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What Sellers Should Know: Tariff Risks in Buyer Due Diligence



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Prior to 2025, outside of perhaps a handful of selected industries, M&A due diligence around the impact of sudden and significant swings in global tariff rates was far down the list of topics on which we have seen buyers focused.

Over the last year, however, that's changed. And if you're preparing to sell your business, you need to expect buyers to dig deep into potential tariff exposure. It's wise to take steps in advance to demonstrate business resilience in the face of changing trade policy.

Here are some areas that we are seeing buyers explore:

- » **Pricing Flexibility:** Buyers will review contracts and market dynamics to see if you can pass through underlying cost increases. Businesses without this ability may face valuation pressure.
- » **Supply Chain Transparency:** Can you map your vendor base to identify underlying reliance on tariff-sensitive imports? This presents both an area necessary to mitigate risk but also an opportunity for you to articulate a well-designed diversification strategy, vertical integration or domestic sourcing advantage.
- » **Financial Resilience:** Fundamentally, this is a review of potential EBITDA volatility. If your exposure to tariff risk is material, expect that sophisticated buyers will stress test with scenario modeling.

Even service companies, where tariff risk is less direct, should expect heightened scrutiny of customer exposure. If your clients operate in tariff-sensitive sectors like automotive, buyers will assess concentration risk and potential revenue volatility.

Some of the tools that buyers are using to address tariff risks identified in due diligence include earnouts, expanded reps and warranties around trade/tariff exposure and re-trading purchase price.

Bottom line: Tariff risk is now a core diligence focus for buyers. Sellers who address risks in advance, anticipate questions and can document risk mitigants will be positioned for smoother diligence and better outcomes.

About SD Capital

SD Capital is a premier, full-service, value advisory and investment banking practice that assists middle-market companies in creating and maximizing business value. We provide strategic evaluation and execution of various downstream sales and monetization pathways. With decades of combined executive experience running, owning and advising private companies our team is uniquely positioned to guide owners through the complex process of growing and selling their companies. Learn more at www.sdcapital.com or contact@sdcapital.com.

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