Due diligence guide

Best practices for deciding which investments to pursue and who to work with
Overview

The private markets are becoming more competitive—and valuable. With so much capital at risk, investors are emphasizing due diligence now more than ever.

To navigate this complex and evolving landscape, many firms are looking beyond the traditional means of conducting due diligence towards a more data-driven approach. The reason: Timely, accurate financial data helps substantiate claims, focus research and drive better decision-making. However, unless that information is thoroughly vetted and housed in a centralized database, it’s hard to trust—let alone find.

In this guide, we look at how you can use PitchBook to access granular data on financial sponsors’ past performance as well as detailed information on companies’ financing histories, series terms, cap tables and revenue figures—so you can confidently identify which investments to pursue and who to work with faster.

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Due diligence is about understanding how a business really works. Every detail matters—from existing engagements with customers and relationships with vendors, to the workforce itself and what the competitive environment for that company looks like. PitchBook makes it easy to compare a potential investment to similar companies and industry trends, so you can feel confident in the target’s growth and trajectory.

Here’s how.
Accessing timely and accurate data

Private companies don’t answer to public shareholders, so they’re less regulated. This means they don’t have to disclose earnings reports or submit financial statements for auditing, which makes it hard to find reliable, accurate information about them. The same goes for most private market investors. That’s where PitchBook comes in.

Powered by advanced machine learning technologies and a team of more than 1,000 primary and secondary researchers, PitchBook offers unparalleled insights into the global capital markets, including detailed information on companies, deals, funds, investors and service providers.

How PitchBook collects data

**Gather:** More than 650,000 web crawlers scan the internet—capturing relevant financial information from news articles, regulatory filings, websites, press releases and more.

**Organize:** Our natural language processing and machine learning technology organizes the data and filters out anything irrelevant.

**Calculate:** Our specialized data teams collect, calculate and verify key figures to build in-depth datasets with information you can’t find anywhere else.

**Vet:** Our quality assurance team uses preventative validations, corrective validations and manual reviews to relentlessly vet every piece of data.

**Communicate:** Our primary research team communicates directly with people involved in deals to validate information and gather hard-to-find details.
Evaluating a company’s financial and nonfinancial metrics

Millions of companies and hundreds of thousands of investors and advisers across the globe have profiles on PitchBook that are thoroughly vetted. Simply click on any entity to get detailed information on its financing history, last known valuation, timelines, affiliates, team members, board seats, exits, investors and more.

1. Look at the highlights
   See employee count, fundraising status, last deal details, post valuation, total raised to date and valuation step-ups (these stats can also be edited to feature the data points most relevant to you).

2. See relevant timelines and add a company to your working list
   Know when deals happened at a glance by round and amount or round and valuation. You can also select the “Follow” button in the upper left of the screen to add a company to any working list for quick reference later.

3. Get the basics
   View a detailed description of the company, investor or adviser, as well as primary contact info for key decision makers there.

Audit financial data faster
With a single click, you can drill down into any public financial metric within PitchBook to see how it’s calculated and access a direct link to the source document.

The same functionality is also available through the PitchBook Excel Plugin.
4 View similar companies

View any company’s main competitors. Note that this is just a sample list—not a comprehensive market map, which can be found using the “Market Maps” feature in the left sidebar. You can also select “Explore Competitive Landscape” to see a complete list of similar companies.

5 See key nonfinancial growth metrics

Select the Signals feature to quickly evaluate the traction and growth of private companies using current data on their web presence and social reach. The growth rate metric shows the average weekly growth rate over the trailing eight weeks. The size multiple metric shows the sum of a company’s total nonfinancial signals divided by the median company nonfinancial signal size within PitchBook.

6 Get instant access to relevant public comps

Simply click on the “Public Comps” tab to see a comprehensive list of similar publicly traded companies, including a summary of key metrics such as median and mean ratios for P/E, P/S, PB and EV/EBITDA for quick comparison.
Why a lack of private market data exposes investors to more risk

Although it’s easier than ever to obtain public market information, the consequential blind spot left from a lack of private market intel exposes investors to significant risk—including mispricing deals, overlooking opportunities and falling behind the market. Overcoming these challenges (and mitigating risk in an investment) starts with having the right level of information to be confident in your deal terms.

Proper due diligence founded in private market data can protect against overpaying for a deal. With access to information on hundreds of thousands of private market deals, LPs and GPs can also better analyze the factors that make an investment a strategic fit for them.

