

## 1. Financial Due Diligence

- Review financial statements (preferably audited) for the past three (3) to five (5) years.
- Analyze revenue, expenses, cash flow and profitability trends.
- Assess quality of earnings and identify any irregularities or discrepancies.
- Evaluate the financial position, including assets, liabilities and working capital.
- Complete certain financial metrics, ratios, KPIs of the target
- Examine tax returns, contracts, contingent liabilities, pending litigation, etc.
- Engage professional firm to assist and fully complete financial due diligence.

Comments:

## 2. Operational Due Diligence

- Assess the target's operations, including:
  - Production processes
  - Supply chain management
  - Distribution channels
- Review key operational metrics such as:
  - Production efficiency
  - Inventory turnover
  - Lead times
- Evaluate the scalability of the target's operations and any capacity constraints.
- Identify operational risks, including regulatory compliance, quality control issues and dependencies on key suppliers or customers.

Comments:

### 3. Market and Competitive Analysis

Analyze the target company's:

Market position

Customer base

Competitive landscape

Market trends

Growth opportunities

Potential threats

Conduct customer surveys and/or interviews (gauge satisfaction and loyalty)

Evaluate the target company's:

Pricing strategy

Product differentiation

Brand reputation

Comments:

### 4. Legal and Regulatory Compliance

Review the target company's legal documents that include:

Contracts

Leases

Permits

Licenses

Identify any regulatory compliance issues or violations

Assess the target's Intellectual Property portfolio and ensure proper protection

Review the target company's employment:

Agreements

Employee benefits

Pending legal disputes

Comments:

## 5. Technology and Intellectual Property

- Evaluate the target company's
    - Technology infrastructure
    - Software systems
    - IT security measures
  - Assess the target's
    - Strength of IP assets
    - Patents
    - Trademarks
    - Copyrights
- Review the target's
- Licensing agreements
  - Royalty agreements
  - Technology transfer agreements

Comments:

## 6. Human Resources and Organizational Structure

- Review organizational charts, job descriptions, and employee contracts
- Assess employee turnover rates, morale and organizational culture
- Evaluate HR policies and procedures, including:
  - Performance management
  - Compensation
  - Benefits
- Identify any potential:
  - Labor disputes
  - Union contracts
  - Workforce integration challenges

Comments:

## 7. Customer and Supplier Relationships

- Evaluate the concentration of customer and supplier relationships
- Assess the strength of:
  - Customer contracts
  - Renewal rates
  - Customer satisfaction
- Review supplier:
  - Contracts
  - Terms
  - Dependencies
- Identify and risks associated with:
  - Changes in customer preferences
  - Changes in supplier availability

Comments:

## 8. Environmental and Social Responsibility

- Assess the target's:
  - Environmental impact
  - Compliance with environmental regulations
  - Exposure to environmental liabilities
- Review corporate:
  - Social responsibility initiatives
  - Community relations
  - Ethical business practices

Comments:

## 9. Insurance and Risk Management

- Review insurance policies to assess coverage, limits, and exclusions
- Identify any:
  - Gaps in coverage
  - Potential risks that may require additional insurance or risk mitigation strategies

Comments:

## 10. Integration Planning

Develop a detailed integration plan outlining key milestones, responsibilities, and timelines

- Identify synergies and integration opportunities to maximize operational efficiency and cost savings

Establish communication channels with key stakeholders and develop change management strategies to facilitate a smooth transition.

Comments:

## 11. Financial and legal advisors

Engage financial and legal advisors with expertise in mergers and acquisitions to assist with due diligence and negotiation

- Obtain professional valuation assessments to ensure the proposed acquisition price is reasonable and fair

Comments:

## 12. Exit Strategy

- Develop an exit strategy outlining:
  - Potential exit scenarios
  - Timelines
  - Return on investment expectations
  
- Identify any potential obstacles or risks that may impact the ability to exit the investment successfully.

Comments:

### Disclaimer:

**This checklist provides a comprehensive framework for conducting thorough due diligence and assessing the target company's suitability for acquisition. It's essential to customize the checklist based on the specific characteristics and industry dynamics of the target company. Additionally, involving a multidisciplinary team of experts, including financial, legal, and operational professionals, can help ensure a comprehensive and rigorous review process.**