



## **SELLER'S CHECKLIST FOR DUE DILIGENCE**

### **Financial Health**

1. What is the current cash flow situation of the company?
2. Can you provide management accounts since the last full year's accounts were prepared?
3. What are the company's EBITDA margins over the last three years?
4. What is the current debt load of the company? Are there any outstanding loans?
5. Are there any off-balance-sheet liabilities (e.g., leases, contingent liabilities)?
6. What is the capital expenditure (CapEx) required in the next few years to maintain or grow operations, especially machinery and equipment?
7. What are the gross and profit margins on the company's top products or services?
8. Does the company have any tax liabilities or unpaid tax obligations?
9. What percentage of revenue is generated by the top five customers?
10. Can you provide details of any significant bad debts or accounts receivable that are overdue?
11. What does the debtor book look like, what is the split between deposits held and outstanding invoices on finished work?
12. Are there any seasonal fluctuations in revenue, and how are they managed?
13. Are there any pending or future financial obligations (e.g., pension liabilities, employee bonuses)?

### **Legal Issues**

15. Are there any ongoing or pending lawsuits against the company?
16. Has the company been involved in any regulatory or legal violations in the past?
17. Are there any intellectual property (IP) disputes, or is any of the company's IP under threat?
18. Is the company compliant with environmental regulations? If not, what are the potential liabilities or steps currently being taken to become compliant?
19. What types of insurances does the company hold, and are there any current or past claims?



- 20. Are there any unresolved or pending disputes with suppliers, customers, or contractors?
- 21. Are all contracts (supplier, customer, employee) legally compliant and up-to-date?
- 22. Does the company have any pending litigation regarding product defects or warranty claims?
- 23. Are there any legal proceedings related to property ownership or leases?

### **Commercial and Operations**

- 24. What are the company's top three competitive advantages in the marketplace?
- 25. Can you provide a breakdown of current customer concentration (e.g., percentage of revenue from top 10 customers)?
- 26. What are the terms of your major supply agreements (pricing, volume discounts, etc.)?
- 27. Have there been any significant changes in key supplier relationships in the past two years?
- 28. Are there any long-term supply chain risks (e.g., reliance on a single supplier or geographic region)?
- 29. What are the terms and conditions for your customer contracts, and are they long-term or short-term?
- 30. What is the manufacturing process, and what percentage is outsourced to third parties?
- 31. What is the current production capacity, and how does it compare to demand?
- 32. How does the company manage product quality and warranty claims?
- 33. What percentage of the company's product portfolio is patented, and how are those patents managed?
- 34. Does the company have any R&D or innovation initiatives underway?
- 35. What is the lead time from order to delivery for key products, and how has this evolved?
- 36. What is the company's approach to crisis management, and what measures have been taken to prepare for potential emergencies or disruptions?



## **Property and Assets**


- 36. What property does the company own or lease, and what are the terms of those leases, including end-of-lease requirements?
- 37. Are there any environmental liabilities associated with the properties owned or leased by the company?
- 38. Can you provide a detailed inventory of all equipment and machinery, including age, condition, and any lease agreements?
- 39. What percentage of equipment and machinery is owned versus leased?
- 40. What are the key terms of property leases (duration, escalation clauses, etc.)?

## **Employees, Contractors, and People**

- 42. Can you provide an organisational chart and details of key management personnel?
- 43. Are there any union agreements or collective bargaining agreements in place?
- 44. What is the current employee turnover rate, and how does it compare to industry averages?
- 45. Do key employees have non-compete or non-solicitation agreements?
- 46. What is the average length of service of key employees, and how is morale within the workforce?
- 47. Are there any outstanding disputes with employees or contractors (e.g., wage disputes, claims for unfair dismissal)?
- 48. Are employee contracts up to date and compliant with relevant employment laws?
- 49. Does the company provide training and development programmes for its workforce?

## **Customers and Suppliers**

- 50. Who are the company's key customers, and what are the terms of their agreements?
- 51. How diversified is the customer base, and are there risks related to over-reliance on any single customer?
- 52. How are customer complaints handled, and is there a system in place to track them?



53. Are there any unresolved disputes with customers or suppliers that could affect operations?

54. What are the company's terms for credit and payment with key customers and suppliers?

55. Have there been any significant customer or supplier losses in the past two years?

#### STANDARD DOCUMENTATION REQUIRED

- Contracts
- Financial Statements and Management Accounts
- Leases
- Legal agreements
- Insurance certificates
- Customer agreements
- Debt
- Organisation Chart
- Accreditations, licenses and mandatory certificates

Your prospective buyer will have a customised list of their requirements.