As markets and companies shift at a faster pace, keeping up with change and adapting accordingly becomes simultaneously more important and more challenging. Investors who track the industry in real time will be able to refine their theses based on actual market conditions and get in front of new investment opportunities habitually.

With access to information on the entire venture capital, private equity and M&A landscape, investors can make more confident decisions when it comes to calculating valuations, sourcing deals and tracking market trends.
Finding comparable private and public companies

PitchBook allows you to quickly create a list of comparable private and public companies based on the attributes that are most relevant to you or your client—including industry, location, pre- and post-money valuations, total capital raised, revenue figures and more. This could include identifying all the mobility tech companies in California with Series B funding, for example, or listing all the PE-backed healthtech companies in Europe that have recently been acquired.

1. Conduct a Companies & Deals search
   This search option will set up the following advanced search fields for you to select from.

2. Search by location
   Narrow your search by specific region here. Check “Search HQ Only” to target the main office and eliminate satellite branches. By selecting “any office location,” you can see the branches of a company that’s headquartered in another region.

3. Filter by industries, verticals & keywords
   Select an industry and/or vertical to focus in on a sector and then add keywords to target specific products, services or themes. Choosing the “Industry AND Vertical” box will narrow your results by screening companies that are only tagged under both fields. By selecting the “Industry OR Vertical” option, your search will be broadened to pull in companies tagged to either.

4. Refine your list further
   You can also filter your search results by backing, business, ownership status and more.
5 Run the search to see an overview of your search results
The overview screen includes quick stats on the number of companies, deals and investors active in the space as well as the largest deal amount, total capital invested and the median post-money valuation during the time period you’ve selected.

6 Quickly visualize the aggregate results of your search
Scroll down the page to view other helpful overview charts and relevant reports based on your search results, including up-to-date market maps, capital breakdowns, company count by geography, PitchBook and Morningstar analyst notes and more.

Q Using “and/or” search logic within PitchBook
After choosing your search terms, it’s important to select “and/or” or “custom” search logic to broaden or narrow your search results to include either some or all the keywords you’ve entered.

“OR” search logic mode—combines all your search terms with “or,” meaning your search will retrieve results that contain at least one of the search terms. This will yield the broadest set of results.

“AND” search logic mode—combines all your search terms with “and,” meaning your search will retrieve results that contain all the search terms you’ve entered. This will yield the narrowest set of results.

“Custom” search logic mode—allows you to use any combination of Boolean operators (“and,” “or” and “not”) as well as parentheses to create nested queries, which lets you to target your search even further.
VETTING POTENTIAL INVESTMENTS

7 View specific deal details
Select the “Companies” tab to reference details on each individual company.

8 Refine your search results
Add in columns by selecting the “Edit Columns” tab to view and arrange the specific data points matter most to you, whether that’s last known valuation, primary industry or verticals, last financing date, type and size, or even active investors. A helpful tip: Save the preferred view as a layout to reference these same details in other searches.

Comps charting and analytics
Within the “Pivot Table” tool, you can add and remove fields to build out a customized view of the aggregated data from your search results.

With the “Charts” function, you can also edit the chart settings to view the data in different ways, like a bar graph, pie chart, stacked bars or histograms.

You can also use the drop-down menus on the right left of the screen to break down that information by a specific data point—or even export your results to Excel with a single click.

Have existing data you need converted to incorporate information from PitchBook? Just ask your customer success manager, and they’ll happily do it for you.

Can’t find what you’re looking for?
If you have trouble capturing an accurate space, simply click the live chat feature to talk to a real person on our support team.
You can always reach out to your customer success manager directly, too.
Researching executives

PitchBook’s “People” search feature makes it easy to see which executives are associated with specific companies and deals—so you can know immediately who’s working there as well as what companies and deals they’ve worked with before.

1. **Conduct a people search**
   
   This search option will set up the following advanced search fields for you to select from.

2. **Enter company name**
   
   Type in the name of a specific company or copy and paste names from an existing list.

3. **Choose general position level or specific title**
   
   Using the preset search options in the “Position Levels” will pull in a wider range of professionals with similar titles at each organization, ranging from director level and above. Entering in a specific “Position Title” will only pull search results that match the exact title entered.
4 Run the search

The results will display a list of individuals that match the search criteria you’ve entered, including their current title, email, direct phone number and biography.

