



TD SHEPHERD
THE NEXT STEP

Due Diligence

On Pre-Seed Start-ups

A Checklist



DUE DILIGENCE ON PRE-SEED STARTUPS A COMPREHENSIVE CHECKLIST

This checklist can serve as a comprehensive guide for conducting due diligence on pre-seed startups. Keep in mind that it's essential to customize the checklist based on the specific industry, startup, and investor's requirements. Pre-seed startups often have limited historical data, so evaluating the team, the uniqueness of the idea, and the market opportunity becomes crucial in the due diligence process.

1. Founder and Team:

- Review the backgrounds and qualifications of the founders.
- Verify references and past professional experience.
- Assess their commitment and motivation to the project.

2. Business Idea:

- Understand the core business idea and value proposition.
- Evaluate the uniqueness and innovation of the idea.
- Assess how well the idea addresses a real problem or need in the market.

3. Market Analysis:

- Analyze the target market and its size.
- Assess market trends and growth potential.
- Identify competitors and potential market challenges.

4. Product or Technology:

- Review the state of product development or technology (TRL).
- Evaluate the feasibility of the product or technology.
- Understand the intellectual property (patents, trademarks, etc.) situation.

5. Revenue Model:

- Assess the revenue model and pricing strategy.
- Evaluate the assumptions used in revenue projections.
- Analyze the potential for monetization.

6. Financials:

- Review historical financial statements if available.
- Evaluate financial projections and assumptions.
- Understand the capital needs for reaching the next milestone.



7. Business Plan:

- Review the startup's business plan.
- Ensure the plan is coherent and covers essential elements.
- Assess how well the business plan aligns with the startup's current progress.

8. Legal and Intellectual Property:

- Review legal agreements, contracts, and terms of use.
- Check for any existing or potential legal issues.
- Assess intellectual property protection and patents.

9. Market Validation:

- Review customer feedback and testimonials if available.
- Assess early user metrics and growth rates.
- Analyze results from beta testing or pilot programs.

10. Go-to-Market Strategy:

- Understand the customer segmentation.
- Understand the startup's marketing and sales strategy.
- Assess distribution channels and sales pipelines.
- Evaluate customer acquisition cost and customer lifetime value.

11. Competition:

- Identify direct and indirect competitors.
- Assess the startup's competitive advantages.
- Understand the competitive landscape and potential threats.

12. Regulatory and Compliance:

- Identify any industry-specific regulations.
- Assess the startup's compliance with relevant regulations.
- Understand potential legal and regulatory risks.

13. Customer Acquisition and Retention:

- Review strategies for customer acquisition.
- Understand plans for customer retention.
- Evaluate the startup's customer acquisition cost.





14. Exit Strategy:

- Discuss potential exit scenarios (acquisition, IPO).
- Evaluate the startup's long-term vision.
- Assess the alignment of the exit strategy with investor goals.

15. Milestones and Use of Funds:

- Understand the key milestones the startup aims to achieve.
- Analyze how the pre-seed funding will be used to reach these milestones.
- Ensure the funds are allocated effectively.

