

*Due Diligence Questions*

*2016*

Capital Raise

* Please provide a list of the capital raises the company has completed as of today, and the high-level terms associated with each raise (equity or convertible note, and share price) and basic list of current stockholders.
* Please provide details of the current capital raise including –
  + The offering, share price, total amount seeking, closing date, valuation
* Please provide any details on plans for future funding, including –
  + When further capital will be required, how much (tentatively) the company plans to raise, as well as what preliminary talks you have had with future financing sources, if any.
* After this capital raise, what are the company’s plans for the board of directors?

Team

* Please provide a snapshot bio of each founder or key team member.
* Please provide details of the company board of directors or advisors.
* Please provide narrative of how the current team came together.
* Please provide a description of any employee incentive or bonus plans.

Product

* Who are your end users, and what do/will they pay for the product?
* How did you determine the pricing model?
* How does this compare to competition?
* How do you expect pricing to change in the future?
* What price testing has the company completed?
* What discounts or incentives are offered to gain customers?
* Are there any future products or features you would like to share?
* What does your product roadmap look like for the next 6 months? 1 year? 3 years?
* How do you integrate customer feedback into your product development cycle?

Customer

* Who is your target customer(s)?
* What is your churn and retention rate?
* What is your lifetime customer value?
* What is your customer acquisition cost? What expenses are you including in acquisition cost?
* Do you enter into a contract with your customers? If so, what are the terms? Do these vary by customer?
* How often do your customers use your products?

Sales Strategy

* Please detail your customer acquisition strategy, including -
  + How long is your sales cycle?
  + Who is the key decision maker, and what methods will you use to connect with them?
* Please tell us about your sales process, such as –
  + How many touch points do you have with the potential customer before a decision is made? Phone calls or presentations?
  + Do you pilot the product (paid or free) before the customer signs up? How long does the pilot last?
  + Who generally makes (or has to approve) the purchasing decision?

Operations

* What is the workflow/process for onboarding customers?
* How is customer service/feedback handled?

Intellectual Property

* Describe any protections you have for your company’s intellectual property (ex., patents, trade secrets, NDAs, etc.)
* Does the company own all of its core intellectual property?
* Do you need to develop additional technologies to fully implement your business plan?

Financials

* Please detail payroll expenses currently incurred by the company, and any changes to payroll after the capital raise.
* When does the company expect to hit break even? What level of sales and customers are needed to hit break even?
* Has the company undergone any changes to the business model over the years that have affected the financials?
* What financial milestones (and/or key metrics) does the company expect to hit with this capital raise? What level of traction does the company expect to have prior to the next capital raise?
* Please provide a detailed budget for the next 12 months, and annual projections for the next 3 years.

Market

* Who are your largest competitors?
* How do you differ from competition?
* Do you know what level of market penetration the competitors have?
* What is the size of your market? Please subdivide this into specific markets the company’s current products target.
* What are the strengths, weaknesses, opportunities and threats of your market?
* What are the largest forces influencing the market you are targeting in the short and long term?

Risks

* Please identify key risks of the business.
* Describe any ongoing litigation.
* Please describe any necessary regulatory approvals or licenses, if any.

Exit Strategy

* Who is a likely acquirer?
* Are there examples of recent exits in your industry?
* What percent of the market do you need to obtain to be noticed by an acquirer?
* How much capital do you think it will require to grow to this level of market penetration?
* How long will it take to achieve an acquisition?