5 Get background information on specific executives

Select an individual’s name to view details on their experience—including information about other deals they’ve worked on, if any.
How Digital+ Partners uses PitchBook to determine more precise valuations and inform negotiations

Founded in 2015, Digital+ Partners is a Frankfurt and Munich based growth equity firm that was created with a clear objective: filling the DACH region’s late-stage VC financing gap. Differentiated by its deep domain expertise and unique international corporate network, the firm invests in best-in-class B2B technology companies and helps them scale into global, digital leaders.

“We spend a lot of time looking at revenue and assessing how those metrics could evolve. We rely on the data we get from PitchBook to do this, and it helps us make much more educated valuations.”

—Julian Mattes, Principal, Digital+ Partners

Whether looking at a target company’s revenue or how similar businesses have performed, Julian Mattes, Principal at Digital+ Partners, says his firm uses PitchBook to access the financial data it needs to build better comparables and inform its negotiation strategy.

“We use PitchBook to find every comparable company,” Mattes says. “Then we dig deep into that information, comparing multiples over time and look at the revenue of those companies to inform how we think a potential portfolio company’s revenue could evolve.” This research helps Digital+ Partners prepare for negotiations with founders.

“We use PitchBook to do our own benchmarking,” Mattes says. “Founders always come to negotiations with their own expectations and research, so we use PitchBook to look at their European and US peers to see how they have evolved, so we’re ready for those discussions.”

Now, with a growing portfolio of technology companies spread across the DACH region and in the United States, Digital+ Partners continues to leverage PitchBook to inform its investment decisions.

“We heavily rely on PitchBook,” Mattes says. “It’s one of the best tools we can use.”
Researching financial sponsors

From tracking fund managers to monitoring investment activity, having a full view into the private markets can help lead to better decision-making. By providing insights across the entire landscape of private capital—from limited partners and commitments down to GPs, funds, investments, companies and individuals—PitchBook can help you get the details you need to move forward with confidence.

Here’s how.
Creating targeted investors lists

PitchBook allows you to search for strategic acquirers and financial sponsors based on their previous investments, co-investors, available dry powder, fund performance or investment preferences to find the most promising ones for your next deal. This could include identifying the most active VC firms involved in early-stage deals for SaaS companies based in the UK since 2017, for example, or creating a list of all the corporate acquirers with most M&A transactions for companies in the B2B sector in the last year.

1. **Conduct an Investors & Buyers search**
   This search option will automatically set up the following advanced search fields for you to select from.

2. **Select investor type**
   PitchBook tags an investor to multiple types depending on how they behave. For example, a PE growth equity firm that may also do late-stage VC deals could show up in a venture capital firms search. Check “Search For Primary Investor Type Only” if you want to see investors’ main areas of focus.

3. **Choose deal criteria**
   Check “Completed” under deal status to only view completed transactions. Enter “Deal Date” to set a range for when those deals were completed.

4. **Pick deal location**
   This refers to the location of the company that was involved in the deal, not the location of the investor.

5. **Filter by industries and verticals**
   Like investor types, companies within PitchBook are tagged to multiple industries and verticals. Checking “Select Primary Industry Only” means you’ll only see companies whose primary industry tag is the one you’ve selected.

6. **Run the search**
   To see which investors have made the most investments toward companies that match the criteria you’ve selected, sort your search results by the “Investments” column by clicking the arrow on top of that field.
Comparing fund performance

Understanding why one fund is out-performing another or how funds of the same strategy perform over time is critical for finding high-performing vehicles. To help you make more confident allocation decisions and maximize returns, PitchBook makes it easy to look at similar funds’ portfolio construction, industry focus, IRR and quarterly cash flow multiples.

1. Conduct an investors & buyers search
   This search option will set up the following advanced search fields for you to select from.

2. Select fund criteria
   The main criteria to set are fund type, fund size, fund location and vintage year.

3. Choose vintage year
   We recommend using one vintage year. Be sure it’s in both the “From” and “To” fields (e.g. 2013-2013).

4. Pick fund status
   Check “Closed” to see only funds that are no longer accepting commitments or “Open” to see funds that are still fundraising.

Q. Researching by fund families

A series of funds that share the same strategy, geography and financial sponsor is called a fund family. Using PitchBook’s unique Fund Families feature, you can easily compare open funds to historical funds of the same strategy to better understand how well they have performed.

