

---

FRACTAL · BUY-SIDE FRAMEWORK

# SaaS FDD checklist.

The forty questions we run through on a full buy-side mandate. Quality of ARR, cohort retention, unit economics, working capital, quality of earnings, commercial diligence, structural risk. The questions we ask before we write the first line of a report.

Version	<b>v1.0 — 2026</b>
Pages	<b>14</b>
Audience	<b>Investment professionals, deal teams</b>
Author	<b>Gaetan Brillaud, Fractal</b>

## INTRODUCTION

# How to use this.

This is not a template. It is the working checklist we pull up at the start of every SaaS buy-side mandate — the questions we want answered before we start writing. Some will be obvious for your deal. Some will be irrelevant. The point is not to tick them all. The point is to decide, deliberately, which ones to skip.

Seven sections. Forty numbered items. Each item carries a one-line question — the **Ask** — that you can drop into a data request or a Q&A session as-is.

## Sections.

01	Quality of ARR	6 items
02	Cohort retention	6 items
03	Unit economics and CAC	6 items
04	Working capital and cash	6 items
05	Quality of earnings	6 items
06	Commercial diligence	6 items
07	Risk and structural items	4 items

*A last note on tone. We wrote this in the voice we use in our own work. Direct, specific, willing to name the thing. If something here reads too blunt, that is probably why.*

## 01 · SECTION ONE

# Quality of ARR.

ARR is the easiest number to manipulate and the hardest to argue with. Most of the work on a SaaS deal happens here. Before anything else, confirm what is actually recurring.

— 01

## Subscription vs services mix

Split the top-line into pure subscription, platform fees, usage-based, and professional services. Anything below 80% subscription for a product labelled SaaS deserves a conversation.

*Ask: Can we see the full SKU taxonomy with revenue by SKU over the last 24 months?*

— 02

## Usage-based revenue classification

Usage charges that exceed contracted minimums are not ARR. They are variable. Check the MSA: what is committed, what is metered, what is overage.

*Ask: What portion of usage revenue sits above the committed floor, customer by customer?*

— 03

## One-off implementation fees

If onboarding fees are being smoothed into MRR, the reported ARR is overstated. Check the revenue recognition policy against ASC 606.

*Ask: How are implementation, training, and migration fees recognized in the P&L;?*

— 04

## Annual prepaid contracts

An annual prepay booked in January is \$120k of bookings and \$10k of monthly revenue. If the company shows \$120k in both places, you have a problem.

*Ask: Reconcile bookings to ARR to deferred revenue to GAAP revenue for the last eight quarters.*

— 05

## List price vs realized price

Ramp deals, discounts, and free months distort the picture. The ARR you care about is the ARR that is actually being invoiced right now, not the steady-state number baked in by month twelve.

*Ask: Show me entry ARR, steady-state ARR, and the ramp schedule for the top 20 customers.*

— 06

## Multi-element arrangements

Bundled contracts with hardware, services, or resale components need to be unbundled before anything is called recurring.

*Ask: Pull the five largest contracts and walk me through the revenue allocation.*

## 02 · SECTION TWO

# Cohort retention.

Retention is where growth becomes durable — or quietly collapses. Never trust a blended number. Pull it apart by cohort, segment, and product line.

— 07

## Gross and net dollar retention

Gross retention tells you if the product is needed. Net retention tells you if it expands. Both matter. A 115% NDR on 78% GDR is a very different company from 105% NDR on 95% GDR.

*Ask: Monthly GDR and NDR by acquisition cohort, last 36 months.*

— 08

## Logo retention by cohort

Revenue retention can hide logo churn when the remaining customers expand aggressively. Logo retention by cohort is the cleaner read.

*Ask: Customer count retention curves, per cohort, with a clear definition of what counts as a churned logo.*

— 09

## Segment-level retention

SMB and enterprise churn at different rates. A company shifting up-market can show improving retention without the underlying SMB book actually stabilizing.

*Ask: GDR and NDR split by ACV band.*

— 10

## Channel retention

Self-serve and sales-led cohorts have different economics and different churn profiles. So do resold contracts.

