

# How Virtual Data Rooms Can Streamline Global M&A

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*Even in the current tumultuous political and economic environment, there are plenty of opportunities surrounding emerging markets. By employing global virtual data room technology, you can significantly streamline the due diligence process for cross-border M&A.*

With many of the world's major economic markets in a slump, it can be tempting to run for cover until circumstances start to improve. However, these precarious economic conditions have actually paved the way for some of the emerging markets to gain traction, making cross-border M&A an attractive prospect. If you're among the companies that are ready to buy or sell, the global virtual data room (VDR) can be an invaluable tool. As stakeholders and potential investors become increasingly dispersed around the globe, employing a centralized, web-based system during the due diligence process can both cut costs and speed time-to-close.

Though globalization and financial crisis in the developed world have been instrumental in bringing many emerging markets to the fore, there has been a clear trend towards cross-border dealings for some time now. In 2001, total value of cross-border M&A transactions was US\$500 billion. By 2016, that number had tripled to US\$1.5 trillion.<sup>1</sup> And now, weakening currencies of the industrialized nations making foreign companies an attractive investment for buyers from emerging countries, that upwards trend is all but guaranteed to continue. According to a recent report by Institute for Mergers, Acquisitions & Alliances, of the US\$2 trillion in U.S. M&A activity in 2016, approximately US\$500 billion (25%) involved offshore acquirers, compared to only \$188 billion (10%) in 2006 and slightly less in 2005.<sup>2</sup>

As all M&A professionals are keenly aware, mergers and acquisitions are extremely complex and generally fraught with risk. This is no less true for cross-border transactions. In fact, many of the challenges inherent in M&A dealings (corporate governance and securities laws, regulatory hurdles, tax considerations, disclosure obligations, antitrust issues, etc.) are only enhanced when one is attempting to conduct business across national and cultural boundaries. Furthermore, any language barriers between dispersed stakeholders and investors will only compound these challenges.

While VDR technology is no silver bullet, it can go a long way towards mitigating many of these issues. To help make these concepts clear, let's briefly go back to basics: What exactly is a VDR? The specific features will vary somewhat by vendor, but on a fundamental level, VDRs serve to streamline the due diligence process by making all of the relevant documentation available in a centralized repository on the web. Once a VDR has been set up, all relevant stakeholders and potential investors receive unique login credentials that allow them to securely access and review due diligence documentation from anywhere in the world.

By simply eliminating the time and costs associated with copying paper documentation and mailing it all over the world or with hosting physical data rooms in multiple locations, most VDRs will pay for themselves by default. However, the more advanced VDRs also offer a host of additional features that can streamline your operations even further:

## **Advanced Organizational Features**

Many VDRs offer a variety of organizational features that can significantly speed up the process of managing, searching for, and organizing documentation. Instead of scrounging around boxes and papers, buyers can find the information they are looking for and retrieve electronic filings by simply typing in keywords or by browsing the VDR's index. Logical indexing within the VDR facilitates the location and retrieval of the desired documentation. Some VDRs even have a drag and drop feature that allows for the easy reorganization of files. Furthermore, a well-designed user interface will minimize extra mouse-clicks and data entry screens, allowing users to get to the information they need quickly and easily.

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<sup>1</sup> <https://www.jpmorgan.com/global/insights/maglobaloutlook>

<sup>2</sup> <https://imaa-institute.org/mergers-and-acquisitions-statistics>

### **Multilingual User Interface and Documentation**

One of the latest advances in VDR technology is the multilingual user interface. This feature can be especially helpful during cross-border transactions in which sellers and buyers may not all be fluent in the same language. When the user interface is customized to the user's native language, they are able to navigate the VDR more quickly and with greater ease.

In some cases, the VDR provider also offers in-house translation services. This will allow sellers to provide buyers with essential documents, such as contracts and company records, in their native languages. Giving stakeholders and potential investors these linguistic accommodations will not only provide greater transparency, but it can help promote goodwill between buyers and sellers who speak different languages and come from different cultures.

### **Document Management**

It's not uncommon for M&A transactions to involve hundreds if not thousands of pages of documentation. And in some cases, this documentation may only exist in hard-copy form. Most VDR providers offer scanning services as part of the VDR set-up process to ensure all documentation is available in digital format in the virtual data room. They can also help the client with organizing the documentation in a logical format so that stakeholders can easily find what they need within the VDR's index.

### **Administrative Controls**

The VDR administrator (usually the seller) can set viewing restrictions that allow buyers to see only those documents that are relevant to them. This level of usability allows buyers to maintain their focus and allows them to make informed decisions more quickly. Also, when a buyer submits a question to the seller, the administrator can decide whether to answer this question privately or make it available to all users in the FAQ.

### **Multiple Layers of Security**

With all of the sensitive information that's passed around during the M&A process, it is vital that you select a VDR provider that offers extremely tight security controls. Here are some of the things you should look for:

- Hosted in SSAE 16 SOC 2 / ISO 27001:2013 facilities — the gold standard for safeguarding electronic data in highly regulated industries
- Documents can be read only, stored securely inside the application's in-line viewer, preventing buyers from copying, saving or printing content
- Dynamic watermarks containing forensic information allow sellers to track user's actions (such as when they printed a document)
- Ability to track user's activity remotely and revoke access to a particular document, even one that's been downloaded to the user's hard drive
- Viewing restrictions for selected documents by individual users or groups, enabling administrators to release content on a piecemeal basis as opposed to all at once
- Optional click-through user-definable confidentiality agreements with audit trails

### **24/7 Customer Support**

When you're conducting business across multiple time zones, 24/7 customer support is essential. Now, some VDR providers offer 24/7 help desk support to enable users to get their questions answered in a timely fashion. Some even commit to response times of under 5 minutes guaranteeing that user issues can be resolved by a professional client services team.

### **Conclusion**

Perhaps the greatest advantage of the VDR is that it allows sellers to entertain multiple buyers at once. Factor in all of the time-saving technologies mentioned above, and it's clear that VDRs can be major game changers. In fact, it is estimated that, on average, the use of VDRs for diligence purposes shortens the duration of deals by 60 days or more—and as the old saying goes: "time is money." What's more, as cross-border transactions increasingly become the norm rather than the exception, having the added levels of transparency that VDRs can provide will help smooth the cultural and linguistic differences between players from divergent cultures. In this tumultuous economy, these seemingly minor advantages can be the difference between failure and success and provide some refreshing piece of mind.