

FAQ



WHAT IS DUE DILIGENCE?

Due diligence is the process of thoroughly investigating a target company to assess its true value and uncover any risks that could affect the transaction. It is a **systematic review** of the company's business, financial health, legal standing, and operations.

When It Happens:

- Begins after a Letter of Intent (LOI) or term sheet is signed.
- Conducted before finalizing the purchase agreement.

What It Covers:

- Financial statements, tax records, and forecasts
- Contracts, legal documents, and compliance issues
- Intellectual property, technology, and assets
- Employee records, benefits, and HR matters
- Market position, customers, and suppliers

Purpose of Due Diligence:

- Ensures the buyer makes an informed decision about whether to proceed, and at what price/terms
- Identifies risks, liabilities, or deal breakers
- Provides a basis for negotiating warranties, indemnities, and protections in the purchase agreement

How It's Done:

- Involves lawyers, accountants, and other specialists
- Scope varies depending on the size and complexity of the deal

Due diligence is a critical step in M&A. It gives the buyer confidence in what they are acquiring and helps ensure the transaction is based on facts—not assumptions.

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info@magnusbusinessgroup.com



805-259-4795



30961 Agoura Rd. Suite 225
Westlake Village, CA 91361