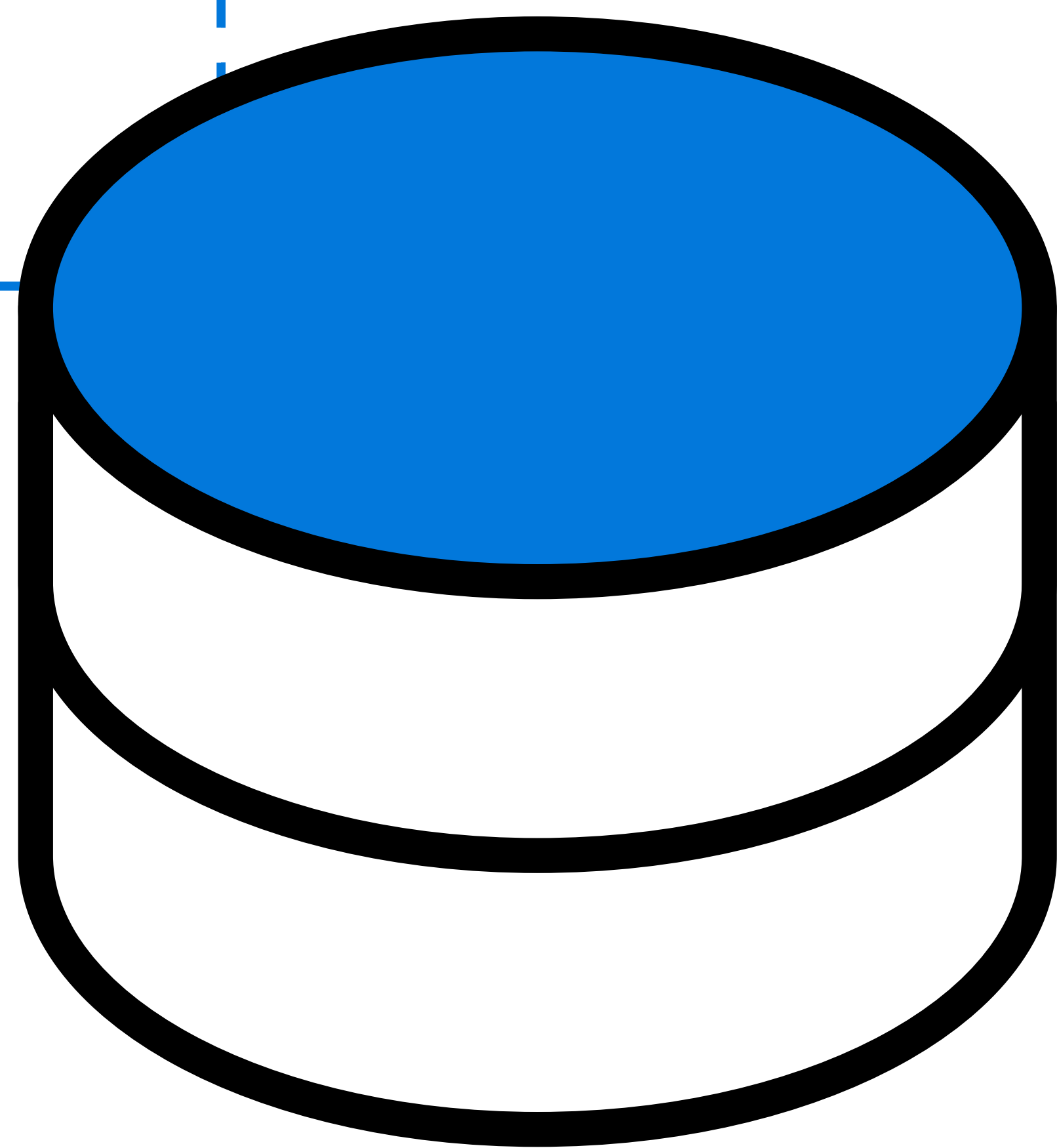FirmRoom

6 Key Benefits
## of Data Rooms for PE Companies

What is a Private Equity Data Room?

A private equity virtual data room is an online document storage provider containing essential documents relating to a company or deal.

Private equity data rooms **allow full control** of all necessary documents, for the due diligence process and beyond.

Private equity data rooms come equipped with specific access levels to **ensure the safety** and **security of all information**. They can also facilitate business decisions by allowing information accessibility in an organized way, with collaborative properties. Essentially, private equity data rooms are used by investors to determine where to invest their funds and, once decided, to ensure smooth deal closing.
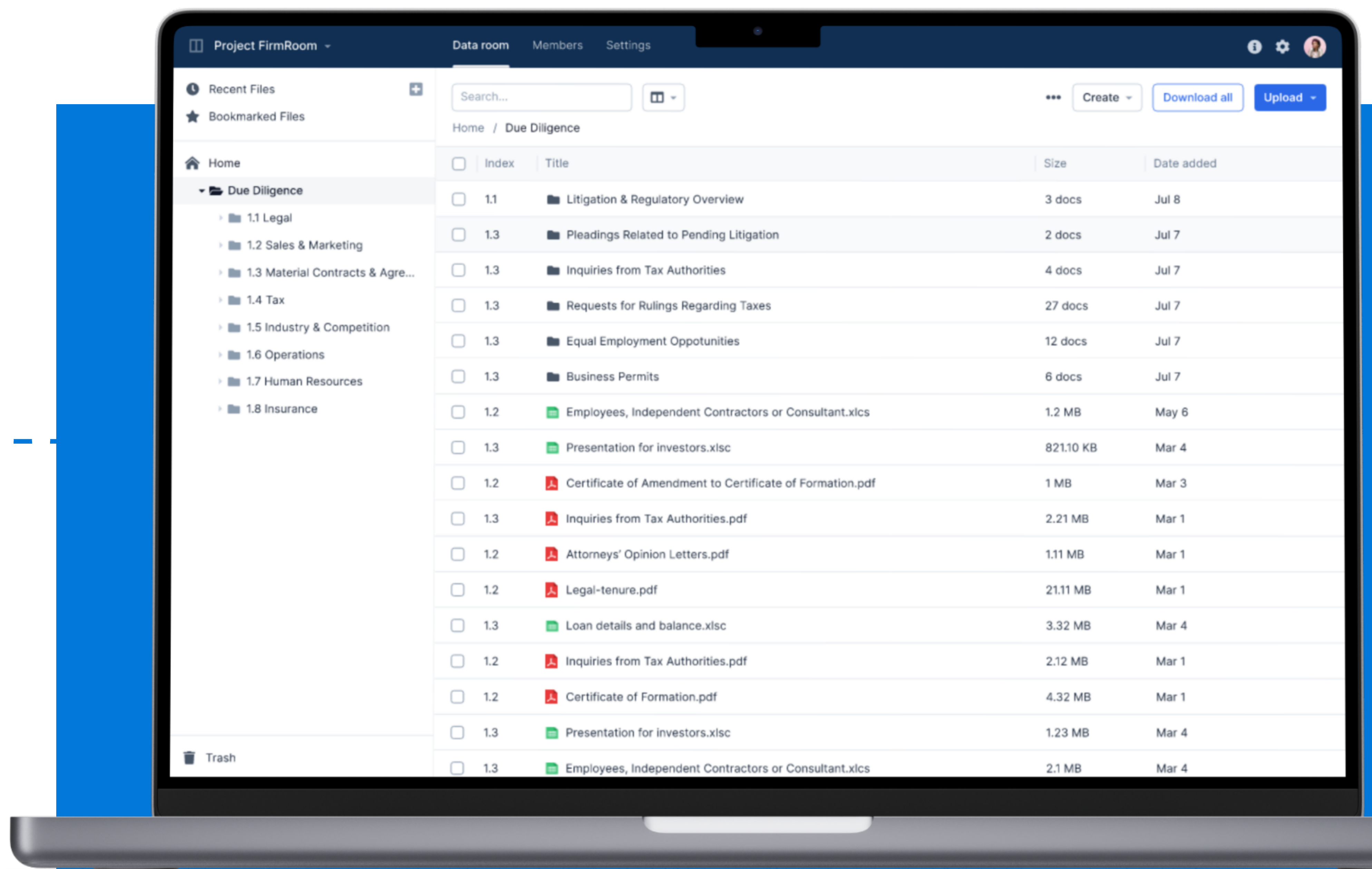
# How Data Rooms Support Private Equity Across the Investment Lifecycle

Private equity virtual data rooms can streamline the entire investment process and increase value at each stage of the private equity lifecycle, from fundraising to exit/long-term plans.

01 Fundraising

Funding documentation, such as term sheets, private placement memorandums, pitchbooks, and lasting power of attorneys, are crucial pieces of information that investors will need to access when deciding whether or not to engage in an investment.

