

# **INTEGRATED INVESTING**

## **SAMPLE DUE DILIGENCE CHECKLIST**

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## INTEGRATED INVESTING - SAMPLE DUE DILIGENCE CHECKLIST

The terms entrepreneur, management team, and founding team used interchangeably below.

The three main questions to keep in mind:

- When will I get my money back?
- What outcomes will I get that please me (financial returns, recognition, feel good backing a great entrepreneur, impact, other?)
- Can I trust you and your team with my investment?

Detailed due diligence questions

1. Business model:
  - 1.1. Questions from the preliminary due diligence checklist:
    - 1.1.1. What problem is being solved?
    - 1.1.2. Why are they doing this?
    - 1.1.3. Why are they solving it?
    - 1.1.4. How are they solving it?
    - 1.1.5. What do they do?
    - 1.1.6. TOOL: Business Model Canvas
  - 1.2. What is the value proposition?
  - 1.3. Does the product or service solve the problem? How well does it do so?
2. Market Opportunity:
  - 2.1. Define Total Available Market (TAM)
  - 2.2. Define Served Available Market (SAM)
  - 2.3. Define Serviceable and Obtainable Market (SOM)
  - 2.4. Market segments and growth rates
  - 2.5. What is the problem or pain experienced by the end user or customer?
  - 2.6. How is the problem presently being solved?
  - 2.7. What are the switching costs for the customer?
  - 2.8. Who are the current market leaders?
  - 2.9. Who are the first movers?
3. Customers:
  - 3.1. Who is the customer?
  - 3.2. How does the customer make their decision about this product or service?
  - 3.3. Likelihood and rate of market adoption
  - 3.4. Customer development strategy or marketing strategy
  - 3.5. Pricing, elasticity and stickiness
  - 3.6. Key customer relationships
  - 3.7. Sales strategy
  - 3.8. Brand and community building strategy
  - 3.9. Communication strategy
  - 3.10. How do they reach customers?
  - 3.11. Time and cost to acquire customers?
  - 3.12. Time and cost to serve and support customers?
  - 3.13. Time and cost to produce and deliver the product or service?
  - 3.14. Customer retention
  - 3.15. Questions from the preliminary due diligence checklist:

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- 3.15.1. Can they see there is a large market opportunity?
- 4. Industry:
  - 4.1. What trends are happening in the industry in which the entrepreneur and venture operate?
  - 4.2. What macro-economic trends and events are affecting or could affect the business?
- 5. Competitors:
  - 5.1. Identify emerging competitors
  - 5.2. Questions from the preliminary due diligence checklist:
    - 5.2.1. Competitors: Who else is doing this? Why would customers choose this business' products or services over others?
    - 5.2.2. TOOL: Seven Domains of an Attractive Opportunity
- 6. Team:
  - 6.1. CV/ Resumé and LinkedIn review
  - 6.2. Background checks on CEO and team
  - 6.3. Any unsettled management or founding team issues?
  - 6.4. References
  - 6.5. Board or team of advisors?
  - 6.6. Existing investors?
  - 6.7. Any disruptive or complex shareholders issues?
  - 6.8. Qualities of the CEO:
    - 6.8.1. Propensity or willingness to work collaboratively
    - 6.8.2. Trust, integrity
    - 6.8.3. Demonstrates leadership
    - 6.8.4. Experience of managing others
    - 6.8.5. Decisive
    - 6.8.6. Motivated, committed, driven, self-starter
    - 6.8.7. Knows when to ask for help
    - 6.8.8. Able to pitch the product and service as well as pitch the business
    - 6.8.9. Connected and networked – able to attract advisors and potential investors
    - 6.8.10. Adaptability
    - 6.8.11. Observe how the CEO handles challenging situations, conflict, or obstacles
  - 6.9. Qualities of the team:
    - 6.9.1. Motivation, values, economic stake?
    - 6.9.2. Sector, domain, or functional expertise
    - 6.9.3. Track record
    - 6.9.4. Adaptability
    - 6.9.5. Aligned vision with founders/CEO
    - 6.9.6. Compatibility within the team
    - 6.9.7. Complementary skill sets and experience across team members
    - 6.9.8. Decisive – how are group decisions made?
  - 6.10. Questions from the preliminary due diligence checklist:
    - 6.10.1. What makes the team a great team?
    - 6.10.2. How does the team handle tough situations and decisions?
    - 6.10.3. How does the team resolve problems?

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- 6.10.4. How connected is the team up and down the value chain?
- 6.10.5. How committed is the team?
- 6.10.6. How flexible is the team through iterations and pivots?
- 6.10.7. What is the team's ability to execute?
- 6.10.8. Do you trust the management/founding team?
- 6.10.9. Can you see yourself going through good times and bad times with the team?
- 7. Financial:
  - 7.1. Identify revenue streams
  - 7.2. Pricing of the product or service
  - 7.3. Are customers paying for the product or service?
  - 7.4. Gross profit margin analysis
  - 7.5. Unit cost of production
  - 7.6. Salaries and wages
  - 7.7. Monthly burn rate
  - 7.8. Monthly and annual budget and financial targets
  - 7.9. Actual to budget variance analysis
  - 7.10. Financial statement projections – profit & loss (income statement), balance sheet and cashflow
    - 7.10.1. Base case
    - 7.10.2. Upside or best case
    - 7.10.3. Downside or worst case
  - 7.11. Time to break-even
  - 7.12. Liabilities analysis
  - 7.13. Current and anticipated future funding requirements
  - 7.14. Sources and uses of funds
  - 7.15. Any government grants or other sources of funding?
  - 7.16. Team – someone in the CFO role?
  - 7.17. Questions from the preliminary due diligence checklist:
    - 7.17.1. What assumptions is the team making?
    - 7.17.2. What goals have they set? Are the goals realistic?
- 8. Risk:
  - 8.1. Customer adoption of the technology, product or service
  - 8.2. Customer acquisition
  - 8.3. Operations – fulfilment, delivery
  - 8.4. Competitive landscape
  - 8.5. Gaps in founding team
  - 8.6. Conflicts within founding team
  - 8.7. Other team risks – commitment, drive, ability to execute, ability to form partnerships, deepen network
  - 8.8. Questions from the preliminary due diligence checklist:
    - 8.8.1. What are the risks and how will they be managed?
    - 8.8.2. Where are the risks in the business model?
    - 8.8.3. Where are the risks relating to customers and competitors?
    - 8.8.4. Where are the risks in the team?
    - 8.8.5. SWOT analysis
- 9. Impact:
  - 9.1. Impact metrics

