Best Practices in M&A Due Diligence 2026

Entering a new era of M&A due diligence

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Methodology

In Q4 2025, SRS Acquiom, in partnership with Mergermarket, surveyed 150 senior executives at investment banks (IBs) headquartered in the United States. Of that pool of survey participants, 50 represented boutique IBs with assets under management (AUM) of up to US$500m; 50 represented medium-sized IBs with AUM between US$500m–US$1bn, and 50 represented large IBs with AUM exceeding US$1bn. Each of these subsets of 50 respondents was divided equally between IBs that worked primarily on the buy-side (25) and sell-side (25) in the private-target transactions in which they participated in the past 12 months.

Foreword

Over the past year, due diligence best practices have continued to evolve along with the broader M&A landscape.

To truly understand these shifts, SRS Acquiom conducted its third installment of the M&A due diligence survey, in association with Mergermarket. This report provides a clear, data-driven view of due diligence best practices in today's deal environment.

This survey also offers relevant insights to help equip deal teams with a better understanding of where their peers are focusing efforts, and how new pressures, new tools, and new expectations are influencing the way in which transactions are evaluated and executed.

Key findings

1. One in five investment banks say that due diligence timelines have extended over the past two years. Among this cohort, 57% say an additional one to three months has been added to the process, indicating that material delays are surfacing.

2. Dependable pricing models are preferred in that they provide predictability when diligence processes stretch months. That is why 70% of respondents cite a flat monthly fee as the most commonly used pricing model for virtual data rooms (VDR) on deals.

3. Prices range vastly, with 80% of respondents nearly equally divided — reporting pricing between US$15,000 and US$100,000. 20% of large IBs report final costs greater than $100,000. Further, 59% of respondents feel final VDR costs align with initial estimates, while 23% report that the final bill is often higher than expected.

4. Almost three-quarters (73%) expect the M&A due diligence process to become more complex over the next 12-24 months, including 15% who expect it to become much more complex.

5. 84% anticipate increased scrutiny of cybersecurity due diligence in the coming 12-24 months, with 43% expecting significantly greater scrutiny, reflecting the rising regulatory and commercial sensitivity around cyber resilience.

6. Technology due diligence has pulled decisively ahead of all other domains: 47% of respondents say this has been their main priority over the past 12 months and 51% now say it is the single most burdensome element of the entire review.

7. Cybersecurity and ESG are the two areas where deal teams most rely on external specialists, cited by 32% and 28% of respondents respectively, underscoring how certain risk domains require deeper, domain-specific expertise.

Part 1: What do VDRs really cost?

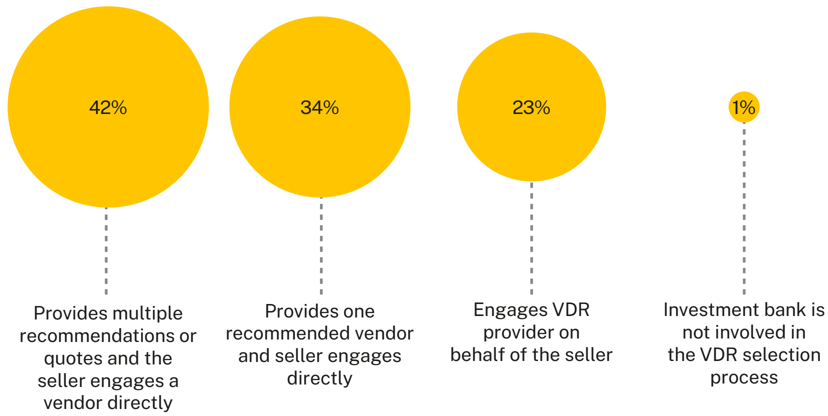
Procurement practices

When it comes to the role of the investment bank (IB) team in selecting a VDR provider, we see some evolutions. This year, 42% of respondents say their typical practice is to provide multiple recommendations to their sell-side clients, who then engage the vendor directly.

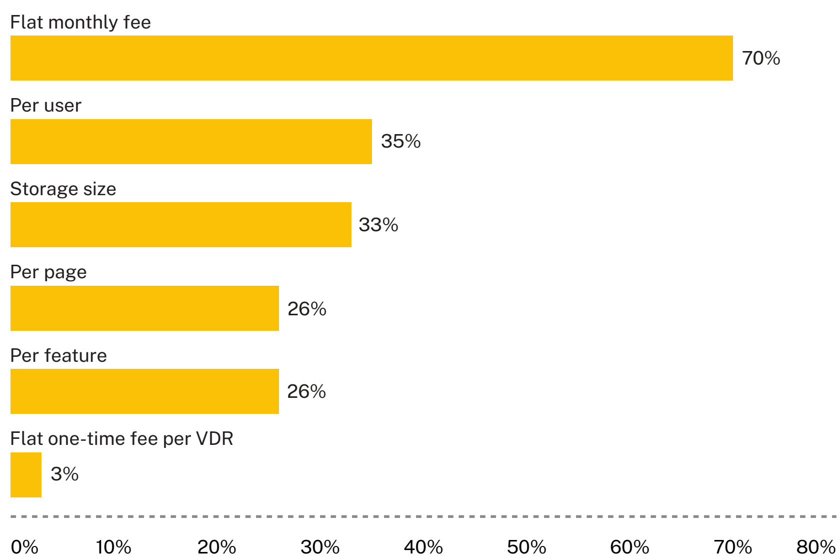
That marks an increase from last year's 35%, suggesting banks are exploring options and more often presenting a curated shortlist rather than steering sellers toward a single option. On the other hand, 34% report putting forward one recommended vendor, and the remaining 23% take a more hands-on approach and engage the provider directly.

Sellers appear to be taking a more active role in procurement, with heightened price sensitivity leading parties to seek comparative quotes, and deal teams aiming to maintain neutrality by presenting options rather than prescribing a single route.

What role does the investment bank team typically play in selecting the VDR provider? (Select one)



What VDR pricing models does your organization use on the majority of deals in which you participate? (Select all that apply)



> Sellers appear to be taking a more active role in procurement, with heightened price sensitivity leading parties to seek comparative quotes.

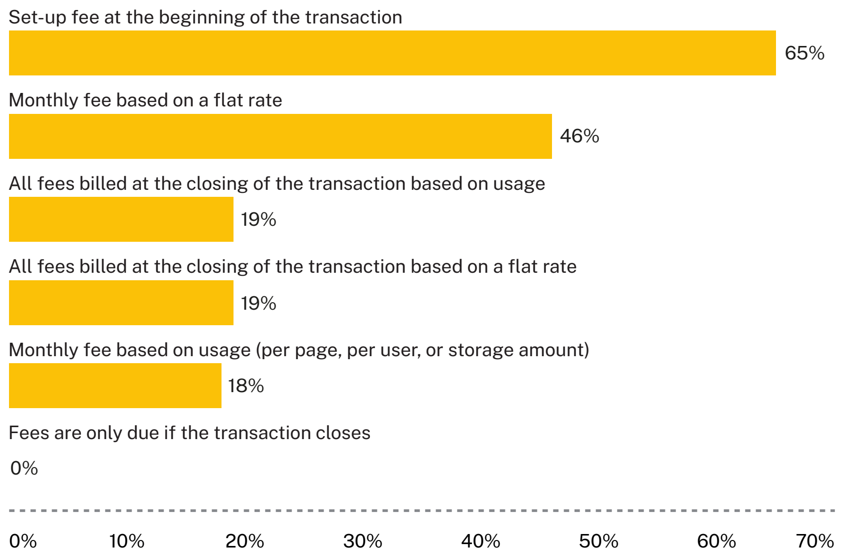
Price points

And with diligence processes stretching over months, predictable charges are valuable, reducing the risk of cost overrun. That is why 70% of respondents cite a flat monthly fee as the preferred pricing model for VDRs on deals. Yet other models retain significant usage, with 35% reporting paying per user and 33% paying by storage size.