With the use of a data room, this information can be shared **efficiently and securely**. User engagement can also be tracked to gain insight into investor interest, and see where more information may need to be added or what changes may need to be made in order to maximize funding and confidence in your adjustments.
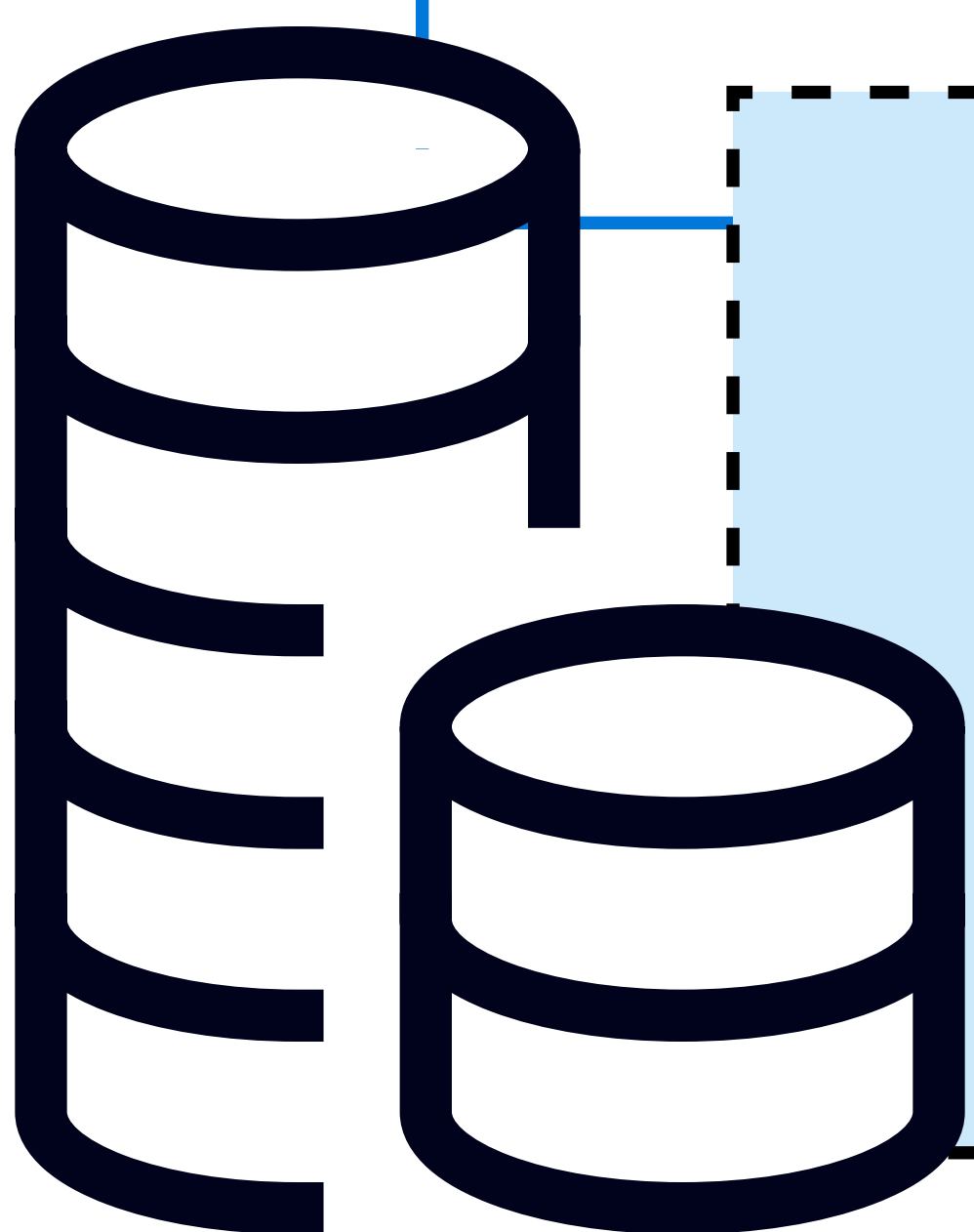
Tracking & analytics are the primary FirmRoom feature for **67%** of fundraising PE professionals.

02 Deal Sourcing

Private equity virtual data rooms store information such as **financial statements, leadership biographical information, and business plans in an organized manner**. This information is easy to access and can be stored for any amount of time, making it simple to refer back to when investors are considering a deal.

With this, deals can be sourced and evaluated faster and more efficiently.

Private equity data rooms can also help teams source and complete more deals in less time.
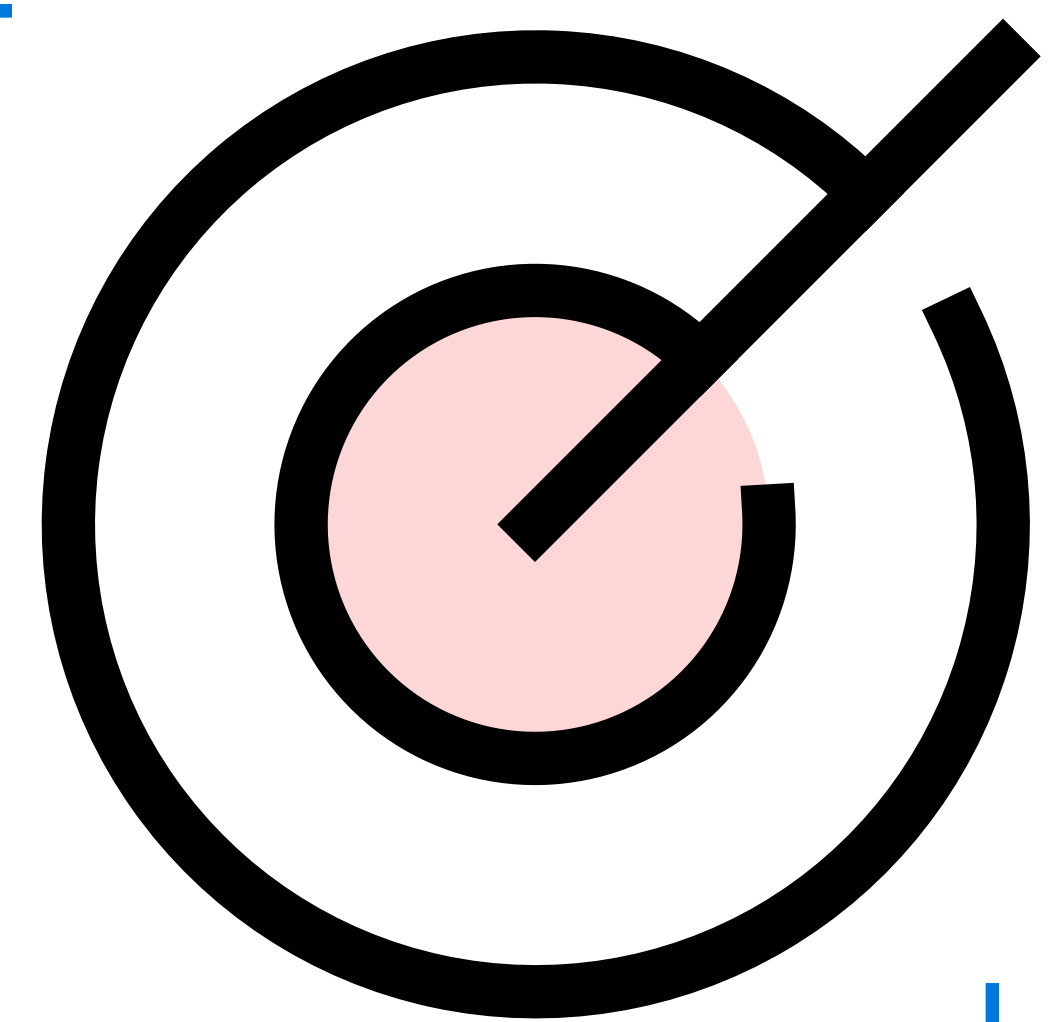
03 Target Due Diligence

**Due diligence is a critical element of the private equity lifecycle.** Investors need to look at a target's strategy, operations, financial, tax, and other circumstances in a holistic manner to identify and understand existing value creation opportunities.

Diligence must be integrated and aligned with the investment case because the capital structure of a deal is mission-critical. Integrated diligence gives the investment committee the comfort to take more aggressive actions on debt levels and on the overall performance of the deal.

