

Tool

# TECH DUE DILIGENCE

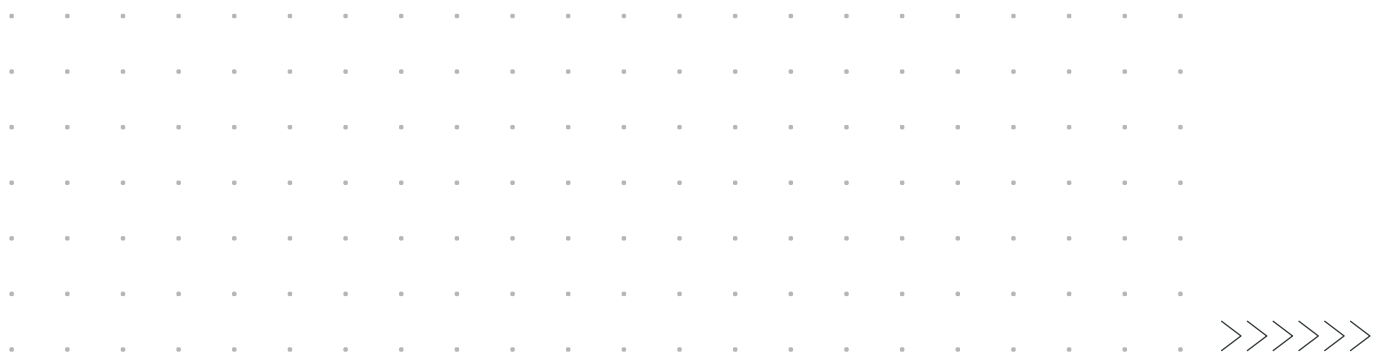
An introduction to Implement's Tech Due Diligence approach

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## What is a tech due diligence and why should you conduct one?

A tech due diligence is an **audit, investigation or review** performed on a **technical/software** company, i.e. a tech native company with core products and/or services that are digital.

The main purpose is to make an **external assessment** of the company **before an investment or divestment** to support decision- making and valuation.



# Three key questions are answered in a tech due diligence

## 1. How technically mature is the company?

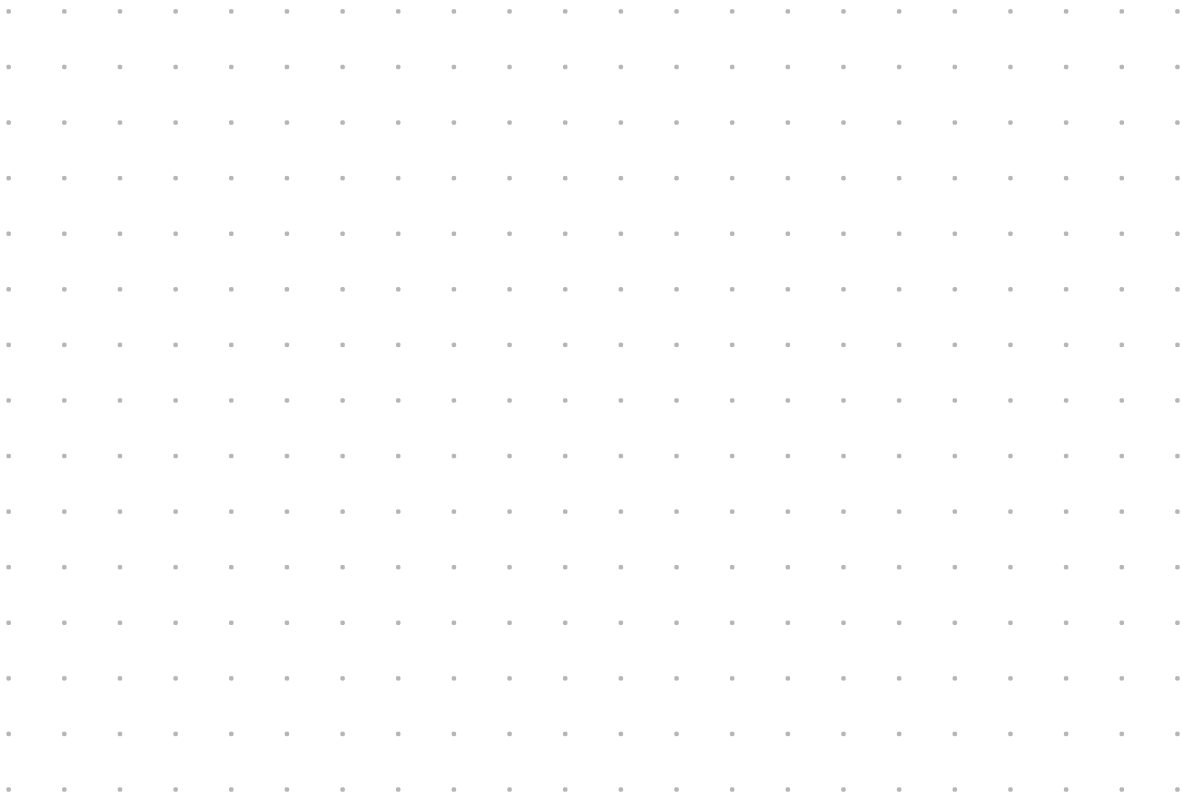
- What is the company's general level of maturity regarding technology?
- What is Implement's overall assessment of the status and quality of the company?

