

1. Where Desk Due Diligence Fits in Your Deal Timeline

🚦 The pre-NDA decision gate

- “**Desk due diligence**” occurs at a defined M&A stage.
- You identified a potential target through deal sourcing.
- The company appears attractive after initial screening.
- You face a decision point before formal engagement.
- Should you pursue this opportunity and sign an “**NDA**”?
- This internal checkpoint determines investing limited team bandwidth.
- You need a structured approach for efficient, consistent decisions.

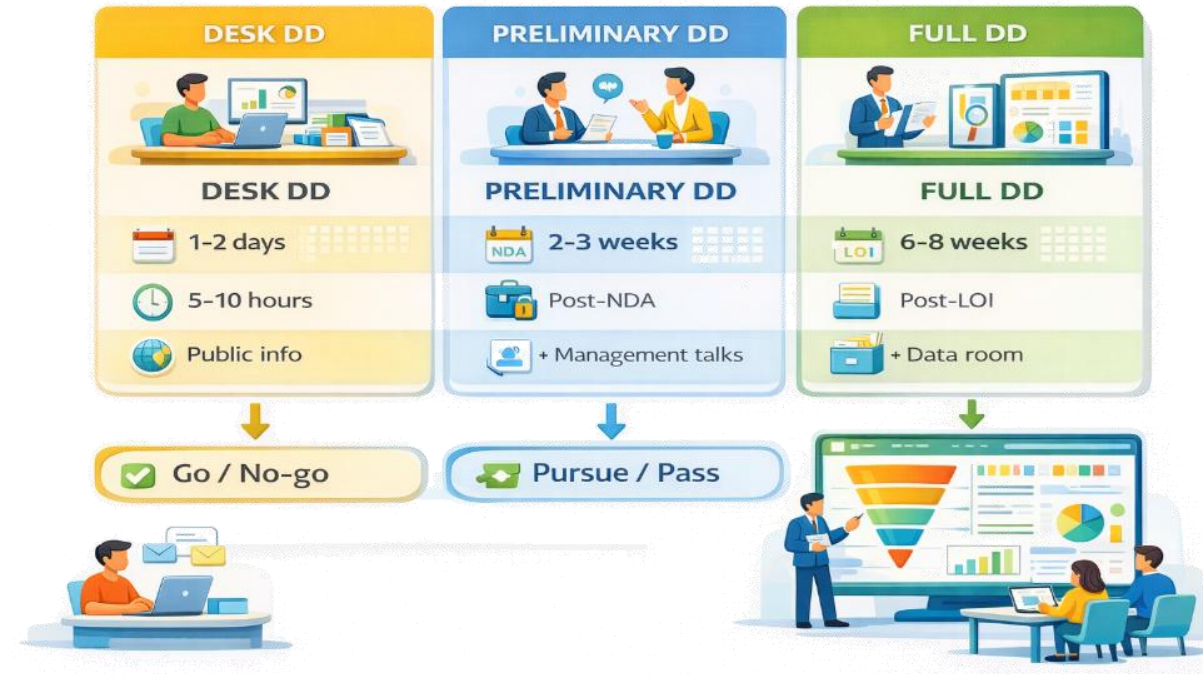
🔍 What desk DD actually accomplishes

- Your objective is simple but often misunderstood.
- You build a preliminary assessment using only public information.
- This assessment decides whether opportunity deserves pursuit.
- Think of desk DD as intelligent filtering, not analysis.
- You typically spend 5 to 10 hours per target.
- The output is focused memo supporting go or no-go decision.
- This efficiency allows evaluating multiple opportunities in parallel.

🧭 The three levels of due diligence

- Understanding distinctions between DD stages prevents wasted effort.
- Desk DD uses public information and takes 1 to 2 days.
- Preliminary DD follows NDA signing, management talks, 2 to 3 weeks.
- Full DD follows “**LOI**” signing, room access, 6 to 8 weeks.
- Each stage differs by information access, time commitment, objectives.
- Confusing these stages causes insufficient analysis or unnecessary work.
- Many analysts make this mistake and waste time on wrong activities.

📊 3 DD STAGES COMPARISON



1. Where Desk Due Diligence Fits in Your Deal Timeline (Part 2)

🚫 What not to do during desk DD

- You should not waste time building complex financial models.
- You lack data quality for detailed projections.
- Public statements show aggregated numbers, not operational detail.
- A 10-year DCF with false precision adds no value.
- Your assumptions lack granularity without management access.
- Save detailed modeling for preliminary DD with better data.
- Focus time on activities informing the go or no-go decision.

📄 What you should actually produce

- Your deliverable is a concise **"Desk DD memo"**, 3–5 pages.
- The memo answers 3 fundamental questions clearly.
- First, does the business model fit our strategy?
- Second, what 3–5 key risk hypotheses need testing?
- Third, do financials show immediate deal-breaking red flags?
- You are not determining valuation or building forecasts.
- You decide whether the deal merits serious pursuit.

🕒 Resource allocation reality

- Consider the opportunity cost of team time.
- Spending 40 hours allows only 2 targets monthly.
- Spending 8 hours enables reviewing 10 targets monthly.
- The goal is eliminating weak deals efficiently.
- Passed targets receive deeper analysis later.
- This filtering maximizes effectiveness across the pipeline.

