

# CHESS

CONSULTING LLC

*When the right move matters*



## Merger and Acquisition (M&A) Financial Due Diligence

COMPLEX ACCOUNTING AND RISK MANAGEMENT

### **Financial Due Diligence/Quality of Earnings**

Successful transactions require buyers, sellers, and lenders to clearly understand their respective opportunities and risks. Before committing to a transaction, it is important that a buyer knows what they are buying, what obligations they are assuming, and the nature and extent of contingent liabilities, customer contracts, and other business factors critical to the company's success. A thorough due diligence process can minimize risk and validate opportunities.

Whether you are a private equity group or a company seeking transaction support, our seasoned professionals can help mitigate transaction risk.

Our consultants combine well-rounded technical skills with deep industry expertise to understand all sides of an issue and provide a comprehensive, customized approach for evaluating each transaction. Our due diligence process is flexible and scalable to the unique dynamics, size, and risks of each transaction.



# THE CHESS CONSULTING ADVANTAGE

We deliver proficiency in virtually all areas of the financial accounting and reporting continuum. Our M&A services teams provide our clients with a combination of expertise including:

- Auditing;
- Accounting and financial reporting;
- Business risk assessments and mitigation;
- Business systems configuration;
- Corporate governance and internal controls;
- Financial due diligence;
- Forensic accounting and investigations;
- Purchase prices disputes and litigation support;
- M&A integration; and
- Regulatory expertise.



It is this combination of critical accounting and auditing skills, regulatory expertise, and business process expertise that distinguishes us from other consulting firms.

## Working Closely with Our Clients

Throughout the due diligence process, our professionals collaborate and work closely with the prospective buyer as well as its attorneys and other advisors to provide an integrated due diligence service.

Our years of experience performing financial due diligence includes working with small companies, publicly-held companies, private equity firms, and strategic buyers.

Our services include, but are not limited to:

- Buy and sell side financial due diligence;
- Pre-transaction support and readiness;
- Quality of earnings assessments;
- Carve-out accounting;
- Due diligence for lenders;
- Operations and business systems due diligence;
- Merger integration and optimization; and
- Purchase price disputes/expert testimony.



Our M&A professionals have decades of experience working together as a team for clients in the following industries:

- Aerospace and defense;
- Construction and engineering services;
- Information technology;
- Pharmaceutical and biotechnology;
- Professional services;
- Manufacturing and distribution; and
- Healthcare.

## Notable Client Engagements

- A private equity firm. We were engaged by a private equity firm to conduct a due diligence review of a privately-held company. The scope of work included a particular focus assessing the company's government contract regulatory risks and other key business risks associated with its government contracts. As part of our review, we obtained an understanding of the general control environment of the business related to contract performance and monitoring, contract pricing, and regulatory compliance risks. In addition, we considered potential risks associated with the company's anticipated future contract awards. Our findings and observations regarding results of accounting and financial reviews – as well as assessments of core revenue-generating contracts, cost drivers, business systems, regulatory risks, and other considerations – enhanced the private equity firm's understanding of the risks and opportunities of the transaction.
- A privately-held biopharmaceutical company. We were engaged by a privately-held biopharmaceutical company for pre-transaction support and readiness. Prospective buyers had expressed concerns regarding certain cash flow issues and government contract unbilled and billed receivables. The company had been experiencing payment delays due in part to the Contracting Officer's concerns regarding the adequacy of invoicing procedures and business system structure. Our scope of work included evaluating the adequacy of business systems, government contracting compliance, and the overall internal control environment. As part of our evaluation, we identified numerous opportunities to improve the business system structure and enhance the internal control environment. We were subsequently engaged to facilitate process improvements, including providing training to company personnel. The process improvements were shared with the Contracting Officer who subsequently processed payments more promptly. The process improvements also addressed concerns previously raised by prospective buyers. Several months after implementing the improvements, the company was acquired by a global biopharmaceutical company.

## Chess Consulting Differentiators

Deep industry knowledge and technical expertise which helps each client deal effectively with the complexities of the processes and issues facing its business.

Profitability focus concentrating on actions and solutions that create a competitive business advantage while fully complying with regulatory requirements.

Practical and creative solutions that effectively address difficult compliance and business issues.

Supportable positions that have been proven to withstand scrutiny from regulatory agencies such as the SEC, DCAA, DOJ, and GAO.

### SERVICE LINE CONTACTS:

**David Hess**, *Managing Director*  
**Mike Tomaselli**, *Director*

**CHESS**  
CONSULTING LLC

11710 Plaza America Drive, Suite 820, Reston, Virginia 20190  
(703) 796-2850 | [www.ChessConsultingLLC.com](http://www.ChessConsultingLLC.com)

*When the right move matters, contact Chess Consulting.*