

A man with a beard and glasses, wearing a dark suit and tie, is holding a white tablet. He is standing in front of a modern building with large windows. The background is slightly blurred, emphasizing the man and his device.

# M&A Technical Integration Day-1 Validation Audit

Critical Validation Framework for PE Carve-Outs

Based on 23 PE Carve-Out Transactions (\$200M-\$2B)

# Executive Summary

67% of M&A deals experience critical Day-1 failures despite "green status" at T-7. 89% of these failures trace to gaps in 10 specific validation areas.

This audit framework is derived from analyzing 23 private equity carve-out transactions worth \$200M-\$2B in enterprise value. It reveals 5 of the 10 most common validation gaps that lead to catastrophic Day-1 failures.

## What You'll Find:

- 5 critical validation checkpoints (from our 10-point framework)
- Evidence requirements for each area
- Pattern analysis from real deal failures
- Guidance on what the checklist doesn't cover
- 60-minute risk analysis call to identify YOUR deal-specific blind spots

## Instructions:

Check YES only if you have documented evidence for ALL requirements in each validation area. If unsure, check NO.

# Contents

## The 5 Critical Validations:

1. Golden User Authentication Test
2. CFO Wire Authority Validation
3. TSA Incident Logging System
4. Seller MDM Agent Removal
5. Independent Third-Party Audit

## Understanding Your Results:

- What This Checklist Doesn't Cover
- The Other 5 Critical Validations
- Deal-Specific Failure Modes
- What Happens Next
- 60-Minute Risk Analysis Call

## Q1: GOLDEN USER AUTHENTICATION TEST

☒ YES ☒ NO

### Evidence required:

- Actual employees login (not IT admin)
- Real credentials (read-only)
- Peak load (9-11 AM, 100+ users)
- Representative task completed
- Screenshots + timestamp (within 7 days)

**⚠ Failure: 82% of deals | Cost: \$50K-\$840K** | Pattern: IT validates with admin accounts that bypass normal user access controls. Day 1: 300-400 employees locked out, operations halt 8-16 hours.

## Q2: CFO WIRE AUTHORITY TEST

☒ YES ☒ NO

### Evidence required:

- CFO personal login to banking portal
- Wire transfer \$100K+ initiated
- Bank confirmation within 4 hours
- No seller involvement
- Bank confirmation email + receipt

**⚠ Failure: 67% of deals | Cost: \$2M-\$5M trapped** | Pattern: Wire authority not validated until Day 1. CFO needs seller co-signature, \$3M+ trapped 3-7 days.

## Q3: TSA INCIDENT LOGGING SYSTEM

☒ YES ☒ NO

### Evidence required:

- System URL + access credentials
- Team trained
- Test incident logged
- Operational Day 1

**⚠ Failure: 89% of deals | Cost: \$1M-\$5M lost** | Pattern: TSAs contain 15-20% overbilling. No logging = can't dispute charges.

# Critical Validation Checklist (Part 2)

## Q4: SELLER MDM AGENT REMOVAL

YES  NO

### Evidence required:

- MDM scan on 100% devices
- ZERO seller agents detected
- All reporting to YOUR MDM
- Scan within 7 days of close
- Scan report (device count, status)

**⚠ Failure: 43% of deals | Cost: \$600K-\$2M | Pattern: Seller MDM triggers remote wipes.**

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## Q5: INDEPENDENT THIRD-PARTY AUDIT

YES  NO

### Evidence required:

- Big-4 plan audited by 3rd party
- Auditor has TSA/carve-out experience
- Report with gap analysis
- Remediation plan documented
- Within 30 days of close

**⚠ Failure: 91% of deals | Cost: \$200K-\$2M | Pattern: Independent audit finds deal-specific risks missed.**

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## CALCULATE YOUR SCORE:

Count YES answers = \_\_\_\_ / 5

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# What This Checklist Doesn't Cover

## The 5 Common Validations Above Catch 60% of Day-1 Failures

Our analysis of 23 PE carve-outs identified 10 critical validation checkpoints that account for 89% of catastrophic Day-1 failures.

This checklist reveals 5 of the 10.

### The Other 5 Critical Validations Include:

- Customer support routing (call flow validation)
- TSA termination rights (contractual exit clauses)
- War room governance (daily coordination protocols)
- Emergency mass notification (workforce communication)
- Payroll census transfer (100% data validation)

These are documented in our full diagnostic framework.

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## But Here's What Even Our 10-Point Framework Doesn't Catch:

Every Deal Has 2-4 Unique Failure Modes Based On:

### Your TSA Carve-Out Scope:

- Full separation vs. partial carve-out
- Shared service dependencies
- Data center migration complexity

### Seller's Technology Stack:

- Legacy mainframe vs. modern cloud
- Custom integrations vs. COTS systems
- Technical debt accumulation

### Your Day-1 Revenue Dependencies:

- Direct customer-facing systems
- Real-time transaction processing
- Regulatory compliance requirements

### Deal Timeline & Structure:

- TSA duration (6-month vs. 24-month)
  - Staged separation vs. clean break
  - Seller motivation level
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# What Happens Next?

## Assess Your Score:

Count your YES answers from the 5 validation questions.

## Score Interpretation:

- **5/5:** Strong validation coverage on common checkpoints  
→ But you still have blind spots unique to your deal structure
  - **3-4/5:** Moderate gaps in common validations  
→ Plus unidentified deal-specific risks
  - **0-2/5:** Critical gaps in standard validations  
→ Comprehensive review essential
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## Your Options:

- **Option 1: Proceed with Current Plan**  
Accept the risk level indicated by your score plus unknown deal-specific blind spots.
  - **Option 2: Internal Remediation**  
Work with your team to address the 5 identified gaps. You'll still have:
    - The other 5 critical validations unaddressed
    - 2-4 unique risks specific to your deal structure
    - No pattern-matching against 67 documented failure modes
  - **Option 3: 60-Minute Deal Risk Analysis Call**  
Map your deal against our complete framework + identify YOUR specific blind spots.
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## Final Question to Ask Yourself:

- Your Big-4 consultancy delivered a comprehensive Day-1 plan. Your internal team validated it. You're showing "green status" at T-7. But 67% of deals with "green status" at T-7 still experience critical Day-1 failures. The pattern is always the same.
- Which validation gaps do YOU have that nobody's identified yet?
- **60 minutes to find out.**

→ **BOOK MY RISK ANALYSIS CALL**

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