

# Sell-Side Diligence Prep Checklist

*Documents and data to have ready in your data room before launch — organized by buyer workstream*

## How to use this checklist

This checklist is organized into the six diligence workstreams modern LMM buyers run during exclusivity: financial, legal, commercial, operational, IT and cyber, and environmental and regulatory. Items marked with a check box belong in the data room before launch. Items in italics are sector specific and only required if they apply to the target.

**Goal:** compress buyer diligence by 1-2 weeks (per practitioner data) and reduce retrade vectors by ensuring buyers find documented answers in the data room rather than gaps that surface as discoveries.

## 1. Financial diligence

### Historical financials

- Audited financial statements, last 3 years
- Reviewed or compiled statements if not audited
- Trial balance and general ledger, last 36 months
- Monthly internal financials, last 36 months
- Trailing 12-month statements rolled forward to launch month

### Working capital and balance sheet

- Monthly month-end working capital snapshots, last 24 months
- AR aging, last 12 months month-end
- AP aging, last 12 months month-end
- Inventory detail with valuation methodology
- Capex schedule and reconciliation, last 5 years

### Revenue and customer detail

- Customer concentration analysis (top 10 by revenue, anonymized in CIM, named in data room)
- Customer contracts for top 10 customers
- Revenue recognition policy documentation
- Cohort retention analysis (especially for SaaS / subscription)
- Pricing history and any recent changes

### EBITDA and add-backs

- EBITDA bridge from reported to adjusted, with documentation for each add-back
- Sell-side QofE report (if completed)
- Owner compensation and personal expense documentation
- One-time item documentation (legal settlements, restructuring)

### Tax

- Federal tax returns, last 3 years
- State tax returns where applicable
- Open audits and inquiries documentation

- Transfer pricing documentation (if cross-border)

## 2. Legal diligence

### Corporate records

- Articles of incorporation, bylaws, operating agreement
- Subsidiary documentation
- Cap table with all classes, options, warrants
- Board minutes, last 3 years
- Shareholder agreements

### Material contracts

- Top 50 customer contracts (or all material contracts)
- Top 20 supplier contracts
- All financing agreements (senior debt, mezzanine, lines of credit)
- All real estate leases
- Equipment leases and capital leases
- Joint venture and partnership agreements
- Distribution and franchise agreements
- License agreements (in and out)

### Litigation and compliance

- Pending litigation summary
- Threatened litigation summary
- Settled litigation, last 5 years
- Regulatory inquiries and audits
- Compliance program documentation

### Intellectual property

- Patent filings and grants
- Trademark registrations
- Copyright registrations
- Trade secret protection program documentation
- Open source software inventory and license compliance

### Employment

- Senior executive employment agreements
- Change-of-control provisions documentation
- Equity grants outstanding
- ERISA plan documents
- Non-compete and non-solicit agreements
- Severance policies

## 3. Commercial diligence

### Market and customers

- Market sizing analysis (TAM, SAM, SOM)
- Competitor analysis with relative positioning
- Customer satisfaction metrics (NPS, retention, support tickets)
- Customer testimonials and case studies
- Recent customer wins and losses with context

### **Sales pipeline and revenue trajectory**

- Sales pipeline detail with stages and probabilities
- Conversion metrics by stage
- Sales team productivity (per rep, per territory)
- Pricing changes and impact analysis
- Recurring revenue analysis (especially for SaaS / subscription)

### **Growth strategy**

- Growth roadmap with milestones
- Investment plans (sales, marketing, product)
- Geographic expansion plans (if applicable)
- Adjacent product or market opportunities

## **4. Operational diligence**

### **Organization and team**

- Organization chart with reporting lines
- Senior team biographies and tenure
- Mid-level manager bench depth
- Succession plans for key roles
- Compensation philosophy and benchmarking

### **Operations and process**

- Process documentation (key functions)
- Key performance indicators with historical trends
- Capacity utilization data
- Quality assurance and control documentation
- Customer service and support metrics

### **Supply chain and vendors**

- Top 20 supplier list with terms and concentration analysis
- Single-source dependency documentation
- Backup supplier identification
- Recent supply chain disruptions and resolution

## **5. IT and cyber diligence**

### **Technology stack**

- Technology architecture documentation
- Major system inventory (ERP, CRM, accounting, HR)

- Third-party vendor list with contracts
- License compliance documentation
- Technical debt assessment

### **Cybersecurity**

- Security policy documentation
- SOC 2 / ISO 27001 certifications (if applicable)
- Penetration test results, last 24 months
- Cyber incident history and remediation
- Cyber liability insurance policy
- Backup and disaster recovery plan

### **Data and privacy**

- Data classification and inventory
- HIPAA compliance documentation (healthcare)
- GDPR compliance documentation (EU customers)
- Data retention and deletion policies
- Privacy policy and customer consent records

### **AI usage (new for 2026)**

- AI tools and models used in the business
- Proprietary vs licensed AI capabilities
- AI training data ownership and rights
- AI dependencies on third-party model providers
- Customer-facing AI features and regulatory exposure

## **6. Environmental and regulatory diligence**

### **Environmental**

- Phase I environmental site assessments for owned real estate
- Phase II ESA if recommended by Phase I
- Hazardous materials inventory and handling documentation
- Environmental permits and compliance reports
- OSHA records, last 5 years

### **Regulatory licenses**

- Industry-specific licenses (state and federal)
- Renewal schedule and status
- Regulatory audit history
- Pending applications or requests

### **Sector-specific**

- Healthcare: Stark, Anti-Kickback compliance, billing audits, payer contracts
- Financial services: FINRA, SEC, state insurance regulator filings
- Insurance services: state insurance commissioner filings, agency licenses

Manufacturing: environmental permits, OSHA records, product liability

Software / SaaS: data privacy, security certifications, IP ownership

## Notes for sell side bankers

This checklist is comprehensive. Not every item applies to every deal. Use sector-specific judgment to scope.

### Priority order for pre-launch loading:

1. Financial workstream items (most retrade-prone; load first)
2. Legal workstream contracts (longest review time; load early)
3. Commercial workstream customer detail (drives valuation discussions)
4. Operational, IT/cyber, environmental items (sector-dependent priority)

### Recommended workflow:

1. Map each checklist item to a folder in the data room
2. Designate a seller-side owner for each item (CFO, GC, HR, IT, etc.)
3. Track completion percentage weekly during pre-launch prep
4. Pre-load standard items at marketing phase, not under diligence pressure
5. Review each section with the seller's banker before LOI signing

### What this checklist does not cover:

- Sector-specific items beyond the general categories shown
- Cross-border deals (FX, foreign tax, foreign regulatory)
- Carve-outs (parent company allocation, transition services)
- Asset deals (asset-specific diligence vs equity deal scope)

### Companion content:

- Buyer diligence playbook: [lockroom.com/blog/buyer-diligence-playbook-2026](https://lockroom.com/blog/buyer-diligence-playbook-2026)
- Sell-side QofE: [lockroom.com/blog/sell-side-qofe-2026](https://lockroom.com/blog/sell-side-qofe-2026)
- Disclosure schedule preparation: [lockroom.com/blog/disclosure-schedule-preparation-2026](https://lockroom.com/blog/disclosure-schedule-preparation-2026)
- Data room folder structure: [lockroom.com/blog/sell-side-data-room-folder-structure](https://lockroom.com/blog/sell-side-data-room-folder-structure)