Foundy

Due Diligence Questions for B2C Software (inc. mobile apps) – Preparing for Acquisition

Introduction:

As a B2C or mobile app business owner or advisor, preparing for an acquisition can be intense, particularly during due diligence. Buyers will scrutinise every part of your business, from your financial health to compliance with healthcare regulations.

At **Foundy**, we specialise in supporting business owners through **long-term exit planning** and **deal execution**, ensuring a smooth and successful process. You can learn more here: foundy.com/sellers. In addition to completing many acquisitions with sell-side clients, Foundy has over 14,000 self-registered acquirers, and we have valuation and deal data on over 1 million historical transactions, including funding rounds and acquisitions. This is updated daily via credible sources such as Capital IQ and Beauhurst.

This guide outlines key due diligence questions that buyers are likely to ask, with context and recommendations for each one to help you prepare. By understanding what buyers are looking for, you'll be in a stronger position to impress them and achieve a favourable outcome. The result? You can unlock additional significant share value, possibly 7 or 8 figures.

Section 1: Generic Due Diligence Questions (50%)

1. Company Structure & Overview

- **Context:** Buyers need a clear understanding of your company's structure, including key personnel and decision-making processes. In the mobile app space, it's important to demonstrate strong leadership with a clear vision for the app's growth and user base expansion.
- **Question:** *Can you provide an organisational chart detailing key personnel, decision-making structures, and ownership distribution?*
- **Green Flag:** Clear roles and responsibilities within your team, an experienced leadership team, and transparency around decision-making processes.

- **Red Flag:** Unclear roles, high turnover, or complicated ownership structures that hinder decision-making.
- **Actionable Recommendation:** Use **Lucidchart** or similar tools to create a detailed and professional organisational chart. Clearly define responsibilities for each team member, especially if you have key developers or product leads. Learn more about creating effective organisational charts here.

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2. Financial Data

- **Context:** Financial health is critical for buyers of mobile apps. Key metrics include **Monthly Active Users (MAU)**, **Average Revenue Per User (ARPU)**, **Customer Acquisition Cost (CAC)**, and **Lifetime Value (LTV)**. Buyers will focus on your app's revenue consistency and growth potential.
- **Questions:**
    - *Can you provide financial statements showing revenue, MAU, ARPU, CAC, and LTV?*
    - *What are your financial projections for the next 1-3 years?*
- **Green Flag:** Consistent revenue growth, low CAC relative to LTV, and increasing ARPU.
- **Red Flag:** Declining user engagement (e.g., MAU) or unsustainable customer acquisition costs.
- **Actionable Recommendation:** Ensure your key metrics (MAU, ARPU, CAC, LTV) are well-documented and show a positive trajectory. Use tools like **Mixpanel** or **Google Analytics** to track user metrics and financial performance. Learn more about **financial KPIs for apps** [here](#).

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3. User Retention & Engagement

- **Context:** User retention and engagement are key indicators of a mobile app's long-term success. Buyers will want to know how effectively you're retaining users and reducing churn.
- **Questions:**
    - *What is your app's user retention rate (e.g., 30-day, 90-day retention)?*
    - *What strategies do you use to keep users engaged and prevent churn?*
- **Green Flag:** High retention rates with active user engagement strategies (e.g., push notifications, email marketing, loyalty programs).
- **Red Flag:** High churn or stagnant user growth.
- **Actionable Recommendation:** Showcase a clear **retention strategy** that includes personalised user engagement tactics (e.g., push notifications, in-app rewards). Use tools like **CleverTap** or **Braze** to improve engagement. Learn more about user retention strategies here.

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4. Intellectual Property & App Security

- **Context:** Your app's intellectual property (IP) and security are valuable assets. Buyers want to know that your app is protected legally and that user data is secure.
- **Questions:**
  - *Do you have any trademarks or patents protecting your app's brand and features?*
  - *How do you ensure the security of user data (e.g., encryption, privacy policies)?*
- **Green Flag:** Trademarks, patents, and strong data security protocols that comply with GDPR or CCPA.
- **Red Flag:** Lack of legal protections or outdated security measures.
- **Actionable Recommendation:** Ensure your app is legally protected through **trademarks** or **patents** and that all user data complies with security standards. Consider obtaining a **SOC 2** or **ISO 27001** certification. Learn more about IP protection here.

