Due diligence checklist

Due diligence is a crucial part of any M&A transaction. It enables a potential buyer or investor to learn more about a company's financial status, business holdings and operations before finalizing a transaction or investment.

Whether you are assessing new or existing portfolio companies, exploring an M&A transaction or addressing compliance requirements, it is important to be thorough. So, start your due diligence efforts with this quick checklist.

Corporate structure & general information

- Organizational chart
- Articles of incorporation/organization
- Partnership or profit sharing agreements
- Records of board and shareholder meetings
- Senior leadership information: Age, tenure and promotions

Human resources

- Headcount by function and location
- Key employment contracts
- Collective bargaining agreements
- Benefit plan information
- Copies of employee handbook and policies
- Employee litigation (past or ongoing)
- Personnel turnover rates

Financial information

- Annual and quarterly financial and bank statements
- Investment and hedging policies
- Sales and profits by product, channel and geography
- Accounts receivable
- Capital structure
- Summary of debt instruments
- Financial projections
- Revenue by product type, customers and channel
- Major growth drivers and prospects
- Industry and company pricing policies
- Summary of current tax positions
- Accounting policies
- Financing history for equity, warrants and debt

Fund information

- Fund strategy and goals
- Description of each product and fund
- Market share
- Timing of new products and funds
- Cost structure and profitability

Governance, risk and compliance

- Policies and code of ethics
- Licenses, permits, certificates and registrations
- Fund exposure
- Service provider and supplier risk
- SEC communications

Legal

- Pending and past lawsuits
- Environmental and employee liabilities and safety
- Intellectual property
- Customer and supplier contracts
- Insurance coverage details
- Summary of material contacts
- History of regulatory agency issues

Issuing and answering DDQs can be repetitive and time consuming.

However, questionnaire management software simplifies the process by saving answers from one DDQ to use on the next. For more information about how to improve efficiency in your DDQ process, visit rfp360.com/ddq.

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