

# M&A; Due Diligence Checklist

96-point structured DD across 8 dimensions — with deal-killer flags

96-point structured due diligence checklist across 8 dimensions. Score each item Green (low risk), Amber (investigate), or Red (high risk / potential deal-killer). Items marked with a star are critical.

## Financial (15 points)

- G ■ A ■ R ■ | Audited financial statements (3 years) available and unqualified
- G ■ A ■ R ■ | Revenue recognition policies consistent and defensible
- G ■ A ■ R ■ | EBITDA adjustments documented and verifiable
- G ■ A ■ R ■ | Working capital normalisation completed
- G ■ A ■ R ■ | Cash flow reconciles to reported profits
- G ■ A ■ R ■ | Debtor aging analysis and bad debt provision methodology
- G ■ A ■ R ■ | Inventory valuation methodology and obsolescence provision
- G ■ A ■ R ■ | Intercompany balances and transfer pricing documentation
- G ■ A ■ R ■ | Capital expenditure vs maintenance expenditure classification
- G ■ A ■ R ■ | Off-balance sheet commitments and contingent liabilities
- G ■ A ■ R ■ | Related party transaction disclosure and arm's length verification
- G ■ A ■ R ■ | Foreign currency exposure and hedging positions
- G ■ A ■ R ■ | Debt covenants compliance history
- G ■ A ■ R ■ | Tax loss carry-forwards and utilisation restrictions
- G ■ A ■ R ■ | Quality of management accounts and reporting cadence

## Tax (12 points)

- G ■ A ■ R ■ | Income tax computations reviewed for 3 years
- G ■ A ■ R ■ | VAT registration and filing compliance
- G ■ A ■ R ■ | PAYE, UIF, SDL compliance and reconciliation
- G ■ A ■ R ■ | Assessed tax losses: quantum and restrictions
- G ■ A ■ R ■ | Transfer pricing documentation and SARS rulings
- G ■ A ■ R ■ | Withholding tax compliance (royalties, management fees)
- G ■ A ■ R ■ | Capital gains tax implications on transaction
- G ■ A ■ R ■ | Pending SARS audits, disputes, or assessments
- G ■ A ■ R ■ | Tax structure efficiency and restructuring opportunities
- G ■ A ■ R ■ | Employment tax incentive (ETI) compliance
- G ■ A ■ R ■ | Dividends tax compliance and withholding
- G ■ A ■ R ■ | Customs and excise compliance (if applicable)

## Legal & Compliance (15 points)

- G ■ A ■ R ■ | Company registration and CIPC compliance
- G ■ A ■ R ■ | Shareholder agreements and voting rights
- G ■ A ■ R ■ | Material contracts review (customers, suppliers, leases)
- G ■ A ■ R ■ | Change of control clauses in material contracts

- G ■ A ■ R ■ | Intellectual property ownership and registration
- G ■ A ■ R ■ | Litigation pending or threatened
- G ■ A ■ R ■ | Regulatory licences and permits
- G ■ A ■ R ■ | BBBEE certificate and compliance
- G ■ A ■ R ■ | POPIA compliance assessment
- G ■ A ■ R ■ | Environmental compliance and liabilities
- G ■ A ■ R ■ | Employment contracts and restraint of trade
- G ■ A ■ R ■ | Insurance coverage adequacy
- G ■ A ■ R ■ | Competition Act compliance
- G ■ A ■ R ■ | Property leases and tenant obligations
- G ■ A ■ R ■ | Guarantee and surety obligations

## Operational (12 points)

- G ■ A ■ R ■ | Key customer concentration (top 5 = >50% revenue?)
- G ■ A ■ R ■ | Key supplier dependency analysis
- G ■ A ■ R ■ | Capacity utilisation and scalability
- G ■ A ■ R ■ | Quality management systems and certifications
- G ■ A ■ R ■ | Supply chain resilience and alternatives
- G ■ A ■ R ■ | Maintenance and capital replacement schedule
- G ■ A ■ R ■ | Operational standard operating procedures
- G ■ A ■ R ■ | Health and safety compliance record
- G ■ A ■ R ■ | Business continuity and disaster recovery plans
- G ■ A ■ R ■ | Utility costs and load-shedding impact assessment
- G ■ A ■ R ■ | Fleet and logistics efficiency
- G ■ A ■ R ■ | Warranty and after-sales obligations

## Commercial & Market (12 points)

- G ■ A ■ R ■ | Market size and growth trajectory
- G ■ A ■ R ■ | Competitive positioning and sustainable advantages
- G ■ A ■ R ■ | Customer acquisition cost and lifetime value
- G ■ A ■ R ■ | Sales pipeline and conversion rates
- G ■ A ■ R ■ | Pricing strategy and margin sustainability
- G ■ A ■ R ■ | Brand value and reputation assessment
- G ■ A ■ R ■ | Customer satisfaction and Net Promoter Score
- G ■ A ■ R ■ | Product/service roadmap
- G ■ A ■ R ■ | Market entry barriers for competitors
- G ■ A ■ R ■ | Regulatory changes that could impact the market
- G ■ A ■ R ■ | Distribution channel effectiveness
- G ■ A ■ R ■ | Geographic concentration risk

## People & Culture (12 points)

- G ■ A ■ R ■ | Key person dependency identification
- G ■ A ■ R ■ | Management team depth and succession plan
- G ■ A ■ R ■ | Employee turnover rates (voluntary/involuntary)

- G ■ A ■ R ■ | Employment equity compliance
- G ■ A ■ R ■ | Compensation and benefits benchmarking
- G ■ A ■ R ■ | Skills development and training investment
- G ■ A ■ R ■ | Labour relations history and union agreements
- G ■ A ■ R ■ | Organisational culture assessment
- G ■ A ■ R ■ | Retention risk for critical employees post-transaction
- G ■ A ■ R ■ | Outstanding employee claims or disputes
- G ■ A ■ R ■ | Leave liability and long-service obligations
- G ■ A ■ R ■ | Performance management system maturity

## Technology & Systems (9 points)

- G ■ A ■ R ■ | IT infrastructure assessment and age
- G ■ A ■ R ■ | ERP/accounting system adequacy
- G ■ A ■ R ■ | Cybersecurity posture and incident history
- G ■ A ■ R ■ | Data privacy and POPIA technical compliance
- G ■ A ■ R ■ | System integration requirements post-transaction
- G ■ A ■ R ■ | Software licences and compliance
- G ■ A ■ R ■ | Technology debt and upgrade requirements
- G ■ A ■ R ■ | Backup and disaster recovery testing
- G ■ A ■ R ■ | IT team capability and key dependencies

## ESG & Sustainability (9 points)

- G ■ A ■ R ■ | Carbon footprint measurement and reporting
- G ■ A ■ R ■ | Water and waste management practices
- G ■ A ■ R ■ | TCFD/JSE Sustainability Disclosure alignment
- G ■ A ■ R ■ | Social impact programmes and community investment
- G ■ A ■ R ■ | Governance structure and board composition
- G ■ A ■ R ■ | Ethics policy and whistleblower mechanism
- G ■ A ■ R ■ | Supply chain sustainability assessment
- G ■ A ■ R ■ | Climate risk exposure and adaptation plan
- G ■ A ■ R ■ | ESG-linked financing opportunities