This template is meant to be used for presenting financial due diligence findings to the Board of Directors (BoD).
The expected outcome for the presentation is a go/no-go decision on the merger due diligence from a financial perspective.
Legal and other perspective considerations are out-of-scope for this presentation.

Author’s thoughts (not actual content) will be in yellow-highlighted italics font.

If your company has a standard presentation template for BoD reporting, use it with the structure presented in this template.

<Project Code Name> - Financial Due Diligence Findings For Board of Directors – mm/dd/yyyy

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<Project Code Name> | OVERVIEW

This slide should lay out a general overview of the target company your company is considering merging with. In general, most of the information should be public knowledge. What the target is looking for out of the merger should also be stated.

- Growing / mature company with XX product and YY services. More details *<Target's URL>*
- Notable B2B customer relationship includes XX, YY, ZZ
- Notable B2C customers amount to over XX million paying subscribers / members / etc.
- Notable competitors include XX, YY, ZZ
- The target is headquartered in the country of XX and is subject to XX's laws
- Ownership structure amounts to XX% by YY and ZZ% by AA
- ***Note other special differentiators of the target company that are uncommon to its business model and the industry/market it is operating in***
- Looking to get XX out of this merger because of YY
- Looking to get ZZ out of this merger because of AA

<Project Code Name> | HIGH LEVEL P&L (reclassed*)

- **20XX revenue estimate $YY M, EBITDA ($ZZ M)**
  - B2C revenue $XX M, ~YY% of total. Revenues appear to be net of ZZ.
  - B2B revenue $XX M, ~YY% of total, of which companies A and B make up a concentration of ~ZZ%
- **20XX reported COGS $YY M:**
  - COGS roughly in-line with ours but **seem to exclude ZZ**. Added 1 ppt to forecast to compensate.
  - <Project Code Name> accounting excludes XX, YY, and ZZ; not fully comparable to our approach. We have reclassed.
- **20XX reported OPEX $YY M:**
  - Marketing spend for customer acquisition ($XX M) and retention ($YY M).
  - Includes 20XX marketing capitalization adjustment of ~$XX M. Reversal of this adjustment was made to normalized OPEX.

(000's)	2018A	2019P	2020P	2021P
Revenue				
Other				
Revenue				
Revenue YoY growth rate				
COGS				
Credit Cards				
Tech Personnel				
Hosting				
Consultants - IT				
Hosting & Related Fees				
Total COGS				
COGS % Revenue				
Gross Profit				
Gross Profit % Revenue				
OPEX				
Personnel				
Other / Executives				
Finance				
Business Development / Operations				
Marketing Personnel				
Personnel - Marketing				
Culture & Content				
Computers & Equipment				
Travel & Entertainment				
Personnel				
Non-Personnel				
G&A / Vendor - Admin				
G&A / Vendor - Accounting & Audit				
G&A / Vendor - Legal				
Marketing - Acquisition Marketing				
Facilities - Rent & Utilities				
Bad Debt				
Consultants - Other				
Marketing				
(Add Back) 2018 Marketing Capitalization Adjustment				
Other				
Misc. (Addl. Overhead)				
Non Personnel				
Total OPEX				
OPEX % Revenue				
EBITDA				
EBITDA % Revenue				

<Project Code Name> | HIGH LEVEL B/S

(in 000's $ unless otherwise stated)	2016A	2017A	2018E	2019E	2020E	2021E
Cash and Cash Equivalents						
Restricted Cash						
Accounts Receivable						
Other Receivables						
Other Long Term Receivables						
Current Tax Assets						
Prepaid Expenses						
Accrued Income						
Current Assets						
Accrued Expenses						
Payables						
AP / Accrued Expenses - Non-Royalties						
AP / Accrued Expenses - Royalties						
Current Tax Liabilities						
Deferred Income						
Other Current Liabilities						
Deferred Tax						
Total Current Liabilities (original / understated)						
Total Current Liabilities (corrected*)						
Non-Current Liabilities						
Shareholder Loan						
Current Liabilities + Shareholder Loan (original / understated						
Current Liabilities + Shareholder Loan (corrected*)						
Shareholders' Equity						
Total Liabilities and Equity						

- Monthly $XX M shareholder cash infusions to the balance sheet was needed to maintain a minimum cash balance. ~$YY M on the Balance Sheet, excluding Restricted Cash.
- Working capital deficit ($ZZ M)
- Negative equity balance ($AA M)
- Total Current Liabilities was corrected to reflect AP/Accrued Expenses - Non-Royalties (originally excluded from the <Project Code Name>'s financials we received)
- Current Liabilities + Shareholder Loan was corrected to reflect the correction in Total Current Liabilities
- Shareholders' Equity and Total Liabilities and Equity lines were added for comparability with our financials

<Project Code Name> | HIGH LEVEL C/F

($ in thousands unless otherwise stated)	2016A	2017A	2018E	2019E	2020E	2021E
Cash From Operating Activities						
Adjusted EBITDA						
Payables						
Other Liabilities						
Receivables						
Other Assets						
Cash From Operating						
Cash From Investing Activities						
Investment in Intangibles						
Purchase of Property, Plant & Equipment						
Cash From Investing						
Unlevered Free Cash Flow						
Cash From Financing Activities						
Shareholder Loan						
Cash From Financing						
BoP Cash						
Total Change in Cash						
EoP Cash						

- Cash flow highly dependent on 20XX $YY M shareholder loan
- Appears that $XX M cash is drawn monthly, presumably to allow high degree of shareholder control over day-to-day operating decisions
- <Project Code Name>'s forecast calls for a total drawdown of $XX M between 20YY and 20ZZ, before paydown(s)
- A review of the underlying Payables and its-related data did not lead us to an explanatory cause of the fluctuations
- Note that the rest of this deck's analysis are focused on P/L items mostly

