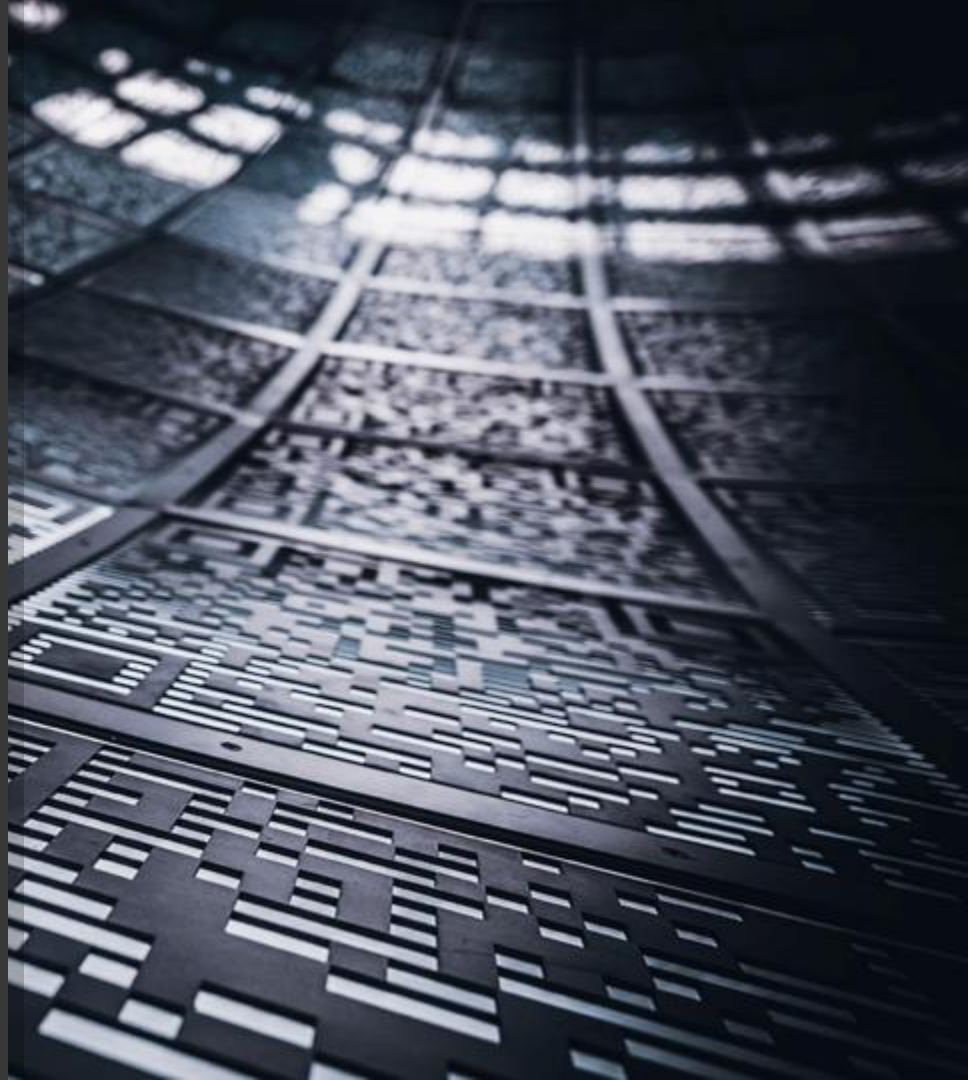


AI-powered contract analytics in deals

May 2024



AI-powered contract analytics from PwC

Ensure efficient and high-quality analysis of entire contracts and individual clauses

Challenge

In the context of a deal, contract management and contract transfers present notable challenges:

- In order to minimise risk for the buyer, it's vital to know which contracts are subject to change, and to identify details about clauses within contracts.
- Opaque contractual networks make it harder to identify all contracts relevant to the transaction.
- Contracts affected by the deal must be transferred in order to continue business with suppliers.
- Efficient communication with all suppliers is needed for repapering processes.

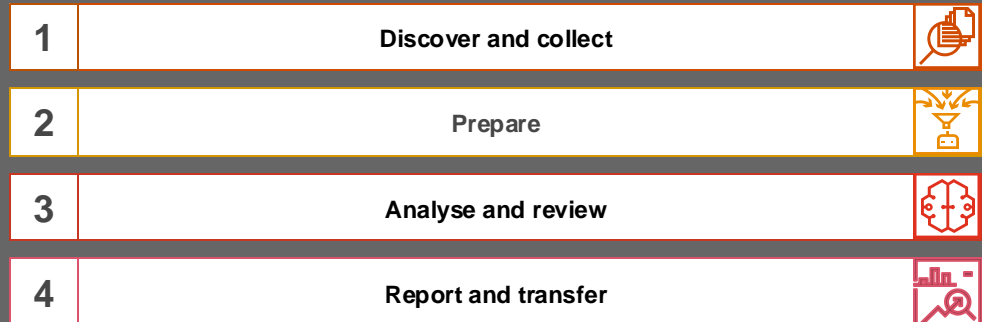
Solution

To address these challenges, we've developed a standardised approach that enables more thorough and efficient analysis of contracts in deals.

