

2. Building Your Desk DD Memo That Drives Decisions

What Your Desk DD Memo Actually Does

- Your “**desk DD memo**” serves specific purpose in M&A workflow.
- This document communicates preliminary assessment to decision makers quickly + clearly.
- Senior executives use this memo to decide whether to commit resources next phase.
- You're not writing comprehensive analysis or detailed investment thesis document.
- You're providing enough information to support go or no-go decision with confidence.

Core Components of the Memo Structure

- Every effective desk DD memo contains 5 essential sections that flow logically.
- 1st: executive summary provides your recommendation + key findings in half page.
- 2nd: target snapshot describes what company does + its market position.
- 3rd: strategic fit section explains why target aligns with your acquisition strategy.
- 4th: financial snapshot presents high-level numbers + key metrics without detailed modeling.
- 5th: red flags section identifies critical questions + risks requiring further investigation.
- This structure ensures readers can quickly understand opportunity + associated risks.

The Executive Summary as Your Anchor

- Your executive summary “**appears first but should be written last**”.
- This section distills entire assessment into 3~4 concise paragraphs clearly.
- State your recommendation clearly in opening sentence using GO or STOP language.
- Summarize investment thesis in 2~3 sentences capturing why this deal makes sense.
- Highlight 2~3 most significant risks or red flags that need validation.
- Provide immediate next steps if the recommendation is GO clearly.
- Decision makers often read only this section before deciding whether to continue.



2. Building Your Desk DD Memo That Drives Decisions (Part 2)

▶ Red Flag Hypothesis Development

- "Red flags" are specific hypotheses about risks that could kill deal or reduce value.
- Each red flag should be testable through next phase of due diligence.
- Example: stating "cyclical risk exists" is too vague + not actionable.
- Instead state: "Current EBITDA margins of 53% may represent peak cycle + could compress to 25% within 18 months."
- This specific hypothesis tells your team exactly what to investigate during preliminary DD.
- Focus on 3~5 material red flags that truly matter for investment decision.

🚦 The Go/Stop Decision Framework

- Your recommendation must be binary + clearly stated always.
- Use GO when: strategic rationale is strong + red flags appear manageable through diligence.
- Use STOP when: fundamental issues make deal unattractive regardless of additional information.
- Never use ambiguous language like "**proceed with caution**" or "**maybe**" in recommendation.
- If you genuinely cannot decide, that itself signals STOP → uncertainty at this stage rarely improves.
- Framework focuses on whether opportunity justifies spending 100~200 hours in preliminary DD.

🔍 Applying This to Micron Technology

- Throughout this course, we will use Micron Technology as our practice target.
- Micron is US-based semiconductor memory manufacturer trading on NASDAQ exchange.
- We will build complete desk DD memo analyzing: Micron's business model + financials + strategic fit.
- This hands-on exercise will demonstrate how to apply each framework + concept discussed.
- By end, you'll have complete example memo serving as your template for future deals.

