

Virtual Data Rooms Enhance Due Diligence

Shorter Bid Periods and Greater Buyer Intelligence Are Only a Few of the Advantages Provided by Virtual Data Rooms



By Richard Martin
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Fueled by globalization and advanced technology, business transactions are being completed at a record pace, and virtual data rooms are proving to be essential to the process.

By significantly reducing deal time and providing both buyers and sellers with better information management tools, virtual data rooms have increasingly allowed M&A professionals to more quickly and efficiently review the relevant business information that facilitates transactions around the world.

A virtual data room, or VDR, is the electronic equivalent of a physical data room, with the added benefits of online accessibility to documents and flexible hours. Convenience, control, scalability, reduced time and cost savings are key reasons why virtual data rooms have gained popularity.

Such online document repositories help facilitate the secure exchange of sensitive information between buyers and sellers during a merger or acquisition, as well as the due diligence exercises used with IPO and secondary offerings, bond financings, credit facilities and restructurings, all significantly reducing transaction cost and elapsed time.

Rapid, Steady Migration from Paper to Virtual Data Rooms

For more than 70 years, paper data rooms have been used as the primary venue for posting proprietary business documents and financial data for due diligence review. However, over the past five years virtual data room usage has grown tremendously. Industry experts estimate that the due diligence for 65% of M&A assignments is now being handled virtually.

Virtual data rooms offer benefits to

both parties. *Sellers* can set up a virtual data room in a fraction of the time it takes to set up a paper data room, providing prospective buyers with relevant information in an organized online environment that is accessible via the Internet. *Buyers*, working from the comfort of their own offices or any Web-enabled portal, can quickly determine a potential target's value without having to arrange for travel or dealing with schedule restrictions caused by competing buyers. By leveraging VDR technology, companies can achieve better results providing a selling team and its buy-side counterparts with greater advantages in unique market conditions.

Some providers of today's VDR technology allow participants to view documents in a common format and enable broad text searches in romance languages, making it easy to quickly locate and bookmark important information. Armed with such electronic due diligence tools, buyers can more thoughtfully establish a basis for the price they are willing to pay for an asset under consideration.

Determine Buyers' True Level of Interest and Intent

For corporate managers selling assets, VDR reporting capabilities can be extremely valuable in determining buyers' levels of interest and intent. Sellers can use reports to identify who is reviewing data, which documents are being reviewed, for how long, and in what order - and ultimately determine how serious a potential buyer is.

Certain reports can also be used to specifically indicate that documents have "in fact" been reviewed, providing proof that disclosure requirements have been met. This type of capability can help minimize legal risks and potential holdback claims.

Gain Greater Control and Flexibility over the Data Display

VDR technology also gives companies greater control and flexibility over the way they organize and present information and invite prospective buy-

ers to participate in the deal. Sellers can more easily cast a wider net by inviting qualified bidders from around the world in an effort to maximize sale price. At the same time, the seller can choose to limit information access to particular viewers, depending upon its relevance.

One key to realizing true benefits is the availability of rigorous, yet flexible, security protocols. By enjoying such tools, site administrators are able to exercise highly specific, individualized control over actions such as viewing, printing, cutting and pasting content, and access to original source files. As company information can sometimes be extremely sensitive, having such safeguards and controls is critical.

Adding Language Translation to the VDR

As VDRs appealed to companies managing cross-border deals by eliminating the challenge of moving information from one country to another, it followed that language translation capabilities could be accretive to the VDR solution. To address this requirement, vendors such as Merrill DataSite™ have embedded a language translation platform directly into their VDR offering. Through this approach, companies can further accelerate the process of bringing a deal to market.

Technology that Transforms Deal Making

Regardless of the complexity of a given transaction, a smooth due diligence process reduces transaction time and is critical to successful deal making. While virtual data rooms have made a profound, positive impact on the due diligence process, the most streamlined transactions are ones that are facilitated by a VDR provider with deep experience in the financial and legal document industry, and a cultur-



al, organization-wide discipline for the management and processing of confidential content.

For more information please go to: www.merrillcorp.com/datasite.

ABOUT THE AUTHOR

Richard Martin is Director of Marketing of Merrill DataSite for Merrill Corporation, a leading provider of outsourced solutions for various complex business communication and information management needs. He works closely with M&A professionals to provide virtual data room (VDR) solutions for their transaction and due diligence needs. Prior to joining Merrill, Richard led the hedge fund strategy group at Morgan Stanley Capital International. He received his B.A. from Dartmouth College in 1992 and currently resides in New York City with his wife and child.

Friday: 8:00 AM

Read front page story on the bank and credit union merger plan.

Monday: 11:30 AM

Nominated my top sales person Cathy Miller for a Residential Real Estate Award candidate.

Tuesday: 6:10 PM

Sent congratulatory cards and emails to the People on the Move.

Wednesday: 3:35 PM

Forwarded HBJ Daily Email Update to sales staff.

Thursday: 1:00 PM

Spent the entire afternoon networking at the Best Places to Work Event.

Friday: 8:00 AM

Moved into the corner office!

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