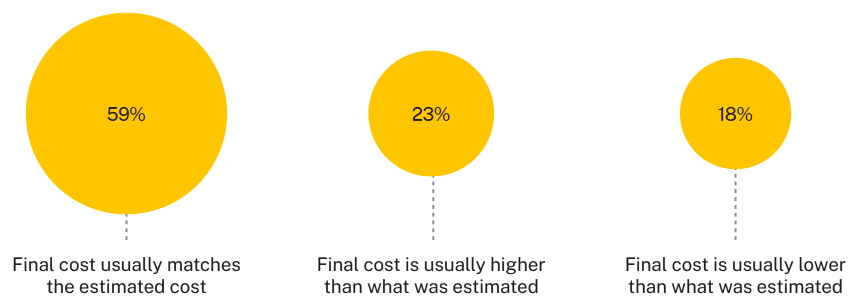
On the billing side, behaviors are consistent across firm sizes. Two-thirds (65%) pay a set-up fee at the start of a transaction, while 46% pay a monthly flat rate once the deal is underway. However, 37% of respondents note less predictable fees with 18% reporting monthly fees based on usage (e.g., per page, per user, or storage amount) and 19% reporting usage fees at close of transaction.

Given the variability in pricing models, 59% of respondents feel final VDR costs align with initial estimates, while 23% report that final costs are often higher than expected. Further, costs vary widely. For 30% of respondents, the typical final bill falls between US$30,000 and US$50,000, while for 25% the typical bill falls between US$50,000 and $100,000. Price differences are apparent at the firm size level, with one-fifth of large investment banks report spending over US$100,000.

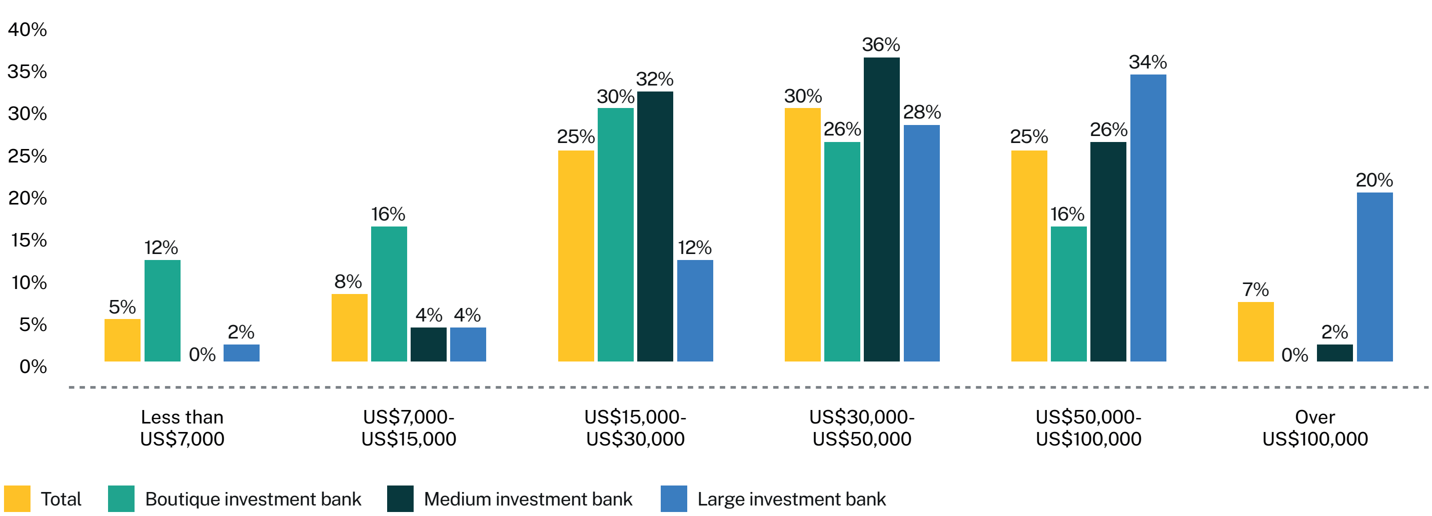
How is the VDR typically billed during a transaction? (Select all that apply)



How often does the final cost of the VDR match the estimated cost in the initial bid? (Select one)



What is the typical final cost of the VDR, including all fees, for the deals you work on? (Select one)



Part 2: Evolving diligence, extended timelines

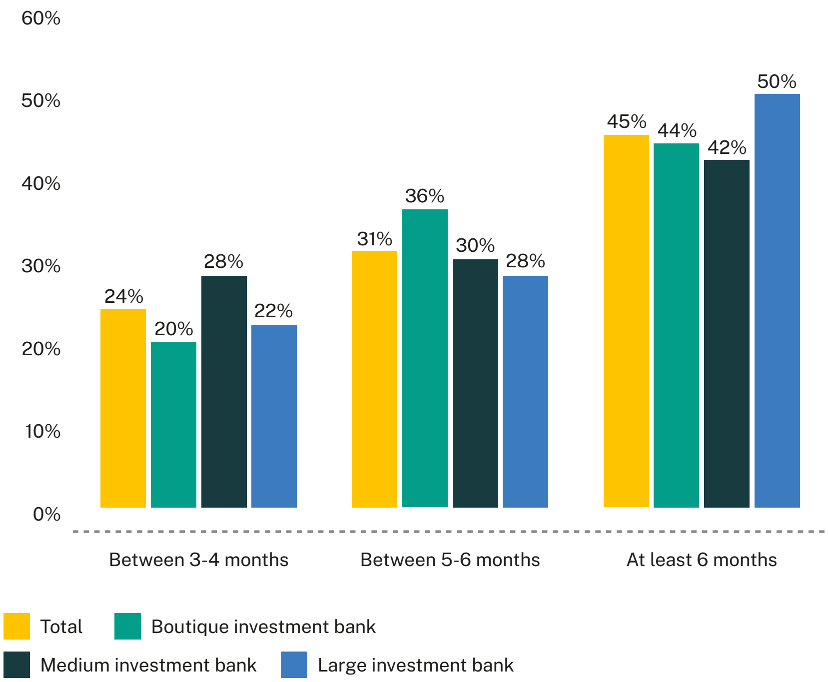
The past year has underscored a reality that dealmakers have been grappling with for some time; M&A processes are taking longer. The mechanics of getting a deal from first data sharing to closing have become more involved. Respondents point to heavier coordination demands, new streams of risk evaluation, and more careful sequencing of diligence work — all of which contribute to transaction cycles stretching out, even when the core tasks within diligence remain largely unchanged.

Long timelines

That tension is captured in our latest findings, with nearly half of all respondents (45%) sharing that a typical deal now takes at least six months to complete, from initial information sharing through to signing. While this is five percentage points down on last year's findings (50%), it demonstrates that the M&A process is still a lengthy and arduous one for many organisations.

Among large banks, the proportion reaches 50%, suggesting that the more complex the transaction and the more extensive the buyer universe, the more extended the timetable becomes.

Looking at your firm's transactions over the past year, how long does it take to complete a typical M&A transaction from the initial information sharing to closing? (Select one)



The past year has underscored a reality that dealmakers have been grappling with for some time; M&A processes are taking longer.

However, the due diligence itself is not more time-consuming, with three-quarters (75%) saying it takes roughly the same amount of time as in previous years. Only 19% report that their diligence windows have extended. On the other hand, this does not mean that due diligence timeframes are truncating — indeed, in last year's survey, close to 27% noted that due diligence was taking longer — but that there is now more of an equilibrium in the diligence review process with delays occurring at other junctures in the deal.

For example, in an environment where bid/ask spreads remain wide, much of the delay appears to stem from slower price discovery and protracted early-stage negotiations, creating hurdles before confirmatory diligence even begins. Several respondents highlighted that the practicalities of coordinating dispersed deal teams can add further friction.

