

FREE GUIDE · 02

Due Diligence Questions to Ask Every Vendor

Due diligence is not suspicion, it is discipline. These are the questions we ask on behalf of buyers. Ask them all, in writing, and record the answers — a vendor's willingness to answer is itself information.

Financial

- Can I see three full years of financial statements and the current year to date?
- How do the financials reconcile to the BAS lodgements and bank statements?
- What add-backs are you claiming, and what is the evidence for each?
- Which revenue is contracted or recurring, and which is one-off?
- What is the customer concentration — what share comes from your top five customers?
- What has the gross margin trend been, and what caused any movement?
- What capital expenditure is due in the next 24 months?
- Is any revenue dependent on you personally or on relationships you own?

Operational

- Who performs each critical function today, and what happens when you leave?
- Are systems, processes and pricing documented, or held in your head?
- What is the condition and age of plant, equipment and fit-out?
- Which suppliers are exclusive, and are those terms transferable?
- What software or systems are in use, and are the licences assignable?
- What does a normal week look like for the owner, hour by hour?

Legal, lease and compliance

- What is the remaining lease term, options, rent review mechanism and make-good obligation?
- Will the landlord consent to assignment, and on what conditions?
- Are all licences, permits and registrations current and transferable?
- Are there any disputes, claims, warnings or regulatory matters, current or threatened?
- Are there encumbrances, PPSR registrations or equipment finance attached to the assets?
- What restraint of trade are you prepared to give, for how long and over what area?

People

- Please provide an employee list with roles, start dates, awards and current entitlements.
- What is the total accrued leave and long service liability, and who bears it at settlement?
- Which staff are essential, and have they been told the business is for sale?
- Are all employees correctly classified and paid under the relevant award?
- Is there any underpayment exposure, historical or current?

Motive and transition

- Why are you selling, and why now?
- Has the business been on the market before? What happened?
- What handover and training will you provide, and for how long?
- Are you open to a vendor-assisted structure or performance-linked component?
- What would you fix first if you were staying another three years?

Red flags worth pausing on

Financials that cannot be reconciled to bank or BAS records.

Add-backs that make up a large share of stated profit.

Reluctance to allow accountant or solicitor access before exchange.

A short lease with no option, in a location-dependent business.

Pressure to sign quickly because “another buyer is interested”.

How to run the process

- Sign a confidentiality agreement, then request the information pack in one written list.
- Give your accountant and solicitor the same pack at the same time.
- Verify independently: bank statements, ATO portal, PPSR, title and lease.
- Trade the business for a day if you can. Observation beats spreadsheets.
- Write down every answer. Material misstatements become negotiation leverage.

Next step

Send us the information pack before you respond to it. An independent read of the numbers usually changes the price or the terms.

Book a confidential conversation at nextgoaladvisory.com.au or email hello@nextgoaladvisory.com.au.

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