

ideals.

Due diligence checklist



What is a due diligence checklist and how to use it?

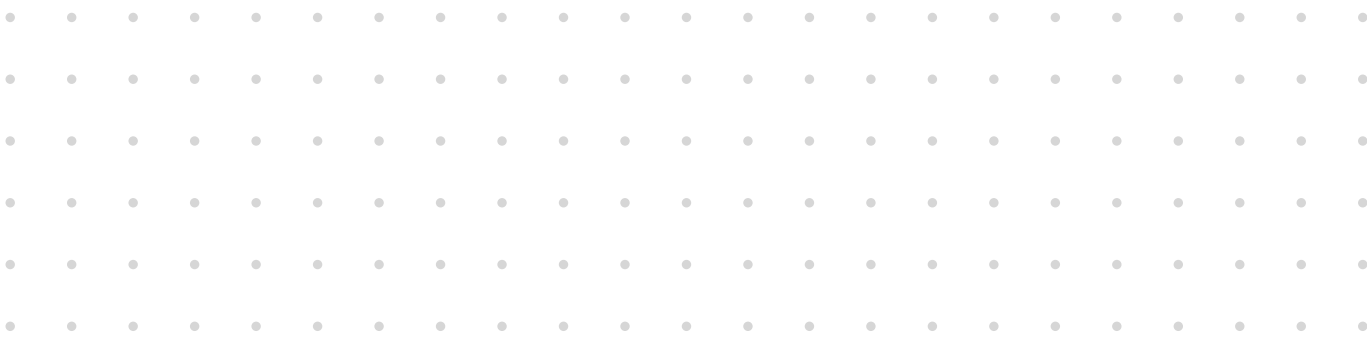
A due diligence checklist outlines key documents, information, and tasks that must be reviewed before making a business decision, such as buying a company or investing. It ensures all critical aspects—financial, legal, and operational—are thoroughly reviewed to mitigate risks and support informed decision-making.

Good to know:



The main purpose of a due diligence checklist is to organize the review process, making sure nothing important is missed. For buyers, it helps them understand the true value of a company and uncover any hidden issues. For sellers, it ensures they have all the necessary documents ready, making the transaction smoother. Analysts and auditors use it to check financial records and confirm compliance with laws.





Here are a few tips for creating a comprehensive due diligence checklist:

1. Define your goals.

Clearly outline what you need to assess, such as financial stability, legal risks, or operational efficiency. This helps ensure your checklist focuses on the most critical areas.

2. Customize.

No two transactions are the same, so adapt your checklist based on the business type, industry, deal size, and potential risks involved.

3. Cover all key areas.

Make sure your checklist includes financial records, legal documents, contracts, intellectual property, operational data, and compliance details for a complete evaluation.

4. Prioritize critical items.

Identify high-risk and high-value factors first, such as outstanding liabilities, hidden debts, or legal disputes, so they can be reviewed early in the process.

5. Use a structured format.

Organize the checklist in categories (financial, legal, operational) and use project management tools or virtual data rooms to store and track documents securely.

6. Involve the right experts.

Work with financial analysts, legal advisors, and industry specialists to ensure all important details are reviewed accurately and thoroughly.

7. Review and improve.

After completing due diligence, analyze what worked well and refine your checklist to make future reviews more effective and streamlined.

Research demonstrates that high-quality due diligence is one of the top three factors contributing to successful acquisitions. That’s why a detailed checklist is essential.

On the next pages, you will find a due diligence checklist template that can be adjusted to fit your specific needs.

Due diligence checklist template



1. Finances

Financial information

- ☐ Audited financial statements (income statement, balance sheet, cash flow) for the past three years
- ☐ Comparison of planned vs. actual financial performance
- ☐ Key performance indicators (KPIs) such as revenue growth, profitability, and cash flow
- ☐ Overview of any off-balance-sheet items, liabilities, or obligations
- ☐ Details on company investments (e.g. bonds, marketable securities)
- ☐ Stockholder details (percentage ownership, voting rights, etc.)

