mosaic

# The Due Diligence Checklist

## Everything You Need Off the Shelf to Impress Any Investor

You may want to take a moment to breathe a sigh of relief after nailing that big investor pitch. But if your pitch went well, the real work is about to begin — the due diligence process.

Investors want to kick over every rock and dig into every nuance of your business to decide whether or not they want to join your latest funding round. A deep dive into your business includes vetting the founding team, the market potential, your business model, product road map, financial performance, and more.

And you have to be prepared for any and every question imaginable.

This checklist covers everything you'll want off the shelf to impress investors and make your company stand out from the crowd.

"The first thing I would change going through the fundraising process again would be all of the data needs to be structured in a way that you can get as granular as possible… Getting as granular as possible with the data allows you to answer investor requests much faster."

**Joel Blachman**
Finance and Operations Lead, Amper Technologies

## The Admin Basics

A catch-all category for the collection of legal and investment documents that you should always have at the ready. They include:

- **Prior-round investment documents.** Investor rights agreements (IRAs), preferred stock purchase agreements (SPA), disclosure schedules for SPA, voting agreements, and right of first refusal documents where applicable to your business.
- **Certificate of incorporation.** Basic information about the company in addition to rights, privileges, preferences, and restrictions of its stock.
- **Cap table.** Outline of major investors, board observers, and the option pool.
- **Customer contracts.** At least for the top 10 customers so investors can better understand the terms.
- **Vendor contracts.** At least for the top 10 vendors so investors can understand your burn profile.
- **Signed legal agreements like leases, settlements, etc.**

**QUICK TIPS**

These are the table stakes items every investor needs access to. Having them at the ready won't necessarily make your company stand out — but not having them will create the wrong impression. If you're even thinking about raising a round, talk to your lawyers first and make sure you have access to all of these updated documents. Go through your equity management tool (e.g., Carta) and make sure the information is clean.

**ADDITIONAL RESOURCES**

This guide from Wall Street Prep gives you an overview of due diligence from the investor side. Use it to better understand what VCs want to see from you.

## Financial Model

The complete forecast for how you expect your business to perform over the next 3-5 years, including top-line, headcount, expense, and balance sheet components, with a focus on net burn. You should have multiple scenarios modeled, including the potential capital raise, along with how the business would perform without the additional capital.

**QUICK TIPS**

The due diligence process flows from the financial model. Once investors see it, they'll come back with a laundry list of questions to validate your assumptions. Combine the financial model with a narrative overlay that clearly explains where you have opportunities to invest for efficient growth.

While it may be tempting to share the financial model you work in day in and day out, we highly recommend creating a clean, sanitized and easy to understand financial model for prospective investors. The thought process, inputs and assumptions need to be crystal clear and easy to understand. Make sure everything in the model foots to the penny to any data sets you've shared.

**ADDITIONAL RESOURCES**

- Sales capacity model (+ template) →
- ARR snowball model (+ template) →
- Sprig head of finance on building an operating model →
- How to build a scalable financial model for early-stage SaaS →

## Historical Monthly Financials

Income statements, balance sheets, and cash flow statements with department-level granularity, not just the standard account-level overview.

**QUICK TIPS**

Investors don't just want to see what you're spending — they want to see how you're spending it. Start tagging spend by department as early as possible so you can create a view by sales and marketing, R&D, G&A, and cost of revenue.

Give investors a way to see the structure of your company, your unit economics and how you'll scale along with cash burn rate. Investors are looking at ratios of spend compared to the state of your company and understanding how you plan to allocate their investment dollars.

**ADDITIONAL RESOURCES**

- Keys to the best chart of accounts structure →
- Guide to custom financial reporting →
- The ERP problem →

## Revenue by Month, by Customer

A cohorted view of ARR/MRR by month, broken out at the customer level.

**QUICK TIPS**

Investors want to understand customer concentration risk in your business and the growth/decay of cohorts over time. But it's not easy for finance to manage alone. Work closely with your sales team to structure your CRM as the source of truth for revenue data.

**ADDITIONAL RESOURCES**

- 5 CRM setup best practices →
- A complete guide to CRM hygiene →
- Improving upon Salesforce reports and dashboards →
- Galley CBO on cleaning up your CRM data →

## Win Rates & Sales Cycles

An overview of historical win rates and average sales cycle with deep dives into top competitors and closed-lost reasons.

**QUICK TIPS**

Have a strong narrative around how your win rates and sales cycles have been impacted by the macroeconomic downturn. Being able to show how your business has held steady or improved during this time can be the difference-maker in a VC's decision to invest.

**ADDITIONAL RESOURCES**

- How to create a sales pipeline waterfall chart →
- Revenue forecasting guide →
- 4 traits of a highly-effective finance-sales partnership →

## Pipeline Generation by Channel

Channel-level overviews of pipeline generation, including all aspects of inbound (PPC, paid social, organic search, etc.) and outbound sales.

**QUICK TIPS**

Investors want to know that you have a good grip, not just on how to pour fuel on the go-to-market fire but where to focus the investments. Make sure you can map any revenue growth forecasts back to pipeline generation and projected new investments.