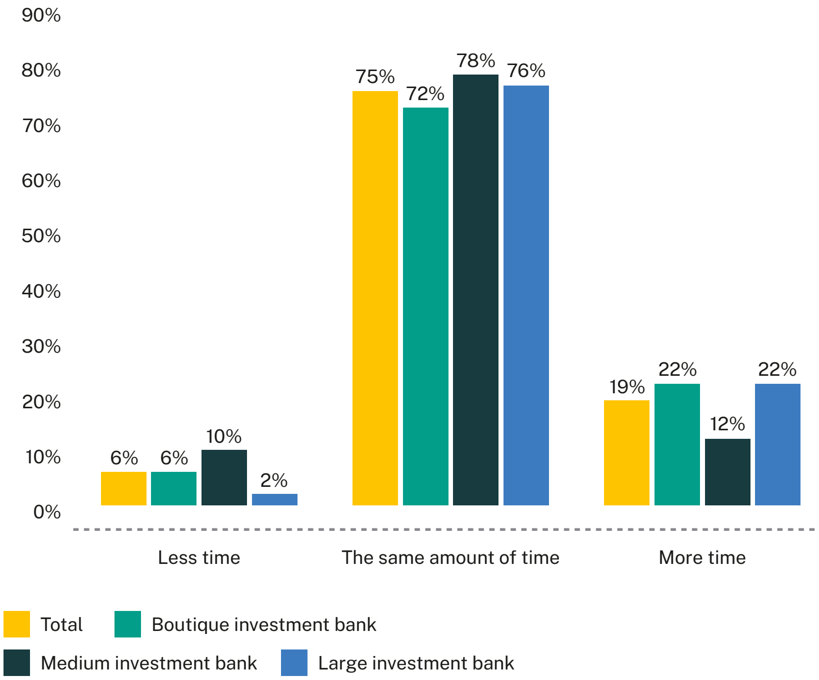
"Global deal teams and remote working models have introduced more communication bottlenecks," says the managing director of a medium-sized bank. "What used to be done in a few in-person sessions now takes multiple virtual meetings and document exchanges, making coordination across time zones and stakeholders more time-consuming."

Of the 19% who report that diligence is taking longer, that lengthening is meaningful: 57% estimate that an additional one to three months has been added to the process, and in some cases added to the final bill based on the pricing model. This suggests that while the majority are holding steady, banks at the upper end of the deal complexity scale, and those encountering less prepared target companies, are absorbing material increases in their workloads.

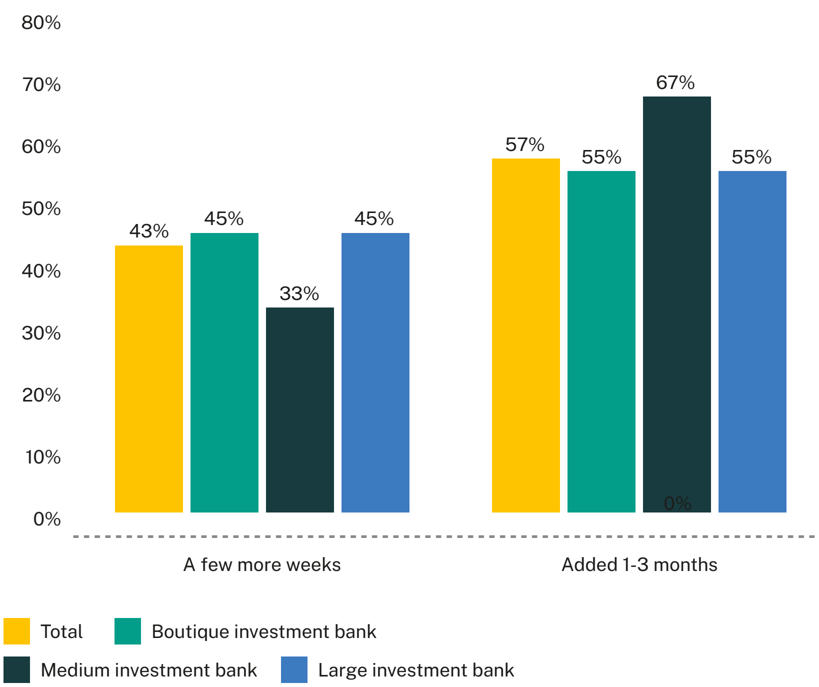
19%

of respondents say that their due diligence windows have extended compared to their experience over the past couple of years

Compared to your experience over the past couple of years, does it take more, less, or the same amount of time to complete due diligence in a typical M&A transaction in which you participate? (Select one)



If respondent answered 'More time' (above), how much longer does it take on average to complete due diligence in a typical M&A transaction now? (Select one)



Seller readiness

Several respondents also emphasized that seller preparedness is highly variable from deal to deal, and this continues to shape how smoothly diligence progresses. Targets with well-structured data rooms, clear documentation, and established internal owners for key workstreams tend to move through the early stages far more smoothly.

Others require extensive clean-up before buyers can even begin a substantive review, particularly when financial, operational, and technical information is dispersed across legacy systems. These discrepancies can influence the overall rhythm of a transaction. “Targets do not always have clean or organized data rooms. We end up spending extra time just getting the information in shape to review,” says the partner of a large IB.

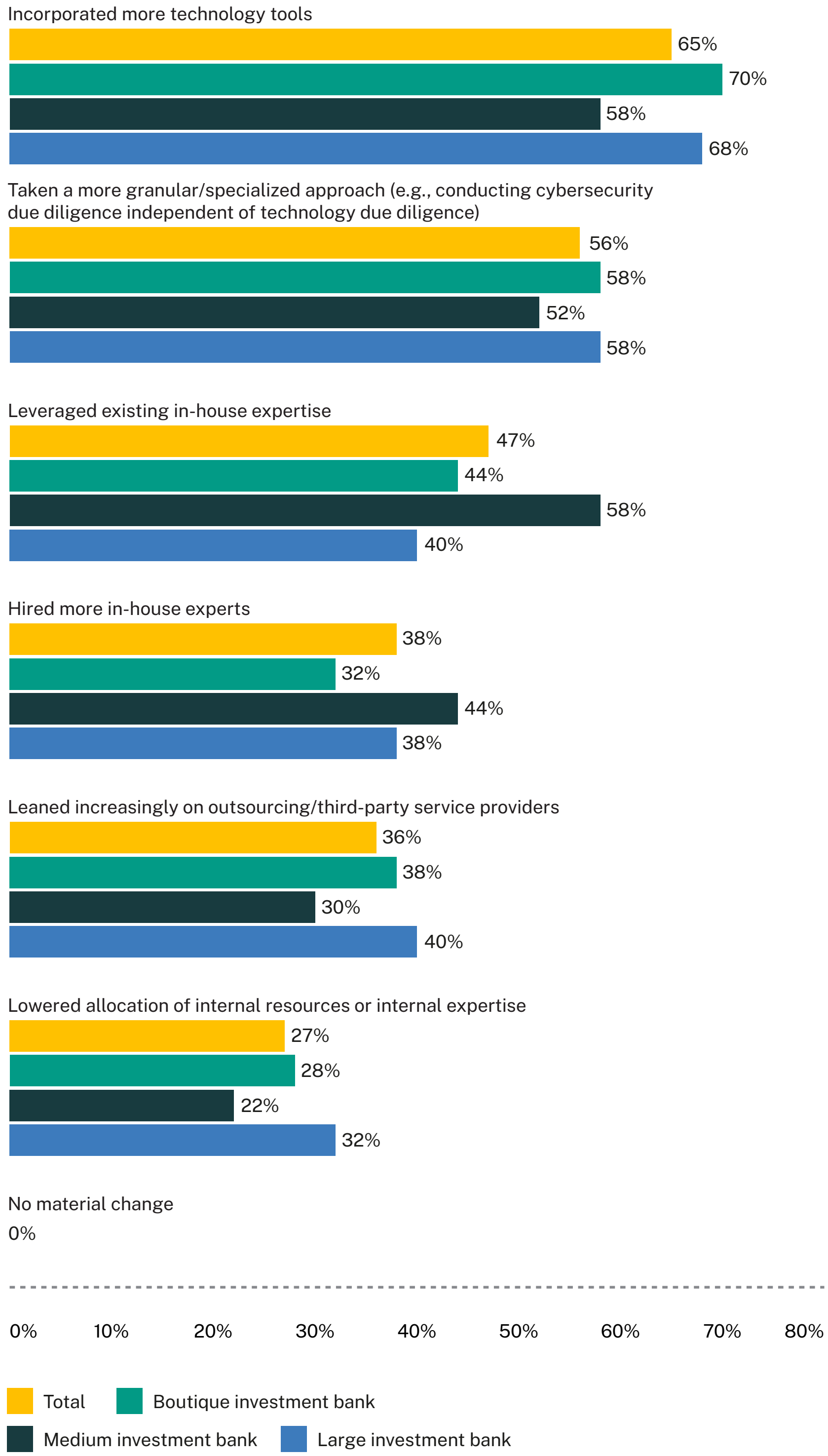
Tooling up

Even when the formal diligence window remains unchanged, the volume of information deal teams must process has expanded. The growth of cloud systems and software-driven workflows means companies now produce far more operational and transactional data than they did only a few years ago. Respondents describe a dynamic in which the breadth of material under review (and sometimes bill to house it) has increased, even if the days allocated to assess it have not. As a result, teams are juggling more workstreams in parallel and placing greater emphasis on early preparation to avoid becoming overwhelmed once buyers gain access to the full data room.