<Project Code Name> | ACCOUNTING TESTS

- <Project Code Name> accounting assessed through the **Beneish M-Score method**.
  - Probabilistic model using 8-financial ratios to detect earnings manipulation.
  - Sample successful use: Enron.
  - Score higher than -2.22 is a likely manipulator, lower is unlikely to be a manipulator.
  - **<Project Code Name> score -4.29. Our score is -2.24. Both are unlikely manipulators.**

Metric	Target Score	Our Score
	-4.8400	-4.8400
Days Sales in Receivables Index	0.8404	0.8300
Gross Margin Index	0.3436	0.3300
Asset Quality Index	0.0000	0.9200
Sales Growth Index	0.0000	0.0000
Depreciation Index	0.0000	0.9100
SGA Expenses Index	-0.1441	-0.1500
Leverage Index	-0.4855	-0.2800
Total Accruals to Total Assets	-4.1319	0.0500
M-Score	**-4.2857**	**-2.2400**

- <Project Code Name> accounting also assessed through the **Piotrosky F-score method**.
  - Stanford test to assess the strength of a company's financial position.
  - 9 criteria in 3 groups (Profitability, Leverage, and Operating Efficiency).
  - Score less than 2 considered weak, greater than 8 considered strong.
  - **<Project Code Name> score 4. Our score is 7.**

Metric	Target Score	Our Score
Profitability	2	3
Leverage	0	3
Operating Efficiency	2	1
F-score	**4**	**7**

<Project Code Name> | STANDALONE FINANCIAL FINDINGS

MORE ENCOURAGING

- B2C and B2B revenue growth accelerating;
  - B2C: +XX% Y/Y 20ZZ, +XX% Y/Y 20ZZ
  - B2B: +XX% Y/Y 20ZZ, +XX% Y/Y 20ZZ
- Gross Margin within expected ranges
- OPEX growing at less than half the rate of revenue growth
- No systematic indication of earnings manipulation

LESS ENCOURAGING

- Significant negative EBITDA, and 3-year path to profitability based on <Project Code Name> forecasts
- $XX M accrued liabilities on the balance sheet in just 3 years of operations - and growing
- $YY M accrued expenses on the balance sheet with no explanation of drivers
- ($ZZ M) negative shareholder equity
- Consuming cash; ($XX M) in 20YY, ($ZZ M) forecast in 20AA. Entirely dependent on monthly shareholder loan disbursements for liquidity
- $XX M of 20YY marketing; $ZZ M acquisition, $AA M retention.
- Added XX K net paying customers over the period at an average blended cost / customer of $YY. We estimate that an average customer would have to have a lifetime duration of $ZZ for us to break even.

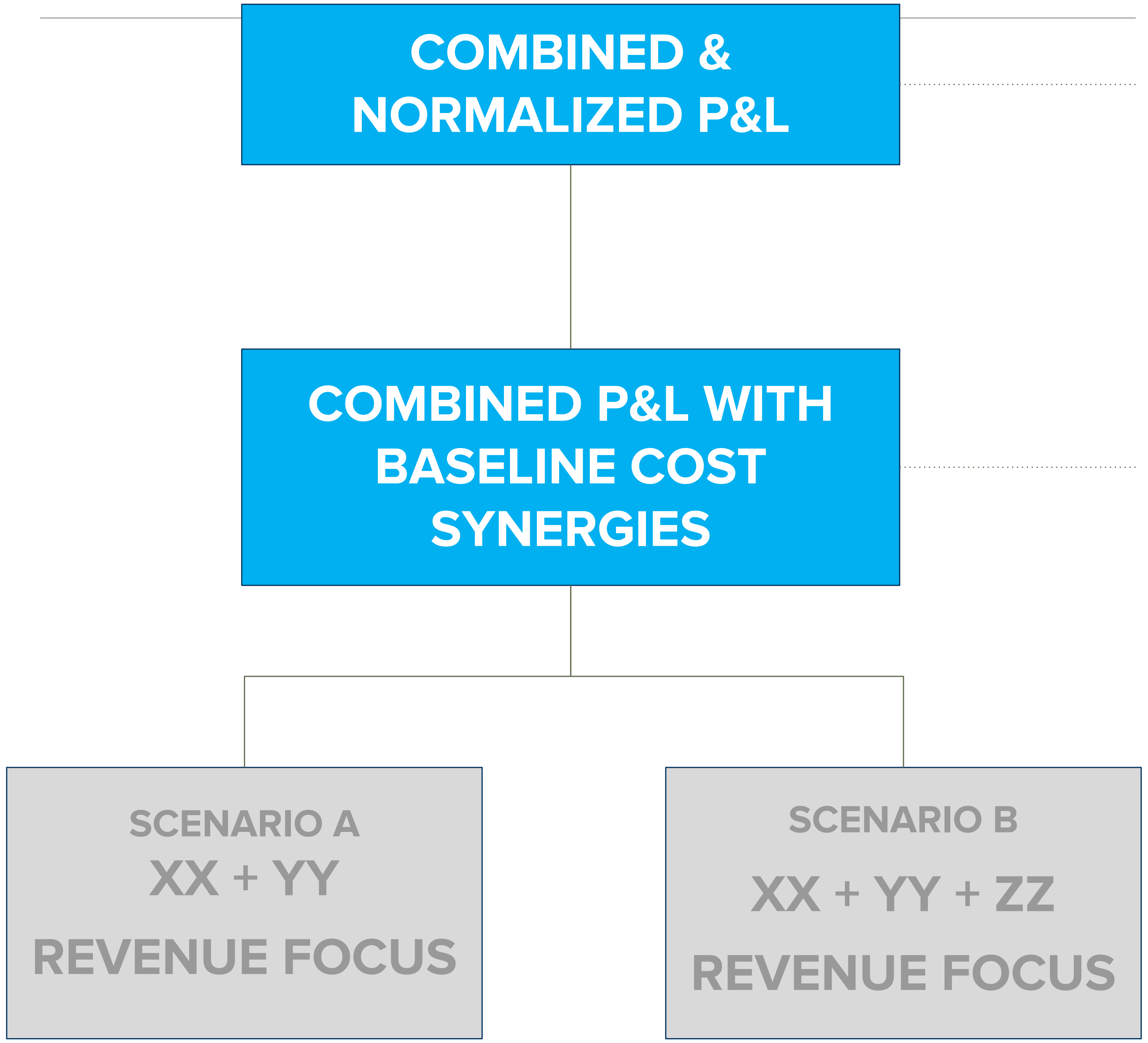
INITIAL BASELINE COST SYNERGY ANALYSIS

<Project Code Name> | TRANSACTION LOGIC

A <Project Code Name> / <Your Company Name> combination would drive attractive growth, scale and market profile to more effectively raise equity capital and enable an ultimate exit for the founding shareholders:

- Revenue Scale
  - XX M paying customers (excluding YY), ZZth largest <insert product / service type> provider by <insert key metric>
  - Combined 20XX revenue of $YY M, net of ZZ
- Cost Synergies
  - $XX M annual baseline COGS and OPEX synergy potential within first YY months
- Market Positioning
  - <Project Code Name> brand power & market relevance combined with our tech & partnership acumen
  - Converge to one brand to convey relevance and scale. Higher overall profile and be a “part of the conversation”
- Expanded Strategic Options
  - Our opportunity to reenter B2C markets and for <Project Code Name> to accelerate in B2B
  - Potential future expansion into adjacent profit pools including XX, YY, and ZZ

<Project Code Name> | <Company Name> SYNERGY VIEWS



Takes as-is versions <Project Code Name> and our P&L, reclassifies <Project Code Name> financials to align with our accounting methodology where possible, and sums them to create a combined company view with no synergies

Takes Combined & Normalized P&L and adjusts for assumed COGS and G&A cost synergies

COMBINED NON-SYNERGY FINANCIALS

Sum of unadjusted financials as provided by <Project Code Name> and ours, normalized (partially) to align COGS and OPEX categorization to our methodology.

(000's)	2018A/E	2019P	2020P	2021P
Revenue				
Other				
Normalized				
Revenue, net of				
From Target				
From				
COGS				
Credit Cards & Transaction Fees				
Hosting & Related Fees				
Total COGS				
From Target				
From				
COGS % Revenue				
Gross Profit				
From Target				
From				
Gross Profit % Revenue				
OPEX				
Personnel				
Non Personnel				
Total OPEX				
From Target				
From				
OPEX % Revenue				
EBITDA				
From Target				
From				
EBITDA % Revenue				

BASELINE | COMBINED COST SYNERGIES

- Core assumption is that the combined company NewCo will operate on one technology platform in any revenue scenario.
- Tech staffing will be consolidated on our side, and XX operations will be closed.
- Base platform operations will be transferred to our systems, and client-facing operations will be consolidated onto <Project Code Name>’s systems.
- Combined G&A (sans marketing) personnel costs will be reduced by XX%, <Project Code Name>’s facilities by YY% (AA and BB), and close down our ZZ facility.

	Combined Before Synergies	Target Synergies	Our Synergies	Combined Synergies	Combined After Synergies	Combined EBITDA Impact
COGS Total						
OPEX Total						
Annual Total Potential COST Changes						

BASELINE | COGS SYNERGY DETAIL

- Assumes that we operate the combined platform, XX% of <Project Code Name> costs retained for legacy accounting.
- XX% of <Project Code Name> base platform team eliminated; we add 15 headcount to compensate. Our hosting costs increase by YY% to handle additional volume.
- Our client-facing ops team eliminated and <Project Code Name>’s retained, but transferred to our operations.
- Data center and hosting operations consolidate under our systems, which grow initially by XX% to handle increased capacity and scale over time.
- Network storage synergies achieved by consolidating content on our systems, +YY% buffer for high-valued content.
- Bandwidth remains unchanged.

COGS	Combined Before Synergies	Target Synergies	Our Synergies	Combined Synergies	Combined After Synergies	Combined EBITDA Impact	Value to NewCo
Data Center & Operations							
Tech Team - Server							
Tech Team - Client (UI)							
Network Storage							
Bandwidth							
Total							

BASELINE | OPEX SYNERGY DETAIL

- XX% of combined G&A Personnel (excluding Marketing) eliminated
- Facilities: downsizing <Project Code Name>'s offices to XX% of as-is state, close YY and one of the offices in ZZ (using our costs)
- G&A Personnel and Facilities integration assume a period of 2 months without synergy, and 22 months of synergy starting month 3
- Consultants: removing <Project Code Name>'s consultants, as well as outside Accounting / Audit contracts since we pay for the same services
- Consultants integration assume a period of 12 months without synergy, and 24 months of synergy starting Year 2

OPEX	Combined Before Synergies	Target Synergies	Our Synergies	Combined Synergies	Combined After Synergies	Combined EBITDA Impact	Value to NewCo
Non-Tech Personnel							
Facilities							
Consultants							
Total							

BASELINE | HEADCOUNT DETAIL*

EoP 2018 Headcount	Target Pre-Synergy	Our Pre-Synergy	Total Pre-Synergy	Target Post-Synergy	Our Post-Synergy	Total Post-Synergy	Var. Post- vs. Pre-Synergy
Executive							
Finance							
Business Development / Operation							
Technology							
Marketing							
HR							
Legal							

- Based on baseline headcounts as of 12/31/XX
- Marketing headcounts post-synergy assume Scenario B in Revenue Synergies (detailed in later slides).

