



The Value of Good Information

Systems are more than just a tool to do a job. The true value of systems is what they provide the business enterprise – Information, Insights, and Intelligence.

Information is not data. Data is raw numbers that have little meaning. Data properly organized, normalized, cleaned, and then layered with strong reporting tools becomes information. Information is what allows modern companies to act faster and outperform their less advanced competitors.

Good information also makes buyers (be it M&A or Portfolio Sales) comfortable that their bid is appropriate. With only incomplete or questionable information, most bidders will include a 'fudge factor' or penalty for the unknown. It makes sense that when you are bidding based on data on a napkin – or worse, you find wrong data during diligence – that you will assume a loss factor. On the other hand, if investors know precisely what they are getting and can look at it from 10 different angles (when you let them log into a system and self-serve), they will bid the true value for the asset.

Another added benefit (and thereby price improver) is that the buyers want to be able to easily acquire the information in addition to the assets. In some cases, they want to buy the information already in a system, in other cases, they want to know that the information is well structured and therefore can be easily transferred from your system into their system. The last thing they want to do is have a multi-month project to clean your data after they buy the assets, and/or potentially put bad information into their clean databases.

Example:

Over the years and real estate cycles, Rockport has been approached by many firms which are looking to sell assets (or their whole company). While every sale is different, one constant is information. Better information translates to better executions.

PORTFOLIO SALE

Base Price of Assets	\$100,000,000	\$250,000,000	\$500,000,000	\$1,000,000,000	\$2,000,000,000
Increased by 10%	\$10,000,000	\$25,000,000	\$50,000,000	\$100,000,000	\$200,000,000
Increased by 15%	\$15,000,000	\$37,500,000	\$75,000,000	\$150,000,000	\$300,000,000
Increased by 20%	\$20,000,000	\$50,000,000	\$100,000,000	\$200,000,000	\$400,000,000

An interesting lesson also is to think ahead. Many times, when it is time to present your portfolio (either during M&A or a Portfolio Purchase), it is too late to really improve the quality and structure of your information. At that point, there is a huge pressure to sell fast, and a lot of people shrug and say, “oh well, if only we had”. The good news is that the market is good, the systems are easily available, and an ounce of preparation could yield you tens if not hundreds of millions of dollars down the line...