To manage this, banks have been steadily evolving their processes by adding new tools to augment their processes and carving out more specialized review tracks for areas such as AI governance, data privacy, software supply-chain risk, and sustainability disclosures.

Two-thirds of respondents (65%) say they have incorporated more technology tools into their diligence processes in the past year. The shift is particularly pronounced among boutique banks, 70% of which report increasing their use of tools to help manage information flow and task sequencing.

In what ways, if any, have your M&A due diligence processes developed over the last 12-24 months? (Select all that apply)



Just as notable is the movement toward greater granularity. More than half of respondents (56%) say they have adopted a more specialized approach to diligence. This is especially prevalent among buy-side bankers (64%), who must assess targets with a level of scrutiny and precision that sellers are less incentivized to match.

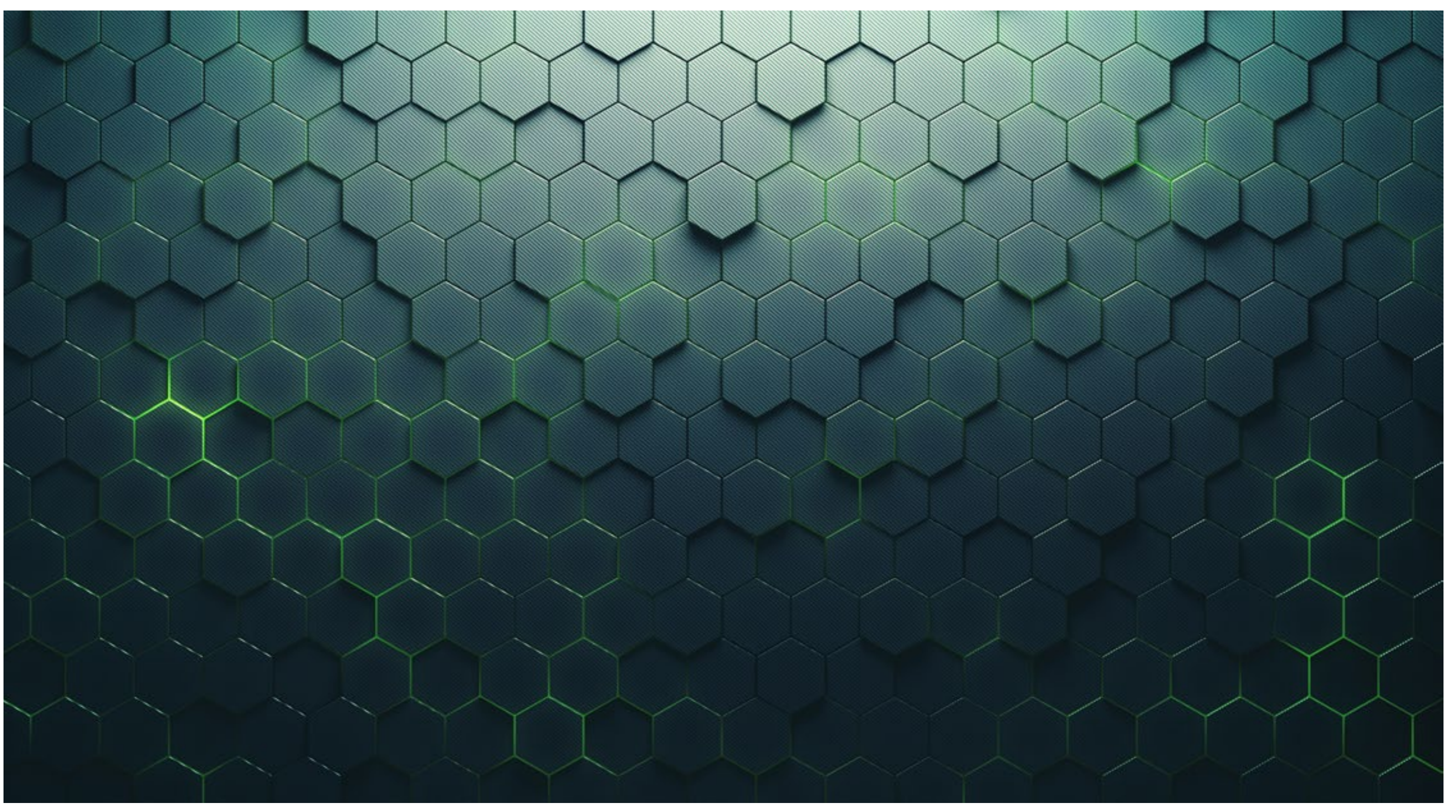
These teams often shoulder a wider set of specialized analyses than their sell-side counterparts. Buy-side diligence typically requires deeper interrogation of technology stacks, data governance, regulatory exposure, and long-term operating risks. By contrast, sell-side teams tend to prioritize packaging information in a way that anticipates common buyer questions without expanding their own review obligations. This asymmetry means buyers often drive the pace and structure of the process, particularly in competitive situations where they must complete multiple streams of review under tight deadlines.

Rising complexity

According to SRS Acquiom private-target M&A data, the prevalence of earnouts was on the rise during 2025, with 29% of deals closed in Q3 2025 (excluding Life Science targets) including contingent consideration.

This increasing earnout prevalence adds to deal complexity, including negotiation of diligence standards applicable during the post-closing performance period, which may drive buyers to conduct deeper operational due diligence. While only 10% of earnout deals closed in 2024 (excluding Life Sciences) included a Commercial Reasonable Efforts (CRE) standard after a drop-off driven by a few on-point Delaware court cases, the topic continues to be discussed, with 23% of earnout deals closed in the first three quarters of 2025 including some form of CRE.

In addition to earnouts, there are other factors that may increase deal complexity. A managing director of a boutique investment bank said, “The deals themselves have become more complex. Multi-entity carve-outs, cross-border elements — just coordinating the different diligence workstreams — can add months.”



