



THE SYSTEM CFO SERIES
HINDOL DATTA

FREE ASSESSMENT

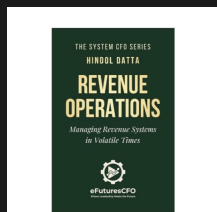
PILLAR 4: PLANNING & GROWTH STRATEGY | TOOLKIT #47 OF 37

THE M&A TARGET SCREENING AND VALUATION READINESS

*Building Pre-Deal Capability That
Separates Good Acquisitions from Expensive Mistakes*

20-Question Diagnostic | 5-Page Assessment

Score Your Organization 1-5 Across Four Dimensions
Identify Gaps and Build Your Action Plan



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Where Leadership Meets the Future

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QUESTIONS 1-5

Section A: Acquisition Strategy and Target Identification

Do You Know What You Are Looking For — or Are You Evaluating Every Deal That Comes Along?

Most failed acquisitions fail before the LOI is signed — they fail in target selection. Organizations that lack clear acquisition criteria end up evaluating every opportunity that investment bankers present, consuming management time on deals that never should have been considered. The System CFO builds acquisition criteria that are specific, measurable, and directly linked to strategic objectives, ensuring discipline in the top of the M&A funnel.

A. ACQUISITION STRATEGY AND TARGET IDENTIFICATION

1	Documented acquisition criteria exist — the organization has defined the strategic, financial, and operational characteristics of ideal targets including size, geography.	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
2	Acquisition strategy is linked to corporate strategy — the rationale for pursuing acquisitions (market entry, capability acquisition, scale, talent, IP) is explicitly connected to the	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
3	A target pipeline is actively maintained — potential acquisition targets are identified, tracked, and prioritized in a structured format, not pursued only when an investment	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
4	Screening criteria include financial thresholds — minimum revenue, maximum valuation multiple, margin requirements, and integration cost limits are defined to quickly filter	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
5	The organization has defined what it will NOT acquire — anti-criteria (industries to avoid, deal sizes too large, integration complexity too high) are documented to prevent	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best

SECTION A SCORE: Total: _____ / 25 Average: _____ / 5

QUESTIONS 6-10

Section B: Financial Due Diligence Capability

Can Your Finance Team Execute Due Diligence — or Do You Need to Outsource Everything?

Financial due diligence is the CFO's most critical contribution to the deal process. Missing a revenue quality issue, an accounting policy difference, a hidden liability, or a working capital timing manipulation can turn a good deal into a value-destroying acquisition. The System CFO builds internal capability to conduct rigorous financial due diligence while knowing when to engage specialists for complex areas.

B. FINANCIAL DUE DILIGENCE CAPABILITY

6	A financial due diligence framework exists — a standardized checklist covering revenue quality, earnings normalization, working capital, debt and debt-like items, tax risks, and	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
7	Quality of earnings analysis capability exists — the finance team can analyze a target's reported earnings, identify non-recurring items, normalize adjustments, and calculate	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
8	Working capital analysis is part of every evaluation — the organization understands the target's working capital cycle, seasonality, and the appropriate mechanism (opex, collar, true-	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
9	Tax due diligence is conducted — federal, state, and international tax positions, NOL carryforwards, transfer pricing, and tax-related contingencies are evaluated for every	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
10	The organization knows when to engage external due diligence firms — for complex targets (international, highly regulated, unusual accounting), the organization has relationships with	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best

SECTION B SCORE: Total: ____ / 25 Average: ____ / 5

QUESTIONS 11-15

Section C: Valuation Methodology and Deal Structuring

Can You Value a Target Independently — Not Just Accept the Banker's Number?

The acquirer's CFO must be able to independently value a target and evaluate deal structure. Relying solely on the sell-side banker's valuation is like relying on a real estate agent to set your budget. The System CFO builds valuation models using multiple methodologies, stress-tests assumptions, and evaluates deal structures that protect the acquirer while remaining attractive to the seller.

C. VALUATION METHODOLOGY AND DEAL STRUCTURING

- | | | | | | | |
|----|--|-------------|-------------|----------|------------|-----------|
| 11 | Multiple valuation methodologies are applied — DCF, comparable company analysis, precedent transactions, and LBO analysis (if relevant) are used to triangulate a defensible value range for | 1
Non-Ex | 2
Ad Hoc | 3
Dev | 4
Estab | 5
Best |
| 12 | Valuation models incorporate synergy and integration costs — the acquisition value is evaluated on a fully loaded basis including expected synergies (with probability weighting) | 1
Non-Ex | 2
Ad Hoc | 3
Dev | 4
Estab | 5
Best |
| 13 | Deal structure alternatives are evaluated — cash vs. stock, earnout mechanisms, seller financing, escrow provisions, and representation insurance are assessed for their impact on risk | 1
Non-Ex | 2
Ad Hoc | 3
Dev | 4
Estab | 5
Best |
| 14 | Maximum price discipline exists — the organization defines a walk-away price before negotiations begin, and the CFO has the standing and support to enforce this discipline when deal | 1
Non-Ex | 2
Ad Hoc | 3
Dev | 4
Estab | 5
Best |
| 15 | Accretion/dilution and return on invested capital are modeled — the financial impact of the acquisition on EPS, ROIC, and leverage is modeled to confirm that the deal creates value at | 1
Non-Ex | 2
Ad Hoc | 3
Dev | 4
Estab | 5
Best |