<Project Code Name> | COST SYNERGY FINDINGS

MORE ENCOURAGING

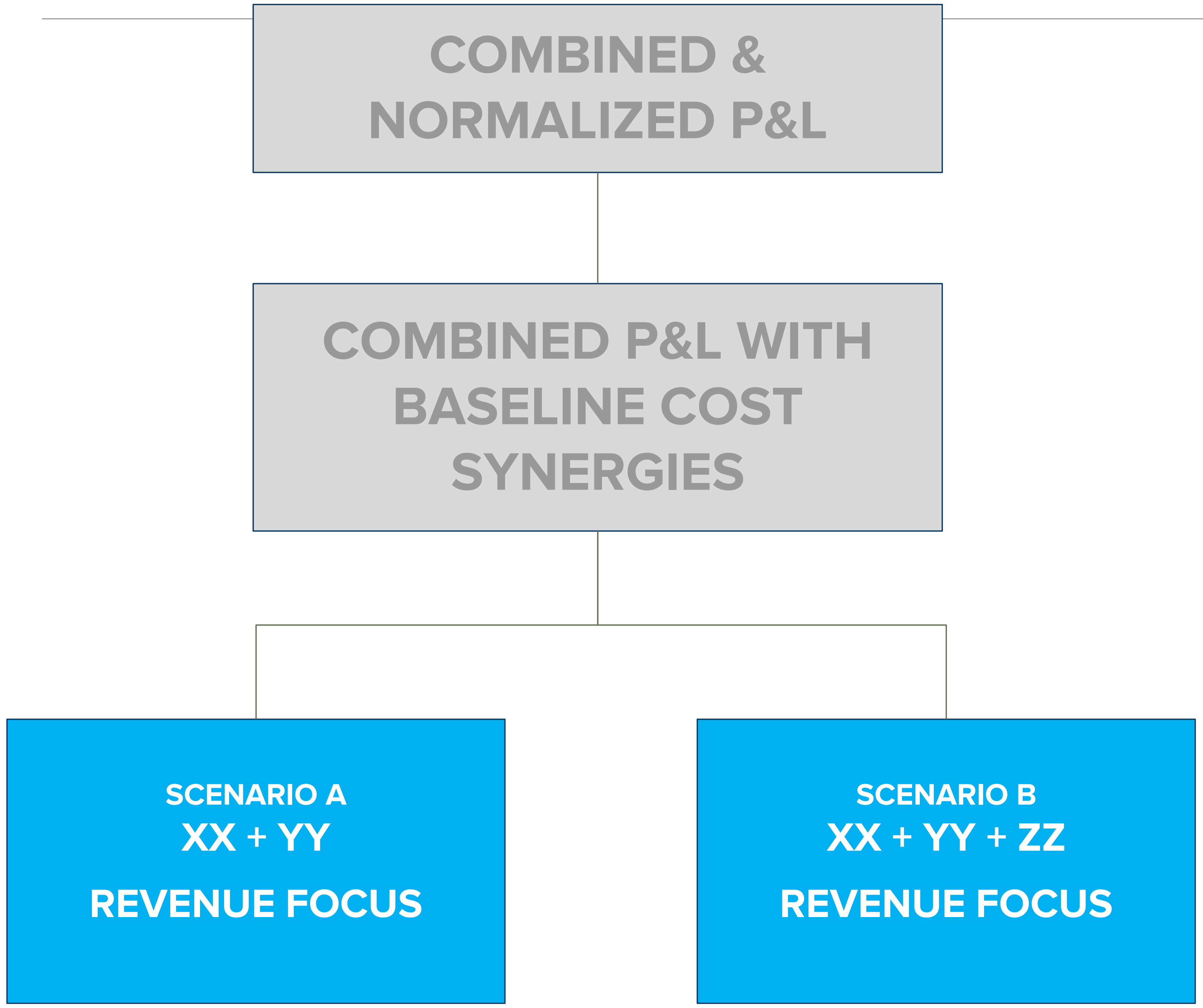
- An estimated $XX M in annual baseline cost synergies could be gained by:
  - Consolidating platform operations under our infrastructure (software, hosting, content storage, etc.)
  - Migrating our customers to the <Project Code Name> client-facing stack, consolidating client-facing operations under <Project Code Name>’s org, and retiring our legacy client operations
- Baseline synergies eliminate an estimated YY% of combined annual COGS and OPEX

LESS ENCOURAGING

- At baseline, the combined company would have $XX M liabilities on its balance sheet
- The time and cost to execute platform and operating synergies would be significant and may not be fully reflected in our initial OPEX or revenue scenarios
- One-time restructuring costs have not been modeled or included in initial financial perspectives

INITIAL REVENUE SYNERGY ANALYSIS

<Project Code Name> | REVENUE SYNERGY VIEWS



Baseline Cost Synergies P&L overlaid with two revenue scenarios;

- Scenario A assumes the combined company is focused on our XX+YY strategy
- Scenario B retains <Project Code Name>'s XX+YY strategy and retains a large scale of our ZZ strategy

<Project Code Name> | HIGH LEVEL REVENUE SCENARIOS

SCENARIO A
XX+YY FOCUS

- Models a combined company focused on executing our XX+YY strategy
- Leverages our B2B and partner integration strength
- Takes a "nurturing" approach to our B2C line of business and halts a significant portion of direct and indirect acquisition efforts
- Invests remaining marketing in partner initiatives designed to attract and retain key partners

SCENARIO B
XX+YY+ZZ FOCUS

- Models a combined company focused on executing <Project Code Name>'s B2C and XX+YY strategy and the best of our ZZ strategy
- Leverages our B2B and partner integration strength
- Continues to invest aggressively in B2C line of business and maintains marketing efforts
- Focuses ZZ resources on large scale partnerships and ramps down smaller scale opportunities

SCENARIO A

THESIS

- Focus on our XX+YY strategy and value proposition while nurturing B2C. The combination of our XX+YY expertise and <Project Code Name>'s <insert target's differentiators here> will generate superior shareholder value when applied to our business strategy

