STRADARO

Commercial due diligence checklist

Seven questions to answer before you sign on a middle-market company, with the evidence that settles each one and the red flags that should change the price, the structure or the decision.

Use it early
Run through it the week the CIM arrives to decide what diligence must prove.

Mark the big two
Circle the one or two questions that would hurt most if you were wrong. Spend there first.

Ask for evidence
A box is checked only when the evidence exists, not when management asserts it.

1 How big is the market the target actually serves?

The CIM usually defines the market as broadly as possible. What matters is the addressable market: the products, customers and regions this company can realistically win.

EVIDENCE THAT ANSWERS IT

- ☐ Bottom-up size from customer counts × volume × price, by segment
- ☐ Top-down cross-check against industry or government data
- ☐ Target's share of the addressable market, not of the total
- ☐ Industry interviews that confirm or correct the model's inputs

RED FLAGS

- ! Market size cited from a single syndicated report
- ! Share under 1% used to argue "lots of room to grow"
- ! Adjacent markets counted as if already served

2 Is that market growing, and why?

Growth needs a cause you can name: a regulation, a technology shift, reshoring, a customer's capacity build. Look at 3, 5 and 10 years separately, because the drivers differ.

EVIDENCE THAT ANSWERS IT

- ☐ Named drivers, each with a source and a timing
- ☐ End-market outlook for the top three customer industries
- ☐ Headwinds listed alongside tailwinds (substitution, insourcing, tariffs)
- ☐ Base, upside and downside growth rates

RED FLAGS

- ! Forecast that extends the last three years
- ! Growth driven by one program or one customer
- ! Recent growth that is mostly price, not volume

3 Why do customers buy from this company?

Management will say quality and service. Customers give a more specific answer, and that answer tells you how sticky the revenue is.

EVIDENCE THAT ANSWERS IT

- ☐ 8–15 customer interviews across large, small and lost accounts
- ☐ Ranked purchase criteria in the customers' own words
- ☐ Switching costs: qualification, tooling, integration, location
- ☐ Share of each customer's spend the target already holds

RED FLAGS

- ! Customers can't name a reason beyond price
- ! Only management-selected references interviewed
- ! Recent losses explained away as "one-offs"

4 How concentrated is the revenue, and how safe are the big accounts?

A program loss two years into the hold is the most common surprise in industrial deals.

EVIDENCE THAT ANSWERS IT

- ☐ Revenue by customer and by program, five years back
- ☐ Contract and program end dates for the top ten accounts
- ☐ Each key account's sourcing behavior and dual-source plans
- ☐ Relationship depth: how many contacts, at what levels

RED FLAGS

- ! Top customer over 25% of revenue, or top five over 60%
- ! Major program ending inside the hold period
- ! One salesperson owns the key relationships

5 Where does the target stand against competitors?

Profile the three to five competitors customers actually compare it to, including ones the CIM leaves out, and compare on the criteria customers named.

EVIDENCE THAT ANSWERS IT

- ☐ Competitor set named by customers, not by management
- ☐ Side-by-side on price, lead time, quality, capability and service
- ☐ Who is winning recent awards, and why
- ☐ Durable advantages identified: scale, know-how, position

RED FLAGS

- ! "No real competitors" in the CIM
- ! A low-cost entrant or a customer insourcing
- ! Advantages that a competitor could copy in a year

6 Is management's forecast achievable?

The gap between your base case and management's case is often the most useful number in the whole diligence.

EVIDENCE THAT ANSWERS IT

- ☐ Each revenue line traced to pipeline, awards, price or market growth
- ☐ Win rates and sales-cycle history behind new-business assumptions
- ☐ Capacity, capital spending and working capital to support the plan
- ☐ Independent base, upside and downside cases

RED FLAGS

- ! Hockey stick that starts the year after close
- ! Margin expansion with no named lever
- ! New products carrying most of the growth

7 Can the organization deliver the plan?

Growth plans depend on people. A site visit and a few management interviews answer more of this than any data room.

EVIDENCE THAT ANSWERS IT

- ☐ Leadership depth below the CEO, and succession for key roles
- ☐ Sales capacity to win the new business the plan assumes
- ☐ Operational headroom: shifts, equipment, labor availability
- ☐ Systems and reporting good enough to run a larger business

RED FLAGS

- ! Founder makes every pricing and customer decision
- ! Plants already running near capacity
- ! Key people without retention plans

SCOPING THE WORK

IF YOU NEED	TYPICAL SCOPE	TIMING
A quick read before an IOI	Questions 1, 2 and 5 from desk research and 3–5 expert calls	1–2 weeks
Confirmatory diligence before an LOI	All seven, with 10–15 customer and market interviews and a bottom-up model	4–6 weeks
A growth plan for the hold period	Questions 1, 2, 5 and 6 extended into a 100-day plan and add-on target list	5–7 weeks

Send us a CIM. We'll give you a 30-minute market read at no charge.

We'll tell you which of these seven questions matter most for the deal and how we'd answer them.

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