

Software Technology and IT Due Diligence

Expert Advice and Technical Services for Buyers and Sellers

- ... Clarify Requirements & Obligations
- Assess Project/Product Viability
- Determine Liabilities
- Specify Objectives
- Mitigate Risk

Technical Due Diligence - the DD "Blind Spot"

Having spent some 20 years innovating in the areas of Software Technology and IT Infrastructure, I was fascinated by process and methodologies. What struck me most about my initial exposure to an M&A Due Diligence almost a decade ago, was the imbalance in the areas of enquiry. Enormous attention was dedicated to the standard benchmarks, reflecting past performance and the financial health of the company. Considerable diligence was also applied to understanding the sales pipe, providing a short term outlook of future business. Even intangibles like the competence of upper management were given their due.

With Software Companies, the longer term value lies in the software assets, the value proposition of the products and the people who create them. However, these "crown jewels" are frequently glossed over, and I am convinced that many purchasers neither appreciated the true value, nor the potential risk of their software technology acquisitions.

Not only Software companies, but any company that uses IT to conduct its business should realize that technical due diligence is no longer a matter of choice - its an obligation due to the sheer size, complexity and mission critical role of IT.

Technical Due Diligence is crucial to the long term success of any acquisition.

Due Diligence Patterns & Best Practices

We have acquired considerable experience executing Software Technology and IT Due Diligence assignments over almost a decade. We have groomed and maintained this knowledge in the form of our Technical Due Diligence Best Practice Guidelines. We now make this knowledge available to all our clients as two distinct services: *Software Technology Due Diligence* and *IT Due Diligence*.

Software Technology Due Diligence

Suitable for companies with a focus on Software Development. Recognize the true value of your acquisition from the outset. Spot some of the common risks such as:

- ▶ a Technology paradigm shift that renders the acquisition not only worthless, but a huge maintenance liability.
- ▶ Misuse of 3rd party intellectual property.
- ▶ Unwieldy, poorly maintained or even missing code that requires considerable post-acquisition investment to put right.
- ▶ Lack of development process.
- ▶ Low levels of productization i.e projects frequently presented as products.
- ▶ IPR acquisition accompanied by skill and know-how deficit.

IT Infrastructure Due Diligence

- ▶ Suitable for any organization using IT to conduct it's business.
- ▶ Take the guesswork out of assessing a target company's IT.
- ▶ Have every piece of conceivable information when negotiating a deal.
- ▶ Consider the possibility of the target company having more suitable IT in place.
- ▶ Know what post-merger transition and integration costs to expect.

When you might need our Services

Warranty clauses in a contract of sale may provide you with some form of protection against a total catastrophe, but they do not protect you against loss of time, management focus, missed opportunities, loss of reputation and even your job.

You may require our services in situations such as the following:

- ▶ Acquisition target screening.
- ▶ Accompanying an acquisition process.
- ▶ Internal sanity check of own organization.
- ▶ Support in business opportunity scanning.
- ▶ Joint ventures or other strategic alliances.
- ▶ Intellectual property acquisitions.
- ▶ VC developing an exit strategy.

Deliverables

Deliverables include:

- ▶ an Executive summary of findings including the product or service quality, the value proposition, and the organizations' performance and staff capabilities.
- ▶ a qualified catalogue of any "red flags" encountered including remedies and related costs.
- ▶ a full report of all questions posed and answers received during the diligence discussions with explanations given where necessary.

What makes us Unique

Roach & Stolz is an active software company involved in product creation in Europe and the U.S.A. Our profound knowledge of software and IT coupled with impeccable interpersonal skills and years of commercial exposure, enables us to rapidly build a solid trust base to our clients and deliver a high quality diligence product.

During the last 24 months alone, Roach & Stolz have carried out Technical Due Diligence assignments in Austria, France, Germany, Holland, Romania, the UK and the U.S.A.

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"There is no substitute for competence"