

# 7 Ways a Virtual Data Room Can Keep an M&A Deal From Unraveling

Even in strong economies, the M&A process can be a rocky road to navigate. As a seller, one way to smooth the ride to a profitable exit is to realize that you have more control over the due diligence process than companies often realize. **The truth is, by being proactive in the due diligence process and using a virtual data room, selling companies can play a significant role in shortening due diligence timelines, reducing a buyer's perception of risk, and maximizing the value a buyer ultimately assigns to the company.**

## #1 Reduce Due Diligence Surprises

**Buyers don't like surprises during due diligence.** Financial discrepancies, unresolved litigation, employee liabilities or cloudy IP ownership can cause buyers to delay the due diligence process while issues are resolved, reduce the price and terms, or even kill the deal. At the very least, unexpected revelations can erode trust and have a negative impact on negotiations.

**A virtual data room is the best tool to organize all necessary corporate information that a potential buyer would like to review during due diligence.** Not only will the VDR help to ensure that all of the important documents are in one place, but it will also ensure that they are all easy to locate, they have been reviewed and approved by all of the right parties, and they address any potential unresolved issues that pop up during the data room setup process.

**It is advisable to conduct a pre-sale transaction readiness**

**assessment to reveal potential issues and help avoid due diligence surprises.** Put yourself in the shoes of the buyer and anticipate their issues and concerns. What will they want to see? Are there any red flags? Would you be impressed if you were the buyer? Once you have thought through the data room contents and organization, you are then better prepared to resolve any issues that arise—before you begin due diligence.

## #2 Eliminate Slow Responses

**During the due diligence process, time is not your friend.** The longer a deal drags on, the more likely it will be that issues surface to reduce deal value or cause the buyer to walk away.

**Modern virtual data rooms are built to reduce transaction timelines** by expediting the document review process, facilitating the process of routing questions and having experts provide answers—privately or publicly—to those questions, and providing time-saving features such as batch download,

continuous scrolling and powerful search capabilities.

**Many virtual data rooms also include powerful auditing and reporting features that offer valuable insight into a buyer's interests and areas of concern.** When you notice a buyer is spending more time in certain documents and less or no time in others, you can proactively address those potential areas of contention or interest.

Furthermore, when buyers have questions or concerns, you can have your experts address them immediately and keep the due diligence process on a rapid path to a successful conclusion.

## #3 Cast a Broader Net

**One of the greatest benefits of a virtual data room is that it makes due diligence materials available on a 24/7 basis, such that you can attract more potential buyers across multiple regions and time zones.**

Once you set up a good virtual data room, it's seamless to quickly invite new users and grant



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a level of access that is based on their stage in the due diligence process and the seriousness of their intentions.

#### #4 Manage Buyer Issues

**Though most issues that surface during due diligence are on the seller side, sometimes the buyer is the source of complications.**

Their business could take a downturn, their financing could fall through, or they themselves could be acquired while they're engaged in due diligence.

And even though you as a seller may feel you have little control over a buyer's issues, by employing a virtual data room, **you will be aware of the interest of other potential buyers, since you know exactly who is looking at which documents and for how long.** If a buyer is not moving quickly enough to complete the deal, it may be time for you to seek a backup buyer. Having a virtual data room in place makes that transition as easy as flipping a switch.

#### #5 Prepare for Outside Market Issues

**Another force outside of the seller's control are market fluctuations.** If the general market or economy is on a downswing, sellers may hold off on the sale until better times. But if the company thrives in the down market, potential buyers may perceive it as more

valuable. On the other hand, when the economy is good, many companies are trying to sell, and buyers may not have time to react before another fluctuation.

**The best way to weather a fluctuating market is to always be prepared to sell.** Trying to time the market exactly is challenging and rarely works. If, however, you have a virtual data room at the ready, your company will be prepared for rapid due diligence whenever a buyer approaches.

#### #6 Avoid Data Breaches

**Data breaches are costly, bad for your brand, and can destroy deal value.** According to the SEC, hackers are increasingly tapping into sensitive M&A information by targeting weakly secured lines of communication such as emails and unsecured cloud storage. Hackers couple their technical savvy with business deal intelligence to hijack email threads and mine them for data to glean the credentials of shareholders and investors.

**It therefore goes without saying that email and unsecured cloud storage should never be used to convey sensitive deal information.** If you want to greatly minimize the chances that nefarious Wall Street-savvy cyber criminals can gain access to critical business communications and compromise your deal, it is best to use a virtual data room from the earliest stages of a transaction.

#### #7 Improve Deal Management

Virtual data rooms are excellent tools for managing and sharing confidential documents during due diligence, but that's really only half of the equation. **Another vital process is the management of the relationships with the individuals and groups who are viewing those documents.**

A virtual data room with powerful reporting features allows administrators to glean useful analytics on investors and potential buyers by tracking user activity in the data room. **A virtual data room's audit log shows which individuals have spent the least and greatest amounts of time on various documents.** This powerful deal intelligence allows them to anticipate potential enquiries or concerns and determine what information is of most interest to engaged buyers.

**Sharing information during due diligence is fraught with risks and shouldn't be taken lightly. The potential costs associated with a data breach that allows transaction intelligence to get into the wrong hands can devalue a deal or kill it completely. Using a state-of-the-art virtual data room is the best way to ensure that your M&A transaction not only doesn't unravel, but maximizes deal value. Find out more at [www.sharevault.com](http://www.sharevault.com).**