

FBA Deal Autopsy Checklist

47-Item Due Diligence Framework · 8 Categories · 12 Dealbreakers

Version 2 — Updated with operator cost tiering, escrow context, and 13 additional improvements

DEALBREAKER — Instant disqualifier. Do not proceed.

TOP 12 — Priority item when the due diligence window is closing.

1. FINANCIAL VERIFICATION

Validate the numbers before trusting anything else in the deal.

01 **TOP 10**

Verify trailing 12-month (TTM) net profit margin

Threshold:

Minimum net margin depends on whether an operator cost is already included in the P&L;

Sub-\$1M valuation: Seller is typically an owner-operator with no operator in the P&L; Add a \$2,000–\$3,500/month operator replacement cost before calculating true margin. Minimum acceptable net margin after this adjustment: 20%.

Above \$1M valuation: If a full-time Amazon operator is already documented in the P&L; and net margin is still above 20%, this is a premium asset. The operator cost is real, the margin is real, and the business does not depend on the seller's personal time.

Red Flag:

Seller presents a 26%+ margin but the operator's time is fully added back. Recalculate with a real replacement cost. The adjusted margin is the only number that matters. A \$1M+ business with an operator already in the P&L; and 20%+ margin is rare — treat it as a green flag, not a yellow one.

02 **DEALBREAKER**

Reconcile P&L; against bank statements and Seller Central payouts

Threshold:

Every P&L; line must tie to a verifiable source. Request payout reports in the first 48 hours of due diligence — before any other financial analysis. If the seller delays or refuses, treat it as a dealbreaker immediately.

Red Flag:

Discrepancies between reported P&L; and actual bank deposits. Seller cannot explain variance. Numbers only match at the summary level. Do not wait for a full financial review to surface this — sequence matters.

03 **TOP 10**

Identify and challenge all operator add-backs

Threshold:

Every add-back must have a market-rate replacement cost. For sub-\$1M businesses, the seller's time is the most common add-back — model it at \$2,000–\$3,500/month. For \$1M+ businesses, verify whether an operator is already on payroll before accepting any add-back.

Red Flag:

Seller adds back their own salary without modeling a real replacement cost. Someone has to run the business — no one does it for free.

04 **TOP 10**

Verify revenue trend over 24 months (not just TTM)

Threshold:

No declining trend in the 12 months prior to listing. No material increase in ad spend in the 90 days before the listing date.

Red Flag:

Revenue is flat or declining in the 12 months before the listing date, or ad spend increased by 20%+ in the 90 days before listing. Seller is timing the exit at peak. The trend is the signal — the TTM is the disguise.

- 05 **Confirm all COGS are fully loaded (landed cost including freight, duties, prep)**
Threshold:
COGS must include all landed costs: product cost, international freight, import duties, and FBA prep fees.
Red Flag:
COGS excludes freight, duties, or FBA prep fees. Understated COGS inflates margin. Recalculate with full landed cost before accepting any multiple.

- 06 **DEALBREAKER**
Verify Amazon payout reports against claimed revenue
Threshold:
Payout reports must match claimed revenue within 2%. Request these in the first 48 hours — not after the financial review.
Red Flag:
Seller provides P&L; but refuses to share Seller Central payout reports. Any gap between claimed revenue and actual payouts is a dealbreaker. Delay in providing these reports is itself a red flag.

2. ASIN & PRODUCT ANALYSIS

Understand what you are actually buying at the product level.

- 07 **TOP 10**
Map revenue concentration across all parent ASINs
Threshold:
No single parent ASIN above 80% of total revenue.
Red Flag:
One ASIN drives more than 80% of revenue. A single suppression, policy violation, or competitor attack eliminates the business overnight.
- 08 **TOP 10**
Review BSR history for all top-10 revenue ASINs (minimum 12 months)
Threshold:
No sustained BSR decline in the 12 months prior to listing. Cross-reference BSR trend against keyword rank history — BSR stability with declining organic rank is a disguised deterioration.
Red Flag:
BSR trending upward (worse rank) consistently over 12 months, or BSR is stable but primary keyword organic rank has been declining. Seller has been compensating with increased PPC spend to mask the decline.
- 09 **DEALBREAKER**
Check for open IP complaints or ASIN suppression history
Threshold:
Zero open IP complaints. Suppression history must be fully explained with documented resolution.
Red Flag:
Any open IP complaint is a dealbreaker. Past suppressions without a clear, documented resolution are a yellow flag requiring full explanation.
- 10 **DEALBREAKER**
Verify Brand Registry status and transferability
Threshold:
Brand Registry must be active and fully transferable to the buyer. Confirm the trademark is registered under the seller's entity and that there are no pending disputes.
Red Flag:
Brand Registry is not active, is registered under a third party, or seller cannot confirm full transfer. Without it, the brand has no protection.

