



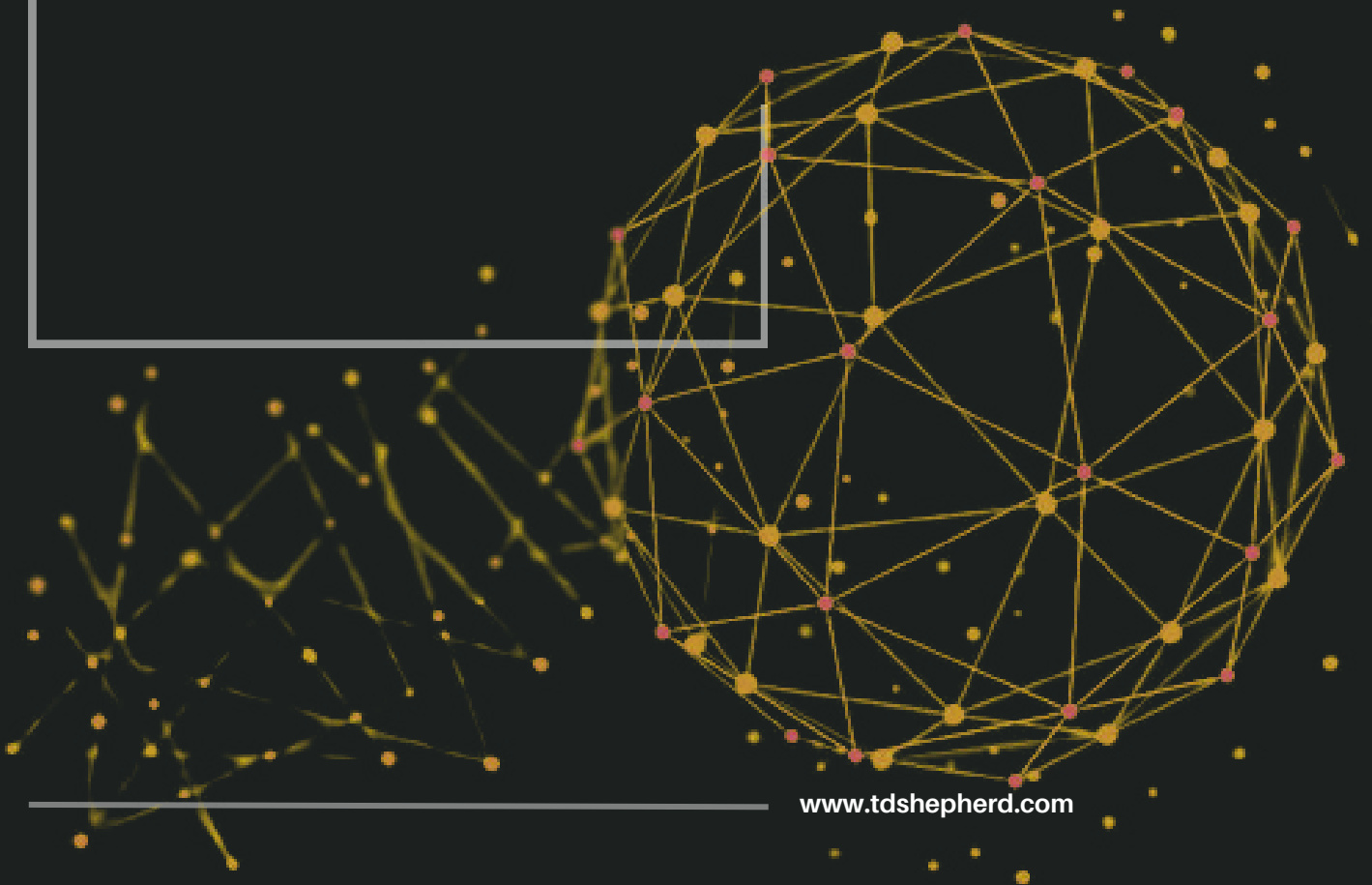
TD SHEPHERD
THE NEXT STEP

Due

Diligence

For Growth-Stage Start-ups

A Checklist



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DUE DILIGENCE FOR GROWTH-STAGE START-UPS A COMPREHENSIVE CHECKLIST

Due diligence for growth-stage startups is a more comprehensive process compared to earlier stages. At this stage, investors often seek to validate the startup's growth potential and scalability. This means the dominant focus is on the business model, product/service readiness, and customer traction.

