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Merrill DataSite client

success story

Midsized audio-electronics firm achieves maximum valuation and continuation of business strategy by attracting international strategic buyer

Profile

A manufacturer of high-end audio equipment, such as headphones and voice-enabled headsets, (“the Company”), has annual revenues of \$20 million. A leading provider of audio equipment to the professional music industry, the Company manufactures private label products for other companies and is in the process of expanding its product line into the consumer market.

Challenge

The owner wanted to sell the Company for a maximum valuation and also find a buyer with the resources and retail marketing experience necessary to “take over the reins” and bring the new product line to the consumer market.

Process

The Company hired an investment banking firm that specializes in M&A activity for mid-sized firms. The investment banking team determined that in order to drive the best valuation, it was important to attract a large group of potential domestic and international buyers. In total, 70 viewers representing 12 potential buyers located throughout the United States and Europe would be invited to participate in the due diligence process. The team made the decision to host and share documents in an online virtual data room (VDR), where authorized users could log in from any location, at any time. The key required components of the virtual data room were as follows:

- **Security.** The team wanted to be able to establish unique security levels at the individual and group levels, so that appropriate levels of confidentiality would be maintained at all times. Team members also wanted to segregate the kind of information they provided, such as document sets and responses to questions within the Q&A Forum, according to the level of confidentiality assigned to the specific groups/viewers.
- **Flexibility.** The team wanted to be able to change user permissions “on the fly” as the dynamics of the transaction progressed.
- **Ease of use.** It was important that the VDR would be simple and easy to use for both selling and bidding parties.
- **Real-time reporting on due diligence activities.** The team needed sophisticated reporting tools to allow the tracking of the bidders’ due diligence activities in real time and to the “page” level.



Solution

After reviewing their options, the investment banking team chose Merrill DataSite™ as the VDR to host their transaction.



Benefits gained during the course of the project:

- **Keen insight into bidders' intent.** According to the team's analyst, "We were able to track detailed activities by all the viewers, such as key documents accessed, viewed and printed, and by whom. This allowed us to proactively address potential issues before they were even raised, and also provided us with important insight into the true intent of all the bidders."
- **Efficient hosting of a large pool of bidders.** The team was able to invite and host a larger group of bidders much more efficiently than would have been possible in a paper data room. "Merrill DataSite allowed us to consider a wider range of potential buyers and ultimately drove up the price."
- **Secure, confidential disclosure, tailored to match each bidder's permission levels.** "We wanted to be able to send certain kinds of information to specific groups, but not necessarily to everyone. We also needed to be able to segment our responses for specific groups. This was easily managed within the Merrill DataSite." As a result, the team was able to securely post and share all documents and responses, while eliminating the risky practice of sending information via e-mail.
- **Added confidence in the buyer selection process.** Merrill DataSite's reporting tools enabled the team to assess how thoroughly each potential buyer was engaging in the due diligence process. "The VDR helped us make insightful decisions about the right buyers during the process – this was perhaps its biggest value generator, ahead of efficiency and time savings. Without a VDR, we wouldn't have known if a buyer was the only one looking at the data or if he sent it on to other internal staff and outside advisers."
- **Valuable transparency.** "In this deal, one of the buyers asked us to invite 20 to 30 individuals, including employees, as well as outside legal and accounting teams, that spent hours going through the documents. It was apparent that this buyer was invested in the process, and more likely to move forward and close the deal in a timely fashion."
- **Rapid deployment.** The team preferred a hands-on approach to using the VDR, and wanted to launch the site, using its own resources. "We were able to set up the site, organize the index and load the documents in less than two hours, which was fantastic!"
- **Customer service, 24/7/365.** "We chose to set up the DataSite on our own, but we also had the option to work with Merrill DataSite project managers and customer service staff, whenever we needed them. They have always been prompt and responsive to our needs. This is critical in a dynamic deal environment, where you can't afford to wait hours for a call back from your VDR provider."

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Summary

Within a period of six months, the investment banking team successfully negotiated the sale of the firm to an international electronics manufacturer for \$50 million. The team cited Merrill DataSite as a key strategic tool, making it possible to bring the deal to a large group of buyers whose teams were located throughout the United States and Europe. Merrill DataSite also provided key insights into bidders' due diligence activities, which was judged to be critical information in assessing and choosing the right buyer for the deal.

To learn more about Merrill's solutions, call 800.688.4400 or visit merrillcorp.com.



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