**ADDITIONAL RESOURCES**

- Sales pipeline metrics you should be tracking →
- Driver-based planning and forecasting guide →
- 3 ways to decide how much you should spend on ads →

## Net and Gross Dollar Retention

An overview of both net and gross dollar retention to show how effectively you're retaining customers and how repeatable your motion is to cross-sell and upsell them.

**QUICK TIPS**

Group your net and gross dollar retention metrics by customer cohort to help explain the "why" behind them more effectively. Getting a cohort view of net dollar retention is a good improvement from simply reporting company-wide NDR. But you can impress investors by taking the metric a step further. Show your retention numbers by relevant attributes for your go-to-market motion — industry, company size, product line, support tier, etc.

**ADDITIONAL RESOURCES**

- Guide to cohort analysis →
- Customer retention analysis for SaaS businesses →
- 7 essential customer retention metrics →
- Mosaic CS leader on effective cohort analysis →

## Headcount Costs by Department

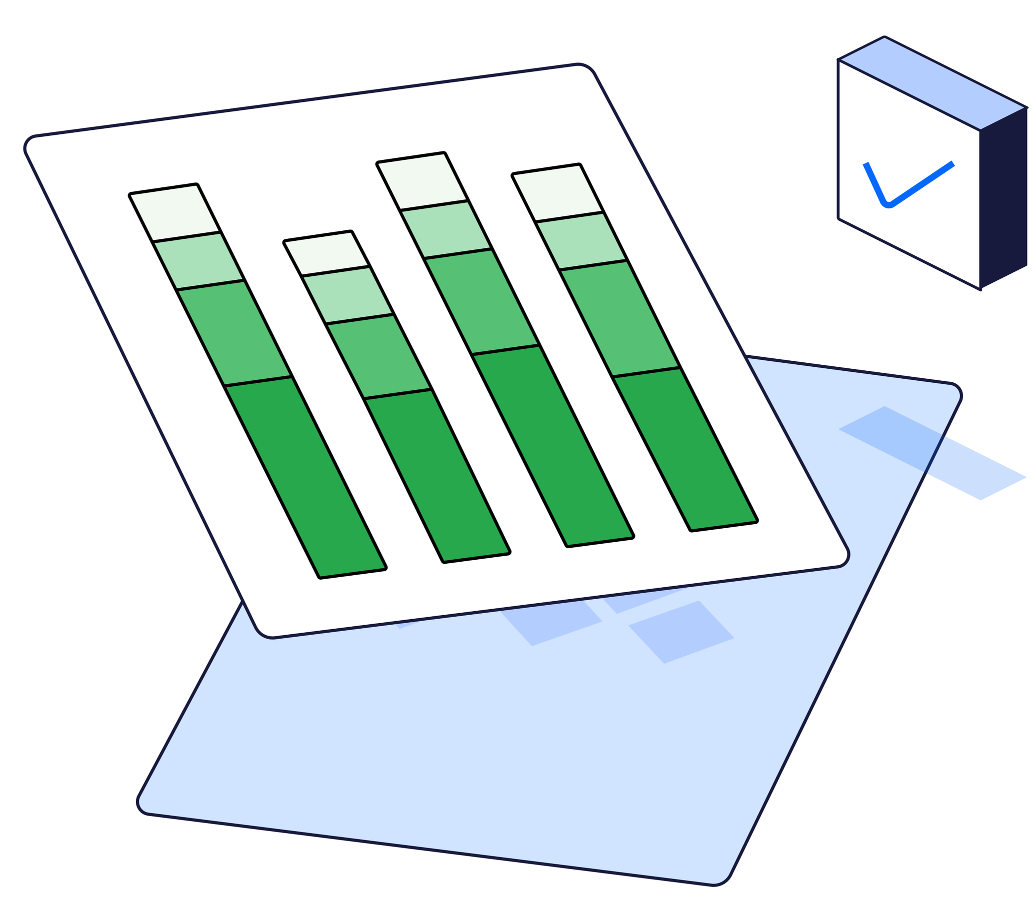
A granular overview of headcount composition for your business.

**QUICK TIPS**

In this era of "do more with less," be prepared to balance headcount growth conversations with capital efficiency metrics. Metrics like R&D payback and ARR per head will help you have more strategic conversations about the biggest expense in your business. VCs are also looking at the backgrounds of leaders at your company to understand the strengths of your team.

**ADDITIONAL RESOURCES**

- Assemble co-founder on the headcount planning process →
- 10 headcount metrics you should be tracking →
- Tidelift CFO on rules of thumb for headcount forecasting →



# Meet Mosaic

Mosaic was founded in 2019 by three finance leaders who knew the office of the CFO needed an overhaul. Tasked with supporting business decisions for several companies in hypergrowth, they were frustrated by the slow speed, high complexity, and inefficiencies existing tools in the market offered. With this challenge in mind, they set out to build a platform that would address the technical challenges modern day finance and business teams face.

Today, Mosaic is deployed by some of the fastest growth companies, helping them align, collaborate, and plan for the future.

**Have questions or want more info? Get in touch.**

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