

# 3HR Legal Weekly

## Commercial

### Due Diligence in Mergers and Acquisitions

In M&A, the buying company must carefully look at and confirm all the target company's relevant information. It will want to ensure that it knows what it is buying and what obligations it is assuming, the nature and extent of the target company's liabilities, problematic contracts, litigation risks and intellectual property issues, etc. This is the goal of due diligence – for the buying company to be satisfied and comfortable enough to go through with the deal and close it.

Below is a table describing some of the pertinent information that should be available during the due diligence process. This list is not exhaustive and not all information will be relevant to all M&A deals, but we have included our opinion of what information should be seen as necessary at least in preparation for the due diligence stage.

What:	Why:	3HR says:
Financial matters	The buyer will want all of the target's historical financial statements and projections of future performance.	This information is essential – without healthy accounting information, the buying company is unlikely to complete the deal.
Technology/intellectual property	The buyer will be interested in the extent and quality of the target company's technology and IP.	This information may not be relevant to all deals but when preparing for due diligence, it is a good idea to make sure that the adequate protections are in place.
Customer/sales	The buyer will want to understand the target company's customer base, including the important customers, revenues generated by them and what risks there are.	For any target company that sells goods or services, this will be essential information for the buyer.
Material contracts	The buyer will want to review all the material contract commitments of the target company. Through these contracts, the buyer will be able to spot any problems that may occur when the deal is completed.	Whilst this can be the most time-consuming component, it is critical to the process. All contracts should be reviewed and made available to the buyer. 3HR's Commercial Team can assist with the review for either party.
Employee/management issues	The buyer will want to understand the quality of the target company's management and employee base.	The target's HR department should be asked to collate the relevant information, including management charts, pending disputes, manuals/policies etc. 3HR's HR and Employment Team can readily assist with this task.
Insurance	The buyer will want to undertake a review of the key insurance policies of the target company's business.	Almost every company will have some form of insurance so the target should make this information readily available, as well as ensuring all policies are up to date.
Property	The buyer will review all property owned by the target or otherwise used in the business, including deeds, leases, title deeds, mortgages, etc.	This information is essential in all due diligence investigations and so all the relevant information should be collated ready for inspection. 3HR's Commercial Property Team is on hand to assist with any property issues or review requirements.

**Shamina Chowdhury**  
Solicitor  
E: [shamina.chowdhury@3hrlegal.com](mailto:shamina.chowdhury@3hrlegal.com)



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