## 2. Does tech support commercial growth ambitions and scalability?

- What is the company's general level of scalability as regards increasing the number of users/customers, the number of transactions on the platform, the width of the offering/functionality of the platform and/or the number of geographical markets?
- Does the platform, organisation, development processes, supporting processes and infrastructure support the commercial growth ambitions?

## 3. What technical risks exist that impact the business?

- Are there any high or critical risks identified related to tech within the company that might impact the business?
- How significant are these risks, and what efforts are needed to mitigate them?



A tech due diligence identifies pitfalls and risks that can have a significant impact on valuation of tech companies and even become showstoppers in a transaction

Examples  
>>



### Insufficient cybersecurity

Insufficient cybersecurity measures can lead to significant risks for tech companies, putting operations, clients and data at risk. Naturally, this can lead to an investor backing out of a process.



#### Typical examples are:

- No regular penetration testing of the platform.
- Lack of control over open-source components.
- Lack of encryption of data and devices.
- Insufficient disaster recovery and backup routines.



### Technical debt

Technical debt and legacy components imply that management has underinvested in technical modernisation, and that major investments might be needed to:



- Enable increased scalability.
- Add modern features.
- Reduce risks.
- Improve platform performance etc.



The need to invest heavily will impact an investor's valuation of the target.



### Inhibited scalability

Ambitious growth supported by high technical scalability is at the core of the majority of investment theses for tech companies and thus evaluated thoroughly by an investor.



Legacy infrastructure, non-scalable platform architecture, key man risks and bottlenecks in customer onboarding processes are examples of inhibitors for scalability that will impact the growth potential for a tech company and thus valuation.



### Lack of strategic alignment

Building tech companies and technical platforms requires expertise in both business and technical domains and a high level of alignment between business strategy, technical and product strategy and the road map.

Product development and technical initiatives must support commercial aspirations, and commercial aspirations must take technical prerequisites into account.

