

# Technical Due Diligence: Executive Summary

Target Company:

Transaction Type:

Assessment Date:

Prepared By:

Series B Investment (\$25M)

January 28, 2026

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