

# Due Diligence Checklist for an AI / ML Company

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13 due-diligence areas covering technology, data, financials, legal & team

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# Table of Contents

**01** Corporate & Strategic Overview

**02** Market & Competitive Landscape

**03** AI/ML Technology Assessment

**04** Data Due Diligence ★

**05** Product & Use Case Validation

**06** Revenue Model & Financials

**07** Customers & Traction

**08** Legal, IP & Compliance

**09** Security & Risk

**10** Team & Talent

**11** R&D & Innovation Pipeline

**12** ESG & Ethical AI

**13** Exit & Scalability Assessment

## Company Fundamentals

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- ▶ Company history & incorporation documents
- ▶ Cap table (fully diluted)
- ▶ Founder background
- ▶ Technical depth vs business execution

## Strategic Positioning

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- ▶ Vision: product vs platform vs infrastructure
- ▶ Vertical AI — healthcare, fintech, manufacturing
- ▶ Horizontal AI — LLMs, analytics, automation
- ▶ Market category: SaaS AI / AI Infra / DeepTech / Applied AI

## Market Presence

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- ▶ Key partnerships
- ▶ Cloud, data providers, enterprise clients
- ▶ Exit readiness
- ▶ IPO vs acquisition positioning



### Market Sizing

- ▶ TAM / SAM / SOM (bottom-up preferred)
- ▶ Market maturity assessment
- ▶ Emerging vs crowded market analysis



### Competitors

- ▶ Direct — same model/application
- ▶ Indirect — manual process, SaaS alternatives
- ▶ Market positioning & differentiation



### Competitive Moat

- ▶ Data advantage & proprietary datasets
- ▶ Model performance superiority
- ▶ Switching costs & customer lock-in

## Benchmarking Metrics

### Accuracy vs Competitors

Standardised benchmark comparisons

### Cost per Inference

Operational efficiency measure

### Latency

Response time at scale

## A · Model Architecture

- ▶ **Model Type**
  - LLM / CV / NLP / RL / Hybrid
- ▶ **Proprietary vs Open-source Base**
  - Fine-tuned models & derivations
- ▶ **Model Size & Training Approach**
  - Pre-training vs fine-tuning vs RAG
- ▶ **Explainability (XAI capability)**

## B · Model Performance

- ▶ **Core Metrics**
  - Accuracy / Precision / Recall / F1
  - BLEU / ROUGE for NLP tasks
- ▶ **Benchmark vs Industry Standards**
- ▶ **Drift Detection & Retraining Frequency**
- ▶ **Real-world vs Lab Performance Gap**

### C · MLOps & Infrastructure

- ▶ **CI/CD Pipelines for ML**
- ▶ **Model Deployment**
  - Cloud: AWS / Azure / GCP
  - On-prem / edge deployment
- ▶ **Monitoring**
  - Latency tracking
  - Model degradation alerts
- ▶ **Versioning & Rollback Mechanisms**

### D · Scalability

- ▶ **Inference Cost per Transaction**
- ▶ **GPU / Compute Efficiency**
- ▶ **Horizontal Scaling Capability**
- ▶ **Third-party API Dependency Risk**
  - OpenAI, Anthropic reliance
  - Vendor lock-in considerations

### Data Sources

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- ▶ Proprietary / licensed / scraped data
- ▶ Data ownership & rights verification
- ▶ Volume & uniqueness — core moat

### Data Quality

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- ▶ Label accuracy assessment
- ▶ Bias & class imbalance checks
- ▶ Representative coverage analysis

### Data Pipeline

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- ▶ Ingestion → cleaning → labeling → storage
- ▶ Pipeline automation & reliability
- ▶ Monitoring & SLA adherence

### Compliance

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- ▶ GDPR, HIPAA, DPDP Act (India)
- ▶ Data residency requirements
- ▶ Synthetic data usage (if any)

## 05 · Product & Use Case Validation

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- ▶ **Product Maturity**
  - MVP / Beta / Production
- ▶ **Core Use Cases & ROI for Customers**
- ▶ **Integration Complexity**
  - API-first vs heavy deployment
- ▶ **UI/UX Quality**
- ▶ **Customisation vs Standardised Product**
- ▶ **Customer Stickiness**
  - Daily usage frequency?
  - Embedded in customer workflow?

## 06 · Revenue Model & Financials

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### A · Revenue Streams

- ▶ SaaS / usage-based / licensing
- ▶ Enterprise contracts vs SMB
- ▶ % AI-driven vs services revenue

### B · Financial Metrics

- ▶ ARR/MRR growth
- ▶ Gross margin (AI infra vs SaaS)
- ▶ CAC & LTV · Burn rate & runway

### C · AI Unit Economics

- ▶ Cost per inference
- ▶ Training cost vs revenue scaling
- ▶ GPU/cloud spend as % of revenue

## 07 · Customers & Traction

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- ▶ **Key Clients (logos + concentration risk)**
- ▶ **Contract Types**
  - Pilot vs long-term contracts
- ▶ **Retention Metrics**
  - Net Revenue Retention (NRR)
- ▶ **Pipeline Visibility**
- ▶ **Case Studies (quantified ROI)**

## 08 · Legal, IP & Compliance

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### A · Intellectual Property

- ▶ Patents (filed / granted)
- ▶ Ownership of models & code
- ▶ Open-source license compliance (MIT, GPL risk)

### B · Regulatory

- ▶ AI regulations — EU AI Act, India DPDP
- ▶ Industry-specific: healthcare, BFSI

### C · Contracts

- ▶ Data usage agreements
- ▶ Customer SLAs
- ▶ Vendor / cloud contracts

## 09 · Security & Risk

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- ▶ **Data Security Architecture**
- ▶ **Cybersecurity Audits**
- ▶ **Model Risks**
  - Hallucinations (LLMs)
  - Bias / fairness issues
- ▶ **Dependency Risk**
  - API reliance — OpenAI, Anthropic

## 10 · Team & Talent

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- ▶ **Founders**
  - AI depth: PhD vs applied engineers
- ▶ **Team Composition**
  - ML engineers vs software engineers
- ▶ **Attrition Risk**
- ▶ **Hiring Pipeline**
  - AI talent scarcity strategy

## 11 · R&D & Innovation

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- ▶ **Product Roadmap**
  - Model upgrades pipeline
  - New use cases planned
- ▶ **Research Partnerships**
  - Universities & labs
- ▶ **% Revenue Invested in R&D**

## 12 · ESG & Ethical AI

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- ▶ **Responsible AI Policies**
- ▶ **Bias Mitigation Strategies**
- ▶ **Environmental Impact**
  - Compute-heavy model footprint
  - Carbon accounting
- ▶ **Governance Frameworks**
  - AI ethics board or committee
  - Alignment with global AI standards

## 13 · Exit & Scalability Assessment

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- ▶ **Strategic Buyers**
  - Big Tech acquirers
  - SaaS platform consolidators
- ▶ **Platform Potential vs Feature Risk**
- ▶ **Global Scalability**
  - Multi-region deployment readiness
  - Language & localisation capability
- ▶ **Defensibility over 5–10 years**
  - Proprietary data & IP moat



# 13 Areas. One Framework.

*Rigorous AI/ML Due Diligence by 99th Street Advisory*

Technology & Data Depth

Financial & Legal Rigour

Team & Exit Assessment

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