



| MERRILL DATASITE®

WHITE PAPER

Cutting a deal: How secure information flow is integral to a successful startup and VC partnership

Disseminating confidential information effectively - and to the right parties - can help startups close funding rounds quickly.

Funding prospects in today's tech landscape show signs of an uptick after a rough start last year. Further, as stated in a venture funding report by Techcrunch, equity funding rounds in Q2 of this year grew 8.8 per cent YoY, translating into a healthy deal volume circulating in the market.

This does, however, mean VCs are constantly inundated with pitches and potential deals, making the process of performing due diligence on each startup more sporadic, as each startup may have different methods of disseminating critical information.

Startups - especially those in the early stages - need to find the best and most cost-effective means of streamlining the flow of information to VCs as well as ensure that data is secure.

Data is often handled and distributed with use of freely available cloud storage options such as Google Drive or Dropbox, but while many consider these options to be viable for all means, when it comes to the fundraising process, they don't offer services that should be thought as prerequisite.

Sifting through hundreds of files and documents manually is a cumbersome process for which must be undertaken by all parties involved, with most free solutions structured as one-size-fits-all models, leaving little room for customization.

"OFTEN TIMES, WE'RE NOT ONLY DEALING WITH THE INVESTORS BUT WITH AUDITORS AND LAWYERS, AND THINGS CAN BE A BIT MESSY, ESPECIALLY WHEN YOU DON'T HAVE ALL THE INFORMATION AT ONCE"

— Bond Thaiyanurak, Founder of locker sharing startup Box24



Trackability and security

"Storing financials in the cloud is convenient but being able to track the progress in the dynamic fundraising situations can be a bit challenging," says Bond Thaiyanurak, founder of locker sharing startup Box24.

"Often times, we're not only dealing with the investors but with auditors and lawyers, and things can be a bit messy, especially when you don't have all the information at once and chasing every single paper just to make the data room complete can be a time-consuming process.

"Although Google Drive or Dropbox is free," Thaiyanurak continues, "they don't seem to be able to accommodate multiple parties, where features such as access permission can't be tailored as much as it should be. When tracking is incomplete, you end up chasing things manually, which is not very ideal."

Another startup founder, Ryan Chew of Singapore travel platform Verlocal, cites security concerns.

"We usually store and share our information via Google Drive or Dropbox. For non-critical information, it does the job nicely but for critical information, there is always a nagging fear of it being leaked."

Secure SaaS solutions

In place of off-the-shelf consumer-grade software, companies can turn to virtual data rooms (VDRs) which provide exhaustive customizability, file sorting and data security features. This helps both internal and external parties access information quickly; speeding up the process of due diligence and transactions.

One such example is Merrill Corporation, a leading SaaS provider for VDR services that supports capital market transaction like fundraising and M&A.

"A well organised data room is important for startups during the due diligence process. Due diligence documents that are typically found in a data room can be broadly categorised under financial, legal and operational. They provide investors including VCs with a comprehensive understanding of the business," says Peter Cheng, Executive Director at North Ridge Partners, an investment and corporate finance advisory firm specialising in M&A and capital raising for Southeast Asian startups.

"Prior to the current VDR solutions, the due diligence process relied heavily on physical data rooms, which were time-consuming and costly to operate. They also did not offer the flexibility, interactivity and ease of access to due diligence information that users and advisors wanted. This meant that deals took longer to execute."

"Merrill's VDR provides our deal teams with a professional and complete solution for transactions. Previously, the process of setting up, maintaining and tracking the due diligence process was time-consuming. DataSite has simplified all of this and provides us with more extensive functionality and analytics to track transactions and respond in real time," he says.

"An example would be a fundraising transaction where interested investors can be involved. The ability to provide controlled and immediate access to the VDR ensures greater security and grants the company full oversight of the due diligence process."

Stay informed with deal analytics

Merrill's VDR also offers deep analytics that enable both startups and VCs to better assess their business compatibilities via user insights. This is due to the Merrill DataSite's provision of real-time reports, enabling users to track who accesses what, and how long each party looks at any file.

"WE USUALLY STORE AND SHARE OUR INFORMATION VIA GOOGLE DRIVE OR DROPBOX. FOR NON-CRITICAL INFORMATION, IT DOES THE JOB NICELY BUT FOR CRITICAL INFORMATION, THERE IS ALWAYS A NAGGING FEAR OF IT BEING LEAKED."

– Ryan Chew, Founder of Singapore travel platform Verlocal

"The analytical tools provide our deal teams with a more informative understanding of all data room activity, which means we can better anticipate, respond to and direct what is critical for the users and the transaction process, contributing to a higher level of deal closure success," says Cheng.

In addition, users can conduct full text searches - either via single text or complex multiple term searches - to find information quickly and answer queries in real-time via Q&A functionality; while administrators can assign different levels of access permission to specific parties.

"With deals often moving very quickly, having an easy-to-use and robust VDR platform is important as it means that all users can have information necessary for decision-making immediately", he continues.

Thaiyanurak concurs with Cheng's views, stating "Merrill DataSite is flexible, easy to use, and trackable on the simple dashboard."

"Merrill DataSite provides a secured means for data sharing. One of the key things that struck me was how the permission settings allows users to restrict download access. Another strong point of Merrill DataSite was the ability to track which files were accessed. This allows us to better understand the investor's focus and what they are looking for," remarks Chew.

Prepare for the long haul

For startups and VCs, the easiest option is invariably consumer-grade storage solutions, but while these may translate to short-term savings, they are not designed for larger and more complex transactions, and therefore fall short of industry requirements.

DataSite is protected by enterprise-grade security and is the world's first ISO 27001 accredited VDR. It's also compliant with Information Security Management System standards, and offers 24/7 customer support in 14 languages.

By using a secure SaaS solution like Merrill DataSite, companies have more control over internal data, and can be assured that sensitive information is protected. They can then safely give companies access to extensive user insights and identify deals with potential buyers quickly during the most viable time in the market lifecycle.

"WITH DEALS OFTEN MOVING VERY QUICKLY, HAVING AN EASY-TO-USE AND ROBUST VDR PLATFORM IS IMPORTANT AS IT MEANS THAT ALL USERS CAN HAVE INFORMATION NECESSARY FOR DECISION-MAKING IMMEDIATELY."

- Peter Cheng, Executive Director at North Ridge Partners

Merrill Corporation secures solutions at every phase, so you can secure ongoing impact and growth.

To learn more about our life cycle of regulated business communication solutions, please connect with us.

Singapore: +65 6653 1668 / APAC: +852 2536 2288

info@merrillcorp.com

merrillcorp.com

© Merrill Communications LLC. All rights reserved. All trademarks are property of their respective owners.

MC0313_1

MERRILLCORPORATION
SECURE SUCCESS