Diligence should bring all the thesis components together and portray a value-creation lens that includes delivery timing and costs. Data rooms can be used to collaborate on due diligence. Team members will have access to information and be able to store files in one secure location. Information can then be accessed by all other intended parties at any time in a secure manner.
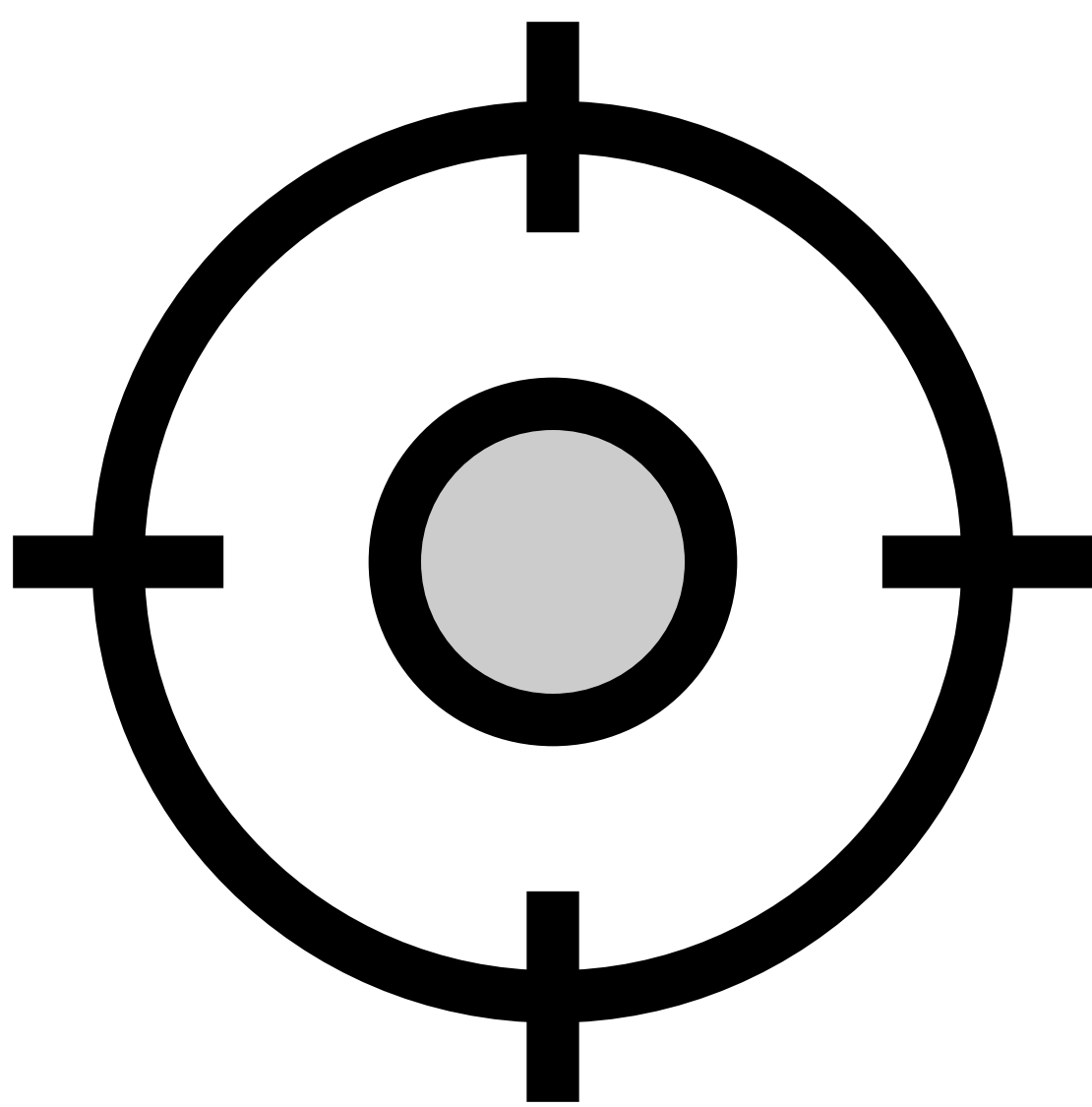
With the due diligence document management features at FirmRoom, investors can gain perspectives that enable them to decide whether to pursue the target and bid with confidence.

"

Auxo Investment Partners

Using FirmRoom has truly transformed our private equity firm's document distribution process.

Its instant upload notifications keep everyone constantly amazed by how much more engaged and responsive everyone has became. It's like we've unlocked a whole new level of efficiency and collaboration."

Alex McFarland
Senior Associate, Auxo Investment Partners

04 Deal Financing

Financing, and the restructuring that may go along with it, are simplified with the use of a data room. Documents can be accessed in one place at all times and can be secured with user-level permissions.

With advanced search features and redaction tools, FirmRoom can expedite the review of documents as well.

"
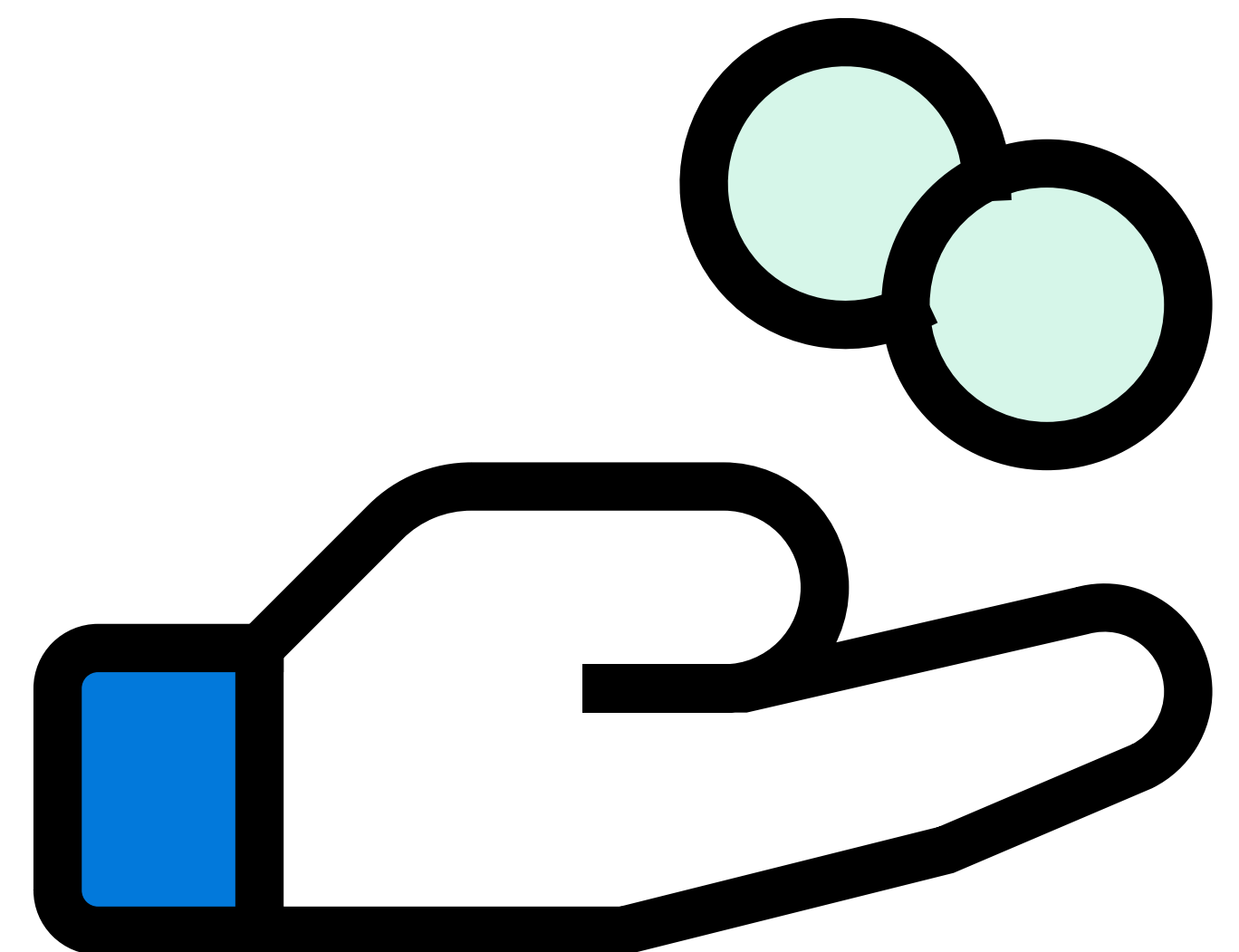
APIAX

By switching to FirmRoom for our document management and diligence, we've seen a 25% reduction in time it would normally take using email, attached files, and a folder system.

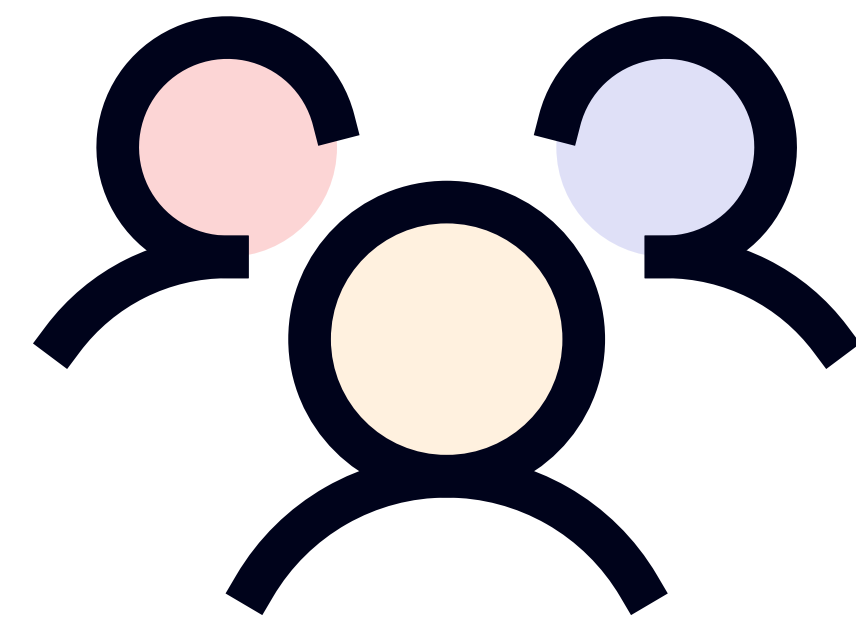**It's been a game-changer for our PE firm."**

Mia Wright
CEO, Apiax

05 Deal Negotiation

Data rooms are a single restricted platform, enabling collaboration among **deal teams, portfolio company executives, and advisors** during negotiations.

