

A growth investment checklist

Appendix B, item by item. A prompt for judgment, not a substitute for it: no single failed item disqualifies, no set of passed items guarantees. The point is that every question is asked on purpose, not skipped under deal pressure.

Company		Prepared by	
Round		Date	

Question	Status	Owner	Evidence or answer
Readiness and fit			
Genuinely growth-stage: proven product-market fit, revenue at scale, durable growth?			
Momentum real, or bought with burn, one-time revenue or churning customers?			
Does the company need growth capital, and is this the moment?			
Market and moat			
Market large, growing, and structured so a durable winner can emerge?			
TAM built bottom-up rather than asserted?			
A moat that can be tested: switching costs, network effects, scale, data?			
Customer concentration measured?			
Unit economics			
ARR and its growth, with honest definitions (contracted, recurring)?			
Gross and net retention, and cohorts with new-customer growth stripped out?			
Gross margin, CAC payback, burn multiple?			
Rule of 40, and why if it fails?			
Reported metrics reconciled to source data?			
Team			
Can this team take the company to the next stage?			
Off-list references on integrity, coachability, hiring?			
Alignment on vision, governance and expectations before money goes in?			
Valuation and returns			
Entry ownership, and an ownership-adjusted return model: base, bear, bull, with realistic dilution?			
How much does multiple compression hurt at this entry price?			
Walk-away price set before negotiations heat up?			
Structure			
Liquidation preference a clean 1x non-participating?			
Anti-dilution, option pool, pro rata, board, information and protective provisions aligned with a durable partnership?			
Cap table and waterfall modelled across a range of exits?			
Diligence and portfolio fit			
Commercial, financial, product, legal and market diligence verified, not just accepted?			
Any yellow flag that rises to a dealbreaker?			
Fits sizing, reserves, diversification and liquidity; can you defend pro rata later?			

Readiness screen and metrics, reported against rebuilt

Chapters 4 and 7. Run the six tests in order and stop at the first failure of the first three. Then rebuild every metric from source: the column that matters is the gap.

Company		Prepared by	
Round		Date	

Test	Question	Pass?	Evidence
1. Proven demand	Behavioural evidence (retention, expansion, word of mouth) that a defined set of customers needs this and keeps using it?		
2. Scale and growth	Meaningful revenue in absolute terms, growing fast, from durable demand rather than a tiny base or a spending spree?		
3. Quality of growth	Cohorts hold and expand, revenue genuinely recurring, acquisition and service economics improving with scale?		
4. Runway	Market large and expanding enough for years of fast growth?		
5. Endgame	A believable path to profitability; could it stand on its own?		
6. Fit and timing	Is growth capital right now, not too early and not a business that should sell? Is there a catalyst?		

Metric	Definition used	Reported	Rebuilt	Gap
ARR	contracted, committed, recurring; no services, no run-rate of a best month			
Growth rate	ARR now against a year ago, on the same definition			
Gross revenue retention	losses only, no credit for expansion			
Net revenue retention	and the same figure excluding the largest accounts			
Cohorts	oldest cohorts: flattening or decaying?			
Gross margin	software and services split			
CAC payback (months)	fully loaded CAC ÷ monthly gross profit per new customer			
LTV / CAC	rebuilt at mature-cohort churn and today's margin			
Burn multiple	net burn ÷ net new ARR, same period			
Magic number	net new ARR ÷ prior-period sales and marketing			
Rule of 40	growth + margin, and say which margin			

Return model, walk-away price and waterfall

Chapters 9 and 10. Every multiple is a constant divided by the price, so the walk-away price is two divisions. Write the bars before the process starts. Then read the waterfall at three exits before you sign.

Company		Prepared by	
Round		Date	

Input	Value	Input	Value
Investment (I)		Dilution per later round	
Post-money offered		Later rounds before exit	
Entry ARR		Years to exit	
Ownership kept $k = (1 - \text{dilution})^{\text{rounds}}$		Entry multiple of ARR	

Scenario	ARR at exit	Exit multiple	Exit value V	Multiple = $I \div \text{post} \times k \times V \div I$	IRR
Base					
Bear					
Bull					

Walk-away	How	Result
Required base multiple	written down before the process	
Bear floor	the multiple you can live with	
Price the base bar allows	$k \times V(\text{base}) \div \text{base bar}$	
Price the bear floor allows	$k \times V(\text{bear}) \div \text{bear floor}$	
WALK-AWAY PRICE	the smaller of the two	

Waterfall at	Poor exit	Middling exit	Strong exit
Exit value			
Senior preferences, in order			
Your choice: preference or convert			
You receive			
Your ownership $\times$ exit (the paper figure)			
Gap, and why			

Diligence plan: five workstreams, each with a hypothesis

Chapter 11. Triage first: which workstream holds this deal's biggest unknown? Give each a hypothesis with a yes-or-no answer and a place to look, not a topic. Name the dealbreakers before you fall for the deal.

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Workstream	Example hypothesis	Your hypothesis	Owner	Finding	Dealbreaker if
Commercial	Top ten customers are not month-to-month and cannot walk at renewal; cohorts rebuilt from the customer-level table.				
Financial	Reported ARR is contracted and recurring and reconciles to the general ledger; burn and working capital explained.				
Product and technology	The scalability claim holds under the load the plan assumes.				
Legal and cap table	Cap table, preferences and prior rounds as represented; no surprises in the waterfall.				
Market	Market size built bottom-up; references and channel checks off the company's list.				

Flags named before diligence as dealbreakers	Found?	Decision

The first ninety days on a growth team

Chapter 15. Days 1 to 30: absorb and become reliable. Days 31 to 60: own a workstream and form views. Days 61 to 90: begin to source. By day ninety: reliable analysis, a developing point of view, early evidence you can find deals.

Name		Firm	
Start date		Mentor	

Period	What the chapter asks	Your three commitments	Done?
Days 1 to 30	Read recent memos, including the passes; learn how the committee decides; master the house standards for a model and a diligence file; meet everyone you depend on; deliver first assignments precisely and on time.		
Days 31 to 60	Own a workstream (a diligence thread, part of a model, a metrics deep-dive) and drive it to a conclusion; state views in memos with evidence and humility; pick one or two themes to go deep on.		
Days 61 to 90	Turn the thesis into a small pipeline; reach out where appropriate; bring the firm one or two interesting names it was not tracking.		

Theme	Why it can compound for years	Companies found	Contacted