

The power of asset readiness

By Steve Piccone, Senior Vice President, Merrill Corporation

COMPANY MANAGERS and owners continually seek to achieve a maximum return on their interests, from inception to exit. How is it then that so few are willing to maintain a state of asset readiness that would allow them to take advantage of opportunities that may materialise at any moment?

While the capital and lending markets have undergone dramatic change in the last 18 months, the need for private, institutional and public capital remains unchanged. Any organisation that foresees a potential need to open its books for any type of due diligence exercise will do well to begin an organisational effort today, in advance of actual need. Imagine for a moment that you are “looking” in one or more of the following categories:

- for funds from your current or a group of new lenders;
- to expand through an acquisition;
- for a merger partner;
- for venture or private equity sponsorship;
- to go public;
- to transition the business due to pending retirement.

In all of those cases you are likely to need to do more than just put together a couple of pages of information to assist those who will be making judgments about the ongoing value of your enterprise. Instead you are going to devote valuable time and managerial talent to the assembly of those business documents that will fairly (and you hope, impressively) present your story to these new and important investors and business partners. Will this be a smooth and simple exercise or a fire drill?

Until recently, these due diligence exercises were strictly paper-based affairs, with teams of document reviewers parading into corporate “deal rooms” or, into more costly off-site locations if confidentiality was required.

These single-purpose exercises were expensive to mount, likely to be seen as “one-off” and probably inefficient by any measure.



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Today, however, technology has changed the game by allowing the exercise to be conducted online through “virtual deal rooms” (“VDRs” or “datasites”) where multiple viewers may have concurrent access to read, print and even download all of the documents made available by the company.

Datasites give companies the opportunity to effectively warehouse the company’s most important due diligence documents in a secure, yet readily accessible location. As opportunities and needs present themselves, the company simply decides on the level of access it wishes to give to a new document review team and then extends an invitation.

Company managers can know exactly the nature and level of the review being done through datasite reporting functionality and reviewers can more quickly get to the heart of the matter through the use of key word searching that is both repository-wide and instantaneous.

Points to note

1. Companies that are asset ready through the use of VDR technology are able to take quicker advantage of any opportunity that arises, including those unlikely times when a suitor shows up at the door unannounced.

2. They are also able to use their repository when seeking to recruit and hire new executives, or to bring technical advisors and consultants up to speed on business matters.

3. The on-going expense of maintaining a datasite is less than the expense of one paper-based due diligence exercise conducted as a fire drill, yet provides the executive team with ready access and availability 24/7.

The fast and efficient presentation of due diligence information via VDR technology (as compared with poorly executed, last minute document grabs) gives potential investors and business partners greater confidence that they are dealing with a highly efficient organisation. Having received a full and complete picture, they are more likely to conclude that their evaluation is bankable.

Merrill Corporation has executed thousands of projects via Merrill DataSite, a comprehensive virtual data room solution that accelerates the due diligence process by providing a secure, online document repository for confidential, time-sensitive documents

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