



Quality of Earnings Report



Maximizing Your Sale

A Quality of Earnings Report is a vital part of the due diligence process when selling, buying or investing in a business.

Preparing a detailed Quality of Earnings (Q of E) analysis can help establish an equitable price that reflects a business' true viability.

A Q of E Report provides an independent comprehensive analysis of all the components of a company's revenue and expenses. It analyzes and reports on detailed aspects that may not be readily identifiable to a buyer or seller in an ordinary review of the financial statements.

No potential buyer wants to be met with surprises. By providing a professional, third-party analysis of the business, it will be primed for an orderly, transparent and quick acquisition.



What is a Quality of Earnings Report?

A Quality of Earnings Report is a standard component of the due diligence process for private acquisitions. Net income is not always the most accurate indication of financial performance for a business. There are many key details that are not outlined in a company's income statements. A Q of E Report assesses how a company accumulates its revenues – such as cash or non-cash, recurring or nonrecurring. It reveals unique or unusual factors that characterize the business, that may not be apparent in a standard review of its financial statements.

What We Offer

Roth&Co will review all pertinent documents to help develop an accurate, unbiased analysis of the business acquisition.

OUR TEAM OF PROFESSIONALS WILL:

- › Develop a deep understanding of the business and its operations
- › Detail the tax structure and any tax liabilities of the business
- › Review payroll and employee census
- › Establish add-backs and normalization of profits
- › Calculate pro-forma financial statements
- › Issue a report of findings

The Benefits of a Q of E Report

ENHANCE YOUR POSITIONING

A Q of E Report helps potential buyers believe in the story of the business, and it enables potential sellers to offer a third-party validation of the business' status. This will make any potential buyer or seller more confident in their transaction.

SPEAK THE BUYER'S LANGUAGE

A Quality of Earnings Report will present financials the way buyers think about them. This process helps eliminate misunderstandings or miscommunications related to accounting interpretations.

The Benefits of a Q of E Report *continued*

FULL TRANSPARENCY

A Quality of Earnings Report will uncover one-time, non-recurring add-backs or cost eliminations that will be reflected in the business' selling price. A Q of E will validate the business' worth and viability, and empower all parties.

AVOID LENGTHY PRICE NEGOTIATIONS

Most private equity buyers use debt to fund transactions, which drives the purchase price. But lenders will not issue final term sheets without the seller supporting his offer with a Q of E study. Proactive preparation of a Quality of Earnings Report helps

ensure that valuations presented in letters of intent are more precise and accurate.

QUICKER TIMELINE

The ability to offer a prepared Quality of Earnings Report increases the speed and likelihood of closing. Quality of Earnings studies typically take around 30 days. Completing this concurrently with your due diligence may eliminate delays following the tender of a letter of intent. Remember, “time kills all deals.” Every day that a deal remains static is a day of lost opportunity.

CONTACT



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