Financial forecasts

- ☐ Projected financials for the next three years (quarterly breakdown)
- ☐ Revenue projections by product, customer, and region
- ☐ Major risks affecting financial forecasts (e.g. foreign exchange, market volatility)
- ☐ Capital expenditure plans

Capital and debt structure

- ☐ Current capital structure (shares outstanding, stockholder information)
- ☐ Overview of outstanding debt and key financial obligations
- ☐ Summary of off-balance-sheet liabilities and potential future commitments

Tax

- ☐ Review of tax filings for the past 3–5 years, including penalties or interest
- ☐ Evaluation of NOL carryforward, tax credits, and other tax attributes
- ☐ Identification of ongoing or pending tax audits, disputes, or adjustments
- ☐ Review of intercompany agreements and transfer pricing audits or adjustments
- ☐ Assessment of tax implications from a change in ownership

2. Products and services

Product portfolio

☐ Overview of key products/services, including market segments served

☐ Product performance metrics (growth, market share, profitability)

☐ Product development roadmap (new launches, enhancements, technology investments)

Cost and profitability analysis

☐ Profit margins by product and service category

☐ Cost structure analysis and key profitability drivers

3. Customer and market

Customer overview

☐ List of top customers by revenue and their key industries

☐ Customer retention and satisfaction metrics

☐ Analysis of any significant customer churn in the past two years

Competitive landscape

☐ Competitive positioning and market share relative to key players

☐ Key industry trends and market growth opportunities

☐ Assessment of customer and market risks (e.g., price competition, demand shifts)

4. Sales and marketing

Sales strategy

☐ Review of sales pipeline, including projected revenue from existing and new customers

☐ Sales team performance and productivity (quotas, compensation models)

☐ Key customer acquisition strategies and channels

Marketing strategy

☐ Overview of marketing programs and campaigns (domestic and international)

☐ Effectiveness of current marketing channels and ROI on past campaigns

☐ Identification of key risks and opportunities in marketing (brand positioning, advertising strategies)

5. Management and personnel

Leadership team

☐ Overview of the executive team, including key biographies and tenure

☐ Evaluation of management’s experience and expertise relevant to the business

☐ Compensation and incentive structures for senior leadership

Employee overview

☐ Headcount and organizational structure

☐ Employee turnover rate and any ongoing HR challenges

☐ Employee benefits and retention strategies

6. Legal and compliance matters

Legal disputes and risks

- ☐ List of ongoing and potential lawsuits involving the company
- ☐ Legal claims that could result in financial liabilities or reputational damage
- ☐ Pending regulatory inquiries or investigations

Intellectual Property (IP)

- ☐ Overview of patents, trademarks, copyrights, and other IP assets
- ☐ Assessment of IP risks and opportunities (e.g. patent infringement, IP protection strategies)
- ☐ Regulatory compliance
- ☐ Review of compliance with industry regulations (environmental, labor, data privacy)
- ☐ Any non-compliance issues or potential regulatory challenges

Insurance and liabilities

- ☐ Overview of insurance coverage (general liability, worker's compensation, etc.)
- ☐ Material liabilities or exposures not covered by insurance

7. Operational processes

General review

- ☐ Review of key operational processes (supply chain, production, distribution)
- ☐ Assessment of operational scalability and capacity for growth
- ☐ Risks related to operational bottlenecks or inefficiencies

Document verification

- ☐ Internal processes and compliance standards
- ☐ Licenses, subscriptions, and permits to ensure proper legal standing
- ☐ Technology infrastructure and its effectiveness
- ☐ Key performance indicators compared to industry standards

Onsite evaluation

- ☐ The condition of physical assets, equipment, and technology
- ☐ Interviews with key operations managers and staff
- ☐ Bottlenecks or inefficiencies in processes and the supply chain
- ☐ Readiness for operational changes and improvements

8. IT systems and digital security

- Data management and security

☐ Data storage and backup procedures

☐ Assessment of data protection and privacy policies (GDPR, CCPA, etc.)

☐ Evaluation of cybersecurity measures and risk management
- Software and applications

