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Making Acquisitions and Divestitures Simple with Virtual Data Rooms

Acquisitions and divestitures—they're a growing part of today's economy. At the heart of nearly every deal is a data room that acts as a neutral territory for buyers to analyze all of the critical information pertaining to the assets being sold. When it comes to sellers, data rooms are an excellent way to diligently provide buyers with historical information, compliance documentation and other crucial records as well as to highlight the value of your assets.

Unfortunately, the traditional paper-based data room is inherently inefficient. Creating one is a time-consuming process which requires users to manually photocopy everything. The result is a large, often messy process where documents can be easily lost or misplaced. This is particularly problematic because nothing increases risk in an A&D scenario more than missing information.

A chaotic data room can also mean:

— A slower transaction
— Missed opportunities because information gaps aren't readily noticeable
— Insufficient access to and incorporation of documentation post-transaction

So how do you address these problems? The solution is to organize A&D records in a streamlined virtual data room.

We recently developed a virtual data room for one of the world's largest oil and gas companies involved in a strategic A&D venture. The process was a success with our client experiencing unexpected benefits that went far beyond a faster sale.

There are four key outcomes from the engagement.

Discovery Made Easy

When it comes to the analysis or discovery phase of an A&D, it's imperative that information is readily available and easy to find. Virtual data rooms facilitate this by providing a user-friendly format for buyers and sellers to evaluate relevant information.

They also help users:

— Easily search for information to improve access
— Identify information gaps
— Mitigate risk
— Facilitate post-transaction assimilation

By using a virtual data room, our client was able to complete discovery in a fraction of the time it would've normally taken and significantly shortened the entire transaction process.

1.0 Improve Access With Search-Ready Digital Documents

In order to access information quickly during the discovery stage, you need to have an efficient way to find the data you need. That's where optical content recognition (OCR) and structured meta data come in. Rather than reading through hundreds of physical records, OCR allows you to search through imaged documents based on a variety of meta data to locate specific records.

Users can easily integrate records of the newly purchased assets into their existing RIM, finance, or land and well management software. Since everything is stored and organized in one place, each set of assets becomes its own package of information that can be loaded into any system.

For example, you can determine within a few seconds how many barrels of oil a specific well produces per day—simply by running a search based on document type and level.

2.0 Quickly Identify Gaps In Information

In an A&D scenario, both the buyer and seller need to know exactly what records are available in order to make the right decisions. Virtual data rooms enable all parties to easily identify and address any missing information in order to prevent potential legal ramifications.

Our client was able to discover serious liabilities with some of the assets it had acquired in large part because the records they obtained were in an electronic format. The company then used the imaged documents to begin litigation proceedings.

3.0 Mitigating Risk

Buying and selling assets, by nature, comes with some level of risk. Virtual data rooms allow users to perform due diligence by maintaining documentation and evidence of all transactions. This is particularly beneficial in the event of an emergency, such as an oil spill, or for proving that compliance requirements have been met.

4.0 Simplify Post-Transaction Assimilation

Virtual data rooms offer benefits that can go well beyond the sales cycle. Users can easily integrate records of the newly purchased assets into their existing RM, finance, or land and well management software. Since everything is stored and organized in one place, each set of assets becomes its own package of information that can be loaded into any system.

Not only does this make for fast integration into daily business processes, it also ensures that:

— Information is available for a long period of time
— Records can be updated instantly
— Assets can be re-sold quickly

In our recent experience, our client was able to divest a portion of the assets within a few months, significantly increasing the ROI on their initial investment

Records Management: The Differentiating Factor

When it comes to virtual data rooms, imaging isn't enough. You need to apply records management techniques such as retention schedules, functional classification systems, structured meta data and OCR in order to properly manage and use the information they contain.

That's where TAB's expertise come in. We use RIM best practices when creating virtual data rooms to make the A&D process faster, efficient and more secure.

Contact us today to learn more about how virtual data rooms can work for your organization.

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