1. Management Team:

- Evaluate the qualifications and experience of the management team.
- Verify the background and references of key executives.
- Assess the leadership's ability to execute the growth plan.
- Assess the resilience of the Management Team and the underlying organization.
- Review the functionality and use of the dashboard to communicate with the Board and the Team.

2. Employee and Team Expansion:

- Assess hiring plans for expanding the team.
- Evaluate the hiring strategy for key roles; specifically focus on those roles related to the growth strategy (e.g., supply chain management)
- Understand the startup's approach to talent acquisition and retention.

3. Market and Industry:

- Analyze market size, trends, and potential for further growth.
- Understand the competitive landscape and market positioning.
- Assess the strengths of the startup's competitive advantages.
- Assess the longevity of the startup's competitive advantages.
- Identify any potential market challenges or disruptions.

4. Sales and Marketing:

- Analyze the sales and marketing strategy.
- Assess customer acquisition channels.
- Understand marketing spend efficiency and return on investment (ROI).
- Review sales pipelines and conversion rates.

5. Expansion Plans:

- Understand plans for expanding to new markets or geographic regions.
- Assess the startup's approach to international growth, if applicable.



6. Market Feedback:

- Seek feedback from customers, if available.
- Understand the criticality of the product to the customer's business, today AND tomorrow.
- Understand how feedback is incorporated into the product or service.

7. Customers and Partnerships:

- Understand the startup's customer base and its growth potential.
- Assess key customer relationships and contracts.
- Review strategic partnerships and their importance to growth.

8. Customer Success and Support:

- Review customer support and success teams.
- Understand how the startup plans to retain and upsell existing customers.

9. Product or Service:

- Evaluate the readiness of the product for full release.
- Evaluate the innovation process supporting the product and its continued development.
- Assess customer feedback and user satisfaction; dig deep to capture and classify feedback
- Evaluate the product roadmap and its execution timeline concerning market and competition.

10. Technology and Infrastructure:

- Evaluate the scalability and reliability of the startup's technology infrastructure.
- Assess any potential technology risks.
- Review the overall innovation process and dedicated resources.

11. Competitive Analysis:

- Analyze the competitive landscape and identify key competitors.
- Assess the startup's competitive advantages and its strategy for staying ahead.

12. Financials and Business Model:

- Review historical financial statements.
- Analyze revenue, profitability, and cash flow.
- Understand the business model and its scalability.
- Assess the startup's ability to generate and sustain growth.



13. Growth Metrics:

- Review key performance indicators (KPIs) such as customer acquisition cost (CAC), customer lifetime value (CLV), churn rate, and others.
- Evaluate historical growth rates.
- Assess the scalability of the startup's growth strategies.
- Compare the startup's metrics with that of its look-alike(s).

14. Financial Projections:

- Evaluate the realism and accuracy of financial projections. Specifically, compare growth curves with those of winners in that industry. Understanding what is realistic is key to evaluating and managing metrics.
- Review assumptions behind projections.
- Understand how funds will be allocated for further growth.

15. Use of Funds:

- Determine how the funds raised will be used for growth.
- Assess the startup's plans for hiring, marketing, product development, and scaling operations.

16. Exit Strategy:

- Discuss the startup's exit strategy, whether it's acquisition or IPO.
- Understand the alignment of the exit strategy with investor goals.

17. Intellectual Property and Legal:

- Verify intellectual property protection, including patents, trademarks, and copyrights.
- Review any legal issues or pending litigation.
- Check compliance with industry-specific regulations.

18. Regulatory and Compliance:

- Verify compliance with industry-specific regulations.
- Assess potential legal and regulatory risks associated with the growth plan.

19. Governance and Equity:

- Review the governance structure and board of directors.
- Assess equity structure and any existing agreements among founders, employees, and investors.
- Review the Advisory Board and determine its fit for the next stage of the startup.
- Understand the future financing needs and the related evolving equity picture for the company, specifically the Management Team and the employees (ESOP).



20. Due Diligence on Previous Rounds:

- Review due diligence conducted during earlier funding rounds to identify any issues or risks.
- Review the completion of goals, deliverables, and milestones over the past investment rounds and calibrate the performance of the Management Team and its individual members with relevant historical examples.

