



# LEGAL & BUSINESS RESOURCES FOR INNOVATORS



## The Elements of Risk: Due Diligence FAQs

### Market Risk

- How many people does this problem effect?
- What is the cost on the economy?
- How much capital is currently committed to solving problem?
- How long has the problem existed?
- Root causes of problem?
- Market growth rate, now and in the future?
- Market composition, fragmented or consolidated?
- Cyclical issues?
- What are the key segments of the market that the problem affects?

### Technology Risk

- What is it?
- How does it work?
- Does the technology exist or does it need to be built?
- Where does it fit within the industry the problem affects?
- Scalability?
- Commercial viability?
- Marketing and distribution?
- Demonstrated features and benefits; real customers?
- Sustainable benefits?
- Supplier dependency?
- Substitution risk?
- Current market share and projected?
- Market evaluation, historically, currently and projected?

### Management Risk

- Experience of the team?
- Examples or entrepreneurial drive and spirit?
- Domain knowledge (Competition – Pros & Cons)?
- Team working together (Longevity)?
- Business leadership – Industry and Ability Moving Forward?
- Level of comparable achievement?
- Ability to recruit first class management team?
- Management financial investment?
- “Human Capital Requirements: (Number of workers by roles, training, management, facilities, shipping, etc.)”

### Business Model

- Historical performance?
- Cost, Margins, and Returns?
- Pricing knowledge?
- Customer acceptance?
- Sales cycle?
- Distribution Channels?
- Capital required?
- Regulatory issues?



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## Competitive Risk

- How many solutions currently exist?
- How attractive is this sector of the problem?
- Unfair competitive advantage?
- Intellectual property?
- Brand, recognition, value, and cost?
- First mover advantage, lead time?
- Business case clarity/ROI to customer?
- Future competition?

## Financing Risk

- Total financing cost?
- Estimated time to raise capital?
- Non-dilutive sources of capital?
- Estimated project span?
- Anticipated Value Creation and Milestones?
- Future capital required?
- ROI? (Provide financial model)
- Use of Proceeds:
  - Equipment (Capital Expenditure):
  - Technological Needs:
  - Working Capital Needs:

## Exit Risk

- Number of potential exits?
- Financial buyers?
- Strategic buyers?
- IPO opportunity?
- Cash stream pay out?

## Impact & Metrics

- Longevity?
- Environmental?
- Social?
- Economic?
- Governance?
- Key KPIs?
- Story Narrative?

Notes

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