The Importance and Use Cases of Add-on Diligence

Tailored Scopes to Address Nuanced Needs

When pursuing add-on investments, deal teams and existing portfolio company management teams are often well versed in their target markets and competitive ecosystems. While assessing the overall market size or growth rate may not be necessary, other aspects of commercial and customer diligence are crucial to mitigate risk and ensure post-acquisition integration and value creation success.

IGS is uniquely adept at evaluating add-on investments and designing tailored diligence scopes to meet specific strategic needs. Our senior-led teams combine deep industry experience with custom research to help clients make confident, data-driven decisions.

Key Reasons to Engage IGS to Assist in Add-On Due Diligence

Validate the Investment Thesis:

- Confirm stability and visibility into the target company's revenue streams.
- Validate the acquisition rationale by assessing customer satisfaction and growth potential.
- Understand market share dynamics, customer sentiment and Net Promoter Scores (NPS).
- Refresh perspective on recent market developments since the original platform investment.

Assess Future Opportunities and Synergies:

- Test customer price tolerance and map out strategy to raise & take prices post-close.
- Identify share of wallet growth potential.
- Evaluate potential for cross-sell and upsell across the combined companies' customer base.
- Explore opportunities to expand into new regions or customer segments.

Identify and Mitigate Risks:

- Detect red flags in customer feedback that may signal revenue vulnerability, such as product quality issues or poor customer service.
- Assess churn risk and customer loyalty to gauge future revenue stability.
- Evaluate key-person dependencies and implications for go-forward organization design.
- Test the importance and revenue significance of certifications or special designations (e.g. MBE, WBE, HUBzone) statuses that could be lost post-integration.
- Understand the competitive landscape and potential threats to customer retention.

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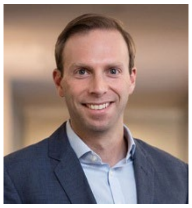
Prepare for Post-Acquisition Integration and Value Creation:

- Identify unmet customer needs and pain points that the combined company can address.
- Inform go-to-market planning and branding decisions with data-driven insights.
- Ensure customer relationships and value propositions align with the platform's strategic goals to maximize synergy realization.

IGS brings focus, speed, and depth of experience to every add-on engagement. Our flexible, collaborative approach helps clients answer the right questions, anticipate integration challenges, and position for growth.

Reach out to our experts to discuss how we can tailor our diligence approach to your next add-on investment.

Author



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To discuss how IGS supports confident decisions for add-on investments