By simplifying the extensive due diligence process and centralizing all the deal-related data, a data room allows contributors to focus on the important parts of deal negotiation and spend less time compiling documentation. LOIs, NDAs, and CIMs can all be managed in one place, secured with user-level permissions.

Email and spreadsheet complexities are eliminated, helping teams move seamlessly into due diligence when key buyers emerge. **Analytics can also help teams spot the most interested buyers.**

06 Value Creation/Exit

Data rooms enable teams to evaluate information with **real-time analytics**, and provide instant access to important company data and documentation. Plus, portfolio company information is available at all times. **Deal documents can be uploaded, indexed, and categorized quickly, and it is possible to collaborate with deal teams and advisors during this process.**
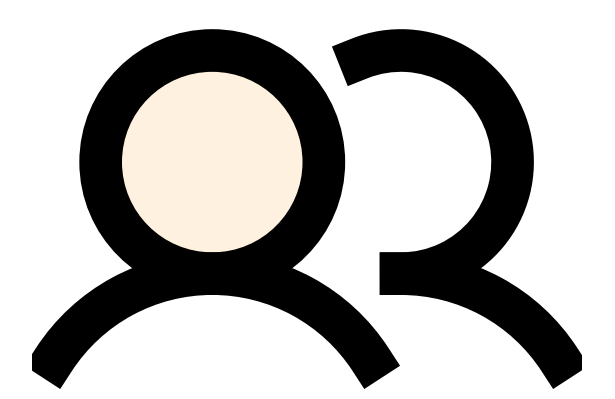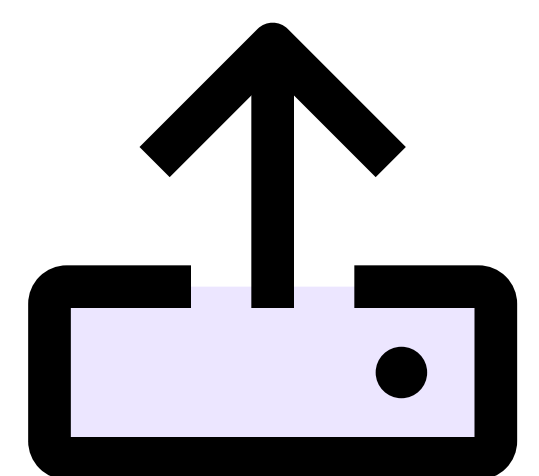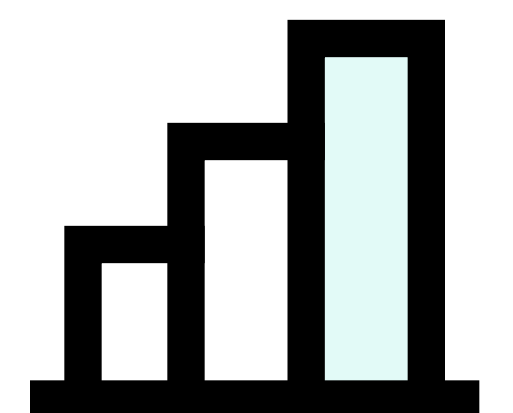
Exits can also be managed easily with a virtual data room with final document uploading and redaction. Real-time analytics make deal preparedness possible. Finally, information redaction can be undone when exclusive buyers claim their stakes. All of this makes the exit process more efficient.
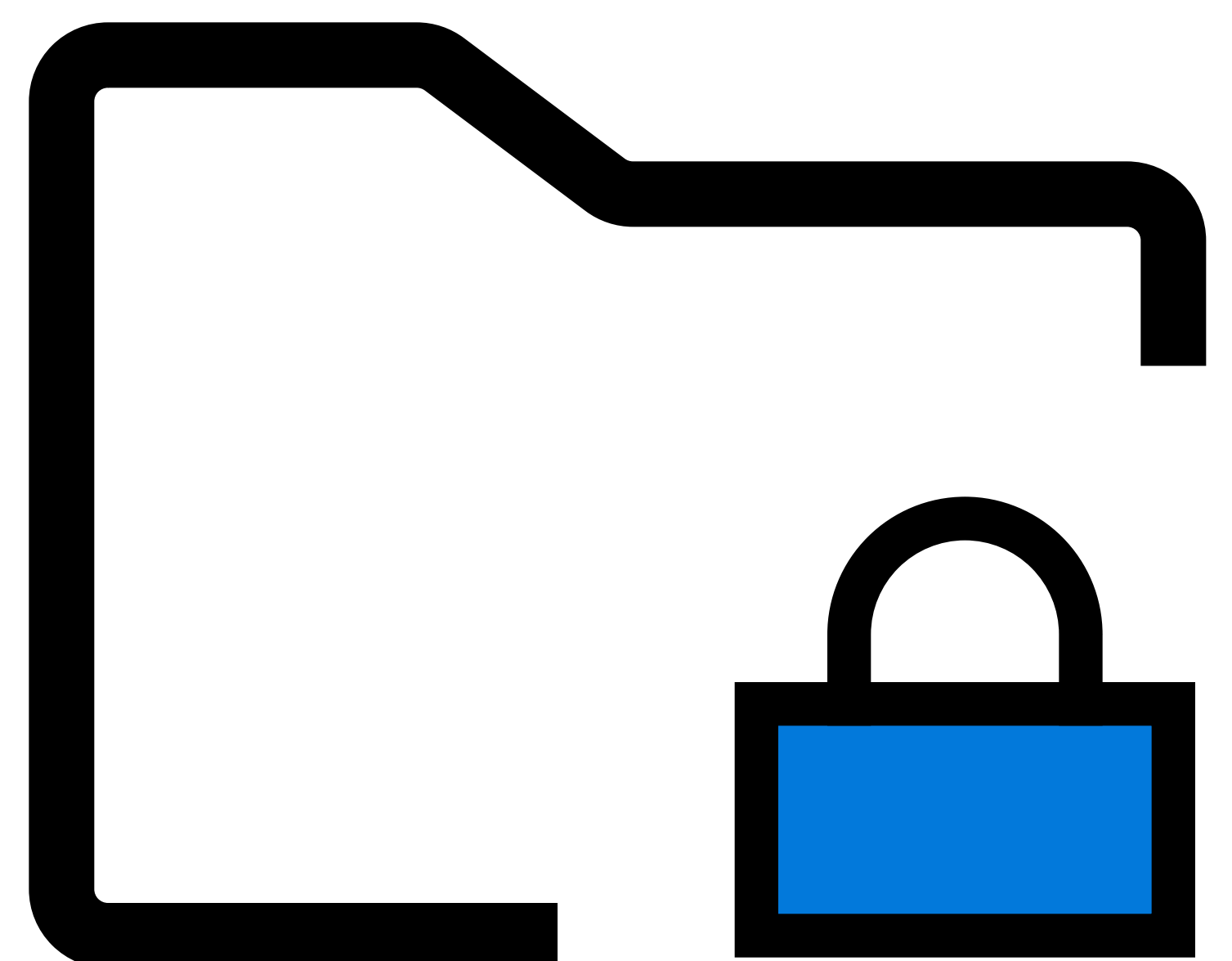
Key Private Equity Data Room Features

While there are many choices of features available, here are some important ones to look out for when selecting your private equity data room.

These, along with any other features that best align with your company's goals and objectives, should be considered when making a decision as to which provider to use.

Security

When dealing with sensitive and confidential transactions, security is of the utmost importance. Features to look for include **two-factor authentication, single sign-on, and restricted user login**. The private equity data room you choose must meet security and regulations compliance as set by the SEC.

