



## DUE DILIGENCE SERVICES

ASSESS RISK. IDENTIFY OPPORTUNITIES. MAXIMIZE RETURNS.

### THE B. RILEY ADVANTAGE

- We are not just financial consultants, we are experienced operators
- Our due diligence services group is led by former CEOs and CFOs who have experience in the transactional process and approach each engagement from a unique, operational perspective
- We have a thriving forensic investigative and litigation practice with professionals experienced at critically examining a broad swath of industries at a detailed level
- With deep experience in acquisition and lending opportunities, we are able to help investors make smart decisions
- Our skillsets provide for a more complete perspective than a traditional accounting firm's diligence reports
- Our organizational structure allows us to provide high-quality services at a surprisingly affordable price

### B. Riley Provides Services To:

#### Private Equity, Portfolio Companies, and Publicly-Owned Businesses

##### Acquisition

- Buy-Side Due Diligence
- Quality of Earnings Reviews
- Working Capital Assessments

##### Integration

- Post-Acquisition Integration
- Financial Reporting Assistance

##### Operations

- Financial Accounting & Reporting
- Strategic Planning & Analysis
- Performance & Process Improvement

##### Divestiture

- Sell-Side Due Diligence
- Public Filings & IPO



#### Asset-Based and Cash Flow Lenders

- Quality of Earnings Reviews
- Balance Sheet Account Analysis
- Liability and Risk Evaluations
- Trend Analysis
- Cash Flow Assessments
- Forecast and Model Review
  - Model Assumptions Review
  - Scenario Testing
  - Forecast Risk Assessment



## Quality of Earnings (QoE):

- Quality of Earnings (QoE) assessment is a subset of the larger Financial Due Diligence process. QoE assessment is largely focused on financial statements and related support documents of the target entity, both from a historical prospective and with respect to projections. QoE also seeks to identify any shortcomings or errors in accounting, like revenue recognition issues. Below are a few questions to ask when reviewing the company's financial documents:
- Do the historical earnings of the company accurately and completely represent the financial performance of the business, or are normalizing adjustments required for such items as nonrecurring, extraordinary, non-operating, contingent, and off-statement items and issues?
- Is the business as healthy as its balance sheet might suggest, or are there issues related to bad accounts, deferred expenditures, obsolescence, and unfavorable terms with suppliers, landlords, and creditors?
- What do the items NOT on the balance sheet reveal, like lease payments, debt service requirements, guaranties, related party entanglements, undisclosed and unaccrued liabilities?
- What do auditors, vendors, and customers have to say about dealing with the company and the integrity of its management?
- Do projections make sense relative to historical results, industry competition and trends, capabilities of the business, intellectual property rights, the economy, financial capacity, and timeframes?

## Our team is frequently called upon to provide analyses, including:

- Quality of reported earnings and cash flow
- Proof of cash, especially when financial statement reliability is unknown
- Quality of record keeping and accounting systems
- Quality of internal controls and management routines
- Strength of financial staff
- Quality of collateral to secure the transaction
- Appropriateness of accounting policies and procedures
- Potential for off-balance sheet assets and liabilities
- Future financial performance projections
- Customer and vendor concentration risk assessments
- IT and systems infrastructure review

### Representative Clients:

- Private Equity Firms
- Venture Capital & Angel Investors
- Family Offices
- Law Firms
- Government Entities
- Community/Regional/National Banks
- Asset-Based Lenders
- Specialty Lenders
- Mezzanine Lenders

### Representative List of Industries:\*

- Agriculture
- Automotive
- Energy
- Financial Services & Banking
- Food Service
- Healthcare & Life Sciences
- Industrial & Manufacturing
- Real Estate & Construction
- Retail & Distribution
- Technology & Telecommunications

*\* This is only a representative list of industries we have served. For a complete list, please contact Sam Hewitt ([shewitt@brileyfin.com](mailto:shewitt@brileyfin.com)) or Mark Shapiro ([mshapiro@brileyfin.com](mailto:mshapiro@brileyfin.com)).*