11 **Audit review profile: velocity, recency, and authenticity**

Threshold:

No sudden review spikes; no pending review manipulation flags. Use Helium 10 Review Insights or Jungle Scout to map review velocity month by month. A spike of 30%+ in any single month without a corresponding sales spike is a manipulation flag.

Red Flag:

Review count jumped sharply in the 90 days before listing. Seller cannot explain the spike. Amazon's review manipulation enforcement is aggressive and the account carries the liability.

12 **Confirm product is Amazon-native (no Shopify, DTC, wholesale, or retail arbitrage dependency)**

Threshold:

100% of revenue must be Amazon-native. Verify the account has no wholesale or retail arbitrage ASINs mixed in — these inflate revenue figures but are not part of the brand being acquired.

Red Flag:

Seller claims Shopify, DTC, wholesale, or retail arbitrage revenue as part of the business. Non-Amazon revenue is not transferable and must be excluded from the multiple.

3. TRAFFIC & PPC

Determine whether the revenue is real or rented.

13 **TOP 10**

Calculate blended TACoS across all campaigns

Threshold:

TACoS ceiling: 25–30%. TACoS near 0% signals off-Amazon traffic manipulation or artificially inflated organic rank.

Red Flag:

TACoS above 30% means the business is paying for its own organic rank. Profitability is artificial. Remove PPC and the business may not be viable.

14 **Review PPC campaign structure for dependency vs. efficiency**

Threshold:

Minimum 30% of revenue on primary keywords should come from organic rank (not sponsored). If 100% of page-1 presence is paid, there is no organic floor and the business has no PPC-off viability.

Red Flag:

All top keywords are running in exact match with no organic rank. The business has no organic floor. PPC is the entire revenue engine.

15 **TOP 10**

Audit keyword rank history for top 10 revenue-driving terms

Threshold:

Top keywords must have stable or improving organic rank over the trailing 12 months.

Red Flag:

Organic rank for primary keywords has been declining for 6+ months. Seller has been compensating with increased PPC spend to mask the decline.

16 **Verify CVR (conversion rate) against category benchmarks**

Threshold:

CVR must be at or above category average. CVR above 10% on a product priced over \$30 typically indicates a traffic problem, not a listing problem.

Red Flag:

CVR significantly below category average. Listing has a structural problem — images, copy, or price — that PPC cannot fix.

■ 17 **Review ACOS by campaign type and identify any campaigns running at a loss**

Threshold:

No campaign running above 50% ACOS without a clear strategic rationale. Pull the campaign-level spend report for the 90 days before listing — if total ad spend increased by more than 20% quarter-over-quarter with no corresponding organic rank improvement, revenue inflation is likely.

Red Flag:

Multiple campaigns running at 60–80% ACOS with no clear rationale. Seller is buying revenue to inflate TTM numbers before the sale.

4. SUPPLY CHAIN & INVENTORY

Where deals quietly fall apart post-acquisition.

■ 18 **DEALBREAKER**

Verify supplier relationships and MOQ terms

Threshold:

Supplier must be transferable and MOQ terms must be documented in writing. Request a written supplier introduction letter and confirm pricing in writing before close. Verbal assurances from the seller are not transferable.

Red Flag:

Seller has an exclusive or personal relationship with the supplier that cannot be transferred, or pricing is based on a personal relationship that will not survive ownership change. Supplier repricing post-close is a common and silent margin killer.

■ 19 **TOP 10**

Audit current inventory age across all SKUs

Threshold:

Inventory older than 6 months is valued at \$0. Aged inventory is a liability, not an asset.

Red Flag:

Significant inventory over 6 months old included in the deal valuation. Long-term storage fees will consume whatever margin remains.

■ 20 **Confirm lead times and current inventory coverage**

Threshold:

Minimum 90 days of inventory coverage at current sell-through rate. For seasonal businesses, 90-day coverage must be calculated against peak-season velocity — not annual average. A business with 90 days of coverage at annual average may have 14 days of coverage at peak.