*Ask: Retention by acquisition channel.*

— 11

## Notified-churn pipeline

Logos that have cancelled but are still inside their paid term sit in ARR until the contract ends. If this pipeline is growing, the ARR number is already walking.

*Ask: Backlog of notified churners by expected off-boarding month.*

— 12

## Expansion mechanics

Is NDR driven by seat expansion, usage, or price increases? Each has a different risk profile and a different headroom.

*Ask: Break expansion dollars into seats, usage, price uplift, and cross-sell for the last 12 months.*

## 03 · SECTION THREE

# Unit economics and CAC.

A company with great retention and broken CAC is still a bad deal. Unit economics are where the growth narrative meets the cash reality.

— 13

## CAC payback period

Fully-loaded CAC, including marketing and sales ops, divided by gross-margin-adjusted new ARR per month. Payback under 18 months is fine. Over 30 is a flag unless retention is exceptional.

*Ask: Monthly CAC payback, last 24 months, with the full cost stack included.*

— 14

## LTV / CAC

Useful but directional. The inputs — lifetime, gross margin, discount rate — are all assumptions. Ask how they built the number.

*Ask: Show the LTV calculation with every assumption exposed.*

— 15

## Sales efficiency (magic number)

Quarterly net new ARR divided by prior-quarter S&M; spend. Above 0.75 is healthy. Below 0.4 is structural.

*Ask: Quarterly magic number for the last eight quarters.*

— 16

## Contribution margin by customer

Some logos are unprofitable. Heavy support, custom work, edge-case infrastructure. Pull the contribution margin on the top 20 and the bottom 20.

*Ask: Gross margin per customer at the top and the bottom of the book.*

— 17

## Rule of 40

Growth rate plus free cash flow margin. Above 40 is good. The interesting question is composition: a 60/–20 company is not a 40/0 company.

*Ask: Rule of 40 components quarterly, with a clean bridge from EBITDA to FCF.*

— 18

## Cost-to-serve

Infrastructure, support headcount, customer success. If these scale linearly with revenue, the gross margin ceiling is lower than the model assumes.

*Ask: Cost-to-serve per customer and per dollar of ARR, trended.*

## 04 · SECTION FOUR

# Working capital and cash.

SaaS cash dynamics are driven by billing terms, deferred revenue, and commission timing. The P&L; rarely tells this story properly.

— 19

## Billing terms and prepayment rate

What share of ARR is billed annually upfront versus monthly in arrears? This drives the cash curve more than anything else.

*Ask: Prepayment mix by customer cohort, last 12 months.*

— 20

## Deferred revenue waterfall

Deferred revenue falling against flat bookings is a quiet early signal. A waterfall showing when deferred revenue will unwind is essential.

*Ask: Monthly deferred revenue balance with movement and an aging schedule.*

— 21

## DSO and collection discipline

A deteriorating DSO in a subscription business usually means onboarding friction, disputed invoices, or a soft renewal process.

*Ask: DSO trended monthly, and the AR aging bucket above 60 days.*

— 22

## Commission accounting (ASC 606)

Capitalized commissions are a judgment area. Check the amortization period and the alignment with contract term.

*Ask: Commission cap schedule with the policy memo.*

— 23

## Free cash flow conversion

Adjusted EBITDA to free cash flow, stripped of one-offs. A growing gap between the two is where surprises hide.

*Ask: Monthly bridge from adjusted EBITDA to FCF for the last 24 months.*

— 24

## Capex discipline

Capitalized software development can flatter EBITDA. If capex is rising faster than revenue, ask why.

*Ask: Capex by category, with the capitalization policy.*

## 05 · SECTION FIVE

# Quality of earnings.

Management adjustments are where credibility is earned. Each one needs a defensible reason and a clean audit trail.

— 25

## Non-recurring items

M&A; costs, litigation, one-off consulting. Each add-back should tie to an invoice or a board resolution.

*Ask: Schedule of non-recurring adjustments with underlying evidence.*

— 26

## Run-rate adjustments

Annualizing a good month is not a run-rate. Run-rate adjustments need a stated policy — usually trailing three or six months.

