

Technical Due Diligence: Executive Summary

Target Company: [REDACTED]

Transaction Type: Series B Investment (\$25M)

Assessment Date: January 28, 2026

Prepared By: Technical Due Diligence Team

OVERALL RISK ASSESSMENT
Proceed with Conditions

MEDIUM RISK

Score: 68/100

Risk Scorecard

Category	Risk	Key Finding
Code Quality & Architecture	LOW	Well-structured React/Node.js codebase with 78% test coverage
Security & Compliance	MEDIUM	SOC 2 Type I achieved; penetration test pending; 3 medium vulnerabilities
Infrastructure & DevOps	LOW	Fully containerized on AWS EKS with mature CI/CD pipeline
Scalability & Performance	MEDIUM	Current architecture supports 10x growth; database optimization needed
Team & Engineering Processes	LOW	Strong team of 12 engineers; low turnover; good documentation
Technical Debt & Risk	HIGH	Legacy reporting module requires rewrite; ~3 months engineering effort
Data & Intellectual Property	LOW	Clean IP ownership; proprietary ML algorithms documented

Critical Findings

Red Flags Requiring Attention

1. Legacy Reporting Module: Built on deprecated framework (AngularJS 1.x). Estimated \$180K and 3 months to modernize.

2. Security Vulnerabilities: Three medium-severity CVEs in dependency chain. Patches available but not yet deployed.

3. Database Performance: PostgreSQL queries show degradation above 50K concurrent users. Index optimization and read replica deployment needed before Q3 growth targets.

Notable Strengths

- 1. Engineering Culture:** Mature DevOps practices, comprehensive code review process, and strong testing discipline. Team demonstrates continuous improvement mindset.
- 2. Architecture Foundation:** Microservices architecture with clear domain boundaries. Event-driven design enables feature velocity without compromising stability.
- 3. IP Portfolio:** Proprietary anomaly detection algorithms represent genuine competitive moat. Clean ownership with all contributors under proper assignment agreements.

Recommendation

PROCEED WITH CONDITIONS

CloudMetrics demonstrates solid technical fundamentals with an experienced engineering team. The identified risks are manageable and typical for a Series B stage company. We recommend proceeding with the following conditions:

1. Security remediation covenant: all medium+ vulnerabilities patched within 30 days
2. Technical milestone: SOC 2 Type II certification within 12 months
3. Database optimization plan delivered within 60 days post-close