Capital Row

The M&A firm for software the working economy cannot switch off.

GUIDE · 14 QUESTIONS

What buyers *ask first.*

A diligence guide for healthcare software owners: the 14 questions a buyer's team will ask, and the records that answer each one.

A companion to your Buyer Map. Prepared by Capital Row, October 2026.

Why this guide

Your Buyer Map shows who is likely to look at your company. This guide shows what each of them will ask once they do.

Most buyers of healthcare software ask the same questions in roughly the same order. The ones that slow a deal down are rarely about the product. They are about the records behind the numbers: whether the earnings adjustments have support, whether the recurring revenue really recurs, and whether the business runs without its founder.

Each of the 14 areas that follow has three parts:

What they ask	The question as a buyer's team tends to put it.
Have ready	The records that answer it.
First step	What to do now if those records are not ready.

Each part ends with articles from Capital Row that go deeper. The links open in your browser.

The areas are grouped into four parts: the numbers, the revenue, the company and the technology. Start with whichever part your Buyer Map flagged. The checklist at the end puts all 14 on one page.

This guide is general information, not legal, tax, accounting or valuation advice.

1 The numbers

What the business earns, and whether the records prove it.

Earnings adjustments

What they ask	What evidence supports each adjustment, and what cost would a new owner still incur?
Have ready	Adjustment schedule, invoices or payroll records, three-year expense history, and replacement-cost assumptions.
First step	Give each proposed adjustment a source, rationale and treatment of continuing costs.

Profit to cash

What they ask	Which differences between reported earnings and cash are timing, and which may affect sustainable earnings?
Have ready	Monthly P&L and balance sheets, bank statements, and a reconciliation for the same periods.
First step	Reconcile the periods and document timing differences before defending an earnings number.

Working capital

What they ask	What operating working capital is needed, and how would the proposed closing terms treat it?
Have ready	Monthly balance sheets, receivable and payable aging, deferred revenue, seasonality and proposed definitions.
First step	Understand the operating pattern before negotiating a working-capital target or closing adjustment.

Price and structure

What they ask	Are both sides pricing the same earnings, assets, liabilities, transition obligations and payment structure?
Have ready	Valuation assumptions, debt and cash treatment, working-capital definitions, and any draft terms.
First step	Write down assumptions behind the headline number and identify where expectations differ.

Read more

What a quality of earnings report is, and why a lender will not take yours

The first offer: the first number is rarely the last

2 The revenue

Why the revenue will still be there after the owner leaves.

Revenue durability

What they ask	What is contractually committed, what is behaviorally repeatable, and what must be won again?
Have ready	Contracts, renewal and cancellation terms, customer cohorts, repeat purchases, backlog and pipeline evidence.
First step	Separate contracted, recurring, repeat and one-off revenue; test the history behind each label.

Revenue retention

What they ask	What share of last year's recurring revenue did you keep from existing customers, and why did the rest leave?
Have ready	Customer-by-month recurring revenue for 24 months, cancellation and downgrade reasons, and the contracts behind the largest accounts.
First step	Calculate retention from customer-level records, then explain the largest losses and what has changed since.

Customer concentration

What they ask	What happens to earnings if the largest customer leaves, reduces spend, or renegotiates after a sale?
Have ready	Customer-level revenue for 24 months, contracts, renewal dates, margins, and relationship ownership.
First step	Review retention history, contract rights and the transition plan for the largest relationships.

Growth evidence

What they ask	What evidence supports the growth in your forecast, and what has the pipeline converted at in the past?
Have ready	Pipeline by stage for 24 months, win rates, sales cycle length, new-customer revenue by month and the assumptions behind the forecast.
First step	Track the pipeline by stage and record conversion, so the forecast rests on history rather than expectation.

Read more

What a buyer's diligence finds in a founder-owned company

The market is busy. Most of it goes unseen.

3 The company

Who runs it, who owns what, and what it has promised customers.

Founder dependence

What they ask	Which revenue, approvals, knowledge and customer relationships depend on one person?
Have ready	Responsibility map, customer relationship owners, operating procedures, and a proposed transition plan.
First step	Map the dependencies, then assign owners, documentation and a realistic transition period.

