



DOCUMENTS FOR AN INVESTOR DATA ROOM

Documents to consider
when looking for investment



Contents

01	What is an investor data room?	01
02	Do I need an investor data room?	02
03	When should I start putting a data room together?	02
04	Setting up a data room ?	02
05	The benefits of an investor data room?	03
06	What to include in a data room?	03
07	What should not be included in the data room	05
08	How to choose data investor rom software?	05



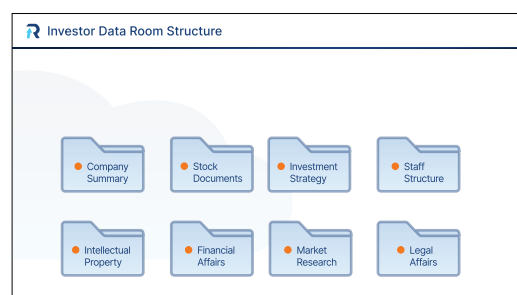
As part of getting investment ready and before you start fundraising, entrepreneurs should consider setting up an investor data room.

It is essentially a space where companies store relevant data and if managed carefully, it can help speed up the fund-raising process.

01 What is an investor data room?

An investor data room is a storage space, where companies store information relevant to due diligence that can be shared with investors in an efficient and secure manner.

The information in this data room answers most of the questions investors might have with digital data rooms making communication and accessing the information much easier.



A comprehensive, organised, and easy to navigate data room also helps investors with their due diligence and speeds up the fundraising process.

If curated correctly, an effective investor data room will also answer most questions an investor might have, meaning you can spend more time on other parts of your fundraising.

02

Do I need an investor data room?

It is a valid question and whilst it brings a lot of added value, it has caused a lot of debate among VCs and founders.

Some consider a data room can slow down the investment process or become an excuse for investors to delay giving a decision.



Another possible downside is that it takes time. Gathering the information required can be slow and time consuming especially as founders are always hard pressed with time.

The idea of a data room shouldn't be that the investor takes longer to decide, rather it should speed up the decision making by providing relevant information.

The advantages of an investor data room is that it can answer many potential investors' questions.

Remember the investor data room isn't only about fundraising, it also tells your businesses story from the start to technical reviews and competitor analysis.

So overall, it's better to have one than not.

However remember that not all investors will necessarily look at your data room, but you need to be as prepared as possible..

03

When should I start putting a data room together?

Start building your data room as part of your investment readiness process.

If you are thinking of raising investment at any stage, it is a good idea to start creating your investor data room regardless of your company's stage.

It is better to be proactive rather than waiting till you start fundraising, at which time it will take considerably longer and be more time consuming.

Remember, whilst some information will be readily available, some will take longer.

Organize it well and keep it current but remember data rooms will evolve over time

04

Setting up a data room

1. **Platform.** Paid software and platforms do exist to help you create an investor data room. However, they are costly and not necessary. Using Google Drive, or Dropbox is sufficient and has the added benefit that most people already know how to navigate and use them.
2. **Structure.** You want your investor data room to be as intuitive and easy to use as possible. Break-down your documents by creating a clear, simple folder structure where documents can be allocated and organised.
3. **View-only.** Documents should be read only; you do not want anyone without permission to edit or download your confidential information.



4. **Personalisation.** Though investors will mostly want to see the same information, it is worth considering the creation of customised investor data rooms whereby you use targeted messaging and tailored content for specific investors.

5. **Update.** Ensure your documents are up to date. Determine a frequency with which you revise the documents in your data room to ensure they accurately reflect the latest information.

05

The benefits of an investor data room?

Due diligence

Due diligence is a time-consuming process but one that is vital for investors as it allows them to investigate the company, to assess whether it is suitable for investing.

It is a long process that can consume a significant amount of time.

An investor data room helps speed up this process since:

1. All relevant information is in one place.
2. An organized data room can help investors find what they need faster.
3. If your data room is secure, you can be confident that you will not lose valuable information.

Faster fundraising

A well organised investor data room containing all the relevant information makes the fundraising processes faster.



Organisation

To manage your due diligence data efficiently and effectively, you need to have an organised investor data room and as you go along in this process, you will also learn a lot about your own company.