Another specific feature to look out for is specific user permissions; with this, **access can be granted to only those who need it and ensure that sensitive data stays in the right hands.**

Search and Organization

With the use of a private equity data room to keep all of the necessary documentation and information in **one secure storage location**, it is easier for investors to find and review the information they need.
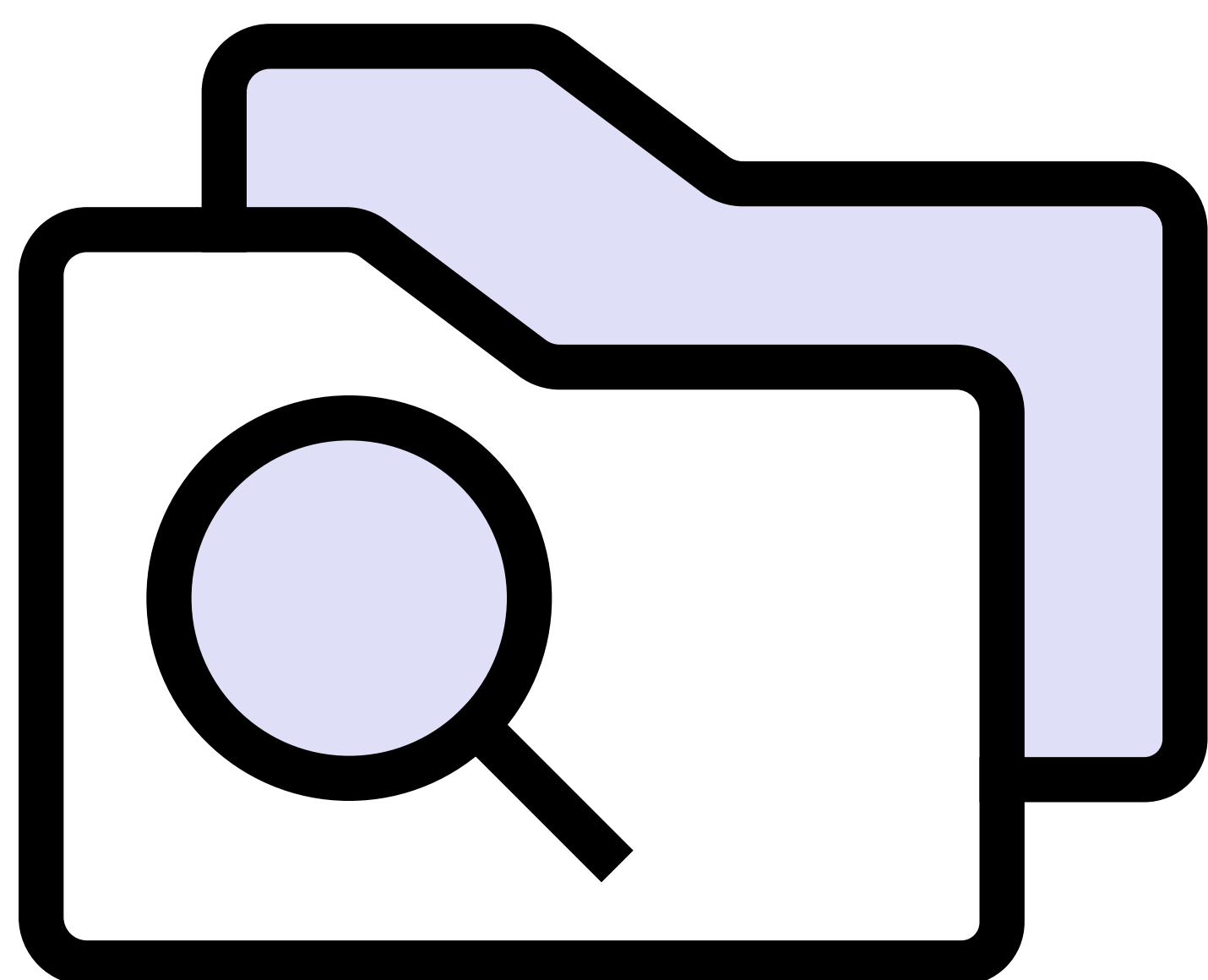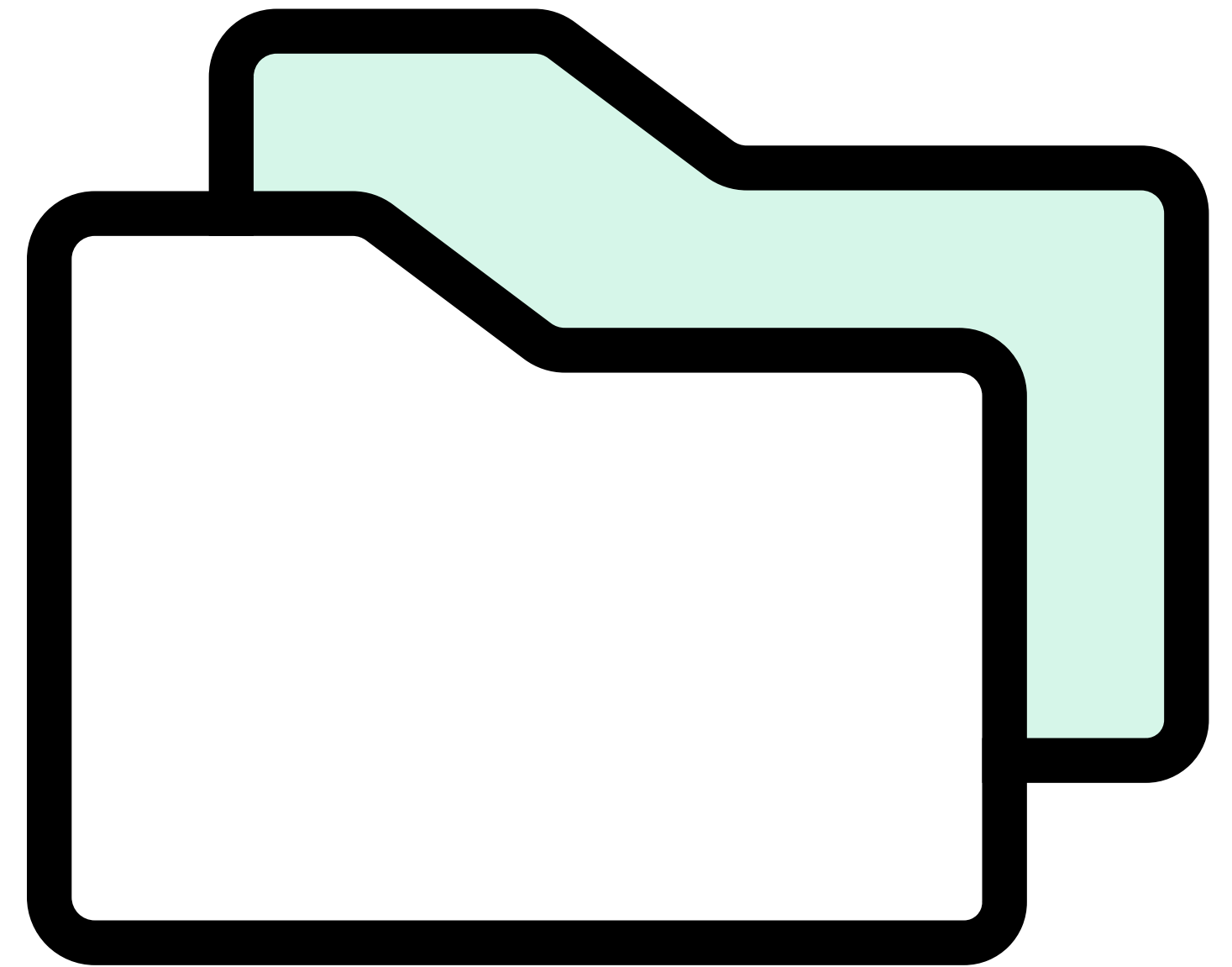
Utilizing the **advanced document search features** and a data room table of contents as a method of organization ensures that investors can find what they need as quickly as possible.

Drag-and-drop capabilities, folders and subfolders, and easy upload features are all specifics to look for. Further, version control ensures that investors are reviewing the most up-to-date and accurate document versions.
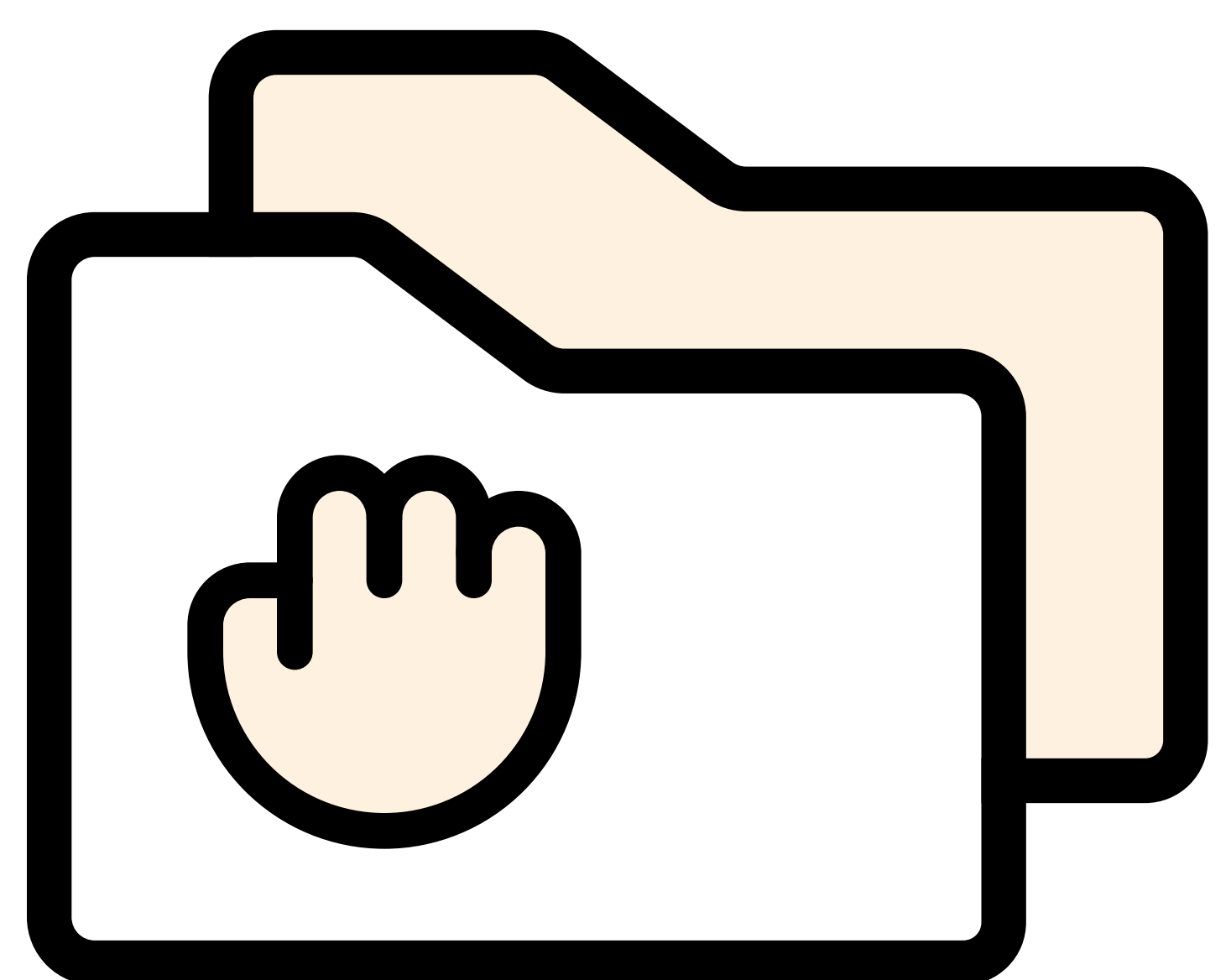
Streamlined Collaboration

