.

Don't

- Expect the purchaser to provide you with a copy of the due diligence report, as it's produced for them, not you.
- React emotionally, when this process throws up issues. Ask questions and try to understand the underlying concerns.
- Underestimate the importance of providing accurate and up-to-date information.

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