☐ Review of licensed software and compliance

☐ Assessment of critical business applications and their integrations

☐ Evaluation of custom-built software or third-party solutions

9. Integration potential

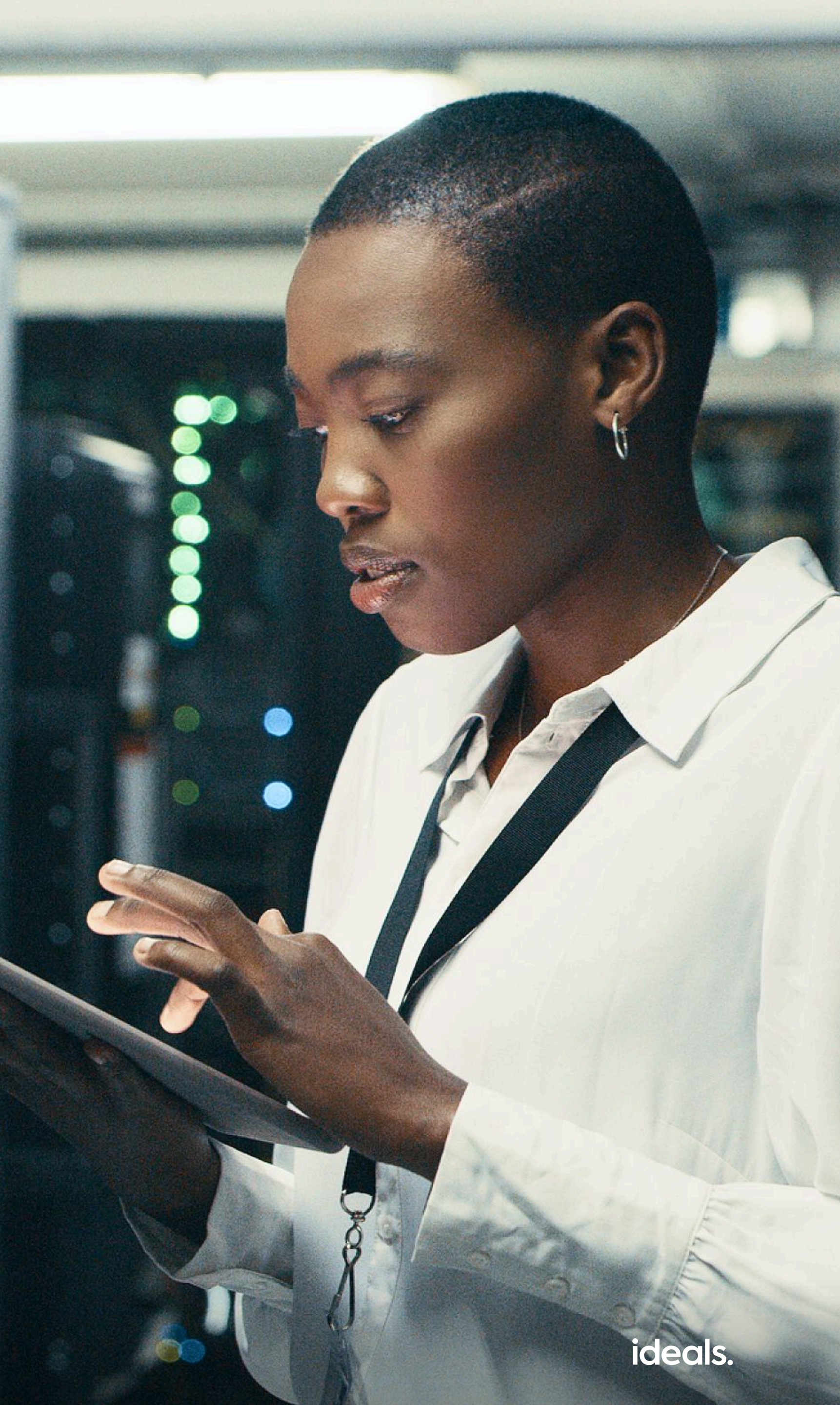
- Strategic fit

☐ How the target company aligns with your strategic objectives

☐ Potential synergies in areas such as product offerings, customer base, or market expansion
- Cultural fit

☐ Evaluation of company culture and its compatibility with your organization's values

☐ Potential challenges in integrating teams and maintaining productivity post-acquisition



Accelerate due diligence with Ideals VDR

Ideals Virtual Data Room (VDR) is a secure online platform that simplifies document management and collaboration during due diligence. Designed for businesses handling confidential information, it ensures efficient, organized, and protected data sharing.

With Ideals VDR, you stay in control, work more efficiently, and move deals forward with confidence.

Here's how Ideals VDR helps speed up due diligence:

- **Easy document organization.** Upload, categorize, and find files quickly with bulk uploads, automatic indexing, and a powerful search function.
- **Advanced security.** Strong encryption, multi-factor authentication, and customizable access controls protect your data.
- **Faster collaboration.** Teams, investors, and partners can review documents in real-time with built-in Q&A tools.
- **Detailed tracking.** Monitor user activity with reports that show who accessed which files and when.
- **Seamless access.** Work from anywhere with a secure, cloud-based platform available on any device.



ideals.

idealsvdr.com