We start by helping you to identify all relevant contracts. These contracts are then prepared for AI-powered analysis, which automatically identifies the parties involved, the duration of the contracts, and relevant clauses such as change-of-control or termination clauses. A team of legal experts reviews the AI-generated results to ensure high-quality output. Based on these results, any necessary negotiations, transfers and changes to the contracts can then be undertaken.

We can also redact contracts for you if required, which is of particular relevance in the pre-deal phase or if you're preparing a data room.

PwC's standardised approach for AI-powered contract analytics



Detailed data workflow



- We collect relevant contracts from a wide variety of business units and systems.
- We offer tailored access to data rooms for stakeholders where necessary.
- Our data analytics experts leverage CLM and ERP systems to identify pertinent contracts and collect relevant data.

- The contracts are prepared for analysis – e.g. separating or merging documents, altering formatting.
- Then the documents are loaded into our analytics environment, ready for our AI-powered solutions.

- Our AI-powered solutions excel in summarising contracts and automatically identifying relevant clauses and data points.
- Insights are drawn from thousands of documents from past projects.
- We complement AI with professional legal reviews to ensure high-quality output.
- Outcomes are verified and fine-tuned for accuracy and precision.

- If necessary, we redact documents in order to keep sensitive information confidential.
- AI-powered tools are used to pre-process the affected documents.
- Our legal experts then conduct a manual review of these pre-processed documents.

- Results of the analysis can be exported in various formats – e.g. Microsoft Excel, Microsoft Word.
- We use custom-built scripts to post-process results, as agreed with you.
- We can also provide a Power BI dashboard to visualise and analyse the results of the review.

Case study 1: contracts workstream in an M&A transaction

Overview

The challenge

One of our clients, a German pharmaceutical company, wanted to carve out and sell off one of their business units.

With transactions like this, it's vital for the buyer to know which contracts are subject to renegotiation, replacement or review. As a result, our client needed to identify details about specific clauses in the contracts, such as termination, assignment and exclusivity clauses. If these clauses were not identified and appropriately addressed, the buyer might end up confronted with various risks after the transfer.

Our client wanted a solution that could cut through their opaque network of contracts to find all contracts relevant to the transaction, along with identifying which of the contracts contained the clauses in question. The nature of the business meant that there was a large number of contracts to deal with, which would have created a huge amount of work without an automated solution.

The solution

Against this backdrop, we set up a dedicated contracts workstream to:

- manage the entire network of contracts and create a comprehensive overview of all contractual agreements;
- identify relevant contracts by applying filtering and clustering techniques;
- perform an AI-powered review of over 10,000 contracts to quickly identify the ones with termination clauses and create contract summaries;
- manage and set up the data room and related activities, such as the redaction and Q&A processes;
- manage the entire contract transfer process from identification to generation of new contracts, including negotiation and implementation of contracts with contracting parties; and
- ensure alignment and compliance with all applicable regulations, such as antitrust law.



Large number of contracts to be tackled



Lack of oversight of the contracts led to uncertainty for the business



Create transparency by extracting clauses, such as change-of-control clauses



Prepare for the post-transfer phase by minimising risks and exposure

Case study 2: contract transfer in an M&A transaction

Overview

The challenge

A German power company, advised by PwC, wanted to undertake a divestiture. One stage in this process involved transferring and updating contracts to maintain business with relevant suppliers. This was particularly important for suppliers which had business with both the core power company and the part of the company being divested.

A key challenge was to identify relevant contracts and to gather information about contracts that needed to be transferred. In some cases, supplier information was not available in a digital format. In order to avoid any post-transfer risks, information on contracts and suppliers needed to be consolidated and verified. Communicating with a large number of suppliers – and keeping track of communications – was another challenge. In many cases, suppliers had questions that needed to be answered promptly.

The solution

To help our client, we set up a dedicated workstream to:

- analyse various supplier contracts, including IT contracts;
- gather metadata about the contracting parties (e.g. names, addresses, email addresses);
- generate informative letters and updated contacts in bulk (using a tool developed by PwC), ready to be sent to suppliers;
- inform all relevant suppliers about the change in ownership of the business unit using an automated PwC tool to generate letters;
- electronically send new contracts to all suppliers in bulk;
- respond to any potential questions from suppliers;
- automate status tracking of these communications;
- automatically send regular reminders to the suppliers until the contracts were signed;
- collate digitally signed copies of the new contracts; and
- deliver all the digitally signed contracts to the client.



Large number of contracts to be tackled



Managing communications with hundreds of suppliers



Efficient and robust communications, with digital logging



Use of technology for smooth transfer and consolidation to minimise risk and increase efficiency

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