Red Flag:

Less than 60 days of inventory coverage at current velocity, or coverage looks adequate at annual average but collapses at seasonal peak. Post-close stockout damages organic rank and may take months to recover.

■ 21 **Review landed cost structure (FOB, freight, duties, FBA prep)**

Threshold:

Full landed cost must be documented and verified. Cross-reference with your own freight forwarder using the supplier's invoice.

Red Flag:

Seller cannot provide a complete landed cost breakdown. Undisclosed costs will compress margin post-acquisition.

■ 22 **Confirm no pending FBA removal orders or stranded inventory**

Threshold:

Zero stranded inventory; no pending removal orders.

Red Flag:

Stranded inventory or pending removal orders indicate an account health issue that may not be fully disclosed.

■ 23 **Verify payment terms with supplier**

Threshold:

Net 30 or better preferred. 100% upfront payment with no credit terms is a working capital risk flag.

Red Flag:

Supplier requires 100% payment upfront with no credit terms. This creates significant working capital pressure post-acquisition, especially during inventory replenishment cycles.

5. AMAZON ACCOUNT HEALTH

The binary risk most buyers check last and should check first.

■ 24 DEALBREAKER

Check for any open documentation requests on any ASIN

Threshold:

Zero open documentation requests — instant dealbreaker.

Red Flag:

Amazon has flagged one or more ASINs for documentation review. This was the exact mechanism that caused a \$60K loss on a supplements acquisition. Do not proceed.

■ 25 DEALBREAKER

Review full account suspension history

Threshold:

Prior account suspension is an instant dealbreaker — even if resolved.

Red Flag:

Any prior account suspension indicates Amazon has flagged this account. The risk of recurrence is non-zero and non-insurable.

■ 26 Verify Account Health Rating (AHR) score

Threshold:

AHR must be 'Good' (200+) with no active warnings.

Red Flag:

AHR below 200 or any active policy warnings. Amazon's enforcement is algorithmic — a degraded AHR can trigger cascading restrictions.

■ 27 Confirm no pending A-to-Z claims or chargeback disputes

Threshold:

Zero open A-to-Z claims or chargebacks.

Red Flag:

Open A-to-Z claims or unresolved chargebacks can result in funds holds and account restrictions that transfer with the account.

■ 28 Review late shipment rate, order defect rate, and pre-fulfillment cancel rate

Threshold:

All three metrics must be within Amazon's policy thresholds: Order Defect Rate below 1%, Pre-Fulfillment Cancel Rate below 2.5%, Late Shipment Rate below 4%.

Red Flag:

Any metric at or near Amazon's threshold. Metrics in the yellow zone are one bad week from triggering a selling restriction.

■ 29 Verify no active or pending brand gating issues

Threshold:

No brand gating restrictions on any ASIN.

Red Flag:

Brand gating restrictions prevent new sellers from listing. If the account has gating issues, the buyer may not be able to list the products post-transfer.

6. SELLER VERIFICATION & DEAL STRUCTURE

Verify the person on the other side and protect yourself structurally.

■ 30 DEALBREAKER

Verify seller identity and business entity

Threshold:

Seller must be the legal owner of the business entity being sold.

Red Flag:

Seller cannot provide documentation confirming they are the legal owner of the Amazon account and associated IP. Walk away.

31 **TOP 10**
Confirm seller financing terms if applicable

Threshold:

Seller financing: 40–50% upfront, balance over 24 months preferred. This aligns the seller's incentive with a clean transition and limits downside if Amazon issues emerge post-close.

Red Flag:

Seller requires 100% cash at close with no seller financing. Full cash deals remove the seller's incentive to support a clean transition.

32 **Review non-compete and transition support terms**

Threshold:

Minimum 12-month non-compete; minimum 90-day transition support.

Red Flag:

Seller refuses a non-compete or limits transition support to less than 30 days. This is a risk flag, especially for businesses with complex PPC or supplier relationships.

33 **DEALBREAKER**
Verify all IP ownership: trademark, copyright, and design rights

Threshold:

All IP must be owned by the seller and fully transferable.

Red Flag:

Trademark is pending, expired, or registered under a third party. IP that cannot be transferred is not an asset — it is a liability.

34 **DEALBREAKER**
Confirm escrow and closing process

Threshold:

Use a qualified escrow service or broker-managed migration. Most established brokers (Empire Flippers, Quiet Light, FE International) act as neutral intermediaries and manage the migration themselves — this is standard and acceptable. The risk is specific to off-market and direct-from-seller deals with no broker involved.

