



TD SHEPHERD
THE NEXT STEP

Due Diligence

On Seed-Stage Start-ups

A Checklist



DUE DILIGENCE ON SEED-STAGE STARTUPS A COMPREHENSIVE CHECKLIST

Performing comprehensive due diligence based on this checklist will provide a thorough understanding of the seed-stage deep tech startup, helping investors make informed decisions. Keep in mind that this checklist is not exhaustive, and additional considerations may be necessary based on the specific nature of the startup and the industry it operates in.

1. Team:

- Evaluate the founders' background, expertise, and industry knowledge.
- Assess the team's ability to execute the business plan.
- Assess the ambition of the team and the goals set for +5 years.
- Verify the cohesiveness and complementarity of the team's skill set.
- Assess plans for expanding the team.
- Evaluate the hiring strategy and potential key hires.

2. Technology:

- Understand the core technology and its uniqueness.
 - Assess the intellectual property (IP) portfolio and ensure it is well-protected.
- Verify any dependencies on third-party technologies.

3. Technology Development Roadmap:

- Evaluate the startup's technology development plan.
- Assess the feasibility and timeline of key milestones.
- Understand any potential roadblocks in the development process.

4. Market Opportunity:

- Define the target market and assess its size and growth potential.
- Understand the startup's competitive positioning and differentiation.
- Analyze the addressable market and potential market share.
- Evaluate Product-Market-Fit

5. Business Model:

- Evaluate the revenue model and pricing strategy.
- Assess the scalability of the business model.
- Understand the customer acquisition strategy and sales funnel.





6. Traction:

- Review the current customer base and any notable partnerships.
- Analyze key performance indicators (KPIs) such as user acquisition, retention, and revenue.
- Understand the sales pipeline and conversion rates.

7. Regulatory and Compliance:

- Identify any regulatory requirements and compliance issues.
- Assess how well the startup adheres to industry standards.
- Understand potential legal challenges or risks.

8. Financials:

- Review historical financial statements.
- Analyze the financial projections and assumptions.
- Assess the burn rate and runway.
- Review any legal contracts, including customer contracts.
- Review any short- and long-term financial obligations made.

9. Risks:

- Identify and evaluate key risks, both internal and external.
- Assess the startup's risk mitigation strategies.
- Understand the potential impact of risks on the business.

10. Customer Feedback:

- Gather feedback from existing customers, if applicable.
- Understand customer satisfaction and any issues faced.
- Assess the startup's responsiveness to customer feedback.

11. Exit Strategy:

- Understand the founders' vision for exit.
- Evaluate potential acquirers or exit opportunities.
- Assess the startup's attractiveness to potential acquirers.

12. EU/DARPA/... Projects, grants, and subsidies:

- Verify proper completion of projects already delivered
- Verify all relevant project documents and related financials
- Verify conditions on IP, geo, and other specifics related to grants and subsidies.



13. Future Funding Requirements:

- Understand the startup's future funding needs.
- Assess the feasibility of raising additional capital.
- Evaluate the potential dilution impact on existing stakeholders.

14. Intellectual Property Transferability:

- Verify that the necessary rights to intellectual property can be transferred to the company if not owned by them (typically the case with University spin-outs).
- Understand any licensing agreements or restrictions.

15. Equity and Shareholding:

- Review the cap table and match it with available documentation.
- Review the shareholder's agreement and any related documents.

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