

## Acquisition/Investment Due Diligence Requirements

A simplified but typical due diligence checklist for an acquisition or investment. This is a guide only and every deal will have differences, use this as a starting point. Kapitalized creates a custom due diligence process for each deal we work on. Any questions email us at [hello@kapitalized.com](mailto:hello@kapitalized.com).

Information Request	Comments
Detailed P&L and balance sheet for at least 3 years of trading	<i>Allows for margin and growth trends analysis</i>
Monthly revenues, COGS, gross margins, overheads	<i>Identify cyclical and seasonal trends that may require working capital</i>
Bank statements for the same period as the P&L	<i>The bank statements should reflect all the material transactions in the financials</i>
Employee contracts and wages breakdown	<i>Who are the staff, their tenure and what are their accrued leave balances</i>
Customer and client contracts (these are often sensitive) or the key terms	<i>Look for change of control clauses and whether new contracts need to be agreed on acquisition</i>
Marketing spend and campaign performance such as AdWords, Facebook Ads	<i>This can highlight low performing marketing spend, cost of acquisition per customer</i>
Review social media users and newsletter subscribers and opt-in policies	<i>Check whether these are genuine users</i>
Operational metrics: <ul style="list-style-type: none"> <li>• No. of customer sign ups by month</li> <li>• Churn rates</li> <li>• Average revenue per customer</li> <li>• No. of active customers</li> <li>• Conversion rates</li> <li>• Website/mobile app metrics</li> </ul>	<i>These vary significantly by type of business however form the core of your commercial due diligence and understanding of the business model and its dynamics.</i>
Market review including main competitors, size of market and key regulations	<i>Reveals the level of competition, alternate business models and whether there's an opportunity to gain market share.</i>
Company incorporation, shareholders, current directors and company filings.	<i>Standard legal searches.</i>
Asset and IP register including trademarks, domain names and patents.	<i>Review the assets and make sure they physically make the register.</i>
Lodged tax returns, BAS and activity statements and employee payment summaries	<i>Ensure there's no tax liability and that the company is up to date with the tax office.</i>