SECTION C SCORE: Total: _____ / 25 Average: _____ / 5



QUESTIONS 16-20

Section D: Deal Process Management and Governance

Is Your Deal Process Structured — or Chaotic?

M&A deals create intense time pressure, emotional momentum, and organizational distraction. Without a structured deal process and clear governance, organizations make rushed decisions, skip critical diligence, and commit to terms they later regret. The System CFO builds a deal process that maintains rigor under pressure, with defined stage gates, clear decision authority, and structured board engagement.

D. DEAL PROCESS MANAGEMENT AND GOVERNANCE

16	A stage-gate deal process exists — from initial screening through LOI, due diligence, definitive agreement, and closing, each stage has defined deliverables and approval requirements	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
17	Board engagement is structured — the board is briefed at appropriate milestones (pre-LOI strategy, post-diligence findings, pre-signing terms) with sufficient time for informed	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
18	Deal team roles are pre-defined — legal, finance, tax, HR, IT, and operations integration leads are identified before a deal process begins, with clear responsibilities and time	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
19	Confidentiality and information security protocols exist — procedures for managing sensitive deal information, code names, clean rooms, and need-to-know restrictions are	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
20	Post-deal review is mandatory — within 12-18 months of closing, the organization formally compares actual results against the deal model, documenting lessons learned for future	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best

SECTION D SCORE: Total: ____ / 25 Average: ____ / 5

OVERALL ASSESSMENT SCORE

Section A: ____ / 25 Section B: ____ / 25 Section C: ____ / 25 Section D: ____ / 25 TOTAL: ____ / 100 AVG: ____ / 5

GAP TO GOAL

Gap-to-Goal Action Plan

Bridging the Gap — M&A Target Screening and Valuation Readiness Diagnostic

Transfer your five lowest-scoring questions. For each gap, define the target state, specific actions, owner, timeline, and success metric. Focus on highest-impact gaps first.

GAP #	Q REF	CURRENT	TARGET	SPECIFIC ACTION TO CLOSE GAP	OWNER	DEADLINE	METRIC
1	Q__	___/5	___/5	_____	_____	_____	_____
2	Q__	___/5	___/5	_____	_____	_____	_____
3	Q__	___/5	___/5	_____	_____	_____	_____
4	Q__	___/5	___/5	_____	_____	_____	_____
5	Q__	___/5	___/5	_____	_____	_____	_____

ASSESSMENT SUMMARY

Completed by: _____ Date: _____

Overall average score: ___ / 5 Items scored 1-2 (critical): ___

Items scored 3 (developing): ___ Items scored 4-5 (strong): ___

Top strength: _____

Most critical gap: _____

One action this week: _____

READY TO GO DEEPER?

This free assessment identified your gaps. The Premium System CFO Toolkits provide the frameworks, templates, and action plans to close them. Visit EfuturesCFO.com





READY TO GO DEEPER?

This Assessment Identified the Gaps. The Premium Toolkit Closes Them.

PREMIUM: The Enterprise Value Driver Map (12 Pages)

The full premium toolkit includes the seven-driver value assessment framework applicable to both self-evaluation and target screening, valuation methodology templates, synergy quantification tools, and the enterprise value bridge for connecting acquisition strategy to value

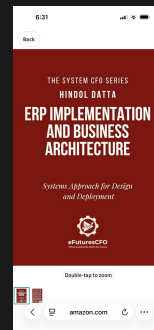
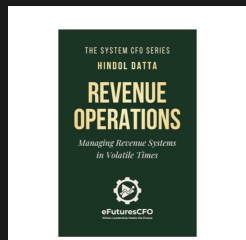
*Plus: Access the ^{creation} Super Exclusive 46-Page
System CFO Organizational Finance Assessment Kit*

ABOUT THE AUTHOR

Hindol Datta

25+ years as CFO and VP Finance | \$150M+ in M&A | CPA, CMA, CIA, PMP, CPIM

Author of The System CFO Series | MS Analytics, Georgia Tech



EfuturesCFO.com

LinkedIn: Hindol Datta | YouTube: @efuturescfo

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