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- 9.2. Stories about the impact the business is having on beneficiaries, communities
- 9.3. Tour or survey of constituents positively impacted by the venture (experiential due diligence)
- 9.4. Questions from the preliminary due diligence checklist:
  - 9.4.1. How does the entrepreneur describe the impact they are having or creating and what evidence is there of the impact?
  - 9.4.2. Who are they helping and how?
  - 9.4.3. What resources are they helping people access and what is that access to resources (basic, efficient, choice, convenience or luxury)?
  - 9.4.4. Where in the business model is the impact?
  - 9.4.5. What impact measurement or assessment tools are they using?
10. Outcomes:
  - 10.1. Does information from analysis, emotion, intuition, and body suggest that positive outcomes will result from this opportunity?
  - 10.2. Potential for economic, social or environmental returns?
  - 10.3. Learning, knowledge or experience outcomes for the investors and the entrepreneur?
  - 10.4. Questions from the preliminary due diligence checklist:
    - 10.4.1. Exit or payback strategy
    - 10.4.2. When will I get my money back?
    - 10.4.3. How much will I get?
    - 10.4.4. What other outcomes will please me?
11. Asset review:
  - 11.1. Intellectual property
  - 11.2. Equipment
  - 11.3. Inventory
  - 11.4. Real estate and property
  - 11.5. Technology and infrastructure
12. Legal review:
  - 12.1. Material contracts
  - 12.2. Intellectual property
  - 12.3. Patents
  - 12.4. Legal entity and capital structure
  - 12.5. Liabilities – loans, contingent and unrecorded liabilities
  - 12.6. Stock option plan
  - 12.7. Taxation
  - 12.8. Litigation or potential litigation
  - 12.9. Key agreements – employee, suppliers, partners, advisors
13. Funding needs:
  - 13.1. Funding objectives
  - 13.2. Capital raising strategy – other investors? Who? How many investors?
  - 13.3. Target closing date
  - 13.4. Management team stake
  - 13.5. Employee stake or stock options, vesting schedule
  - 13.6. Valuation and price per share

## GO DEEPER AND MORE INTEGRATED

Thank you for downloading this sample due diligence checklist.

***Integrated Investing: Impact Investing with Head, Heart, Body, and Soul*** refers to this sample due diligence checklist. Other tools and techniques for better investment decision-making, to help create a better world are provided in ***Integrated Investing***.

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“For anyone struggling to identify and integrate their values with their investment decisions. An interesting examination of the motivations behind our investment choices and their potential impact.”

- **Deb Abbey**, CEO, Responsible Investment Association

“Foley-Wong challenges us to see investing as an opportunity to express and realize our deepest values. Read this, reflect, and be inspired for our future.”

- **Andy McCarroll**, Criterion Institute Board member, General Counsel, Southeastern Asset Management, Inc.

“This book is a must-read for any investor interested in doing good while doing well.”

- **Meredith Jones**, author of *Women of The Street: Why Female Money Managers Generate Higher Returns (And How You Can Too)*

“At the core of this book is the echoing refrain, “towards what end?” This question cuts like a beacon through our deepest investment fog, and when combined with the tools Bonnie shares, it lights a path towards creative, engaged investing, profitable in all dimensions.”

- **Katherine Collins**, Founder Honeybee Capital, Author of *The Nature of Investing*

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Pique Ventures is an impact investment and management company, enabling a diverse community of investors to pursue integrated investing.

Pique Ventures manages Pique Fund (Pique Venture Investments (VCC) Inc.), an inclusive angel fund where you can make a difference with your investment dollars, in the company of other like-minded people.

### About the Author



Bonnie Foley-Wong is the founder of Pique Ventures, founding investor of Pique Fund, and author of ***Integrated Investing: Impact Investing with Head, Heart, Body, and Soul***. Having worked closely with investors and entrepreneurs and exclusively in the alternative investment and private capital industries throughout her career, Bonnie founded Pique Ventures in 2012 to help impact investors make more integrated investment decisions to achieve financial and impact outcomes.

Over her 19-year career, Bonnie has made and evaluated investments and performed due diligence in impact investing, start-up and venture, commercial real estate, and private equity. Of that, she has spent the last 6 years in the impact investing industry, working in Vancouver with the Pique Fund, Invoke Labs, and VanCity, and in the UK, with Resonance and Big Issue Invest. Bonnie previously worked in the investment banking and corporate finance industries in Europe, financing over \$1 billion of structured capital transactions with ABN AMRO and Hypo Real Estate Bank. Originally from Toronto, Bonnie is a Chartered Accountant and began her career as an auditor with Deloitte. She also holds the Chartered Financial Analyst designation.

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