

BUY-SIDE DILIGENCE · EXECUTIVE SUMMARY · REF. PBS-DD-SAMPLE

Project Meridian

Independent specialty and community pharmacy · Two locations, Southwest U.S. · Prepared for the acquirer's investment committee

RECOMMENDATION

Proceed, at a revised price and with three conditions.

The business is sound and transferable. Earnings as presented overstate what a new owner will collect, and three risks belong in the purchase agreement.

ASKING PRICE	EBITDA PRESENTED	EBITDA AFTER DILIGENCE	SUPPORTED VALUE
\$10.5M	\$2.10M	\$1.60M	\$7.6–8.4M
5.0x presented EBITDA	Seller-adjusted	24% lower	4.75x–5.25x

WHAT CHANGES THE PRICE

Earnings bridge, \$M

EBITDA as presented		\$2.10M
Seller-adjusted, trailing twelve months.		
Owner compensation		–\$0.18M
Added back with no replacement cost.		
Reimbursement run-rate		–\$0.14M
Trailing figures blend old and new rates.		
Non-recurring program		–\$0.11M
An ended program is still in the base.		
Supplier terms		–\$0.07M
Rebate tier resets on a change of control.		
EBITDA after diligence		\$1.60M
What a new owner can expect to collect.		

At the asking price the buyer would pay 6.6x the earnings diligence supports, against 5.0x as marketed.

WHAT CHANGES THE TERMS

Referral concentration
One prescriber group produces 27% of gross profit, and the relationship is the departing owner's own.
RESPONSE Defer part of the price against retention.
Undisclosed open audit
An open payer audit, absent from the seller's materials, carries potential recoupment of up to \$0.21M.
RESPONSE Hold an escrow until the audit closes.
License transfer
Two of six non-resident licenses do not transfer with ownership. About 9% of revenue ships into those states.
RESPONSE File early and sequence the close.

DILIGENCE SCORECARD

5 clear · 4 watch · 3 issue, across twelve workstreams

● Volume CLEAR Volume and refill trend stable.	▲ Margin WATCH Two payers dilute the blend.	■ Payer ISSUE Run-rate below trailing figures.	■ Concentration ISSUE Lead prescriber tied to owner.
▲ Supply WATCH Rebate tier resets at close.	● Inventory CLEAR Count and records reconcile.	● Receivables CLEAR Aging and reconciliation clean.	■ Audit history ISSUE One open audit, undisclosed.
● Access CLEAR Accreditation is current.	▲ Licensure WATCH Two licenses do not transfer.	▲ People WATCH No successor in place.	● Premises CLEAR Both leases are assignable.

What this sample leaves out. Each rating above rests on a set of tests, benchmarks and thresholds applied to the target's own data. Those, and the supporting schedules, appear in the full report delivered to the client.

RECOMMENDED TERMS

WHAT THE FULL ENGAGEMENT DELIVERS

- Reprice to \$7.6–8.4M, anchored to earnings after diligence.
- Escrow \$0.25M against the open audit until it closes.
- Defer part of the price against twelve-month prescriber retention.
- Retain the owner for six months to cover succession and licensing.

- Written report across all twelve workstreams.
- Earnings bridge tied to the seller's own records.
- Request log and open-items list through to close.
- Price and terms recommendations for your advisers.