BUYING AN E-COMMERCE BUSINESS

Acquisition Due Diligence Checklist
43 checks. Three fails and you walk.

The checklist I run on every deal I look at, across **50+ businesses reviewed as a buyer**. Five sections, every check with a pass/fail threshold written down *before* you open the seller's numbers. Covers Amazon FBA and TikTok Shop.

Write the threshold before you look. Every check below already has one. Do not adjust it once the seller's number is in front of you. That is the entire mechanism.

Request everything in one batch. Organized sellers send it in a week. Sellers who are hiding something drip it out over a month. How long the request takes is itself a signal, and it is free.

This answers "what could be wrong," not "what is it worth." For the valuation side, use the E-commerce Valuation Worksheet at mikebegg.me/ecommerce-valuation-worksheet.pdf

Section 1: Financials CHECKS 1-9

A business that cannot produce clean financials in a week is telling you something about every other section too.

#	CHECK & WHAT TO REQUEST	FAILS IF	PASS / FAIL	NOTES
1	**Financials from primary sources** Settlement reports, bank statements, processor exports, 24 months.	You cannot rebuild revenue from primary data to within **2%** of the seller's P&L.	P / F	
2	**SDE and EBITDA reconciliation** Both, calculated and labeled.	The seller quotes one number and cannot show how it was built.	P / F	
3	**Add-back scrutiny** Line-item list with a receipt behind each one.	Add-backs exceed **15% of SDE**, or any add-back is a cost the business keeps incurring after close.	P / F	
4	**Trailing 12-month revenue trend** Monthly revenue, 36 months.	Trailing 12 is down against prior 12 **and the decline is accelerating**.	P / F	
5	**Gross margin stability** Margin by month, 24 months.	Margin compressed more than **5 points** with no explanation you can verify.	P / F	
6	**Settlement reconciliation** 12 months of Amazon disbursements vs the bank.	Unexplained gaps, or disbursements routing to an account that is not the operating entity's.	P / F	
7	**Accounting method** Cash or accrual.	Books are **cash-basis** on a business carrying real inventory.	P / F	
8	**Refund and return rate** Returns by ASIN, 12 months.	Blended rate above category norm, or any meaningful ASIN above **10%**.	P / F	
9	**Unclaimed FBA reimbursements** Reimbursement audit, 18 months.	Nothing has ever been claimed. Less a red flag than found money, and a read on how closely the account was managed.	P / F	

Section 2: Channel & Revenue Concentration CHECKS 10-17

Concentration is the risk that does not show up anywhere on a P&L, which is exactly why it is worth pricing.

#	CHECK & WHAT TO REQUEST	FAILS IF	PASS / FAIL	NOTES
10	**Channel concentration** Revenue by channel.	A single channel is above **90%** of revenue.	P / F	
11	**SKU concentration** Revenue by SKU, 12 months.	One SKU drives more than **70%** of revenue.	P / F	
12	**Top three SKU share** Same report, top 3 combined.	Top three exceed **90%** and the rest of the catalog has never sold.	P / F	
13	**Paid versus organic split** Organic and ad-attributed sales, 12 months.	More than **50%** of revenue is ad-attributed. You are buying an ad account, not a brand.	P / F	
14	**TACoS trend** Total ad spend vs total sales by month, 12 months.	TACoS is **rising while revenue is flat**. The organic foundation is eroding under a clean ACOS.	P / F	
15	**Marketplace versus DTC mix** Where the revenue lives.	There is no owned channel at all: no site, no list, no direct customer relationship.	P / F	
16	**Repeat rate and owned audience** List size, engagement, repeat purchase rate.	The list does not exist, is unengaged, or was never the seller's to transfer.	P / F	
17	**Geographic concentration** Revenue by marketplace.	100% is one country marketplace with no registered path to expand. Growth lever if everything else passes.	P / F	

Section 3: Platform & Legal Risk CHECKS 18-27

This section changed materially in August 2026. Most checklists still online have not caught up.

#	CHECK & WHAT TO REQUEST	FAILS IF	PASS / FAIL	NOTES
18	**Account Health dashboard** Screenshots or live access, 12 months.	The seller will not give Seller Central access under NDA. There is no legitimate reason to refuse a serious buyer.	P / F	
19	**Order Defect Rate** ODR history, 12 months.	ODR above **1%** at any point without a documented cause and fix.	P / F	
20	**Suspension history** Every performance notification, 24 months.	A suspension the seller did not disclose before you asked. The non-disclosure matters more than the suspension.	P / F	
21	**IP complaint history** Complaint log and resolutions.	Open IP complaints, or a pattern of resolved ones. A pattern means someone is actively contesting the catalog.	P / F	
22	**BSA transfer gate** STRUCTURAL The deal structure itself.	The deal is a **seller account handoff** rather than a purchase of the underlying entity and its assets. Amazon's BSA update, effective Aug 24 2026, bans transferring rights or obligations under the agreement.	P / F	
23	**Revenue pledge check** STRUCTURAL Every financing agreement, collateral language.	Any facility **pledges future Amazon disbursements as collateral**. Separately prohibited as of Aug 24 2026. Financing secured broadly against the business is a different structure.	P / F	
24	**Brand Registry ownership** Who holds the registry account.	Registry sits under an individual or an agency rather than the entity you are buying.	P / F	
25	**Trademark status** Registration, class, owner of record.	Unregistered, pending, filed in the wrong class, or held by someone other than the selling entity.	P / F	
26	**Compliance and liability** Certificates, test reports, insurance.	The category requires documentation the seller cannot produce, or there is no product liability coverage.	P / F	
27	**Gated category approvals** Ungating tied to account vs entity.	The catalog depends on ungating attached to the seller's account that your new entity cannot obtain. Confirm before close.	P / F	

Checks 22 and 23 are structural, not price. A discount does not solve a prohibited structure. If the deal is an account transfer, or financing is pledged against Amazon disbursements, the answer is a different deal structure or no deal.