Part 3: Tech and vetting prove troublesome

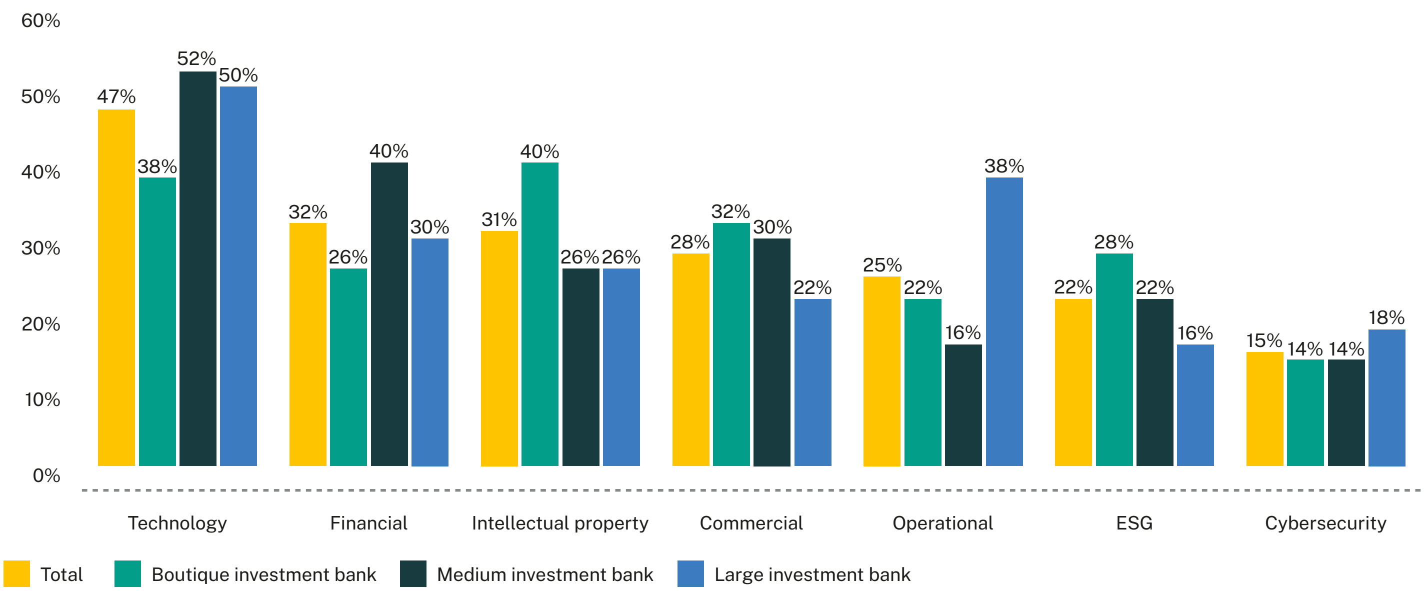
In the age of AI, it is apparent that technology due diligence has become the main priority in many transactions, identified as a priority among respondents with a noticeable increase in time, budget, and specialist expertise. Buyers now interrogate not only whether a target's technology can scale, but whether its architecture, data governance, cybersecurity status, and use of AI can withstand the demands of integration and future growth.

Where technology due diligence was once a narrow review of IT systems, it has now expanded into a holistic assessment of codebase quality, infrastructure resilience, software licensing and IP ownership, third-party dependencies, and the integrity of the data on which the business runs. Buyers rightly view technology as much more than a simple support layer, but as a strategic asset whose vulnerabilities can erode value quickly.

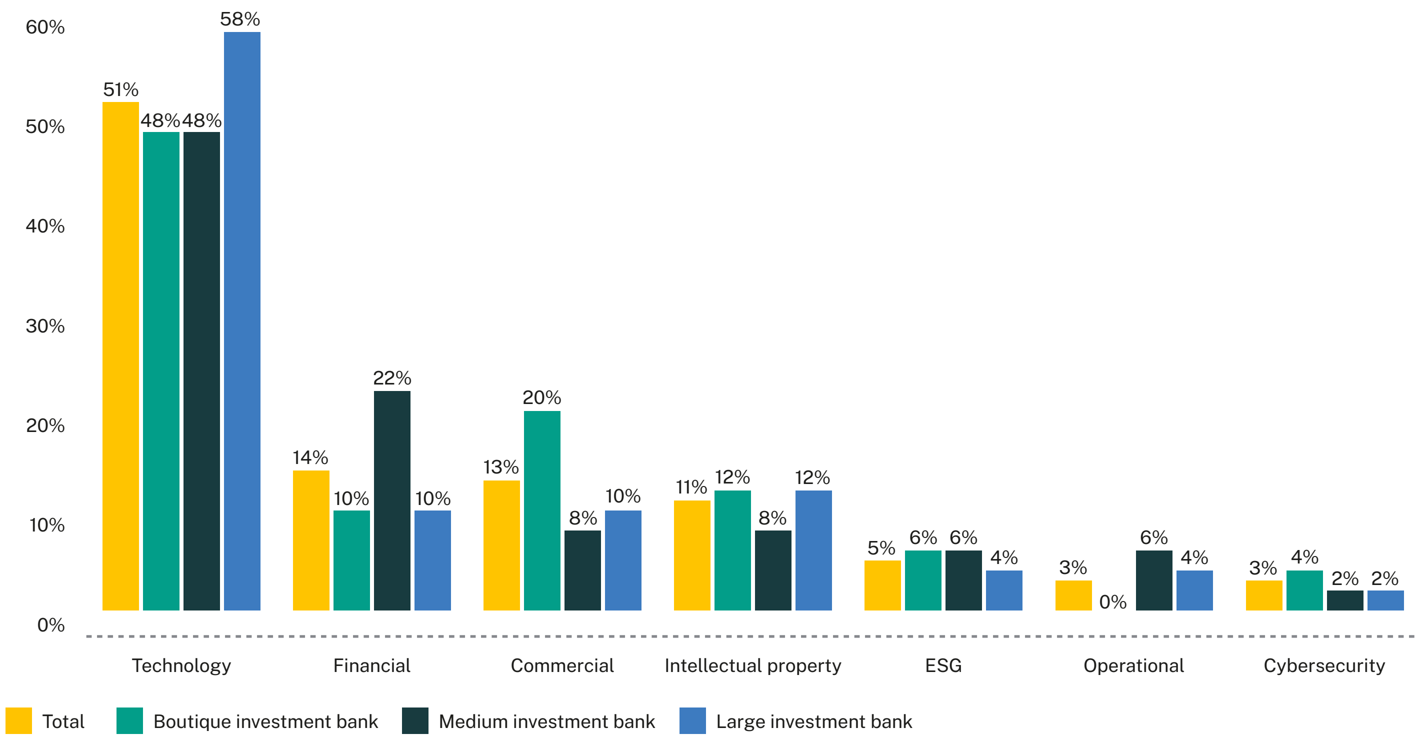
Almost half of respondents (47%) in our latest research state that technology is among the top two diligence areas where they allocated the most time and resources over the past 12 months — ahead of last year's number one priority, financial (dropping to 32% from 46%), and intellectual property (31%) due diligence. Large and medium-sized investment banks show an even stronger skew toward technology, with 50% and 52% respectively ranking it as a top priority. This is consistent with the broader technology footprint and integration risk profile of the larger, often cross-border or multi-entity transactions they typically manage.

"We can no longer look at technology due diligence collectively," says the managing director of a medium-sized investment bank. "It is a vast space now and calls for a specialized approach that enables us to plan our due diligence process more systematically."

In your experience, which of the following areas of due diligence have been prioritized by dealmakers over the last 12 months and have seen the most noticeable increase in terms of resources/time allocated? (Select top two)



Of the elements of due diligence listed in the chart on page 10, which is the most costly/onerous to complete to a sufficiently high standard in a typical M&A transaction in which you participate? (Select one)



This focus on how companies build, govern, secure, document, and integrate technology has been increasingly central to valuation and post-closing risk for several years already. In last year's study, for example, technology climbed up the diligence agenda, cited at the time by 42% of respondents as a top priority, itself a six-percentage point increase over the prior 12 months.

Similarly, it is viewed as an ever more burdensome area of the diligence process.

Just over half of all respondents (51%) say that technology due diligence is the single most costly or onerous component to complete to a sufficiently high standard — far ahead of second place financial diligence at 14%. That gap has also meaningfully widened. In last year's study, 45% identified technology as the most onerous diligence stream, and in the prior edition just 31% shared this view.