*Ask: Methodology memo for all run-rate normalizations.*

— 27

## Synergy and pro-forma

Pro-forma cost saves that are not yet actioned are not synergies. They are intent.

*Ask: Evidence that each pro-forma adjustment is already actioned or has a committed timeline.*

— 28

## Related-party transactions

Founder rent, affiliated suppliers, inter-company loans. Make sure they are priced at arm's length or removed from the base.

*Ask: Full related-party register with pricing and terms.*

— 29

## Stock-based compensation

SBC is a real cost. Whether to adjust it depends on the lens — but the treatment needs to be consistent across the company and the comps.

*Ask: SBC by function, by vesting schedule, for the last 24 months.*

— 30

## Foreign exchange

Where revenue and costs are in different currencies, FX swings look like operational performance. Strip them out.

*Ask: Constant-currency P&L; for the period under review.*

## 06 · SECTION SIX

# Commercial diligence.

The numbers tell you what happened. Commercial diligence tells you whether it can keep happening.

— 31

## Pipeline quality

Coverage is not the same as conversion. Late-stage pipeline that has been stalled for more than 90 days is usually dead.

*Ask: Pipeline by stage with age-in-stage, and win-rate history by stage.*

— 32

## Sales team productivity

Quota attainment distribution. A company where two reps carry the number is a fragile company.

*Ask: Attainment distribution per rep, last four quarters.*

— 33

## Competitive win-loss

Why customers chose, why prospects chose elsewhere. Patterns matter more than anecdotes.

*Ask: The last 50 closed deals, won or lost, with the reason codes.*

— 34

## Concentration risk

Top customer, top 10, top channel. Above 15% from one logo starts to matter. Above 30% drives the whole deal structure.

*Ask: Revenue concentration at customer, channel, and geography level.*

— 35

## Pricing elasticity

Have prices increased? By how much? What did churn look like around price moves?

*Ask: Price history and the churn response to each pricing action.*

— 36

## Product roadmap credibility

Where is the R&D; budget going? Does it match what the product team is shipping?

*Ask: R&D; spend by workstream and the shipped-feature log for the last 12 months.*

## 07 · SECTION SEVEN

# Risk and structural items.

The questions that protect the deal terms, not the valuation.

— 37

## Customer contract risk

Change-of-control clauses, termination for convenience, price protection. Anything that lets the top ten walk after close.

*Ask: Contract abstracts for the top 20 customers.*

— 38

## Employee concentration

Founders, key engineers, revenue leaders. Retention packages, non-competes, and flight risk.

*Ask: Roster of critical individuals with tenure, equity, and a retention plan.*

— 39

## Tax exposure

Sales tax nexus, transfer pricing, R&D; credits claimed but not tested. These are the items that show up as indemnities.

*Ask: Tax diligence memo covering nexus, TP, and open audits.*

— 40

## Data and compliance

SOC 2, ISO 27001, GDPR. The gap between claim and reality.

*Ask: Latest attestation reports and any open findings.*

## CLOSING

# After the checklist.

Forty questions will not close a deal, and they will not kill one. They will tell you where to look. The work after is judgment — on the answers, on what is missing from the answers, and on what the management team chooses to elaborate on versus what they rush past.

In our own mandates, we run this checklist on day one, shape a first data request from it, then iterate. By week two the checklist is a live document with notes, flags, and unanswered items. By week four it is the spine of the report.

### Three things we watch for.

**1. Answers that don't match the data room.** Numbers in the management deck that cannot be rebuilt from the subledger. This happens more often than it should.

**2. Adjustments without evidence.** Any add-back that cannot be traced to an invoice, a board minute, or a policy memo should be treated as unsupported.

**3. Vague commercial narrative.** If the company cannot articulate why customers chose them and why they lost the ones they lost, the growth story is borrowed.

### If you want to discuss a deal.

We run buy-side FDD on SaaS and deep tech mandates for funds in Europe and North America. First 30 minutes are free. [cfrac.com/contact](https://cfrac.com/contact)