The use of a private equity virtual data room smoothens buyer interaction by **allowing multiple bidders to have access to the room without knowing each other's identities.**
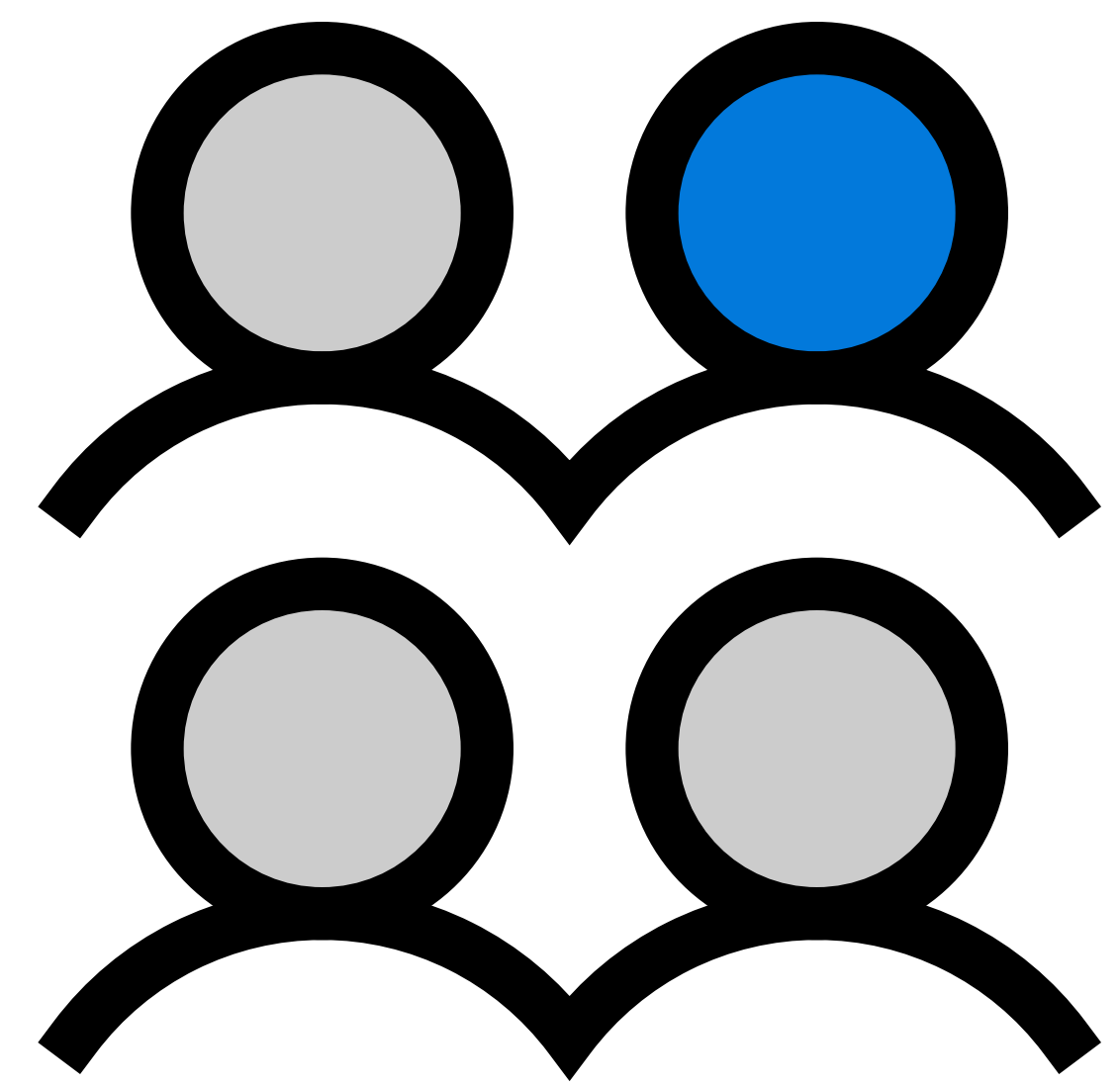
Users are able to **access information simultaneously and make edits in real time**. Users can also use analytics to understand what investors are accessing and interested in.
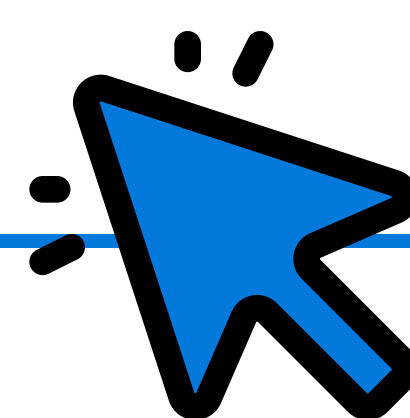
Compatibility

The data room that you choose should be **compatible with all of the programs** that you use each day, such as Excel and document files.
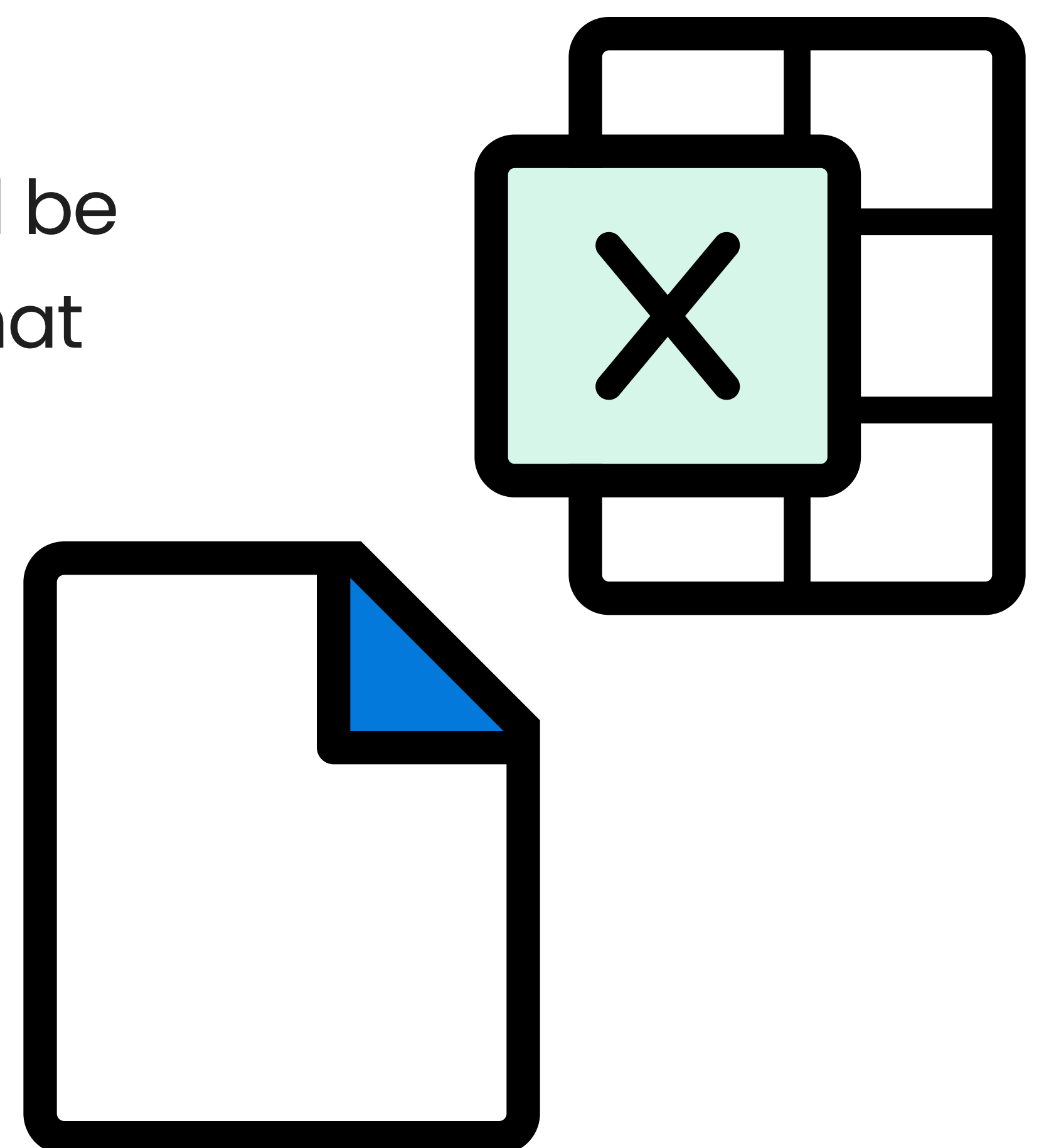
Ease of Use

