Technical
Due Dilligence

Introduction

According to recent data from Bain & Company, technology deals account for over 30% of all buyouts in the past decade. Even in the times of economic downturns, it's the technology deals that generate the most activity and value.

At the same time, technology has become so ubiquitous, and present in any sector, that it's not considered a 'vertical' - instead, technology cuts across the entire investment process and impacts almost every deal, as every company is a technology-enabled company, where technology is the main driver of the next growth and profitability initiative.

Why Tech DD?

With so much riding on the technology, it's critical to make sure that the risk assessment and growth plans are matching the tech under the hood.

As an investor, you want to make sure that the tech and product you're investing in is built on a strong foundation, with a modern technology stack. That it runs on scalable infrastructure, that allows for that rapid growth without requiring unaccounted investment. That the data it holds is secure with processes and architecture in place to prevent unauthorised usage, which is the focus of many state regulatory regimes, and can have a huge negative impact on reputation.

What's included

However, the tech due diligence should cover much more. In addition to core tech capability described above,for success in the current investment landscape: how is technology managed and pushed forward by humans, organised into products and services and delivered on the bottom line as promised?

To address all that, the Tech Due Diligence, must cover much broader horizon and all aspects of technology enablement

- Leadership - ensuring the right persons in place to devise that tech vision and see it's execution
- Product roadmap and delivery - review of existing product suite and strategy; product roadmap assessment; product design & development process review;
- People - hiring plans, staff retention, skill gaps, knowledge sharing, onboarding process. Going for growth usually means hiring - hiring well and in a timely manner in modern tech job market request streamlined processes
- Engineering practices: reusability, extensibility, automation, testing, tech stack
- Commercial analysis: technology budget outcomes, client management, technology cost of ownership

Do I need DD?

While the number of pure-tech businesses and tech-enabled businesses are growing, this creates a good opportunity for investors - but also presents new risks. The questions investors should ask is: How much of the growth and value creation that drives the investment business case rely on technology?

If the answer is significant, then we feel one shouldn't run the risk of the entire investment falling due to a dodgy security protocol, or shortfalls in staff retention/onboarding process that means hiring the required team will not materialise when needed.

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How it works

The TSF DD process is a 'hands-on, hands-in' review carried out by the tsf.tech team who have a wealth of experience in assessing technology capabilities through a variety of domains. From our experience building tech companies and existing investments, we have the technical expertise and practical know-how what it takes to realise value in a tech business.

The process involves a detailed initial information request, discussions and reviews with key leaders via on-site visits or zoom sessions, and an open dialogue with prospective investors throughout the process. At the end of it, you'll get a fully detailed report, with a clear and concise executive summary and scorecard, highlighting the key findings and recommendations.

Find out more at our website.

Case Study

Gaming Company

tsf.tech were appointed by two co-investors to undertake a high level commercial and technical due diligence assessment on a high growth venture focused on their Computer Games development practices.

The company was seeking follow-on investment, enabling them to continue to build and enhance their existing product development strategy. The focus was on significant and accelerated headcount growth and developing the organisation product capabilities, and less on the technology itself.

Read Full Case Study