Transferability

What they ask	Which contracts, IP rights, licenses or consents could restrict the proposed transaction?
Have ready	Material contracts, change-of-control provisions, IP ownership records and relevant licenses or permissions.
First step	Have appropriate legal and specialist advisors review transaction-specific rights and required consents.

Compliance and security

What they ask	Which security and compliance commitments have you made to customers, and what documents show you meet them?
Have ready	Security and compliance reports, policies, customer contract terms on data and security, incident history and any open remediation items.
First step	List the commitments in customer contracts, match each to a document, and plan the gaps with a realistic date.

Read more

Why deals break: a quarter broke on a finding outside the earnings work

Dead Deal Notes: why signed deals die, from the public record

4 The technology

What a technical buyer will find, including the new questions about AI.

Technology and data

What they ask	What would it take, in time and cost, to bring the product, security and data practices to what a new owner expects?
Have ready	Architecture overview, security policies and any third-party assessments, hosting and data agreements, the roadmap, and who maintains each part of the code.
First step	Document the architecture and security practices, assign ownership of each part of the code, and list known technical debt with an estimate to address it.

AI and data rights

What they ask	Which customer data do your AI features use, under what contract terms, through which vendors, and how would you show what the AI did on a given day?
Have ready	Customer contract terms on data use, a list of AI vendors and their terms, logs of AI actions, human review steps, and any testing for prompt injection or data leaks.
First step	List every AI feature, the data it uses and the vendor behind it; confirm customer contracts allow that use; turn on logging and human review wherever the output is regulated or acted on.

AI replacement risk

What they ask	What would a customer lose by switching to an AI tool, and what happens to your pricing if seats shrink?
Have ready	Usage and integration data, proprietary datasets, switching costs, win and loss notes against newer tools, and your pricing model.
First step	Write down what an AI tool cannot copy (your data, integrations, workflow depth and compliance), show it in usage data, and test pricing that does not depend only on seats.

Read more

New revenue lines: AI features and embedded payments, read before the letter of intent

Take the M&A Dealbreaker Scan

The one-page checklist

Tick each area when the records are together in one place.

- [ ] **Earnings adjustments.** Adjustment schedule, invoices or payroll records, three-year expense history, and replacement-cost assumptions.
- [ ] **Profit to cash.** Monthly P&L and balance sheets, bank statements, and a reconciliation for the same periods.
- [ ] **Working capital.** Monthly balance sheets, receivable and payable aging, deferred revenue, seasonality and proposed definitions.
- [ ] **Price and structure.** Valuation assumptions, debt and cash treatment, working-capital definitions, and any draft terms.
- [ ] **Revenue durability.** Contracts, renewal and cancellation terms, customer cohorts, repeat purchases, backlog and pipeline evidence.
- [ ] **Revenue retention.** Customer-by-month recurring revenue for 24 months, cancellation and downgrade reasons, and the contracts behind the largest accounts.
- [ ] **Customer concentration.** Customer-level revenue for 24 months, contracts, renewal dates, margins, and relationship ownership.
- [ ] **Growth evidence.** Pipeline by stage for 24 months, win rates, sales cycle length, new-customer revenue by month and the assumptions behind the forecast.
- [ ] **Founder dependence.** Responsibility map, customer relationship owners, operating procedures, and a proposed transition plan.
- [ ] **Transferability.** Material contracts, change-of-control provisions, IP ownership records and relevant licenses or permissions.
- [ ] **Compliance and security.** Security and compliance reports, policies, customer contract terms on data and security, incident history and any open remediation items.
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- [ ] **AI replacement risk.** Usage and integration data, proprietary datasets, switching costs, win and loss notes against newer tools, and your pricing model.

Capital Row

When you are ready to talk it through

Capital Row helps healthcare software owners prepare for buyer review and meet the right buyers. A confidential 20-minute call is the first step.

Start the conversation

Or read more at thecapitalrow.com/insights

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