



Stop! Acquired Companies Can Hide Financial Landmines

Learn how experienced acquirers detect hidden risks
in SME financials that could destroy your deal's ROI.

Swipe through to protect your next acquisition.

Look Beyond Surface-Level Financials



Cash Flow Reality

Where money actually goes vs. what financial statements show



Off-Balance Sheet Items

Hidden liabilities that don't appear in standard reporting



Model Assumptions

Unchallenged premises that could crumble post-acquisition



Financial Behavior Reveals More Than Margins

Smart buyers analyze how founders manage money. Their payment patterns, accounting choices, and financial discipline reveal true operational risks.

6 Critical Areas to Stress-Test



Revenue Quality

Recurring revenue vs. one-time sales;
customer concentration risks



Earnings Normalization

Add-backs, timing shifts, and owner
compensation adjustments



Working Capital & Cash Conversion

Seasonality, funding gaps, and EBITDA-to-
cash reconciliation

Common Patterns in Founder-Led Businesses

Inflated EBITDA

Advanced billing or one-time grants counted as recurring revenue

Underpaid Owner Wages

Artificially boosting profits by taking below-market compensation

Personal/Business Blending

Using retained earnings as personal cash flow source

These aren't deal-killers but they're expected patterns requiring adjustment.



Essential Questions That Reveal Hidden Truths

Ask sellers to reconcile EBITDA to cash monthly, explain accruals, and detail customer losses. Their answers reveal operational realities beyond spreadsheets.

Advanced Due Diligence Frameworks



36-Month Bridge Analysis

Tracking performance changes over 3 years



Add-Back Audit

Identifying disguised recurring costs



Cash Conversion Curve

Testing how efficiently EBITDA becomes available cash



Regional Compliance Checks

Country-specific validation for VAT, taxes, and local regulations



Don't Just Validate—Pressure Test

Experienced acquirers ask: "Will this business hold under our capital structure?" and "What could break my IRR after closing?"

Need expert financial due diligence for your next acquisition?

Archimax supports business buyers with strategy, origination, deal execution and post-acquisition support.

 Let's talk: info@archimax.solutions

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