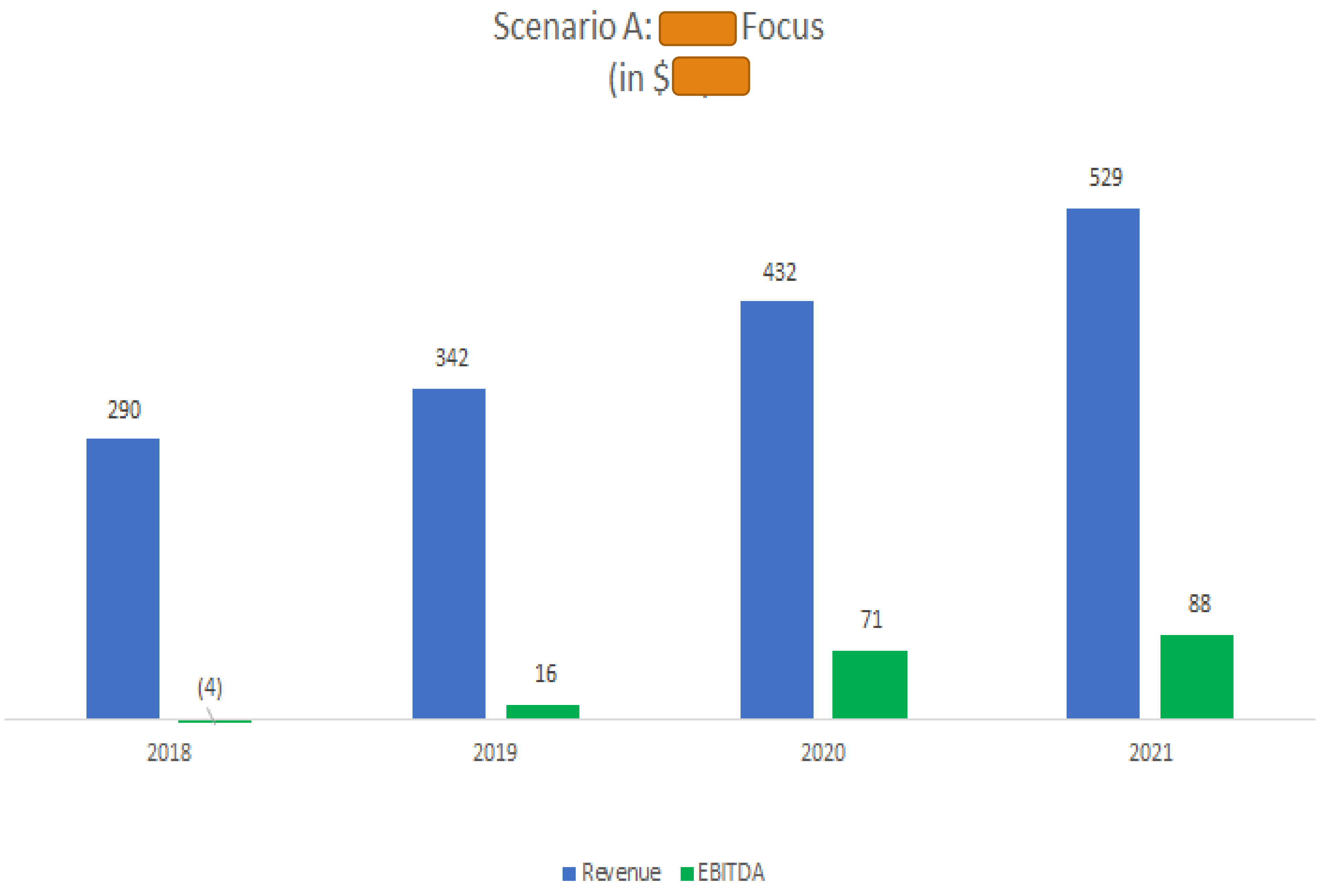
ASSUMPTIONS

- Combined XX revenue will grow as follow:
  - <Project Code Name>'s business will continue to expand at its current growth rate
  - Ours will remain on a current growth trajectory for the first YY months, after which it will mirror <Project Code Name>'s growth rate to reflect reinvigorated partner promotion and new deals
- Revenue scale for our other B2B YY partnerships will grow by ZZ% to reflect benefits of <Project Code Name>'s <insert differentiators here>.
- <Project Code Name> marketing spend will be reduced to XX%.
- Combined B2C revenue will decline at our 20YY-ZZ growth rate.
- COGS will be adjusted with COGS rates on revenue delta.

SCENARIO A | P&L

- Combined Scenario A revenue grows $XX M over YY years, from $ZZ M in 20AA to $BB M in 20CC, a DD% CAGR:
  - <Project Code Name> revenue increases by $XXM
  - Our revenue increases by $YY M
- Combined Scenario A EBITDA grows by $XX M over YY years, from ($ZZ M) in 20AA to $BB M in 20CC, a DDx improvement

Combined P/L (normalized - $000's)	2018	2019	2020	2021
Revenue				
COGS				
OPEX				
EBITDA				
Revenue Synergy Impacts ($000's)				
Revenue Adjustments				
Revenue Synergies				
B2B Revenue Synergies -				
B2B Revenue Synergies -				
COGS Adjustments				
Proportional to Revenue Increase				
OPEX Adjustments				
Decrease				
Net EBITDA Impact				
Combined Baseline + Revenue Synergies ($000's)				
Revenue				
COGS				
OPEX				
EBITDA				



SCENARIO B

THESIS

- The combination of our XX expertise and <Project Code Name>’s <insert differentiators here> will generate superior shareholder value when applied to our YY business strategy vs. <Project Code Name>’s B2C strategy

