SELLER DILIGENCE

Question List

Diligence runs both ways. Before you sell your life's work, put the buyer through the same scrutiny they put on you. These are the questions worth asking.

A FIELD GUIDE FOR MSP OWNERS EVALUATING A BUYER

How to use this list

Two sets of questions. One goal: separate the operators from the talkers.

This guide is split into two parts. With a combined top 10 section prior. The first set of questions is for the buyer sitting across the table from you. The second set is for the sellers who have already sold to that buyer, the people who know what actually happened after the ink dried.

You will not get to every question, and you should not try. Pick the ones that matter most for your situation, listen closely to how they are answered, and pay as much attention to what is avoided as to what is said. The strongest signal is consistency between what the buyer tells you and what their past sellers confirm.

The Top 10 | Hard Hitting Questions to Get You Started

Ask the buyer — then confirm each answer with two or three of their past sellers.

1. Have you ever re-traded a deal after signing an LOI, and would your last three sellers say the wire matched the number you shook hands on?
2. Can I speak with two or three owners who have already sold to you, including one whose deal did not go smoothly?
3. Which of your acquisitions has performed the worst after close, and what happened?
4. How do you do integration? Why do you do it this way?
5. What happens to my earnout and rollover equity if you sell the platform before the earnout period ends or before I can realize it?
6. How much autonomy will I have post close? (if you choose to stay on with the business.)
7. Where does your capital come from, are you funded and ready to close today, and if you are PE-backed, when does the current fund expire?
8. What are your employee retention rates across acquisitions in the first 12 months?
9. Who is the actual decision-maker, will I have direct access to them, and how were problems handled when they came up in past deals?
10. Across the board, did the buyer do what they said they would do? Ask every past seller this one.

Part 1 | Questions to Ask the Buyer

Put the buyer through diligence before you sign anything.

INTEGRATION & OPERATIONS

1. What does your typical post-close transition look like in the first 90 days?
2. What is your plan for integration and what is the timeline?
3. Which systems will I be required to migrate to and which can I keep?
4. Who leads the integration process on your side and what is their track record?
5. How many integrations are you running simultaneously right now?

CAPITAL & FINANCIAL STRUCTURE

6. Where does your capital come from?
7. What does your cap table look like and is there debt on the balance sheet?
8. What is your current leverage ratio and who are your lenders?
9. If you are PE backed, when does your current fund expire and where are we in that timeline?
10. Are you funded and ready to close or do you need to raise capital for this deal?

DEAL HISTORY & TRACK RECORD

11. What is your LOI to close rate and what are the most common reasons deals fall apart?
12. Have you ever re-traded a deal after signing an LOI?
13. How many acquisitions have you completed in the last 24 months?
14. Which of your acquisitions has performed the worst post-close and what happened?
15. Have any of your previous sellers taken legal action or filed a formal complaint against you?

EMPLOYEES

16. What are your employee retention metrics across acquisitions in the first 12 months?
17. Have you ever conducted layoffs post-acquisition and under what circumstances?
18. What happens to my leadership team post-close, who are they reporting to?
19. How do you handle redundancies if there is overlap with your existing headcount?
20. What does career progression look like for my team inside your organization?

CUSTOMERS

21. What is your average client retention rate across acquisitions in the first 12 months?
22. Will my customers be contacted during the transition and what will they be told?
23. Have any of your acquisitions experienced significant client churn post-close and why?
24. Will my customers see any brand or service delivery changes and on what timeline?

EARNOUT & EQUITY

25. How are earnouts structured and what metrics are used to calculate them?
26. Is my deferred consideration structured as a secured promissory note or an unsecured earnout, and where do I sit in the creditor stack if the platform takes on more debt, is sold, or runs into trouble?
27. What happens to my earnout if you sell the platform before the earnout period ends?
28. Can I roll equity and how does that specifically work in your structure?
29. What happens to my rollover equity if the platform is sold before I can realize it?
30. Have all previous sellers who rolled equity actually seen a return on it?

DECISION MAKING & ACCESS

31. Who is the actual decision maker and will I have direct access to them during the process?
32. What decisions can be made locally post-close and what requires approval from above?
33. How were problems handled in previous acquisitions when they came up post-close?

LONG TERM VISION

34. What does this business look like in 3 years under your ownership?
35. What is your long term goal for the platform, are you building to sell or building to hold?
36. What is your acquisition pace and how does that affect the attention each acquired company gets?
37. Can I speak with two or three sellers who have already closed with you?

Part 2 | Questions to Ask Previous Sellers

The sellers who already closed with this buyer have the answers that matter most.

WHY THIS BUYER

1. Why did you choose this buyer over the others you were considering?
2. What was the deciding factor that made you sign with them specifically?
3. Were there any red flags during the process that you chose to overlook and do you regret that?
4. What did they promise you during the process that turned out to be accurate, and what didn't?

INTEGRATION & OPERATIONS

5. What got integrated post-close and what was left alone?
6. How long did the integration actually take versus what you were told upfront?
7. Which systems were you required to migrate to and how disruptive was that process?
8. Were there any integration surprises that nobody warned you about?
9. How many people from the buyer's side were involved in your day to day post-close?

EMPLOYEES

10. Did you lose any key staff in the 12 months after close and why did they leave?
11. How did your team react to the acquisition and how long did it take for things to feel normal?
12. Were there any layoffs or restructuring post-close that you were not warned about?
13. Did the culture the buyer described during the process match what you actually experienced?

CUSTOMERS

14. Did you lose any meaningful clients post-close and what was the reason?
15. How were your customers handled during the transition and were they communicated to well?
16. Did your service delivery change in a way that affected client satisfaction?

DEAL TERMS & FINANCIALS

17. Did the number that hit your bank account match the number you shook hands on?
18. Were there any adjustments at close that you were not expecting?
19. Did the buyer re-trade any terms between LOI and close?
20. If you rolled equity do you actually believe it will be worth something?
21. Were there any surprises in the reps and warranties or indemnification clauses?
22. Do you wish you had retained an M&A lawyer and done more legal diligence before signing?

DECISION MAKER & PROCESS

23. Was the decision maker accessible when problems came up or did you get passed to someone else?

24. Did the buyer do what they said they were going to do, across the board?
25. How responsive was the buyer's team during the diligence process when issues came up?
26. Did the timeline they gave you for close match what actually happened?

POST-CLOSE EXPERIENCE

27. What surprised you most about life after the deal closed?
28. What do you wish you had negotiated differently?
29. What do you know now that you wish you had known before you signed the LOI?
30. Would you do the deal again knowing what you know now?
31. What advice would you give someone who is about to start a sale process with this buyer?