



# DUE DILIGENCE HEALTHCARE CHECKUP

Large corporate spin-offs, biotech and technology breakthroughs, private equity dry powder, and stronger-than-ever data privacy requirements make the healthcare sector one rich with opportunity and risk. As a result, staying on top of due diligence best practices has never been more important.

Are you ready? We distilled insights from top healthcare finance professionals, proprietary due diligence research, and the DatasiteOne project management team to develop a high-level checklist specific to today's market conditions and the healthcare and life sciences sector.

- 1 What is the strategy to address common technology challenges in the healthcare field?**
  - + How do you plan to identify, attract and retain key technology talent?
  - + How will you ensure effective collaboration between healthcare and technology professionals?
  - + Where relevant, is there enough focus on user experience (UX)?
  - + How will you address data connectivity challenges?
  - + Is there a culture of treating technology as a cost center, and how will that change?
- 2 What is the plan to protect sensitive IP, employee and patient records?**
  - + Are you compliant with data privacy regulations in all applicable jurisdictions?
  - + Is your IP fully protected?
  - + Are all third parties in the due diligence process using secure transmittal practices and compliant with data privacy regulations themselves?
- 3 Have you modeled for geopolitical issues, such as changes in the US Affordable Care Act (ACA), National Security regulations, Brexit and tariff wars?**
- 4 Have you assessed the impact of a potential economic downturn on the asset's business model?**
  - + If a drug, what is the time horizon and how do your financing needs map?
  - + Is there reoccurring revenue?
  - + Have you proactively modeled a recession case?
  - + How diversified is the supplier and customer base?
- 5 Have you received a third-party due diligence report to ensure financials are accurate and not overly ambitious?**
- 6 Have you evaluated the target's #MeToo risk and taken appropriate measures?**
  - + Have you reviewed all the company's internal guidelines, surveys and policies?
  - + Have you searched court dockets for employment claims?
  - + Have you considered adding a #MeToo specific rep?



## 7 If it's a spin-off or divestiture:

- + Do you need audited financial statements? Have you built the extra time required to prepare the statements into your deal timetable?
- + Have you calculated appropriately for additional stand-alone costs in areas like benefits?
- + Have you calculated the additional investment needed in areas that have been underfunded, like R&D?
- + Have you clarified how IP will be shared after the transaction closes?
- + What do the back-end systems look like and how easily can they be integrated?
- + What KPIs are used and how quickly can they be shared?
- + Are your Temporary Services Agreements detailed and complete pre-close?
- + Is it clear which key employees stay or go?
- + If on the sell-side, have you set up a virtual due diligence room to facilitate the internal carveout process?
- + If on the buy-side, who is responsible for taking over the virtual due diligence room from the seller? How do you want that knowledge transfer to occur?

## 8 If it's a drug development company:

- + Are you clear about how you want the business to mature and where to focus?
- + Have you mapped R&D time frames to financing and potential financing tactics?
- + What are your relationships with VCs, PE and potential partners – are you clear about the value-add you need in addition to financing?

## 9 Has key talent been identified, assessed and an adequate retention plan put in place?

- + Has key talent been identified, assessed and an adequate retention plan put in place?
- + Is your drug IP fully protected?
- + Are all regulatory communications in order with no surprises?
- + Have Reps and Warranties been fully vetted?
- + Have data privacy regulations been fully complied with, and a detailed record kept of all due diligence communications?

## 10 Have you followed due diligence best practices?

- + Have you curated the data room to avoid versioning and SME confusion?
- + Have you done your best to uncover all red flags?
- + Are you using Q&A in the data room to avoid insecure data transmittal?
- + Have you leveraged all external and internal resources to assess bidder interest?
- + Have you ensured data security and control through careful project management and screening of all internal and external parties?

## 11 Have you mapped integration best practice into your due diligence process?

- + Have you included integration people and perspective in the due diligence process?
- + Have you included an integration budget and appropriate contingency funds in your financial model?
- + Do you have a clear integration plan and growth strategy post-close?
- + Does the integration team understand the strategy?
- + Do you have a transition plan to ensure adequate knowledge transfer between the due diligence and integration team post-close?
- + Do you have a plan in place to closely track the integration progress and ensure that deal objectives are met?

## 12 Finally, from a practical standpoint, have you positioned your team for success?

- + Do you have country-specific due diligence checklists, to ensure accounting, HR and other local differences are considered?
- + Have you made the working group list and other key deal documents available in a place that the entire deal team can easily see and access?
- + If on the sell-side, have you chosen a virtual due diligence provider who meets global data privacy and security requirements, offers strong information controls and provides defensible due diligence audit trails?
- + Have you trained your entire deal team, including operations, on how to use the sell-side's data room provider?

Merrill DatasiteOne is an innovative due diligence platform purpose-built to meet the unique needs of finance professionals around the world, accelerating the deal-making process. Merrill Corporation built DatasiteOne for speed, simplicity, and security to support capital raises, mergers, acquisitions, IPOs and other critical capital transactions.

US phone +1.888.311.4100 APAC phone +852 3905 4800 EMEA phone +44 (0)20 3031 6300 email [info@merrillcorp.com](mailto:info@merrillcorp.com) web [merrillcorp.com](http://merrillcorp.com)

**MERRILLCORPORATION**

©Merrill Communications LLC. All rights reserved. All trademarks are property of their respective owners. MC0410\_1