Red Flag:

In a direct or off-market deal, seller requests a wire transfer without any escrow or neutral third-party intermediary. Do not use an escrow service recommended solely by the seller with no independent verification. This is the most common vector for acquisition fraud in broker-free transactions.

35 **Review any existing contracts, subscriptions, or third-party agreements**

Threshold:

All contracts must be transferable or terminable without penalty. Pay specific attention to 3PL agreements — minimum volume commitments and auto-renewal clauses are frequently buried and become the buyer's obligation at close.

Red Flag:

Existing contracts with agencies, software vendors, 3PLs, or employees that cannot be terminated or transferred. These become the buyer's obligations at close.

7. MARKET & COMPETITION

Whether the brand has a real future, not just a real past.

36 **Map the competitive landscape for top 3 revenue-driving ASINs**

Threshold:

No single competitor above 40% category share.

Red Flag:

One competitor dominates the category with 50%+ share and is actively expanding. The business has no defensible position.

■ 37

TOP 10

Identify any direct Amazon private label competition

Threshold:

No Amazon private label product in the category.

Red Flag:

Amazon has launched or is testing a private label product in the same category. Amazon will always win on price and placement.

■ 38

Review category trend data (Google Trends, Jungle Scout, Product Opportunity Explorer)

Threshold:

Category must show stable or growing demand over 24 months.

Red Flag:

Category demand is declining. Seller is exiting a shrinking market. The multiple does not reflect the forward revenue trajectory.

■ 39

Assess barrier to entry for new competitors

Threshold:

Business must have at least one defensible moat: brand, reviews, IP, or supply chain advantage.

Red Flag:

No defensible moat. Any competitor with \$50K can replicate the product and undercut on price within 90 days.

■ 40

Verify no pending regulatory or compliance risk for the product category

Threshold:

No active FDA, CPSC, or Amazon compliance flags on any product. For products sold in California, verify PROP 65 compliance — non-compliance can result in class action litigation that transfers with the acquisition.

Red Flag:

Product is in a regulated category (supplements, electronics, children's products) with no documented compliance history. Regulatory action post-close can result in immediate listing removal.

■ 41

Review seasonality and identify revenue concentration by month

Threshold:

No single month above 25% of annual revenue (unless fully priced into the multiple). For seasonal businesses, calculate debt service coverage against off-season cash flow — not peak-season.

Red Flag:

Business is heavily seasonal and the multiple is based on peak-season TTM. Off-season cash flow may not cover debt service.

8. FINAL GO / NO-GO

The gut check and the decision itself.

■ 42

Confirm post-acquisition operator plan (hire, outsource, or self-operate)

Threshold:

Operator plan must be documented before close, with cost modeled into forward projections.

Red Flag:

No plan for who will operate the business post-close. Buyer assumes they will 'figure it out.' This is the most common cause of post-acquisition margin compression.

■ 43

DEALBREAKER

Answer the 90-day profit question

Threshold:

You must be able to clearly articulate how you will improve profitability within 90 days of closing.

Red Flag:

You cannot answer this question with specifics. 'I'll optimize PPC' is not an answer. If you don't know exactly what you'll do in the first 90 days, do not buy.

■ 44

TOP 10

Confirm you can service debt or seller financing from operating cash flow

Threshold:

Post-acquisition cash flow must cover all debt service with minimum 1.3x DSCR.

Red Flag:

Debt service coverage ratio below 1.3x. The business cannot service its own acquisition cost from operations. One bad month creates a default risk.

■ 45

Verify you have sufficient working capital post-close

Threshold:

Minimum 90 days of operating expenses in reserve after close.

Red Flag:

Acquisition depletes all available capital. No reserve for inventory replenishment, PPC, or unexpected costs. Post-close cash crisis is the most common acquisition failure mode.

■ 46

Confirm the deal multiple is justified by the forward revenue trajectory

Threshold:

Multiple must be based on forward earnings, not trailing peak. If the seller is using a TTM that includes a revenue spike in the last 90 days, recalculate the multiple using the 12-month average excluding the spike period.

Red Flag:

Multiple is based on a TTM that includes a revenue spike. Forward revenue is lower. You are paying peak multiple for declining earnings.

■ 47

DEALBREAKER

Final checklist review: confirm zero open dealbreakers

Threshold:

All dealbreaker items must be clear — no exceptions.

Red Flag:

Any single dealbreaker item remains open. Do not proceed. There is no deal good enough to justify overriding a dealbreaker.