

SEIDEL SCHROEDER

CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS ADVISORS

What is it?

A Quality of Earnings Report (QofE) is a document prepared as part of the financial due diligence process. It generally shows historical financial performance, possible transaction risks and opportunities, and the sustainability of earnings. The report will highlight a normalized level of EBITDA, fluctuations in monthly and annual income, business segments, operating expenses, employee analysis, and key balance sheet details.

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Quality of Earnings Report (QofE)

Sell-Sided QofE

- > Identify potential problems a buyer may uncover so the seller can proactively address them and eliminate surprises that could interrupt the sale.
- > Creates a better understanding of drivers to maximize value.
- > Gain insight into how buyers will analyze the business and prepare to answer complex financial questions with confidence.
- > Reduce workload on internal accounting personnel during a transaction while giving seller more control in the process.

Buy-sided QofE

- > Identify potential red flags in order to make an informed decision on the purchase or to negotiate a reduced price.
- > Understand possible upside such as eliminating excess costs, unprofitable customers or business segments.
- > Gives buyers, lenders, and investors a more in-depth view of business sustainability.
- > Assess the accuracy of seller adjustments to EBITDA.