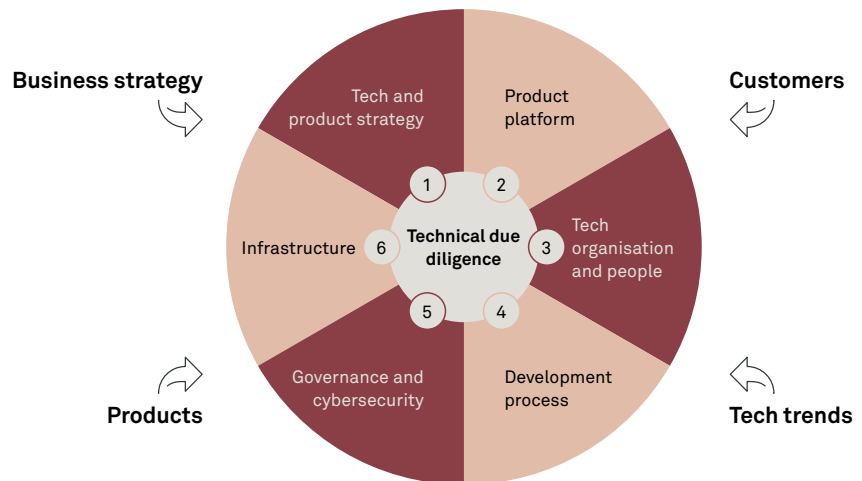
Misalignment between the two domains will have a large impact on a multitude of domains in the organisation and reduces an investor's perception of maturity.

Implement has a structured framework refined from over 100+ tech due diligences, but each project is tailor-made to be context-sensitive, providing answers to key questions

**Implement’s technical due diligence framework**

Implement’s approach to technical due diligence is based on an understanding that **context increases value** and anchors analyses to determine a company’s ability to **deliver on an investment thesis**.

Therefore, Implement evaluates **six domains** that together uncover risks and potential, providing support for the overall assessment of a **target company’s technical maturity and scalability**.



**Framework domains**

**1. Tech and product strategy**

Is the technical and product strategy aligned with the overall business strategy?

**2. Product platform**

Are products kept up to date, and is the underlying architecture scalable and modern?

**3. Tech organisation and people**

How does the current organisational setup support operations, processes and growth ambitions?

**4. Development process**

Is the development process fit for purpose and efficient in developing the platform and products?

**5. Governance and cybersecurity**

How mature are internal processes and governance, and how resilient is the target against threats?

**6. Infrastructure**

Does the infrastructure in place support current processes as well as future expansions?

# There are substantial synergies from combining the commercial and technical due diligence projects together with Implement when evaluating tech companies

Implement is doing many **standalone** commercial and tech due diligences **with strong delivery, but certain aspects will be missed with standalone due diligences** of tech companies.

**A combined commercial and tech due diligence** with Implement ensures that key commercial and tech due diligence questions are answered but also **leverage synergies in the combined due diligence delivery.**



## COMMERCIAL due diligence

Performing only a **commercial due diligence** on a tech target **will not cover critical dimensions on the technical maturity, scalability and risks** related to technology which generally are key to understanding a tech company.



Implement ensures that **all relevant commercial and tech due diligence questions are answered** in a combined tech and commercial due diligence.



Implement performs the project in an **integrated way and shares findings between the workstreams during the project which improves the combined delivery.**

