

Preparing for Buyer Due Diligence

A practical guide to organizing the financial, operational and business information buyers may review before and during a transaction.



WHY PREPARATION MATTERS

Buyers price risk — and diligence is where risk gets tested.

NorthStar's sell-side process includes seller readiness, market preparation and diligence management. The goal is to identify issues early, improve clarity and help the business withstand buyer scrutiny with fewer surprises.

Use this guide to start organizing

Focus first on information that helps a buyer understand earnings, transferability, customer quality, management depth, operating systems and transaction risk.

01

Financial records

Statements, earnings quality, working capital and unusual items.

02

Revenue quality

Customer concentration, recurrence, contracts and retention.

03

People & operations

Key roles, operating procedures, systems and continuity.

04

Transferability

Contracts, licenses, vendor relationships and diligence issues.

WHAT A BUYER MAY WANT TO UNDERSTAND

A buyer is not only reviewing the numbers.

Buyers also evaluate how the company operates, what could affect future performance and how transferable the business will be after ownership changes.

01 Financial Performance

Historical financial statements, earnings quality, normalization items, working capital needs and consistency of reported performance.

02 Customers & Revenue

Customer concentration, recurrence, predictability, contract structure, retention and quality of the revenue base.

03 Owner Dependence

How much daily performance relies on the owner and whether knowledge, relationships and decision-making can transfer.

04 Management & People

Leadership depth, key employees, organizational structure, roles, compensation and continuity after a transaction.

05 Operations & Systems

Processes, technology, CRM usage, reporting, operating procedures and systems that support consistent execution.

06 Transferability & Risk

Contracts, licenses, vendors, know-how and issues that could affect valuation, terms or ability to close.

NORTHSTAR PERSPECTIVE

Prepare before the buyer asks.

NorthStar's process is designed to surface potential diligence obstacles during seller readiness and market preparation — before they create avoidable friction later in the transaction.

Practical goal: reduce ambiguity.

A well-organized owner can answer questions faster, explain exceptions clearly and help the buyer understand the business with less friction.

START ORGANIZING NOW

Buyer Due Diligence Readiness Checklist

Use this as an initial owner-side checklist. Exact requests will vary by buyer, industry and transaction structure, but these categories create a practical starting point.

Financial & Value Analysis

- ☐ Historical financial statements are organized and easy to reconcile.
- ☐ Revenue, margin and profitability trends can be explained.
- ☐ Owner or discretionary expenses are clearly identified.
- ☐ Material one-time or unusual items are documented.
- ☐ Working-capital needs and major capital requirements are understood.

Customers & Revenue Quality

- ☐ Top customers and concentration risk are documented.
- ☐ Recurring, contracted and repeat revenue can be separated.
- ☐ Customer retention and major account changes can be explained.
- ☐ Material customer contracts are organized.
- ☐ Revenue concentration or unusual dependencies are flagged early.

Management & Owner Dependence

- ☐ Key responsibilities are documented by role.
- ☐ Critical owner-held relationships are identified.
- ☐ Management depth and succession gaps are understood.
- ☐ Key employee retention considerations are identified.
- ☐ Core operating knowledge is documented where practical.

Operations, Systems & Transferability

- ☐ Core workflows and SOPs are accessible.
- ☐ Technology, CRM and reporting systems are documented.
- ☐ Material vendor relationships and dependencies are identified.
- ☐ Licenses, permits and transferable contracts are organized.
- ☐ Known operational or legal diligence issues are surfaced early.

Remember: diligence is not a single document request.

It is the buyer's process for testing the quality, sustainability and transferability of the business before closing.

A DISCIPLINED OWNER-SIDE PROCESS

Move from scattered information to transaction readiness.

NorthStar's M&A process moves from seller readiness and valuation positioning into market preparation, buyer outreach, negotiation, diligence and closing. Organizing information early supports that progression.

01 · ORGANIZE**Gather the core information**

Collect financial, operational, customer, employee, contract and ownership materials in one controlled location.

02 · RECONCILE**Make the story consistent**

Confirm that financial and operating information tells a coherent story and that major variances can be explained.

03 · FLAG ISSUES**Surface risk before the buyer does**

Identify owner dependence, concentration, systems gaps, contract issues and other diligence friction.

04 · PREPARE**Build transaction readiness**

Organize the value story, prepare for buyer questions and enter diligence with clear ownership of follow-up items.

Prepare before the first buyer is called.

A confidential conversation can help you understand what a buyer is likely to evaluate and what could strengthen or weaken transaction readiness.

CONFIDENTIAL EXIT PLANNING

Know where you stand before you decide where to go.

Review the checklist, mark the areas that need attention and use the results to guide a more focused owner-side preparation conversation.

**Schedule a
Confidential Consultation**

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