

Cheat Sheet for Founders, CEOs and CTOs

TECH DUE DILIGENCE IN SaaS MERGERS & ACQUISITIONS

You are a Founder, CEO or CTO of a SaaS Company and thinking about selling or merging with another company? Then you should think about the role of Tech and Product and make sure they are an asset - and not a risk for the deal. If your Tech is proven to be innovative, scalable and low maintenance and provides growth and efficiency gains through automation, then it is a true value driver. With this Cheat Sheet, you get an overview of what to consider from a Tech perspective when selling your SaaS Company and the role of Tech Due Diligence in SaaS M&A.

WHAT IS A TECH DUE DILIGENCE

A Product and Technology Due Diligence is a health check on the Tech Leadership, Teams, Organization, Technology, and Processes in order to identify and assess risks, assets, and potentials to attain business goals.

M&A TECH DUE DILIGENCE: KNOW THE INTERESTS AND STRATEGY OF YOUR BUYER!

- What do buyers see as the real assets? Do your Tech assets align with the buyer's interests?
- Will your company continue to exist stand-alone or be integrated?
- Do Tech landscapes match and are there synergies?
- Does the Tech platform offer the necessary interfaces?
- Is the buyer following a build-and-buy strategy? Are they looking to turn several companies into one to create a consistent value chain?

WHAT A TECH DD TYPICALLY COVERS



Overall Business Context



Leadership and Tech Strategy



Product Management



Tech Organization and Team



Development Process



Infrastructure and Deployment



Software Architecture



Quality Assurance



Metrics and KPIs



Company and Engineering Culture



BI and Analytics



Artificial Intelligence Machine Learning



Business Process Automation



Security, Compliance, and Privacy (GDPR)



Hiring and Onboarding

INVOLVED STAKEHOLDERS AND INFORMATION REQUEST

Stakeholders on the seller's side typically include the CEO, Founder(s), CTO, CPO, Head of Product, Team Leads & Software Architects. Which documents are exactly requested during a Tech Due Diligence can vary depending on the individual audit case and process. Generally speaking, to be well-prepared, you should be able to provide the following:



BUSINESS & PRODUCT

- Company strategy
- Product vision and strategy: Roadmap for the next 3 to 6 months
- Business process overview



LEGAL

- Privacy / data security policies
- List of 3rd party software and libraries incl. licenses



TECHNOLOGY

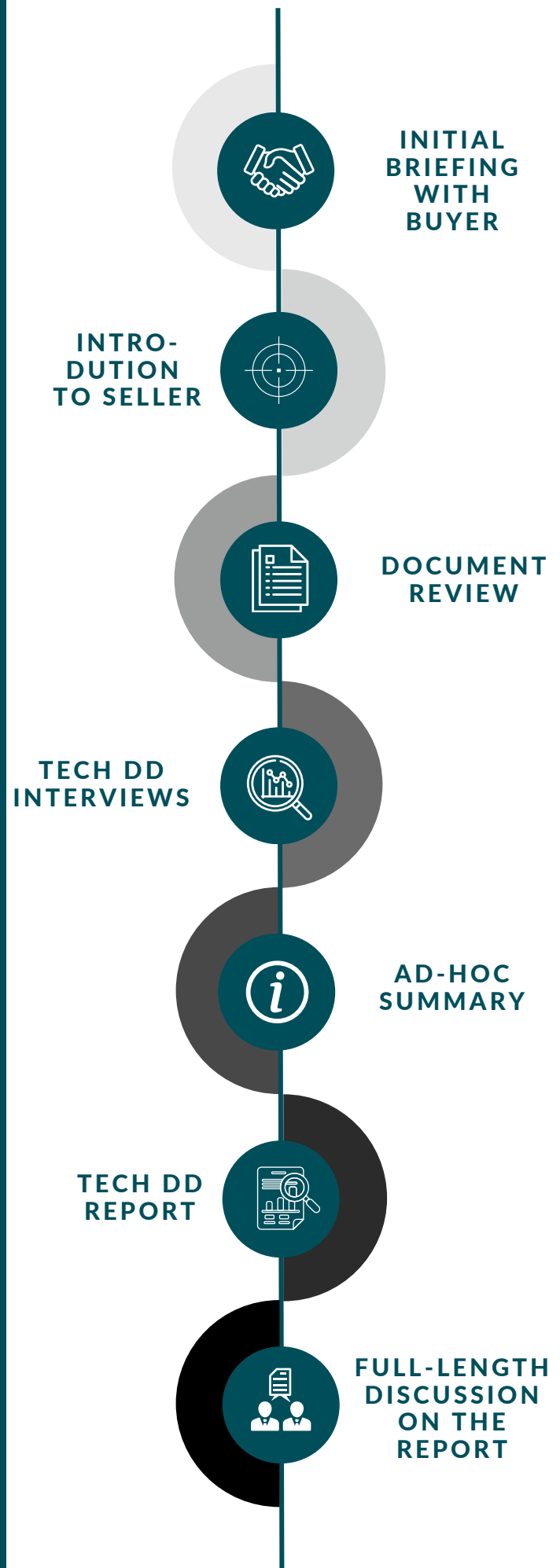
- Tech strategy and roadmap
- Architecture diagram and guidelines
- List of technology stack
- List of technical debt
- Most recent security audit
- Incident management and disaster recovery
- Key metrics
- Data infrastructure and algorithms



ORGANIZATION & PROCESSES

- Company organization chart (esp. Engineering, Product, and Data / BI teams)
- Product delivery process

M&A TECH DUE DILIGENCE PROCESS



M&A VS VENTURE CAPITAL FUNDING: HOW TECH DUE DILIGENCE DIFFERS

You should be aware how a Tech Due Diligence differs, when you are selling your company, compared to Tech assessments you might have seen during earlier funding rounds with VC investors. As a founder, CEO or CTO, you should expect the following:

1 COMPLEXITY AND EFFORT

Think about how you are going to structure the whole process. Unless you have agreed on exclusivity, you will have several Due Diligence streams with two to three interested parties at the same time. The effort this takes is very often underestimated.

2 DEPTH OF ASSESSMENT

Buyers coming from the corporate environment are more risk-averse, so they want a much deeper assessment than VCs. They also oftentimes have higher expectations in terms of standards for documentation, compliance, data protection, security, and (open source) licenses.

3 TECHNICAL DEBT

Technical debt can pose risk for the development, operation and maintenance of software and the Tech stack as a whole. While technical debt may still be neglected during a VC funding, it will come up as a critical topic when you sell your company. Transparency and a clear overview of technical debt will be expected from the buyer side.

TECH DUE DILIGENCE SMELLS AND ANTI-PATTERNS

TECH LEADERSHIP

- Lacking transparency of system and software architecture
- Badly managed technical debt
- Overly complex environments
- "Astronauts Engineering"
- No safety nets (e.g. no test automation)

DATA

- Several competing or unclear sources of truth for data
- Inconsistencies in naming and defining metrics

TECHNOLOGY

- No clear and documented understanding of software and platform architecture
- Unawareness of the amount of technical debt
- Historically grown code base with high complexity
- Overly sophisticated architecture ("Astronauts Engineering")
- No or few automated tests

CULTURE

- Lack of learning culture
- Fear of failure

**DO YOU HAVE ANY QUESTIONS?
GET IN TOUCH!**

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We offer Tech DD, PMI and portfolio support to investors and Tech & Product health checks, growth sparring, and Tech M&A support to founders and Tech executives.

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