51%

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A helping hand

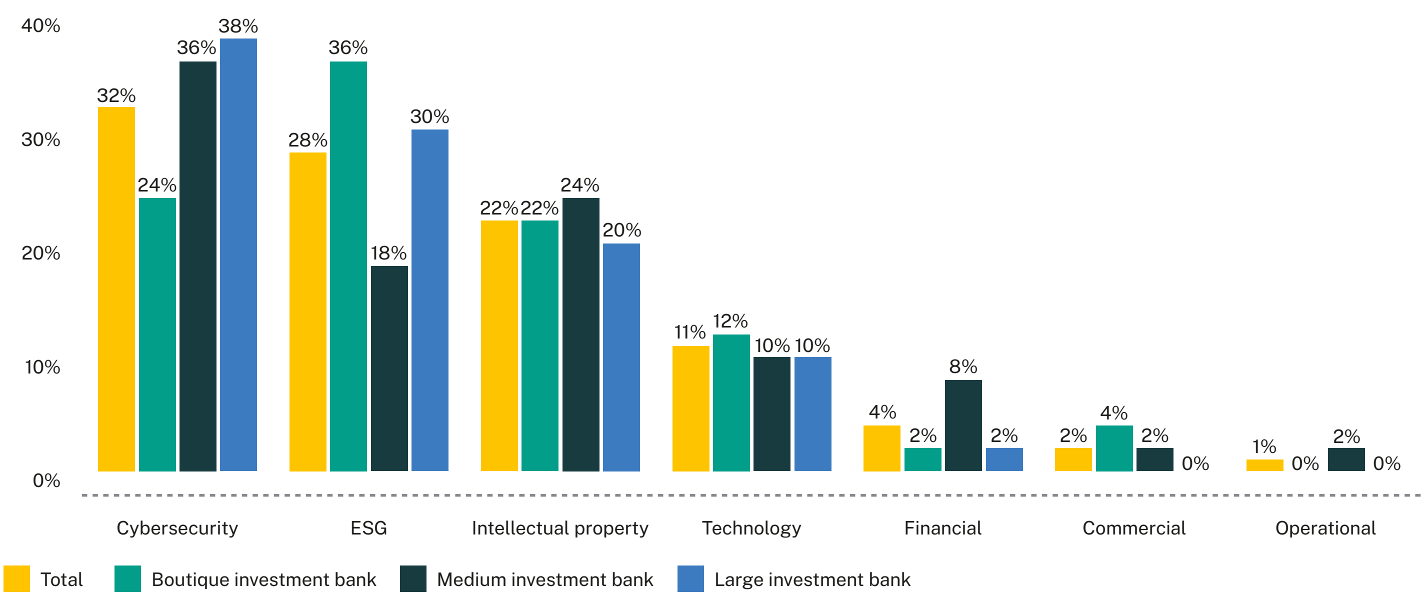
Alongside the growing weight placed on technology-related assessments, deal teams are managing a wider set of specialist risk areas that add further scrutiny and coordination pressure to the review process. Among them, cybersecurity and environmental, social and governance (ESG) issues stand out as the two areas that most often require external experts, although ESG has fallen behind cybersecurity since last year's survey. Specifically, 32% of respondents cite cybersecurity as a domain for which they depend on outside support, followed by 28% for ESG reviews.

IT environments are very much a moving target. Most businesses now operate across hybrid clouds, third-party SaaS platforms, and remote-access infrastructure — a far cry from the contained, on-premise set-ups around which traditional IT checks were built. Buyers therefore need visibility into a much broader attack surface, including API exposures, vendor dependencies, and the resilience of distributed systems. This also comes at a time when regulators are tightening the net around breach reporting and data-governance standards, from the Securities and Exchange Commission's four-day cyber incident disclosure rule to Europe's NIS2 Directive, as well as expanding state-level privacy laws in the US. This means cyber findings carry even more weight for valuation, integration planning, and liability. Internal deal teams often lack the forensic, architectural, or threat-modeling skills to sufficiently interrogate this rapidly evolving risk domain.

ESG diligence is undergoing a similar broadening of scope. Instead of high-level policy reviews, today's assessments often delve into supply-chain transparency, climate-risk exposure, workforce practices, and the credibility of sustainability metrics. New regulatory regimes including the EU's Corporate Sustainability Due Diligence Directive have also increased the granularity required in areas such as emissions accounting, labor conditions monitoring, and governance oversight. This is raising the evidentiary burden on buyers and sellers: targets are expected to substantiate ESG claims with data, and buyers must evaluate whether those disclosures stand up to regulatory and investor scrutiny. For many banks, particularly boutiques with leaner teams, that level of thematic and technical analysis demands a helping hand.

"We did not have ESG expertise to assess the maturity of the target's ESG strategy in our most recent deal," says the managing director of a medium-sized IB. "The ESG performance seemed fine, but there were underlying issues that we only understood after using external experts."

Of the elements listed in the chart on page 10, for which are you most likely to hire third-party subject-matter experts to assist in due diligence? (Select one)



Data quality

Even with specialist reviews taking up a growing share of the diligence bandwidth, one of the most persistent challenges sits at a more fundamental level: the quality and reliability of the information that targets provide. In the most recent buy-side transaction in which respondents participated, 30% said vetting the information received was one of the biggest hurdles, and 28% said the data were unclear or unreliable.

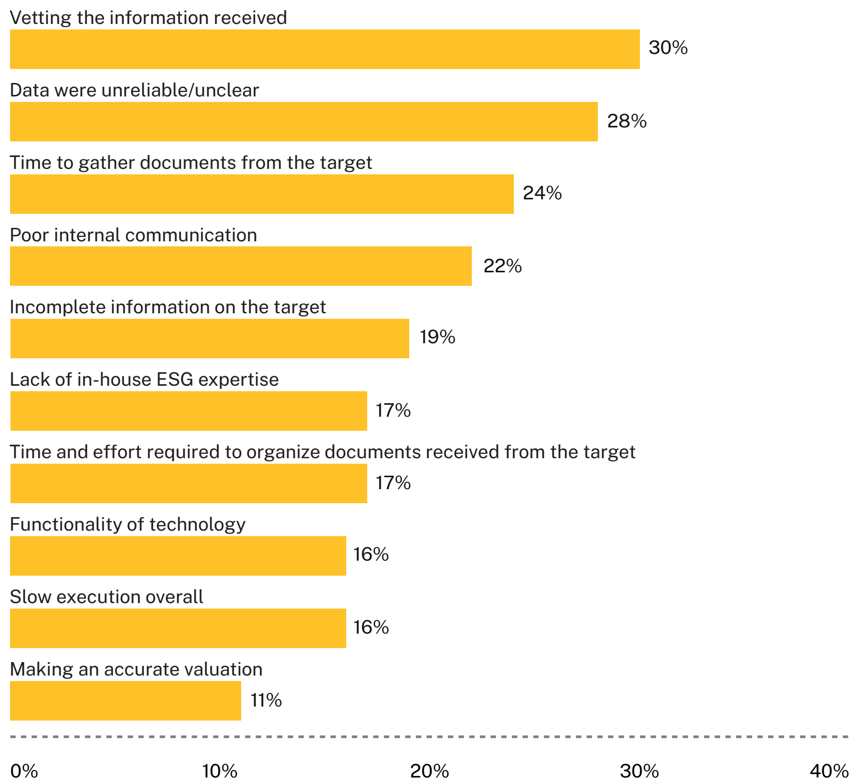
Buyers depend on the completeness, structure, and credibility of target disclosures, yet those disclosures often arrive in inconsistent formats, require reconstruction, or contain gaps that slow verification and extend the review cycle.

One medium-sized IB's managing director describes a familiar pattern: "The quality of information provided required extensive verification, which slowed the process. Some data were inconsistent or unclear, making it harder to draw conclusions. Extra effort was needed to ensure accuracy."

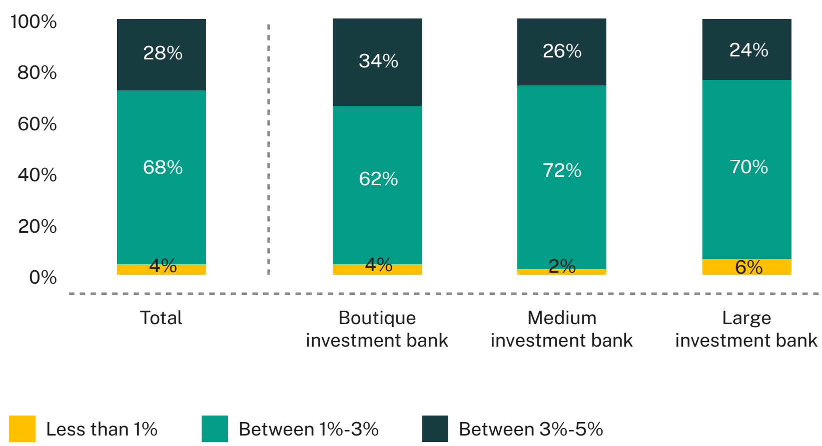
A managing partner at a boutique bank adds: "Gathering all necessary documents from the target took longer than expected due to disorganized records." This highlights how preparatory deficiencies on the sell-side can absorb disproportionate time on the buy-side. These issues become more acute when combined with specialist tracks such as technology, cybersecurity, or ESG, where even small omissions can materially affect risk assessments.

