

# Accion Venture Lab

## Remote Diligence Mini Guide

# 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

		AREAS OF POTENTIAL EXPLORATION				
Approach	Explanation	Team & Capabilities	Product-Market Fit	Alignment with Our Investment Themes	Unit Economics & Business Health	Valuation & Investment Structure
<b>Leverage technology</b>	Investors are using Zoom, WhatsApp, and other tech platforms to conduct interviews, product demos, and site visits	✓	✓	✓	✓	✓
<b>Use existing relationships</b>	Relying on existing networks—both with co-investors and entrepreneurs—to share in diligence work and build pipeline	✓	✓	✓		
<b>Triangulate documents</b>	Sharing objective data (e.g., financial models, impact reports, term sheets) with other investors			✓	✓	✓
<b>Remain flexible</b>	Allowing for longer diligence processes, more time for meetings and conversations with founding team and beneficiaries <sup>1</sup>	✓	✓	✓	✓	✓

# Key Components of Remote DD

Component	Investor Requests	Company Actions
 <b>Online meetings</b>	<p>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 &amp; technology demonstrations, and more informal virtual coffee chats. <b>Investors have identified being unable to “get to know team members” more informally as a key challenge.</b></p>	<ul style="list-style-type: none"> <li>• Be readily available via WhatsApp and Zoom to speak with prospective investors</li> <li>• Ensure that your whole team has adequate internet connectivity and is prepared to speak with investors</li> <li>• Offer to perform “product demos” via screen sharing. Preparing a script in advance <i>and</i> pre-recording a walk-through will be a helpful backup in the event of connectivity / tech issues at the time of the live presentation</li> <li>• Host more “informal” virtual coffee chats with investors</li> </ul>
 <b>Connection to local partners</b>	<p>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.</p>	<ul style="list-style-type: none"> <li>• Be willing to work with third-party sources on behalf of the investor</li> <li>• Have a list of references ready to provide</li> <li>• Ensure key data (e.g., financial models, impact reports, etc.) are digitized, aggregated, and shareable</li> <li>• Maintain connection with local VC networks, even if they’re not participating in the deal</li> </ul>
 <b>Photos and video footage of company operations</b>	<p>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.”</p>	<ul style="list-style-type: none"> <li>• Share any promotional materials you have on hand that may have footage of key sites</li> <li>• Assign someone on your team to serve as “camera person” and take investors on virtual tours (via FaceTime or Zoom) of key sites</li> </ul>
 <b>End customer communications</b>	<p>End customer interviews. <b>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.</b><sup>1</sup></p>	<ul style="list-style-type: none"> <li>• Have a list of end customers who have volunteered to be interviewed (and ensure that they have access to internet)</li> <li>• Offer contacts of third-party translators, if language barrier might be an issue</li> <li>• Provide transcripts of customer calls with other investors (with permission)<sup>1</sup></li> </ul>

1. Source: The GIIN Team, Secretariat of the R3 Coalition. (2020, August 5). *Knowledge Exchange Discussion: Conducting Due Diligence [Webinar]*. R3 Coalition. <https://thegiin.org/r3coalition>

# 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!**

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