To access the feature, simply search an investor profile through the general search bar or through the “Advanced Search” feature, starting with “Funds.” Then select the “Fund Families” tab.
RESEARCHING FINANCIAL SPONSORS

The results will display a list of investors associated with the funds set by the search criteria. You can click over to the “Funds” tab to see the actual list of funds.

Select the “Funds” tab to view details on each individual fund. Add in columns to view the return multiples for each fund.

**Benchmarking best practices**

Introducing industry and company data can help better classify and compare performance than traditional benchmarks allow.

Consider also including information on things like portfolio construction, industry focus and where an investment is made, since all these factors can be helpful for creating a more accurate understanding of fund performance.

Not sure where to get started? Reach out to your customer success manager, and they’ll help you build any custom benchmark you need.
7 **Visualize the data**

Select the “Pivot Table” tab and click the “Funds” option to aggregate the funds into one group and pull the median and mean from them. Use the grey “+” to add other sorting filters. Choose the blue “+” to see other performance metrics such as IRR, DPI and TVPI.

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**Funds charting and analytics**

Within the “Pivot Table” tool, you can add and remove fields to build out a customized view of the aggregated data.

Within the “Funds Charting” function, you can edit the chart settings to view the data in different ways like a bar graph, pie chart or stacked bars.

You can also use the drop-down menus on the right side of the screen to break down that information by a specific data point.
PitchBook gives you the ability to see how a specific fund’s quartiles stack up against those in a custom peer group. This functionality allows you to benchmark a fund more accurately against any peer group you choose—and to get a more objective view of its performance and place in the landscape.

1. **Conduct an investors & buyers search**
   This search is used to identify types of funds that have an investment preference or focus on specific industries or locations.

2. **Select fund criteria**
   The main criteria to set are fund type, fund size, fund location and vintage year.

3. **Pick fund status**
   Check “Closed” to see only funds that are no longer accepting commitments or “Open” to see funds that are still fundraising.

4. **Choose vintage year**
   We recommend using one vintage year. Be sure it’s in both the “From” and “To” fields (e.g. 2013-2013).

5. **Choose specific deal types and industries**
   After creating your custom peer group, you can narrow the list down further by selecting the type of industry or deal type where the fund has been active.
6 Run the search

The results will display a list of investors associated with the funds set by the search criteria. You can click over to the “Funds” tab to see the actual list of funds.

Determine top and bottom quartiles

- Select the “Pivot Table” tab and select the “Funds” option.
- Close out all the grey field columns and rows and click the blue “+” in the row of light blue boxes in the table.
- Select “IRR Median,” “IRR 25th,” and “IRR 75th.” For all funds within this kind of search, having an IRR below the “IRR 25th” places them in the bottom quartile, and having an IRR above “IRR 75th” places them in the top quartile. Other metrics, such as DPI or TVPI, can also be valuable when assessing fund performance.
RESEARCHING FINANCIAL SPONSORS

Researching fund managers

PitchBook’s “People” search feature gives you the ability to see what deals specific fund managers have been associated with previously—so you can know if they’ve consistently driven returns (or got lucky once) with insight into how those transactions affected their fund’s performance.

1 Conductor a people search

This search option will set up the following advanced search fields for you to select from:

- **Enter firm name**
  Type in the name of a specific firm or copy and paste names from an existing list.

2 Enter firm name

3 Choose general position level or specific title

Using the preset search options in the “Position Levels” will pull in a wider range of professionals with similar titles at each organization, ranging from director level and above. Entering in a specific “Position Title” will only pull search results that match the exact title entered.
4 Run the search

The results will display a list of individuals that match the search criteria you’ve entered, including their current title, email, direct phone number and biography.

5 Get background information on specific fund managers

Select an individual’s name to view details on their experience—including information about other deals they’ve worked on.
About PitchBook

It all started with seven people working in a 200-square-foot, windowless office. Founder John Gabbert was pursuing an idea his former employer nixed—a database that covered private equity.

In 2009, we launched PitchBook Desktop. With each new dataset and feature, we've expanded and improved. Now, PitchBook tracks every aspect of the public and private equity markets, including venture capital, private equity and M&A.

Our focus has always been—and will always be—our clients. What data matters most to them? What would make their jobs easier? How can we help them make informed decisions?

Now part of Morningstar, we continue to give our clients the data and tools they need to be successful.

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