



A... B... C... D... “Q of E”...?

If you are considering some form of an exit strategy, a sell-side “Q of E” report can be a key item in helping your team prepare.

The M&A process can feel like a daunting undertaking. Having a sell-side “Quality of Earnings” report done ahead of time will provide a foundation for going to market while anticipating the tough questions a buyer may ask so that answers are on hand to promote an efficient, successful transaction. Logisyn has collaborated with PKF Mueller to outline the importance of a “Q of E” report and what to expect during the process.

quality • of • earnings • report [aka “Q of E” or “QOE”]

A third-party report, usually done by a CPA firm, that looks at the financials and the structure of a transaction of buying or selling a company.

Unlike an audit of financial statements, which looks to the past, a Q of E analysis looks to the future. Its purpose is to determine quality and sustainability of future revenues and if a seller’s projections are reasonable and realistic.

A Crucial Role in Common Scenarios

Divesting a Division of Your Business

Pivoting your business goals away from one division to refocus on expanding in others can prove extremely useful. This report helps to breakdown the independent worth of a division as if it existed on its own in order to determine its market value.

Proof of Company Income Sustainability

A company that displays exponential growth in a short period of time, or a financial “hockey stick” effect, can benefit as this report will analyze the company’s income and margins to determine sustainability of growth and earnings.

Company Preparation For Going To Market

Performing this report prior to beginning an M&A process helps set both your company and your team up for success by preparing and organizing the data required for buyer search materials and due diligence for a smooth, efficient transaction.

Applicable Benefits To Your Company's Future

Maximize Your Return

Identify potential issues that can be mitigated and fixed ahead of time



Validate Your Financials

Third-party (non-biased) study lends credibility to future earnings potential



Due Diligence Leverage

Ability to "push back" during negotiations against the buyer's due diligence findings

Verify Sustainable Income

Provide confidence to potential buyers that the business model is maintainable

Shorten The Deal Timeline

Proper preparation provides a more efficient transaction, so delays don't jeopardize the deal

Deal Structure Alternatives

Pinpoint opportunities to create an optimal solution for your business



Set Realistic Expectations

Gain insight into your company's value to know what to expect in the market



Increase Certainty of Close

Having your ducks in a row for a potential buyer helps lead to a successful closing

What to Expect • Common Adjustments and Exclusions

1 • Earnings Adjustment

During a review of your income statements and balance sheets, some non-relevant expenses may be removed in order to provide a stronger snapshot of the company's long-term profitability to a potential buyer

2 • Market and Miscellaneous Compensation

Although as a business owner you may currently receive a higher-than-market salary, this report will typically factor in an average compensation as an adjustment. Similar adjustments may also be made for family employee positions.




3 • Extraordinary Circumstances




Determining your company's sustainability is crucial. In order to properly capture that answer, adjusting for unusual gains or losses, such as one-time expenses, write-offs, or debt repayment can be key.

Logisyn Advisors takes pride in its unique approach to M&A within the global logistics sector. Our services include advisory for sell-side, buy-side, and enterprise valuation to successfully hit all your goals.

PKF Mueller CPA guides clients through the strategic, operational, regulatory, and financial aspects of valuations, transactions, restructuring and bankruptcy.



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