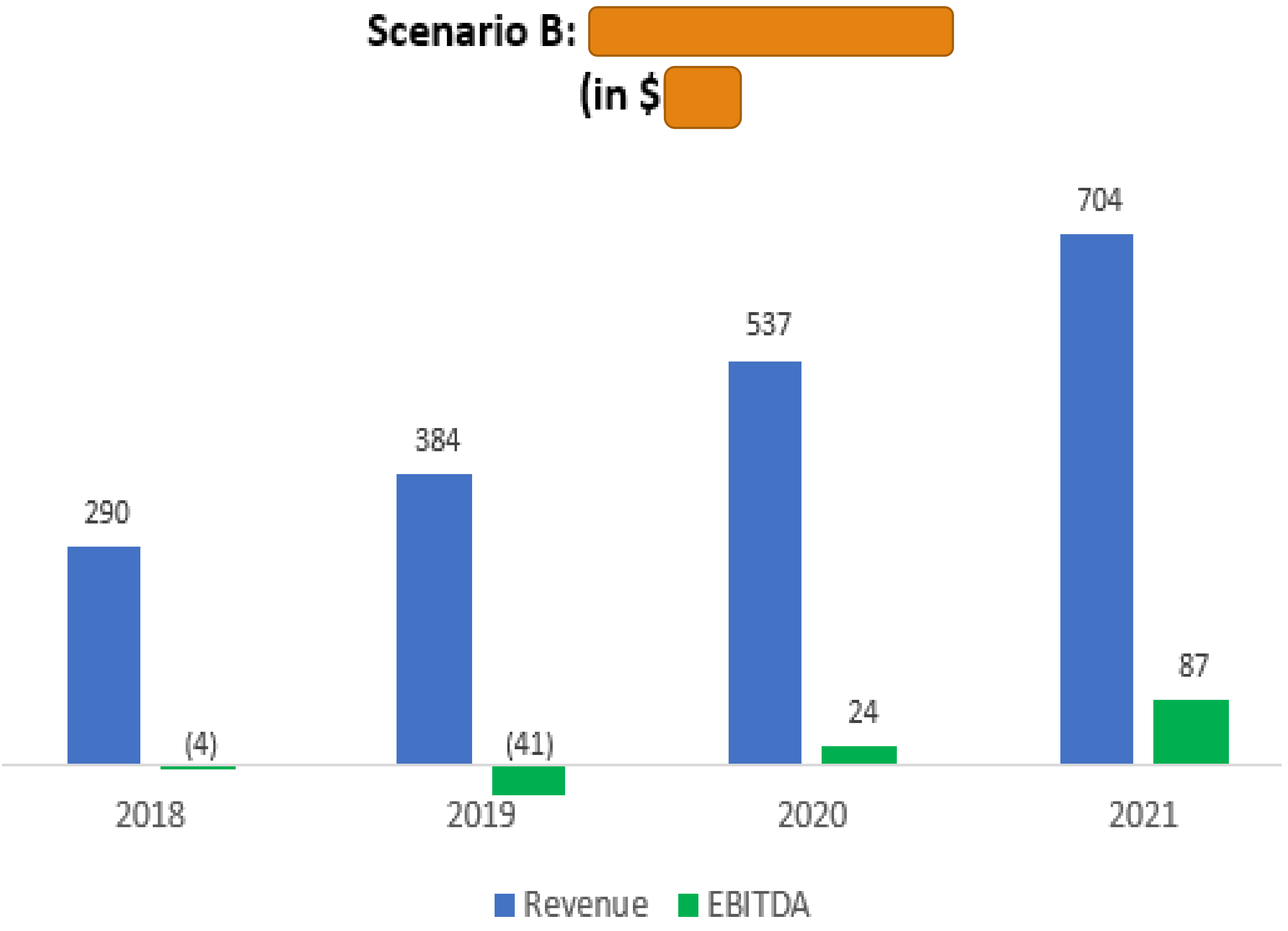
ASSUMPTIONS

- Our B2C customers will be migrated to the <Project Code Name> platform and benefit from <insert target’s differentiators here>
- Our B2C customer base growth is reinvigorated and begin tracking <Project Code Name>’s growth rate beginning month XX
- Same growth assumptions as Scenario A for the XX business starting at the YY months mark
- We will “up-level” XX business development for focus on working with major brands and high-potential partnerships
- For the other YY partners, we will wind down these businesses at a rate of ZZ% per year, with focus on minor brands and white-labeled businesses
- OPEX starts at Baseline Synergy levels and then grows proportionally with revenue