A **modern user interface and easy, efficient structuring** are features to look for, as a private equity virtual data room only reaches its full capacity if everyone involved is able to use it.

Compatible Pricing Structure

There are multiple pricing structures for virtual data rooms, including per page, per user, storage size, and a flat monthly fee. **Consider which will best facilitate the specific type of deals you will be investing in.**
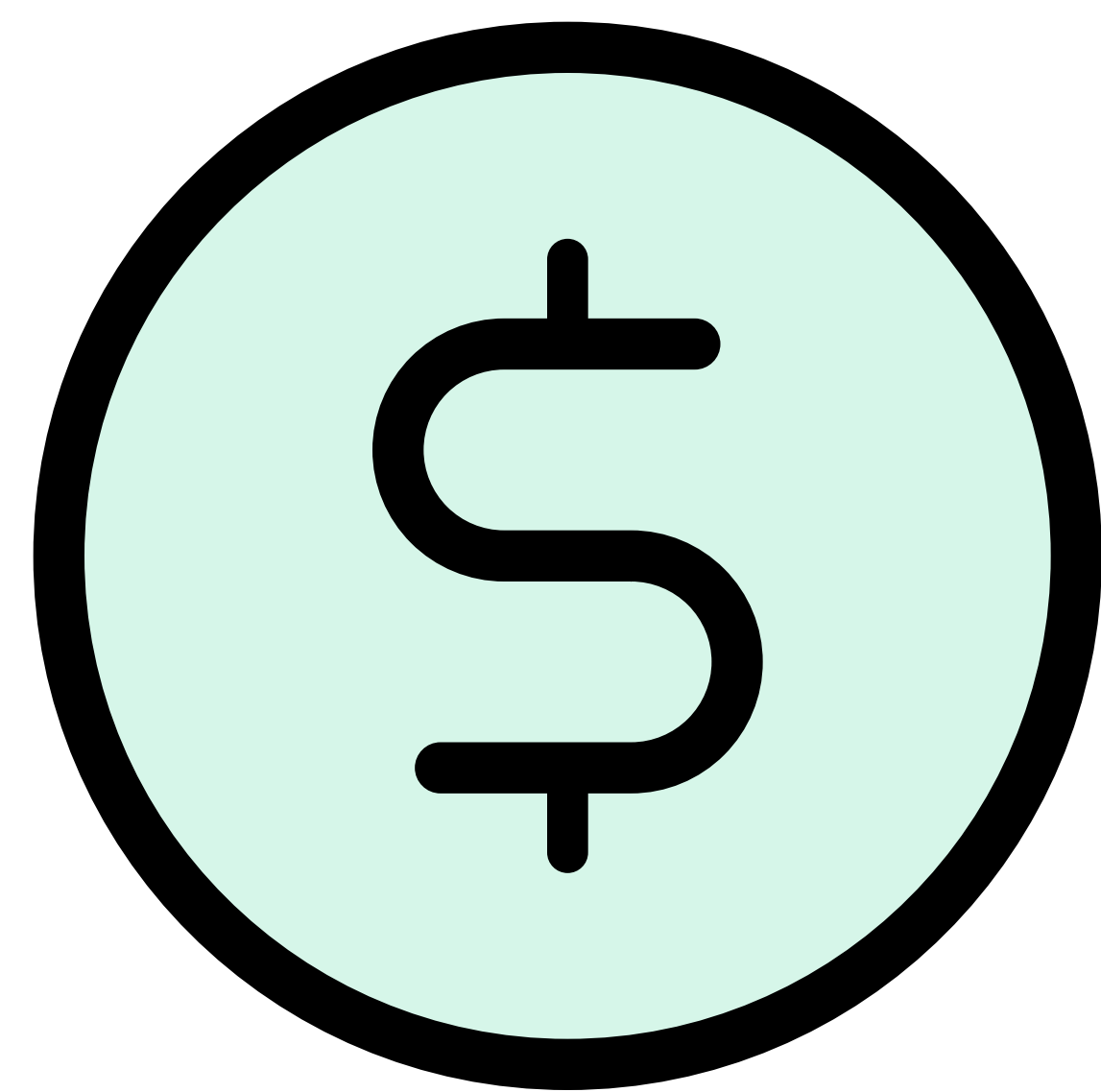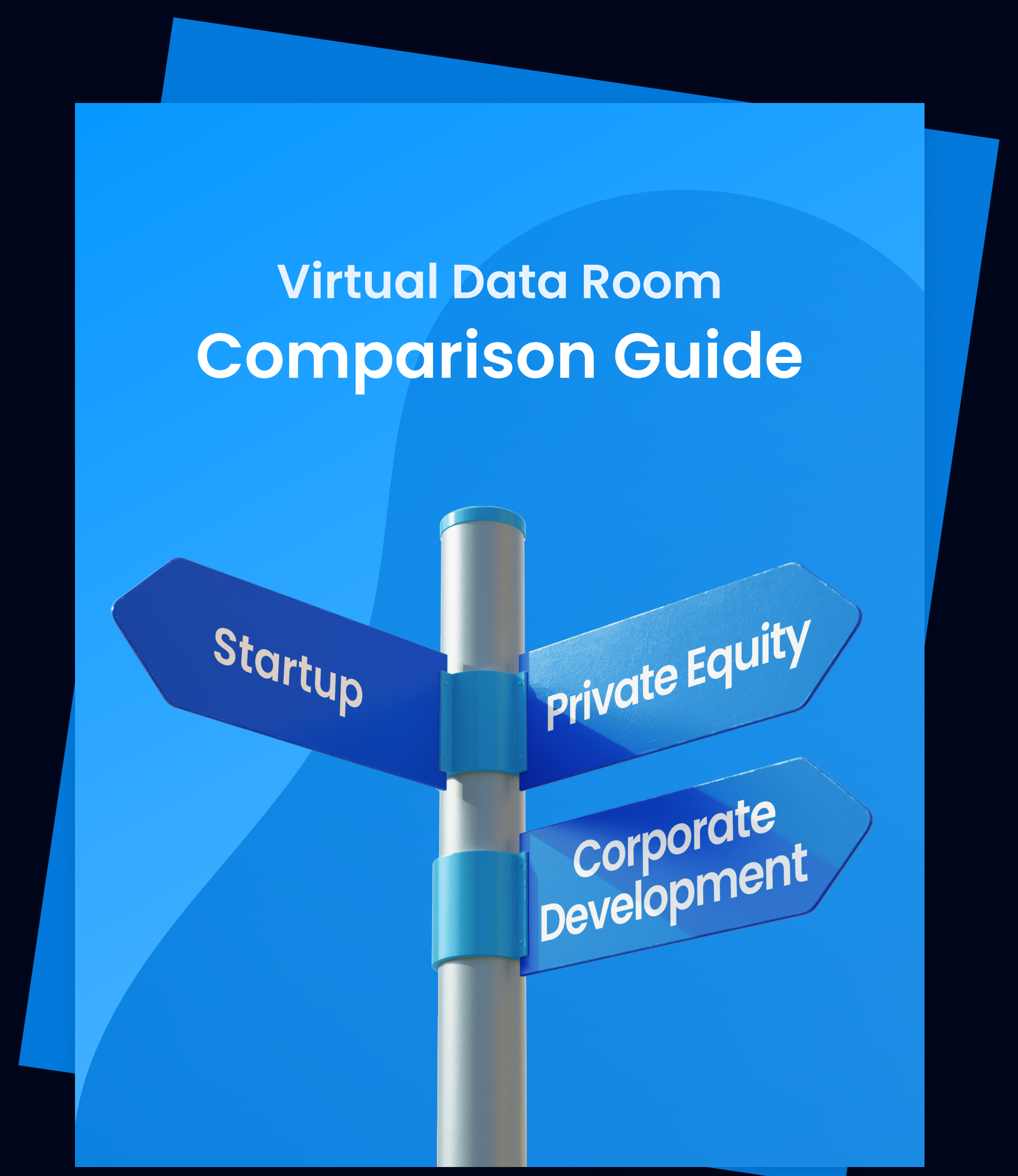
How to Choose the Best Data Room for Private Equity

