



# Technology Due Diligence for a Venture Capital Firm Investing in a SaaS Provider for Hospitality Sector

- ANALYSE
- PLAN
- DELIVER
- OPTIMISE

## BACKGROUND

Our client, a prominent Venture Capital (VC) firm, was considering investment in a SaaS company offering unique technology solutions within the hospitality sector. The target company's technology had revolutionised customer experience in high-end hotels and brands. As the firm and its technology were relatively new, the VC wanted to ensure the technology's viability, resilience, and reliability. They also sought an independent review of the technology team, their capabilities, and their target operating model.

## TECH DD APPROACH

We deployed our proven ACT methodology:

1. **Assess:** We started by understanding the business model and value proposition of the target SaaS company. This initial step was crucial for us to understand the VC's assumptions about how technology presents and creates value in the target business. Once we had a clear understanding, we combined data collection with analysis to generate an initial report.
2. **Challenge:** In this phase, we challenged the information provided by the SaaS firm's management to ensure its validity. We examined their ML data model and worked through a technology change, assessing how they rationalized, prioritized, and made decisions.
3. **Transform:** The final stage was not merely reporting our findings but looking at the potential transformation of technology and its impact on the overall value creation plans.

## DUE DILIGENCE RESULTS

The due diligence process uncovered the following critical insights:

1. **Team:** The target company's team was bright, articulate, and driven. We were confident that they could deliver the 3x growth plan. However, evident skills gaps and confusion about the roles and expectations of the tech leadership were areas of concern.
2. **Budget:** The budget aligned with the growth plan, and provisions for tech opex increases were made. However, the budget for future hiring and wage increases in the tech team was flat and did not appear to consider the skill gaps, which posed a significant concern.
3. **Technology:** The tech stack was modern, scalable, and maintainable. However, there was a significant resilience issue that the team had patched but not fully addressed, leaving an "Achilles Heel" that posed a risk to the brand reputation given their high-profile, global customer base.

## MANAGEMENT'S REMEDIATIONS

Our findings led to a reevaluation of the tech stack and an upgrade to a more resilient option. The target company also decided to increase their fundraising efforts to attract and retain the necessary tech staff. Despite the challenges identified, our assessment confirmed that the target company had a novel, exciting idea, a robust technology solution, and a dedicated technology team, making it a worthy investment.



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