

5 Crucial Due Diligence Questions to Consider for PE, VC, and M&A Investors

Rising interest rates, closed debt markets, and volatile macroeconomic conditions have slowed deal flow. Consequently, any M&A opportunity that comes your way requires due diligence that takes market changes into account.

Though virtually every industry has been plagued by economic uncertainty, investing in the right deals during a downturn is proven to generate higher returns. But conducting poor due diligence can lead to costly mistakes. Below, we ask the questions any financial investor should be able to answer before sinking their capital into a new target.

1

Are your research processes optimized to increase employee output and reduce hiring costs?

If they have, uncover how they fared in comparison to their peers and what they did to persevere in tough economic times (i.e., job cuts, hoard cash, increase spending on their revolver, sell parts, become acquisitive, etc.).

2

What is the worst-case scenario for this deal that would normally be considered too extreme?

Modeling with a more conservative downside case is important to your analysis. But during an economic downturn, it's crucial to know how you would respond in the event of unexpected obstacles (i.e., inability to find synergy in the deal, downsizing teams, leadership struggles, or negative cash flow).

3

Is this company historically more aggressive or conservative during a downturn?

The data available through the AlphaSense platform goes beyond what you'll find on any public search engine or even beyond the paywalls of well-known news sources. Platforms leveraging AI can also sort through thousands of sources to point you to the most critical insights in a matter of seconds.

4

Has overlooking crucial industry trends or missing entire market movements cost you new, lucrative business opportunities?

History often repeats itself. Make sure to take a close look at a company's financials and see if there are restatements, one-off write-offs, or manipulated financials to distract from the lackluster performance.

5

Are they pushing off paying their suppliers or having trouble collecting on their invoices?

Potentially most important is understanding a company's relationship with their suppliers and vendors. Especially within the context of a disruptive market, know whether your prospective investment holds inventory, and if so, how an economic downturn impacts it.

The right financial intelligence platform can make or break your quarter. Save time and let AI search technology do the research for you with instant, centralized access to equity research, industry reports, and private company data.

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