**Due Diligence Checklist**

*Elements of Due Diligence (Stage 1) - typically completed in advance of a site visit*

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| ☐ | Financial statement analysis | Undertake ratio and trend analysis of historical financial statements  Compare financial performance with industry (utilization, capital structure, business performance, self-sufficiency, liquidity)  Explore differences between budgets and plans and actual performance |
| ☐ | Organizational assessment | Follow-up on key organizational underwriting issues raised in Early Stage meeting |
| ☐ | Operations evaluation | Probe for indications of current or past capacity to undertake PRI project.  Review plans for expansion or start-up (including staffing, technical expertise, technological needs, administrative and financial management support requirements, etc…) |
| ☐ | Management assessment | Collect resumes and meet briefly (in person or by phone) key management personnel.  Probe for continuity and ability to attract talent.  Review board structure and level of engagement. |
| ☐ | Industry/market analysis | Review market analysis.  Ask for sensitivity of market analysis assumptions to economic risks (business climate, capital markets).  Probe for any regulatory issues.  Assess competitive pressures. |
| ☐ | Repayment analysis | Assess long-term solvency (debt and capital structure, investor terms)  Assess short-term liquidity.  Assess sustainability of operating support. |
| ☐ | Program impact assessment | Review impact assessment for credibility and verifiability. |

*Elements of Due Diligence (Stage 2)*

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| ☐ | Site visit | Meet with key staff (senior management, financial and accounting managers, IT manager, evaluation and assessment staff, project management and staff)  Meet with key stakeholders (board members, customers, beneficiaries, funders, evaluators, and governmental officials).  Visit operations site.  Review operations infrastructure – files, financial management system, etc…  Undertake with legal staff and/or other program officers as appropriate |
| ☐ | Questions about business/product | Review market, competition, and demand assumptions. Meet with current and prospective customers/user.  Review production and margin assumptions. Meet with operations or lending staff. |
| ☐ | Manager background checks | Meet with current funders, public sector officials, and others who can gauge the strengths and weaknesses of current managers.  Talk with past employers, for recent hires.  Discuss directly with managers their longer-term aspirations and plans. |
| ☐ | Information on existing creditors | Review current debt schedule. Assess current state of compliance, terms of debt, likelihood for capital sufficiency in the future.  Meet with selected creditors during the site visit, if at all possible. |
| ☐ | References from funders, customers, lawyers, regulators, suppliers | Meet on site with these constituencies as possible.  Where face-to-face meetings are not possible, collect names and contact information and conduct telephone interviews. |
| ☐ | Questions about identified risks | Key risk areas to probe: program risks, economic risks, business risks, financial risks, capital structure risks, transaction risks. |
| ☐ | Sensitivity analysis with financial pro forma | Ask for multiple scenarios with key assumptions varied.  Assess worst case |