Choosing the best data room for private equity can be a challenging decision to make. Decide what functionality, security, user-friendliness, and pricing structure you need when choosing which data room provider to work with.
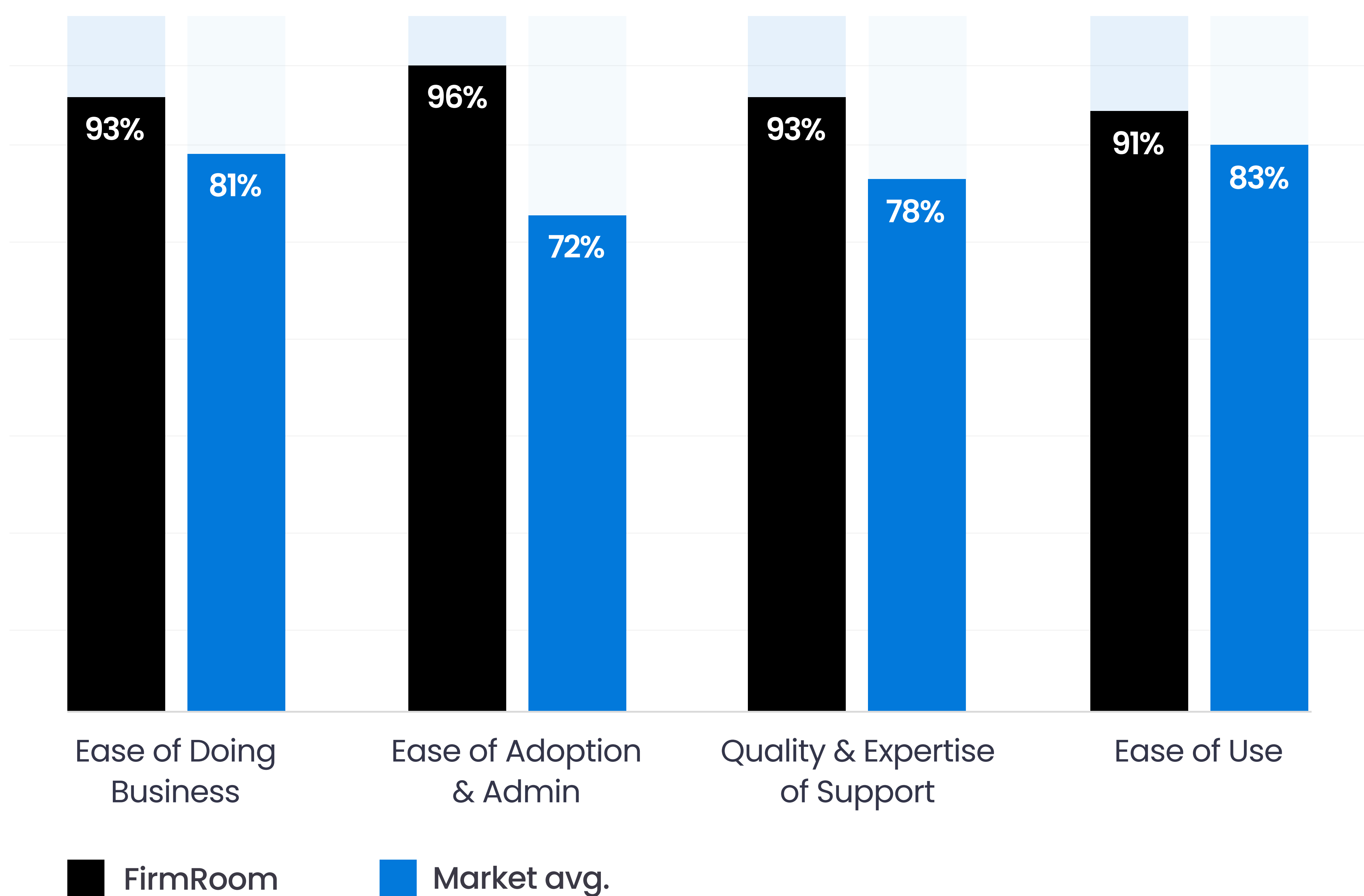
Virtual Data Room Comparison

Use this guide to help you choose the best VDR provider for your Private Equity firm.

Compare data rooms

Virtual Data Room
Comparison Guide

Startup

Private Equity

Corporate Development

Here is how FirmRoom compares against the competition in 2023

Share of satisfied VDR users

	Ease of Doing Business	Ease of Adoption & Admin	Quality & Expertise of Support	Ease of Use
FirmRoom	93%	96%	93%	91%
Market avg.	81%	72%	78%	83%

■ FirmRoom ■ Market avg.

**Based on analysis from online review providers such as G2, Capterra, and others.
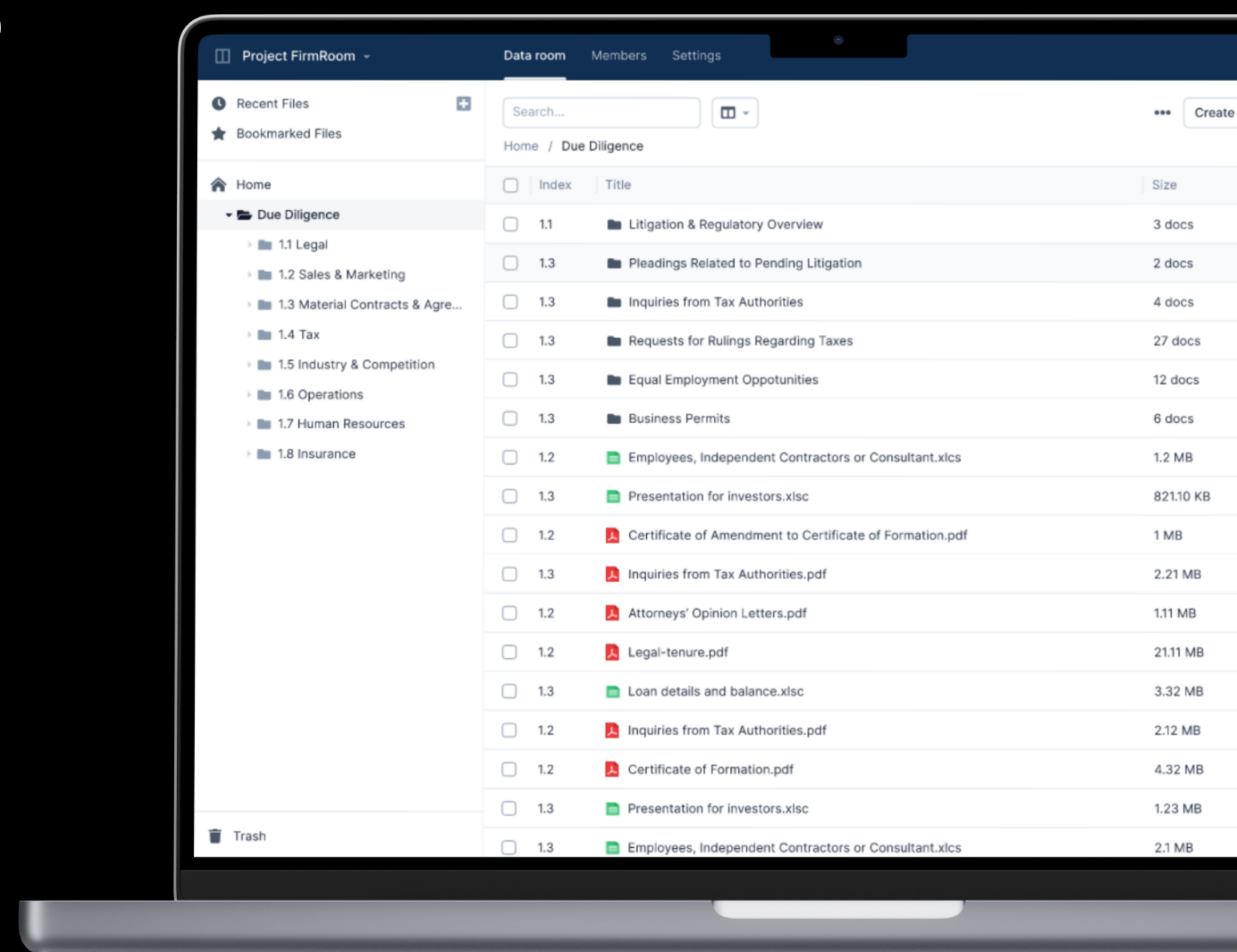
For further help with virtual data room provider selection, visit this VDR comparison chart for a full overview.

VDR comparison chart →

Bring order to your Private Equity Workflows

FirmRoom was designed to speed up due diligence and give you the insights you need to fine-tune your approach and close deals with confidence.

Start your free trial now

Still not sure if this is the right fit for you? Request a personalized demo to witness firsthand how our cutting-edge platform can revolutionize your fundraising process.

Request a tailored demo →