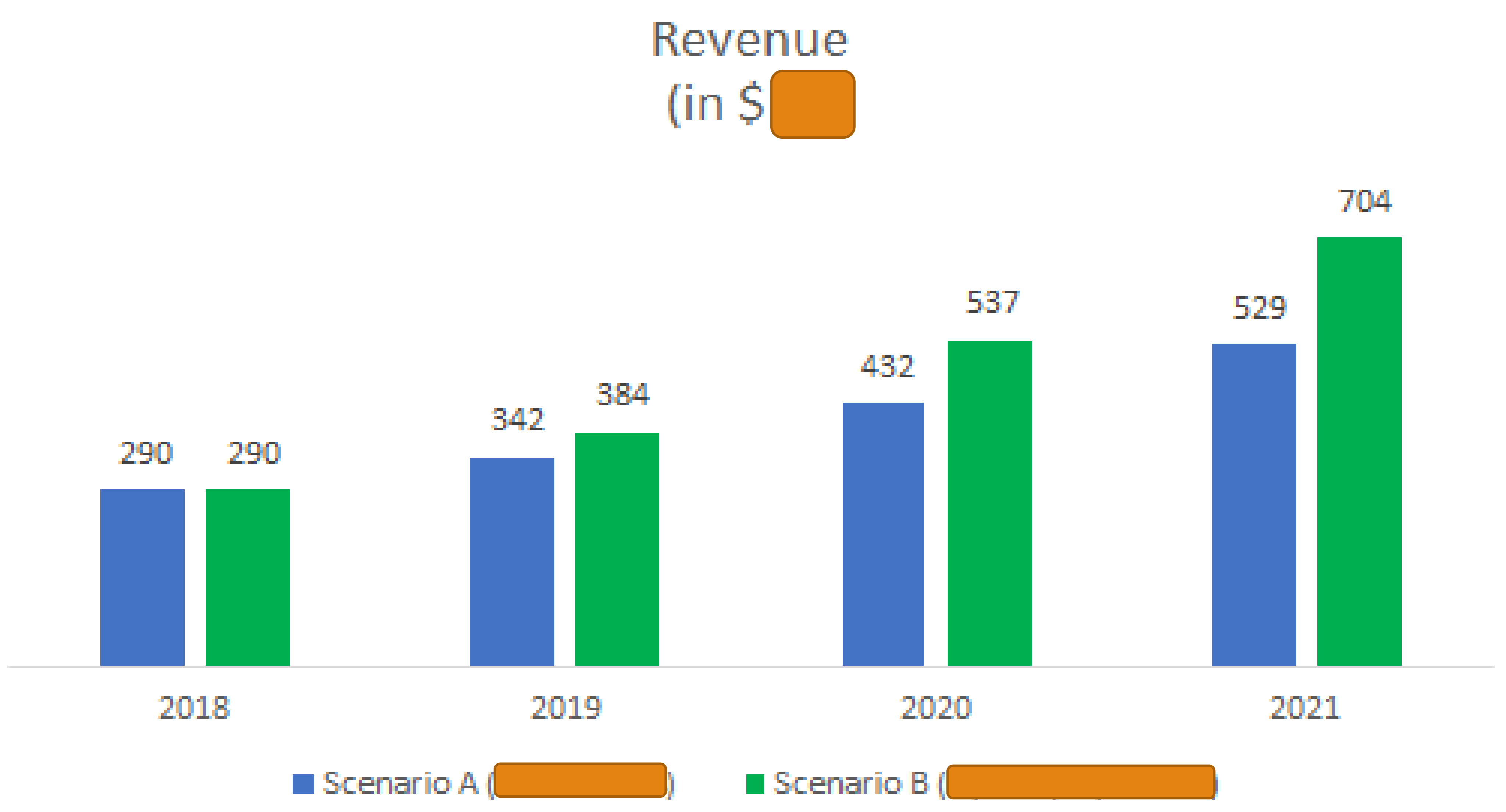
SCENARIO B | P&L

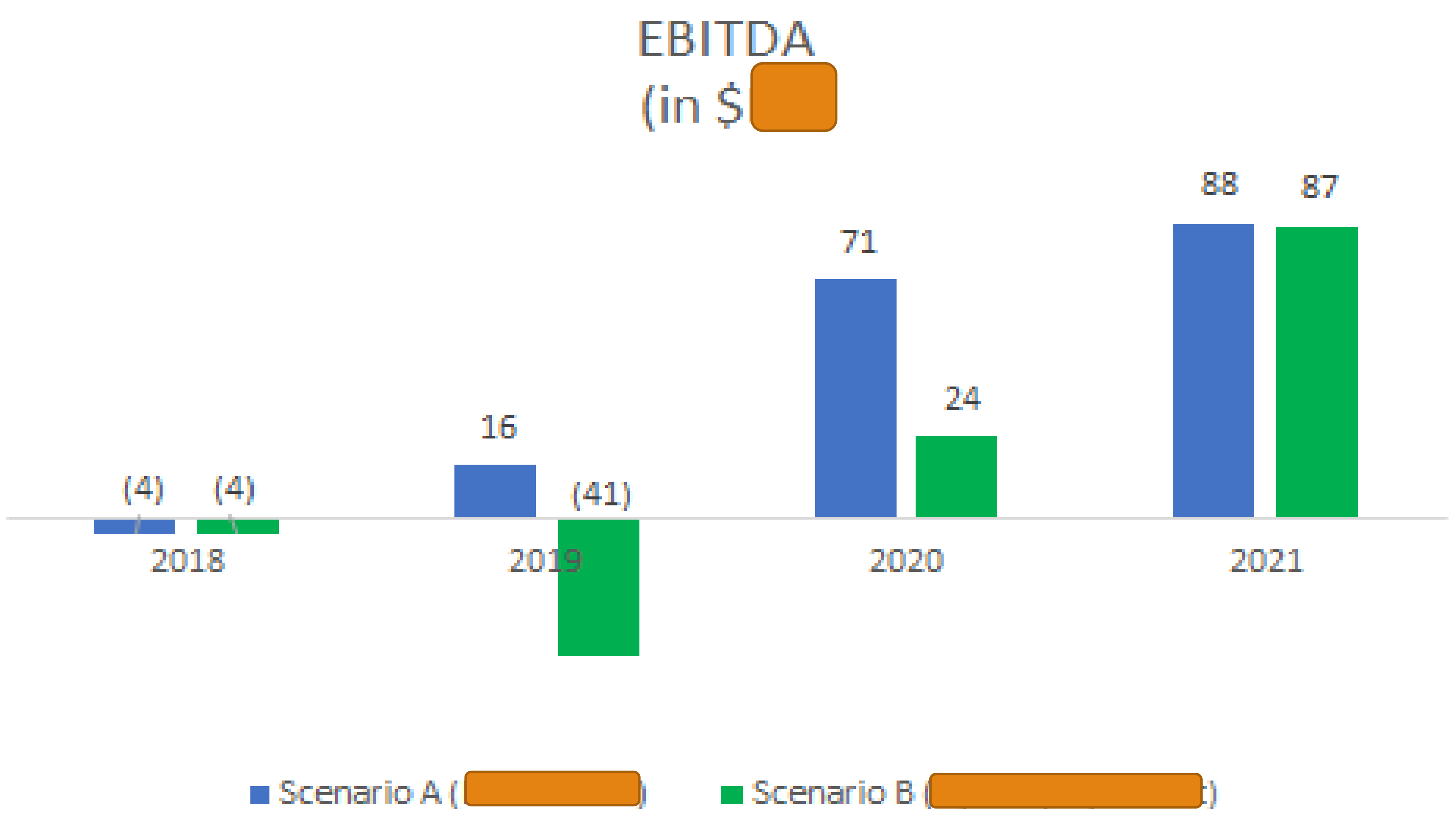
- Combined Scenario B revenue grows $XX M over YY years, from $ZZ M in 20AA to $BB M in 20CC, a DD% CAGR
  - <Project Code Name> revenue increases by $XX M
  - Our revenue increases by $YY M
- Combined Scenario B EBITDA grows by $XX M over YY years, from ($ZZM) in 20AA to $BB M in 20CC, a DDx