In the face of rising demands as diligence becomes more multi-stream and multi-disciplinary, there is some evidence that gross costs are edging upwards for a growing minority. More than two-thirds of respondents (68%) report that due diligence (excluding legal fees) typically represents between 1% and 3% of total transaction costs, with little variation between firm types. Notably, however, only 17% reported last year that diligence typically accounts for 3%-5% of total deal expenses; this year, that share has jumped to 28%, a meaningful migration into the upper cost band.

In the most recent buy-side M&A transaction in which you participated, what was the biggest challenge faced during the due diligence process? (Select top two)



As a percentage of the total deal fees and expenses, how much does due diligence (excluding legal fees) cost in a typical M&A transaction in which you participate? (Select one)



Part 4: Complexity, cybersecurity, and regulatory scrutiny

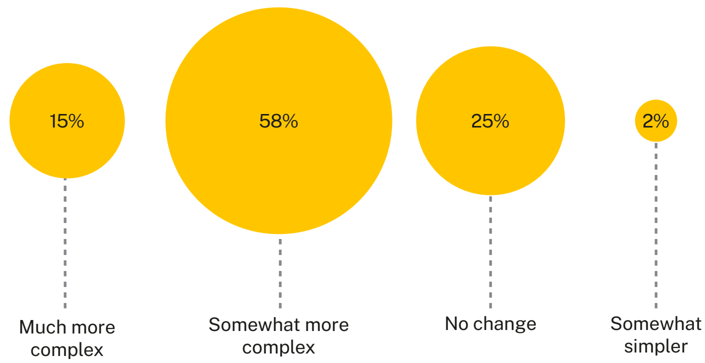
Over the coming 12-24 months, dealmakers overwhelmingly expect due diligence to become more complex — nearly three-quarters (73%) acknowledge this, including 15% who anticipate much more complexity. This broad consensus is the cumulative effect of trends reshaping M&A execution: expanding specialist workstreams, heightened verification standards, intensifying regulatory expectations, and the technical depth required to assess modern businesses.

Due diligence has become more interdisciplinary, more data-intensive, and more reliant on specialist knowledge than at any point in the past decade. Targets increasingly operate with tech-heavy infrastructures, complex vendor ecosystems, data-driven business models, and cross-border operations — each of which brings its own set of risks and validation requirements.

Respondents highlight the strain of adapting to this new reality. A managing director at a medium-sized IB notes: "There are complex areas of due diligence that need additional focus. This includes political impacts, sustainability, and technology aspects. We have to spend time recognizing risks from these factors."

In practice, this means deal teams must align more internal stakeholders earlier in the process; route more issues through legal, compliance, and cyber specialists; and plan for more iterations of information exchange with sellers. Complexity is now the baseline assumption and one that is becoming embedded in buyer and advisor playbooks across the market.

How much more complex do you expect the overall M&A due diligence process in M&A to become over the next 12-24 months? (Select one)



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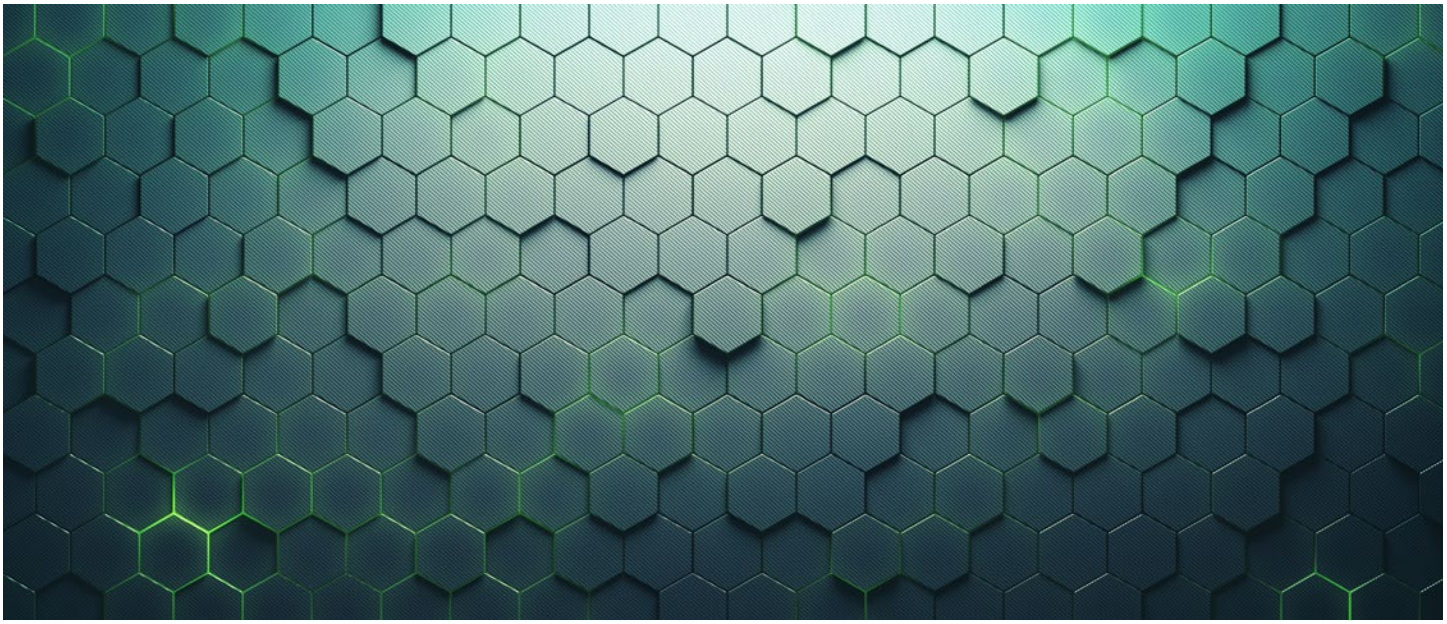


Cyber screening

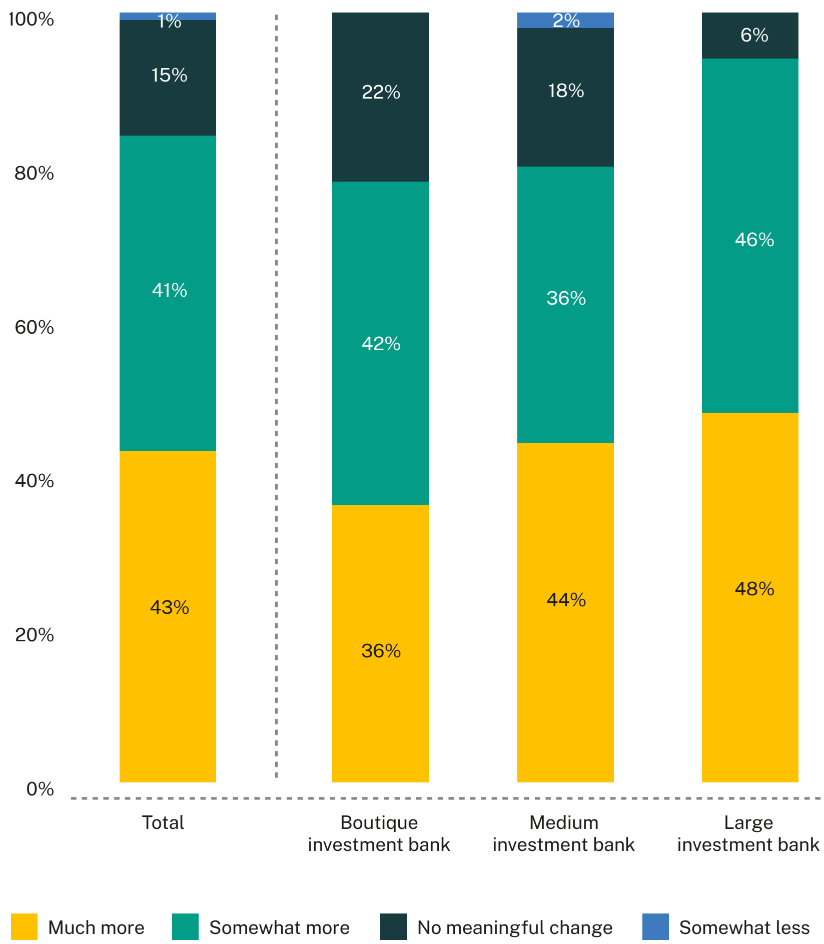
No area illustrates this rising complexity more clearly than cybersecurity. An overwhelming 84% majority of respondents expect cyber diligence to come under even more scrutiny over the next two years, including 43% who think it will be much more closely scrutinized.

