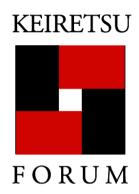
Keiretsu Forum



"Great Association with Quality Deal Flow"

Agenda for the Series

- 1. Are you startup ready?
- 2. Stages of funding & Investor expectations
- 3. Fund raising 1 business models, business plans
- 4. Fund raising 2 planning and executing the fund raise
- 5. Getting ready for due diligence
- 6. Valuations and Transaction documents



References

Videos on due diligence, and link to the Due Diligence Handbook

https://www.keiretsuforum.com/due-diligence

Appendix H of the Due Diligence Handbook is the Keiretsu Forum Due Diligence Kick Starter

A subset of the above is the document shared, "Preparing for Due Diligence – the Keiretsu Forum Process" (the document is US centric, but is still a useful guide)



TiE Chennai
Series on Getting Investment Ready
August and September 2020

GETTING READY FOR DUE DILIGENCE



Objectives of the Due Diligence

- To provide the potential investors the information to make an informed investment decision
- 2. To minimize the pain of the process if red flags are identified early
- 3. Improve the preparedness of the entrepreneurs (better then where they were when they first started)



Compliance or Hygiene factors

- Company registration and related secretarial filings
- 2. Tax/GST registrations, and quarterly filings
- 3. Employee provident fund, and related payments
- 4. Registrations, e.g. factory permit, etc.



Stages of the DD process

- 1. Organisation
- 2. Key questions and verification (that may include interviews)
- 3. Deep dive, including site visit (and interviews)
- 4. Reports
- 5. Deal closure (Session 6 to touch on documentation and valuation)

Types of Due Diligence

- Management DD background checks, team compatibility, emotional quotient (Session 1)
- Legal & secretarial DD company properly constituted, etc. (hygiene factors)
- Market and commercial DD attractiveness of the market, market positioning, and an assessment of the GTM plan
- 4. Technical, operational and IP DD industry specific
- 5. Financial DD including Financial Model



NDA (reminder from Session 4)

- Define the confidential information, viz. business model or proprietary technology
- Commitment to keep information confidential unless compelled by Law
- Exclusions, e.g. information that becomes public otherwise
- Terms, e.g. period of agreement
- Applicable law



Market & commercial DD expanded

- Porter's 5 forces
- SWOT analysis
- GTM Plan Customer Segmentation, Channel decisions (Session 3) and execution capabilities of the team (Session 1), critically in the area of marketing and sales

Getting organised

- 1. Collate all relevant documents
- Create secure document repository, the "deal room"
- 3. Supplement documents in the repository based on Q&A exchange with the reviewers
- 4. Know who you have given access to the deal room



Verification and Site visit

- 1. Site visit / deep dive with entrepreneur and his/her team
- Product demonstration
- 3. Industry research
- Verification checks
 - Review of documents
 - Interview with customers and significant partners

If the reviewers get the feeling that you are not wholly truthful, or may have submitted false documents, the DD is over!



Reports and deal negotiation

- Some of the deal terms should be agreed (at least directionally), as otherwise the DD will be a waste of time, and sometimes money for the entrepreneur
- 2. Separate reports on each type of DD that is then collated
- 3. Single DD report, especially if outsourced
- 4. Leading to a *term sheet*



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QUESTIONS & ANSWERS



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