Section 4: Operations & Transferability CHECKS 28-36

Owner dependency kills more deals than any other category, and it is the one sellers are most optimistic about.

#	CHECK & WHAT TO REQUEST	FAILS IF	PASS / FAIL	NOTES
28	**Owner hours per week** Honest weekly time log.	Owner works more than **20 hours a week** and there is no team to absorb it.	P / F	
29	**Who actually runs it** Org chart with names, roles, pay.	The answer is the owner for every function.	P / F	
30	**Documented SOPs** The actual documents.	They do not exist. If it is all in the founder's head, you are buying a job with inventory attached.	P / F	

#	CHECK & WHAT TO REQUEST	FAILS IF	PASS / FAIL	NOTES
31	**Supplier contracts** Read the contracts, not the summary.	No written agreement, or the agreement **does not assign** to a new owner.	P / F	
32	**Single-supplier dependency** COGS by supplier.	One supplier is more than **50% of COGS** with no qualified alternative.	P / F	
33	**Inventory position and age** Inventory report with age and cost basis.	More than **20%** of inventory value is aged past 12 months.	P / F	
34	**3PL and FBA dependencies** Agreements and storage fee history.	The 3PL relationship is informal, or long-term storage fees are quietly eating the margin.	P / F	
35	**The asset list** Domain, trademark, handles, list, ad accounts, photo, video, design files, ASINs.	Any revenue-driving asset is missing from the list, or cannot be transferred.	P / F	
36	**Who controls the keys** Registrar, ad accounts, platform logins.	Any of them sit with a former contractor, an agency, or a personal account nobody can reach. Confirm control, not just paper ownership.	P / F	

Section 5: TikTok Shop Due Diligence CHECKS 37-43

If the business sells on TikTok Shop, nothing above covers it. This is where deals get misread.

#	CHECK & WHAT TO REQUEST	FAILS IF	PASS / FAIL	NOTES
37	**Creator concentration** GMV by creator, 12 months.	Top three creators drive more than **50% of GMV**. More fragile than SKU concentration: a creator can stop posting tomorrow.	P / F	
38	**Does the affiliate roster transfer** Agreements recorded in the shop.	Creator relationships are personal to the seller, unpaid, or handshake-only with nothing recorded. Get the top ten answer in writing.	P / F	
39	**GMV paid dependency** GMV split: paid, affiliate, organic.	More than **60%** is paid-driven. A shop whose GMV stops with the ad budget is a media buy with a storefront attached.	P / F	
40	**Content asset ownership** Creator agreements and licensing terms.	The videos driving sales were made under arrangements that **do not license the content** to the business.	P / F	
41	**Shop health and violations** Violation record and suspension history.	Unresolved violations, or a suspension the seller did not surface before you asked.	P / F	
42	**Unit economics after real fees** Contribution margin at the true take rate.	The seller modeled margin on the referral fee alone. Real blended take is **20-35%**: referral 2-8% plus affiliate commission 10-20%.	P / F	
43	**Live selling dependency** GMV from live sessions, and who hosts them.	A meaningful share of GMV comes from lives **the owner personally hosts**. Owner dependency in a different outfit.	P / F	

The Red Flag Scorecard

Three fails and you walk.

Same bar as the five-number pre-call check. It does not get more generous because you are 40 days into diligence and have sunk real time into the deal. Sunk cost is the most expensive bias in acquisitions. This threshold exists to override it.

0-2

Keep going

Real deal. Price the fails you found, confirm the structural items, and move to LOI.

3+

Walk

Most listings land here. That is the checklist working, not the checklist being harsh.

22 / 23

Restructure or stop

A fail on either BSA gate is structural. No discount fixes it. Different structure, or no deal.

Section 1: Financials	9 checks	______	fails
Section 2: Channel & revenue concentration	8 checks	______	fails
Section 3: Platform & legal risk	10 checks	______	fails
Section 4: Operations & transferability	9 checks	______	fails
Section 5: TikTok Shop	7 checks	______	fails
Total fails	**43 checks**	______	**fails**

Fails I can price

Deduct these from the offer. Aged inventory at 25% is a fail and a line item.

______

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Fails that are structural

These have no price. Checks 22 and 23 always land here.

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VERDICT ☐ Proceed to LOI ☐ Reprice and re-ask ☐ Walk

Looking at a deal and want *a second read?*

I have reviewed 50+ e-commerce businesses as a buyer, and I operate on both sides of this checklist: Amazon on the management side, TikTok Shop on the social commerce side. I buy real businesses and their assets, not seller accounts.

If you are working through a diligence list and something is not adding up, send it over.

DEAL FLOW
mikebegg.me/deals

SELLING INSTEAD?
mikebegg.me/sell-your-business

THE FULL POST
mikebegg.me/blog/ecommerce-acquisition-due-diligence-checklist