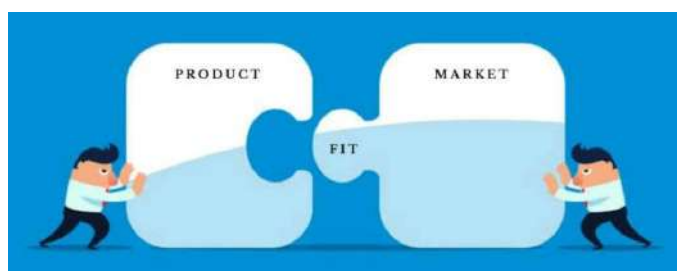
Having this information fresh in your mind is vital and is one of the most underrated yet essential benefits of an investor data room.

06

What to include in a data room?

Defining what information you have to put in your data room can be challenging.

Too much might put off some investors from reading it, whilst too little might send off signs of lack of preparation..



Remember, to make the information available relevant for your business and the stage you are at.

Requests for data will come in throughout the deal flow discussions and are most likely to occur at two specific stages.

Stage 1

Data needed for an investor to create a term sheet.

The data required at this stage is likely to be as follows:

Product-market fit

Data that shows you have a large addressable target market:

- Include market sizing and drill down to your target market.

Data that shows you are solving a real problem

This includes customer data to prove your value proposition and pricing model, such as:

- Customer acquisition and retention data
- Customer engagement levels (for example, how often they use your product and which product functions they use)
- Customer ROI (typically for B2B ventures)
- Cohort tracking data
- Competitive positioning

Financial model and capital allocation plan

A good financial model will contain the following outputs:

- Financial statements
- Operational cash flow forecast
- KPI overview
- Key metrics such as:
 - Monthly recurring revenue (MRR)
 - Customer acquisition costs (CAC)
 - Long term value (LTV)
 - Major client and partnership contracts

Stage 2

Detailed due diligence data.

This type of data is generally sought after the receipt of a term sheet and includes much more detail on company, commercial and legal documents.



Financials

The investor is looking for profit and loss history, balance sheet, grant history, and you should include the following in your investor data room:

- Profit and loss statements
- Financial projections
- Asset register
- Audits (including accounts)
- Information about previous raises if applicable
- Management accounts

Intellectual property

- Patents (granted and filed), trademark, copyright etc
- IP strategy
- Software license details (you should also list any open-source software that you use)



Company documents

- Articles of incorporation
- Voting agreements
- Share options pool
- Investor rights agreements
- Partnership agreements
- Customer & commercial contracts
- Shareholders' agreement
- Business plan (one-pager)
- Legal disputes

Employee information

The investor data room should also include employee information such as:

- Employee contracts including past and present
- Consultant/freelancers/intern contracts, past and present
- Proposed headcount to deliver on the objectives

Technology information

A critical component that many overlook. On technology, your investor data room should include:

- System architecture diagram
- API documentation
- Integrations

07

What should not be included in the data room

There is a balance that needs to be achieved with the investor data room.

Consider the data valuable for the investor, and if certain documents are not necessary for decision-making, then omit them.

Sounds obvious, but do not include people you do not want to see your data.

Perform routine check-ups on who has access and exclude those no longer relevant.

Finally, as good practice you may wish to consider withholding information according to the stage of your fundraising.

For example, let's say you've found an investor interested in your company but hasn't committed.

You might consider excluding certain documents until the next stage.

Whilst not mandatory, it may prove time-consuming, but it does offer the advantage of providing information in stages.

08

How to choose data investor rom software?

It is recommended that you opt for a digital investor data room.

There are many software options to choose from including Google Workspace and Dropbox as well as bespoke software options that include access control, with the ability to revoke access as needed, and secure archiving.

[Capterra](#) offers a useful comparison tool that compares product features and ratings to find the right software for your organisation.

Privacy and security are vital in an investor data room. After all, you're holding the information crucial to your company and your competition. The more you understand your software, the better.

The software should be able to trace those who have had access to sensitive documents in case of a security breach where data has been leaked.

Conclusion

We hope that you have enough information to make the right decision about your investor data room.

Deal Room has a data room due diligence checklist which you can download [CLICK HERE](#).

They also offer a Free Trial which does not require a credit card. You only need to enter your email address. and your room will be set up instantly. [CLICK HERE](#)