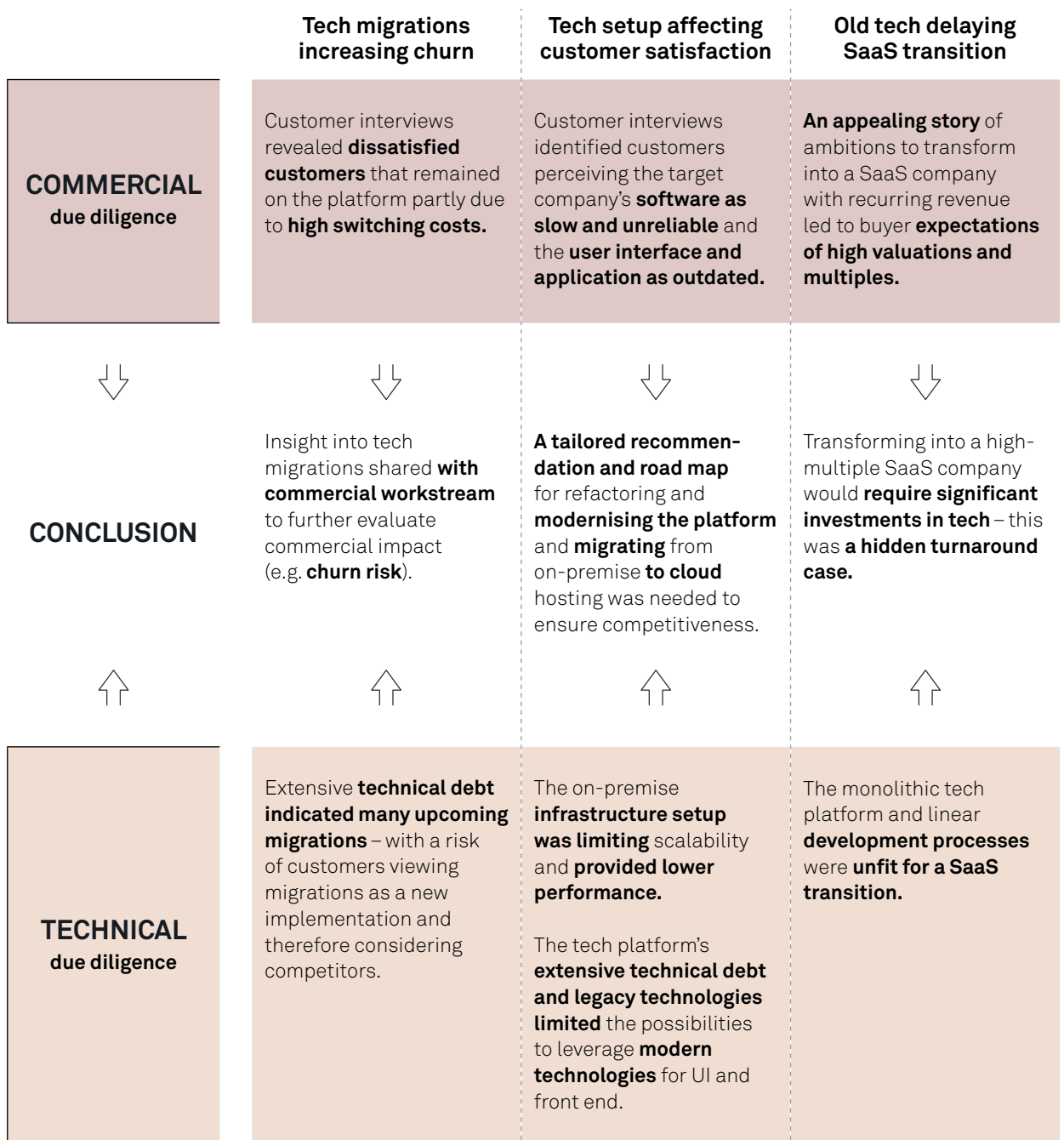
## TECHNICAL due diligence

While the **technical due diligence** evaluates tech and product strategy and the product offering from a technical perspective, **it will miss out on assessing the commercial viability** of the product and platform, industry and market attractiveness, review of competitive landscape and management plan.



**Implement's holistic evaluation of the case and assessment of the business plan will be based on findings from both** the commercial and the tech due diligence workstreams.

A holistic understanding of a tech or SaaS company can only be created when evaluating both commercial and technical topics that are critical to the business



# Hello, we're Implement

## Scandinavian roots, global perspective

Headquartered in Copenhagen with offices in Aarhus, Stockholm, Malmo, Gothenburg, Oslo, Zurich, Munich Hamburg and Raleigh, NC. With +1.200 consultants, multinational clients and worldwide projects, we offer expertise with a global perspective.

We believe that great organisational impact leads to great impact for humanity. Implement was created to help make true expertise turn into real change.

Founded in **1996**

Average CAGR of **20%**

**Employee-owned**, employees: +1,200

Working **globally**

## FAST FACTS ABOUT IMPLEMENT

Founded: 1996

Number of employees: +1,200

Offices: Copenhagen, Aarhus, Malmo, Gothenburg, Stockholm, Oslo, Hamburg, Munich, Zurich and Raleigh

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