Combined P/L (normalized - $000's)	2018	2019	2020	2021
Revenue				
COGS				
OPEX				
EBITDA				
Revenue Synergy Impacts ($000's)				
Revenue Adjustments				
Revenue Synergies				
B2B Revenue Synergies -				
B2B Revenue Synergies -				
COGS Adjustments				
Proportional to Revenue Increase				
OPEX Adjustments				
Proportional to Revenue Increase				
Net EBITDA Impact				
Combined Baseline + Revenue Synergies ($000's)				
Revenue				
COGS				
OPEX				
EBITDA				



<Project Code Name> | SCENARIO COMPARISONS (A vs. B)





- Revenue Comparison:
  - Revenue: $XX M in favor of Scenario B
  - Revenue CAGR: YY% in favor of Scenario B

- EBITDA Comparison:
  - EBITDA $: $XX M in favor of Scenario A
  - EBITDA Growth: YYx in favor of Scenario B

<Project Code Name> | REVENUE SENSITIVITIES

- Scenario B - Hybrid Plan as Modeled
- Scenario B - Hybrid Plan if <Project Code Name> achieved 75% of revenue target
- Scenario B - Hybrid Plan if <Project Code Name> achieved 50% of revenue target
- Scenario B - Hybrid Plan if <Project Code Name> achieved 25% of revenue target

(SCEN3) HYBRID SYNERGY MODEL (000's)	2018A	2019P	2020P	2021P
Revenue				
COGS				
OPEX				
EBITDA				
EBITDA % Revenue				
@ 75% OF GROWTH (000's)				
Revenue				
COGS				
OPEX				
EBITDA				
EBITDA % Revenue				
@ 50% OF GROWTH (000's)				
Revenue				
COGS				
OPEX				
EBITDA				
EBITDA % Revenue				
@ 25% OF GROWTH (000's)				
Revenue				
COGS				
OPEX				
EBITDA				
EBITDA % Revenue				

<Project Code Name> | REVENUE SYNERGY FINDINGS

MORE ENCOURAGING	LESS ENCOURAGING
❖ Our and <Project Code Name> business focus have strong underlying synergies (XX and YY) ❖ Significant operating synergies result in a business leveraging a single technology platform and a smaller consolidated organization ❖ Scenarios that assume continued investment in B2C growth generate solid top and bottom-line growth over the three-year modeling horizon ❖ Setting aside questions about the validity / risk of each partner's projections, <Project Code Name> would have to achieve approximately **25%** of its revenue forecast to be EBITDA accretive to our 3-year plan	❖ Favorable revenue scenarios are dependent upon continued aggressive marketing investment and an increasing rate of paid customer base growth over the 3-year modeling horizon ❖ Even in the most favorable scenarios, NewCo is expected to produce negative EBITDA in its first combined year

RELATIVE VALUATION | INITIAL PERSPECTIVES

Initial revenue attribution points toward XX/YY relative valuation in Scenario B but tilt toward us in Scenario A.

EBITDA attribution is more complex and likely does not properly reflect the value created by <Project Code Name> marketing investments.

In 000's $					
Year: 2021		Combined & Normalized P& L	Combined P&L with Baseline Cost Synergies	Scenario A:	Scenario B:
Revenue	Combined				
From	Target				
From					
EBITDA	Combined				
From	Target				
From					
% Equity ownership of NewCo for each party - based on Revenue and EBITDA contributions					
Revenue	Combined				
From	Target				
From					
EBITDA	Combined				
From	Target				
From					

THANK YOU

APPENDIX

<Project Code Name> | HIGH LEVEL P&L (original)

- **20XX revenue estimate $YY M, EBITDA $ZZ M**
  - B2C revenue $XX M, ~YY% of total. Revenues appear to be net of ZZ
  - B2B revenue $XX M, ~YY% of total, of which = ~ZZ%
- **Reported 20XX COGS $YY M:**
  - COGS roughly in-line with ours but **seem to exclude XX**. Added 1 ppt to future ZZ to compensate
  - <Project Code Name> accounting excludes XX, YY, and ZZ; not fully comparable to ours. We have reclassed
- **20XX reported OPEX $YY M:**
  - Marketing spend for customer acquisition ($YY M) and retention ($AA M).
  - Includes 20XX marketing capitalization adjustment of ~$YY M. Reversal of this adjustment made to normalized OPEX

(in 000's $ unless otherwise stated)	Calendar Year Ending December 31,						
P/L	**2015A**	**2016A**	**2017A**	**2018E**	**2019E**	**2020E**	**2021E**
DTC							
, Gross (before)							
Other							
Total Revenue							
Credit Cards							
Cost of Sales							
DTC							
Other							
Gross Profit							
% Gross Margin							
Operating Expenses							
Personnel							
Non-Personnel							
Total Operating Expenses							
% Revenue							
% Growth							
EBITDA							
2018 Marketing Capitalization Adjustment							
Adjusted EBITDA							
% Margin							

REVENUE SCENARIO DETAIL BY PARTY

Scenario A

(000's)	Party	P/L Category	2019P	2020P	2021P
D2C Revenue Synergies	Combined	Revenue			
From Target	Target	Revenue			
From		Revenue			
B2B Revenue Synergies		Revenue			
		Revenue			
Other B2B partnerships		Revenue			
Revenue Synergies	**Combined**	Revenue			
From Target	Target	Revenue			
From		Revenue			

Scenario B

(000's)	Party	P/L Category	2019P	2020P	2021P
D2C Revenue Synergies		Revenue			
B2B Revenue Synergies		Revenue			
		Revenue			
Other B2B partnerships		Revenue			
Revenue Synergies		Revenue			