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5. Personnel & Key Employees

- **Context:** Buyers want to ensure that the talent behind the app is stable. Developers and product managers who have intimate knowledge of the app's code and roadmap are particularly valuable.
- **Questions:**
  - *How do you retain key talent, such as app developers and product managers?*
  - *Are there any critical dependencies on specific employees or third-party developers?*
- **Green Flag:** A stable team with retention strategies in place (e.g., equity options or performance bonuses).
- **Red Flag:** High turnover or over-reliance on specific developers.
- **Actionable Recommendation:** Implement retention strategies such as equity or performance-based incentives to retain key talent. Learn more about retaining software talent here.

Section 2: B2C Mobile App-Specific Due Diligence Questions (50%)

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1. User Acquisition & Monetisation

- **Context:** In B2C mobile apps, user acquisition strategies and monetisation models (e.g., in-app purchases, ads, subscriptions) are critical to your app's revenue growth. Buyers will evaluate how effectively you can attract and monetise users.
- **Questions:**
  - *What are your main user acquisition channels (e.g., App Store optimisation, paid ads)?*
  - *How does your app monetise users (e.g., in-app purchases, subscriptions, ads)?*

- **Green Flag:** A scalable user acquisition strategy with consistent growth in user base and revenue.
- **Red Flag:** High acquisition costs with low monetisation rates.
- **Actionable Recommendation:** Optimise your **App Store listing** and leverage paid ad campaigns (e.g., Google Ads, Facebook Ads) to drive user acquisition. Use **RevenueCat** for managing in-app purchases and subscriptions. Learn more about app monetisation [here](#).

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2. App Store Performance & Ratings

- **Context:** Buyers will examine your app's performance in app stores (iOS, Android) and user ratings/reviews. A high rating and strong user feedback can be a huge value driver for potential acquirers.
- **Questions:**
    - *What is your app's average rating in the App Store and Google Play Store?*
    - *How do you handle negative user reviews and improve app performance?*
- **Green Flag:** High average ratings (4.5+), positive reviews, and responsive customer support.
- **Red Flag:** Low ratings, frequent crashes, or unresolved user complaints.
- **Actionable Recommendation:** Continuously monitor and improve your app's performance through regular updates. Respond to user reviews to show engagement. Use tools like **AppFollow** to track reviews and rankings. Learn more about app store optimisation [here](#).

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3. App Scalability & Product Roadmap

- **Context:** Buyers will want to know if your app is scalable and whether you have a clear product roadmap that includes future updates, features, or geographical expansion plans.
- **Questions:**
    - *What are your plans for scaling the app to accommodate more users or enter new markets?*
    - *Can you provide your product roadmap for the next 12-24 months?*
- **Green Flag:** A scalable app infrastructure with a well-defined product roadmap that includes future feature rollouts and updates.
- **Red Flag:** Lack of scalability or a poorly defined product roadmap.
- **Actionable Recommendation:** Ensure your product roadmap includes plans for scalability (e.g., moving to a scalable cloud infrastructure like AWS). Clearly communicate planned updates and features to potential buyers. Learn more about app scalability [here](#).

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4. Compliance with App Store Guidelines

- **Context:** Non-compliance with **Apple App Store** or **Google Play Store** guidelines can lead to app suspension, a major concern for buyers. Buyers will want to know that your app complies with all relevant policies.
- **Questions:**
    - *Is your app compliant with App Store and Google Play Store policies?*
    - *Have there been any suspensions or warnings from the app stores?*
- **Green Flag:** Full compliance with no previous issues.
- **Red Flag:** History of app suspensions or frequent policy violations.
- **Actionable Recommendation:** Regularly review and update your app to ensure compliance with **App Store** and **Google Play Store** guidelines. Learn more about **App Store guidelines** [here](#).

At **Foundy**, we are dedicated to helping **you** not only prepare for sale but also navigate the complexities of the acquisition process from start to finish. Our unique approach combines **long-term exit planning** with **deal execution**, ensuring our clients are always in the best position to achieve a successful outcome.

Download this resource now and reach out to Foundy if you're considering selling your company or need assistance. With our specialised expertise, we'll support you in planning the **best exit strategy** for your business, sourcing relevant acquirers, readying your company for sale and securing the best deal. It is suggested that exit planning should start 1 to 2 years before an exit. However, a lot can be achieved in much less time.

Connect with our CEO & Founder via Joe@foundy.com or [Linkedin](#). Book in a confidential [call here.](#)