Cyber incidents have grown more frequent and more sophisticated in the last few years, with supply-chain attacks and credential-theft campaigns exposing vulnerabilities far beyond a single network boundary. The SEC's requirements have sharpened liability risk, with publicly traded companies in the US now obligated to disclose material cyber breaches within four business days, heightening the consequences of inheriting weaknesses post-deal.

In parallel, privacy regimes such as the EU's General Data Protection Regulation (GDPR), California's Privacy Rights Act (CPRA), and China's Personal Information Protection Law (PIPL) demand detailed mapping of data flows, retention practices, vendor dependencies, and cross-border transfers, work that increasingly requires dedicated resources.

As one boutique IB managing partner puts it: "Cyber diligence has become a standalone workstream. We bring in third-party experts to run penetration tests, review historical breaches, and assess data governance."

How much more scrutiny do you expect due diligence relating to cybersecurity to come under over the next 12-24 months? (Select one)



Tougher regimes

Regulatory intensity is also rising on the antitrust front. Over a quarter (27%) of respondents expect competition oversight to make diligence significantly more complicated over the next 12-24 months, with a further 47% anticipating it becoming somewhat more complicated. That sentiment coincides with the heightened regulatory scrutiny seen in the 2023 Merger Guidelines as well as the Federal Trade Commission's newly expanded Hart-Scott-Rodino (HSR) filing requirements, which took effect in early 2025.

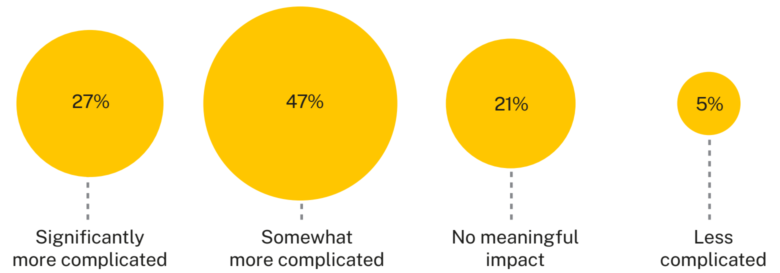
These revised HSR rules ask for far more information at the point of notification, including detailed narrative analyses of competitive dynamics, ordinary-course business plans, strategic rationales, draft board materials, labor-market overlap data, and disclosures regarding foreign subsidies. In practical terms, this means parties must assemble competition-relevant documentation much earlier than they did even a year ago. Internal documents that once surfaced only during a second request now need to be identified, harmonized, and quality-checked before filing.

For deal teams, the evidentiary burden is being front-loaded. They must assemble broader documentation earlier in the process, prepare competitive assessments to address potential theories of harm and assess internal records — strategy decks, board materials, pricing documents — with a more anticipatory posture.

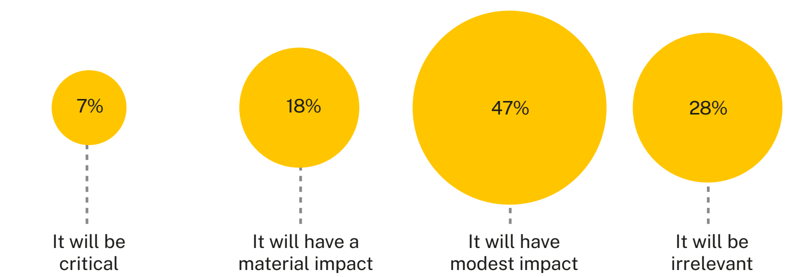
Elevated M&A oversight is not confined to the US. Authorities in the EU, the UK, and several Asia-Pacific jurisdictions have adopted a more assertive posture across merger control, data governance, and sector-specific reviews. The European Commission has expanded its use of Article 22 referrals to scrutinize deals below traditional notification thresholds, while the UK's Competition and Markets Authority continue to intervene aggressively in transactions involving digital markets and data-rich businesses.

One managing partner of a boutique investment bank warns: "Regulatory scrutiny across multiple jurisdictions is becoming much tighter. Every deal now requires additional documentation and cross-border legal checks which significantly slows down the process."

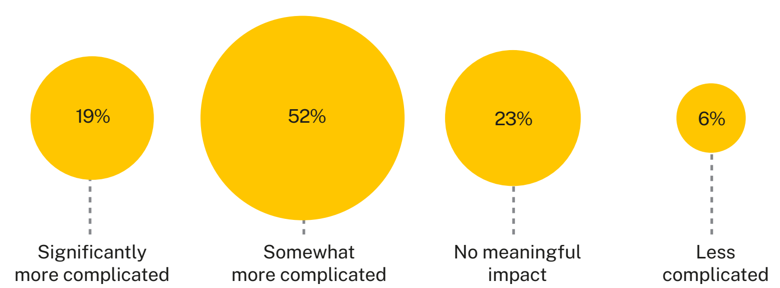
To what extent do you expect rising regulatory scrutiny in relation to US antitrust rules to complicate M&A due diligence processes over the next 12-24 months? (Select one)



To what extent do you expect regulatory scrutiny/the ability to close a deal will be dependent on whether the merger parties are looked upon favorably by the current administration? (Select one)



To what extent do you expect rising regulatory scrutiny in relation to foreign direct investment measures to complicate M&A due diligence processes over the next 12-24 months? (Select one)



Outlook: The evolution of due diligence

Due diligence continues to evolve through a convergence of pressures that will change how deal teams organize themselves and the depth of examination they apply to validating acquisition targets.

The first and clearest signal is the continued specialization of domains. Areas that once sat comfortably within broader financial, legal, or operational reviews now demand dedicated expertise. Cybersecurity and data governance assessments are becoming more forensic, while ESG scrutiny, too, is shifting into a more codified phase as sustainability disclosures, supply-chain transparency obligations, and climate-risk expectations tighten across jurisdictions.

This deepening specialization is forcing investment banks to rethink how they resource transactions. Firms that once relied on generalist coverage or external consultants for niche questions are starting to cultivate more permanent internal capability, particularly across ESG, cyber, data governance, and technology risk. “Internal talent developments will be the most important within our firm,” one respondent notes. “We are planning to include expertise in ESG and technology subsectors to handle the complex requirements.”

At the same time, teams recognize that the pace of regulatory and technological change makes it impossible to internalize every skillset. High-stakes areas such as codebase integrity, AI model governance, and sustainability assurance will still require engagement with specialist advisors whose domain knowledge can withstand regulatory challenges.

A second defining trend is the shift from point-in-time diligence toward a more continuous model of risk assessment. Several respondents describe a future in which diligence stretches beyond the signing process, reflecting the reality that cyber threats, regulatory expectations, workforce dynamics, and operational vulnerabilities evolve long after the term sheet has been signed. One managing director captures this sentiment, saying: “Due diligence will not be limited to something that is done before the deal. There will be constant reviews to analyze changes in performance and the impact of emerging risks.”

It is clear from our survey results and related insights that due diligence is not a simple one and done procedure, but rather a complex journey that may extend far beyond the initial phases of the deal process. With the prospect of the modern due diligence process taking longer, utilization of a VDR with a flat, predictable rate becomes increasingly important as additional documentation and review needs arise over time.

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