

VALUE DRIVEN, NOT DATA DRIVEN.

# UNDERSTANDING THE VALUE OF DATA HAS NEVER BEEN MORE IMPORTANT

Only by holistically assessing a company's data ecosystem, datasets, and algorithms can savvy investors determine data's true value and uncover hidden potential to make better investment decisions.

Just a small percentage of buyers perform due diligence aimed at underwriting tech-specific risks and opportunities. Even fewer interrogate data assets. Yet, more and more information memorandum make claims such as 'AI-driven' or 'advanced analytical decision making'.

The truth is that few traditional investors have the in-house skills to deeply assess data-intensive targets — resulting in sub-optimal investment decisions and pricing.

With years of data science and investment expertise, data due diligence dives into data assets, strategy, and capabilities to enable investors to answer the illusive question: *how effective is a target company at leveraging data and analytics to power its business and operational models?*

## WHAT QUESTIONS ARE INVESTORS ASKING ABOUT DATA?

We have worked with multiple investors seeking validation and insights into data asset — their questions can typically be grouped into three themes:

### 'Reality check'

*How real and proprietary are the AI & machine learning capabilities?*

### What insights is data offering?

*Are the data and analytics effectively optimising operations and/or decision making? How can they support further optimisation?*

### What more can be done?

*Is there hidden potential in the data? What are the internal or external data monetisation opportunities?*

## WHAT ARE THE MOST COMMON DATA DD FINDINGS?

Using our curated data ecosystem framework (SAPI), common data due diligence findings from Q1 2022 included:

### STRATEGY

Data strategies are generally not formalised & implementation is underestimated. Meaning, economies of scale & learning are being missed.



### ANALYTICS & DATA

Companies are curating representative, valuable datasets, with the majority using descriptive & diagnostic analytics. However, most have significant opportunities to evolve towards predictive & advanced analytics.

### INFRASTRUCTURE

On the back of digitalisation, data stacks are generally fit-for-purpose & scalable.



### PEOPLE

Data teams are often 'home-grown' or outsourced, and boxed into supporting roles. Data culture, literacy & processes are patchy.

## DATA DUE DILIGENCE

Q1 2022

DataDiligence is creating a vital new category of due diligence: **data due diligence**

In Q1 2022, we concluded:

**7 data DDs**  
**3 data VDDs**

across

**Europe, Africa, Australia, & USA**

in

**Retail, Fintech, Hospitality, Software, & Logistics**

with

**Enterprise Values**  
**US\$ 10m-1bn+**

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# DISCOVERING VALUE

*"I see a growing need for data due diligence. DataDiligence's findings enabled us to make a faster, more informed investment decision."*

MANAGING PARTNER, US-BASED PE FUND

DATA DUE DILIGENCE

Q1 2022

## HOW WE ADD VALUE TO YOUR INVESTMENT DECISIONS?

Our data due diligence normally takes 5-15 days (scope depending) and seamlessly plugs into the integrated DD process, typically alongside other advisors. Throughout our interactions and within our findings report, we share our expert opinions, risks assessment and recommendations, providing you with insights into:



### Validation

- ✓ What data assets are in place, plus those not yet leveraged (hence not in the 'books')?
- ✓ How proprietary and wide is the data moat?



### Visibility

- ✓ Do the data assets represent a premium or discount valuation (data moat vs. data risks)?
- ✓ The feasibility of data plans/initiatives, plus the ability of the team to develop, deploy and deliver them.



### Value creation

- ✓ What's blocking the realisation of data's value (esp. decision making, optimisation & monetisation)?
- ✓ The scalability of data assets & ecosystem in the short, medium and long term; plus remedial & value creation recommendations.

Depending on scope, our typical data due diligence fees range from US\$20 - 70k, though we consider some unique risk sharing projects. Examples of data value creation opportunities identified in our Q1 2022 diligences included:

	Data/analytics opportunity	Potential value	Investment required	Time estimate to unlock value
Client A	Decrease opex & increase SaaS revenue	US\$ 15m	US\$ 1.5m	~24 mths
Client B	SaaS demand forecasting	US\$ 2.5m	US\$ 500k	~18 mths
Client C	Sale of data	US\$ 15m	US\$ 500k	~18 mths

## 5 POINTS TO CONSIDER

Finally, and importantly, before commencing any DD, we recommend investors and advisors ask themselves:

1. How much does the target's underlying data ecosystem play into value creation, today and in the future?
2. Are we investing in data due diligence proportionately to the perceived value?
3. Do we have the experience—or know where to get it—to truly understand the data nuances in this particular space and to develop unique insights?
4. Is data diligence integrated with the broader commercial and financial due diligence effort, so the insights and recommended actions are consistent with where the value lies?
5. Are these insights flowing directly into the value-creation plan to jump-start the investment thesis delivery post-acquisition?



Professional team of highly experienced **data scientists, consultants & M&A advisors**



Years experience **+55**



across multiple **sectors, geographies & client maturity**



Data projects successfully completed **+100**



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DATA DUE DILIGENCE

DATA STRATEGY

DATA DELIVERY

DATA SCIENCE AS A SERVICE

[www.datadiligence.com](http://www.datadiligence.com)

We help businesses identify, extract & monetise the consumer, product, & operational insights buried in their data. We achieve this by changing the way investors & management teams value their data assets - providing them with data validation, valuation and value creation, resulting in:

- Better investment decisions
- True insights & trend analysis
- Breakout opportunities
- Improved returns

**data:diligence**