

# Mergers & Acquisitions

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## SERVICE LINE

Quality of Earnings  
Analysis

Tax Due Diligence and  
Structuring

## RELATED SERVICES

Audit

Tax

Valuation Advisory  
Services

## INDUSTRIES

Affordable Housing

Healthcare & Life  
Sciences

High Net Worth  
Individuals and Family  
Offices

Law Firms

Manufacturing, Retail &  
Distribution

Media & Entertainment

Nonprofit Organizations

Private Equity &  
Investment Advisory

Professional Services  
Firms

Real Estate & Hospitality

Technology

## PROFESSIONALS

Greg Altman

Doron Bardov

Noel Brock

Structuring for the sale of a business or, conversely, making the right acquisition to expand into new markets, brings risks and rewards. In today's recovering economy, entrepreneurs face complex issues and difficult decisions when contemplating growth or exit strategies for their business. With the pace of change in the M & A market due to the impact of COVID-19, successful transactions require careful and thoughtful analysis to maximize value to a buyer or seller of a business. Our team helps you navigate the complexity of a transaction by using our mergers and acquisition experience and industry knowledge to help you minimize risk and optimize value during acquisitions, dispositions, recapitalizations, mergers, reorganizations, formations, and other significant transactions. From the signing of the letter of intent (LOI) through the successful close, the mergers and acquisitions professionals at HCVT provide useful insights on matters relevant to the decision-making process, including quality of earnings, cash flow, tax due diligence and structuring, and hidden exposures.

## Sell-Side Services

Sell-side due diligence is a required step for entrepreneurs to conduct and evaluate as they consider the sale of their business. The collective goal between buyer and seller is to avoid surprises. Up-front sell-side due diligence can bring an efficient and cost-effective process to the transaction. We tailor our approach for each transaction, as every transaction is unique. Sharing the results of sell-side diligence can often reduce purchase price adjustment later in the transaction cycle. Our team will provide insights about issues discovered in the diligence process that will help keep the transaction on track.

## What we do:

- Quality of earnings review to calculate normalized EBITDA
- Evaluate normal working capital calculations
- Review accounting methods to confirm compliance with GAAP
- Strategic tax review to identify opportunities and exposures and help take the target company to market

Michael Cole  
Rosario Bobadilla Farias  
Kayla Hong  
Ekta Malhotra  
Daren J. Mesrobian  
Stephanie Micek  
John Middleton  
Andy Park  
Raman Sain  
Neal Sheth  
Mike N. Thielman  
Andy Torosyan  
Jonathan Wang  
Christopher O. Zafra

- Evaluate tax structuring alternatives to help maximize after-tax cash
- Identify opportunities to rollover equity pre-tax
- Modeling for after-tax cash
- Modeling for gross-up payments to make seller whole for additional taxes
- Purchase price allocation assistance to help maximize capital gain
- Evaluate transaction agreement terms and conditions
- Analyze transaction costs and closing payments to maximize ordinary deductions
- Identify key reporting forms and deadlines that arise from the transaction
- Trust and estate planning

#### **Buy-Side Services**

In this disrupted economy, understanding the target's future financial performance and outlook is complex. Buyers will not only need to understand historical performance but how current economic conditions will impact opportunities and risks. Our team draws on industry knowledge and specialization as we help buyers evaluate the unique risks and opportunities associated with acquiring a target company. We work collaboratively with all deal participants to understand the financial and tax issues with a common objective of getting the best deal for our client.

#### **What we do:**

- Financial and tax due diligence
- Structuring for tax efficiency
- Quality of Earnings analysis including validation of add-backs and cash proofs
- Working capital requirement analysis
- Cash flow due diligence
- Internal controls due diligence
- Identify unrecorded assets and liabilities
- Evaluate purchase agreement terms and conditions
- Post-acquisition integration assistance and transaction reporting

## Tax Alerts

California Enacts Elective Pass-Through Entity Tax  
July 19, 2021

## Articles

What Is a Q of E (Quality of Earnings)? Why Do I Need It to Sell My Business?  
November 7, 2019

Quality of Earnings Report—Key Considerations for Entrepreneurs and their Advisors

Structuring the Acquisition of an S Corporation to Achieve an Asset Basis Step Up  
*USC Tax Institute, Rel. 68-8/2016*, June 21, 2016

Opportunities and Traps in Tax Treatment of Transaction Costs and Intangible Asset Costs  
*Bloomberg BNA Tax Management Real Estate Journal*

Structuring Alternatives for Buying and Selling Privately Held Businesses  
*Tax Institute, University of Southern California Gould School of Law*

## HCVT in the News

Tax Changes Likely to Fuel More M & A  
Andy Torosyan, Tax Partner  
*Orange County Business Journal*, March 7, 2018