Remote Diligence at a Glance

- **The Issue:** In efforts to adapt to a new, no- or limited-contact world, investors are launching remote due diligence processes to keep investment activity flowing.

- **The Implications:** Companies that are currently raising debt or equity funding—or plan to do so in the near-term—will have to adapt to accommodate these process changes. Some investors may also retain elements of these new approaches long after the implications of COVID-19 have subsided.

- **What This Guide Provides:** The Accion Venture Lab team has compiled some quick tips on how companies can ensure a more seamless remote diligence process and increase likelihood of a successful investment process.
## How Investors are Approaching Remote Diligence

<table>
<thead>
<tr>
<th>Approach</th>
<th>Explanation</th>
<th>Team &amp; Capabilities</th>
<th>Product-Market Fit</th>
<th>Alignment with Our Investment Themes</th>
<th>Unit Economics &amp; Business Health</th>
<th>Valuation &amp; Investment Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leverage technology</td>
<td>Investors are using Zoom, WhatsApp, and other tech platforms to conduct interviews, product demos, and site visits</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Use existing relationships</td>
<td>Relying on existing networks—both with co-investors and entrepreneurs—to share in diligence work and build pipeline</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Triangulate documents</td>
<td>Sharing objective data (e.g., financial models, impact reports, term sheets) with other investors</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Remain flexible</td>
<td>Allowing for longer diligence processes, more time for meetings and conversations with founding team and beneficiaries¹</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

## Key Components of Remote DD

<table>
<thead>
<tr>
<th>Component</th>
<th>Investor Requests</th>
<th>Company Actions</th>
</tr>
</thead>
</table>
| **Online meetings**         | In place of face-to-face meetings, investors may require more of your team’s “virtual” time. This may mean multiple conversations with key members, product & technology demonstrations, and more informal virtual coffee chats. **Investors have identified being unable to “get to know team members” more informally as a key challenge.** | • Be readily available via WhatsApp and Zoom to speak with prospective investors  
• Ensure that your whole team has adequate internet connectivity and is prepared to speak with investors  
• Offer to perform “product demos” via screen sharing. Preparing a script in advance and pre-recording a walk-through will be a helpful backup in the event of connectivity / tech issues at the time of the live presentation  
• Host more “informal” virtual coffee chats with investors |
| **Connection to local partners** | In absence of being on the ground, investors are increasingly turning to local partners (e.g., co-investors, consultants, other people in their network) to supplement the diligence process. | • Be willing to work with third-party sources on behalf of the investor  
• Have a list of references ready to provide  
• Ensure key data (e.g., financial models, impact reports, etc.) are digitized, aggregated, and shareable  
• Maintain connection with local VC networks, even if they’re not participating in the deal |
| **Photos and video footage of company operations** | To complete operational due diligence, investors will likely want to acquire photos and video footage of key sites (e.g., office spaces, warehouses, end-customer stores or farms) in order to complete “virtual site visits.” | • Share any promotional materials you have on hand that may have footage of key sites  
• Assign someone on your team to serve as “camera person” and take investors on virtual tours (via FaceTime or Zoom) of key sites |
| **End customer communications** | End customer interviews. Many investors have expressed that this is the hardest component of the diligence process to adapt to virtual, given language barriers, internet connectivity issues, time differences, etc.\(^1\) | • Have a list of end customers who have volunteered to be interviewed (and ensure that they have access to internet)  
• Offer contacts of third-party translators, if language barrier might be an issue  
• Provide transcripts of customer calls with other investors (with permission)\(^1\) |

---

Some Tips from Venture Lab

| Preparing for the Process | • **Build a data room as soon as possible.** All investors are doing DD in more depth, so making the effort around accessing and evaluating the data they’ll look at will save everyone time and energy.  
• **Have multiple team members participate in the process** and divide the workload among them. Although it’s great to have one founder leading the process, it can be tiring for them to participate in 10+ calls with investors |
| Connecting with Your Team | • **Getting more of your team members in front of investors** builds great rapport.  
• **Plan in advance the time commitment** - we suggest **blocking 2-3 hour time blocks for consecutive discussions** rather than random, shorter sessions. |
| Challenges and Changes to Expect | • **In-person DD usually involved an exclusive 1-2 day block of discussions.** With virtual DD, discussions are interspersed with other critical company activities. This can extend the process and put more pressure on the founders. |
A few final summary tips to make your remote DD process go smoothly...

• **Stay in touch:** Be sure to follow up with investors and provide relevant updates as you progress through the diligence process.

• **Be responsive:** Given that this is a learning experience for everyone, investors may have follow-up questions and require additional, unplanned meetings or chats. Remaining responsive will streamline workflows and indicate your continued interest in working together.

• **Be transparent:** Keeping investors abreast of key changes and updates in the fundraising process will help garner trust.

• **Stay flexible:** Remaining open to change and being creative is key.

• **Highlight COVID’s effects on your business and mitigation plans:** The implications of lockdowns, business closures, etc. is both well-known and highly dynamic. Be honest about these effects and demonstrate how you’ve adapted your approach to navigate the crisis effectively.
Thank you!