

M&A DUE DILIGENCE CASE STUDY

Global law firm



In February 2019, a Global Top 100 law firm deployed Luminance's machine learning technology to conduct a high-pressured M&A due diligence exercise. Their project concerned a live deal for a client on the proposed acquisition of a competitor organisation. The competitive nature of the bid meant that the deal was on a very aggressive timescale and the target was trying to maximise the value of the business and drive the highest price they could. The firm needed a solution that could be implemented efficiently, was easy-to-use and capable of providing immediate insight into the data room, all with the confidence that nothing had been missed.

Two partners in the firm, both of whom had an intimate understanding of the organisation and act as trusted advisors in all of its big business decisions, were assigned to the deal. The partners allocated 165 hours to the entire due diligence exercise and originally decided to only take a sample of the documents as there was no way they could review the entire data set in the timescale they had been set.

The data room was opened just before midnight in a bid to reduce the opportunity for the buyer to dig around and find potential issues. The organisation was a subscription based service, and therefore the nature of their subscriptions following any change in ownership of the company was essential to investigate.

On the first morning of the review, one of the partners quickly noticed that some of the target's 900 customer contracts did not have any automatic renewal clauses. Concerned by this, the lawyers used Luminance to conduct a 20-minute review of all the documents in the data room to identify with complete confidence that only 30% of the contracts contained automatic renewal clauses in any form, meaning the business could lose more than half of its customer base in less than a year. These 'Autorenewal' clauses were subtle and contained many variations in wording, so could have easily been missed during a manual review due to human error or from the restrictions of keyword search.

The very next day, talks broke down during a meeting with the target largely due to this misrepresentation, which made the company significantly less valuable than the price on the table. With Luminance, the lawyers were able to deliver key findings to the client within 15 hours, representing at least a 70% time saving in the first use, just hours after being deployed. Not only did the team save time, but they were able to deliver rigorous and decisive advice to their client, confident that nothing in the review had been missed.

“After just 15 hours, key findings that collapsed the deal were communicated to the client, avoiding a potentially risky deal.”

Key result

About Luminance

Luminance is the leading artificial intelligence platform for the legal profession, with over 250 customers in more than 50 countries. Luminance's machine learning technology reads and forms an understanding of documents, helping lawyers to perform the most thorough and rapid document reviews across practice areas including due diligence, contract negotiation, regulatory compliance reviews, property portfolio analysis and eDiscovery. Luminance has offices in London, Cambridge, New York and Singapore.