Digital transformation:
Mergers & Acquisitions

EY Law
Central America, Panama & Dominican Republic

To know the perspectives of the senior executives of companies from different sectors in regards to their growth strategies, **mergers and acquisitions,** access to capital and macroeconomic situation, the **Capital Confidence Barometer 2018** will be used.

This is biannual study conducted by Euromoney Institutional Investor Thought Leadership.

Capital Confidence Barometer 2018:

2500 executives surveyed between March and April 2018.

Companies from 14 different industries.

Survey respondents from 43 countries

2258 CEO, CFO and other senior executives

Results

37% of the technology executives state that **digital disruption** is boosting their acquisition strategy.

34% More than a third of technology executives also plan acquisitions outside their own sector.

46% New customer behaviors are cited above all others by encouraging technology companies to buy non-technology companies.

However, technology executives also said that the process of the agreement itself is subject to a significant cybernetic risk, according to 91% of the surveyed. **Cybersecurity due diligence has become a common practice** for more than half of the executives (54%).

In addition: Executives are showing different signals about the short-term expectations of transactions.

80%

Expect the investment fund competition to increase.

76%

Plan to continue with mergers and acquisitions next year.

73%

Expects its mergers and acquisitions projects to improve.

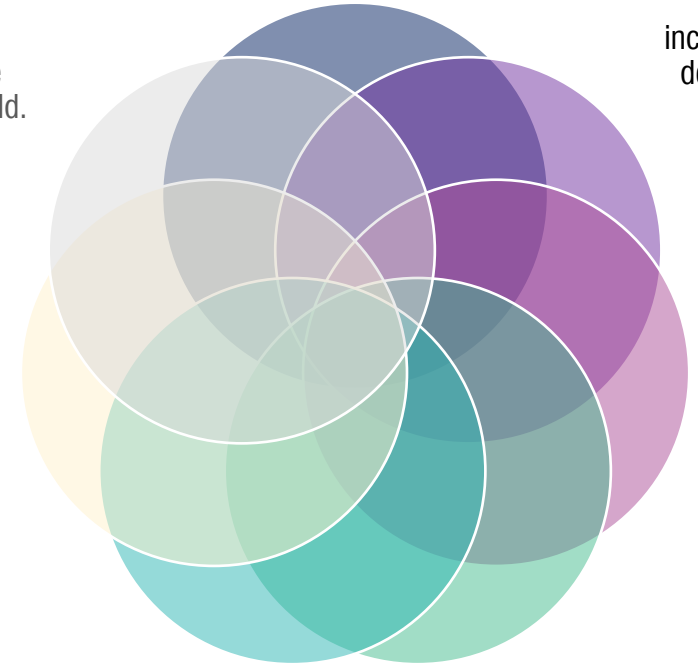
...Conclusion:

Technology transforms.
The increasing use of AI, RPA and big data are revolutionizing how boards evaluate and optimize their operations. It also encourages to make bold decisions about what to buy and sell to gain an excellent position in the market.

Recommendations to achieve success in mergers

Develop a **digital strategy** as part of a general corporate strategy.

Equip the management of investor relations with the **correct communication tactics** on how the company is adopting the digital world.



Consider all the financing options, including adapted payment terms such as deductibles or other deferred payments mechanisms.

Understand where and how the digital approaches could transform the current operations and the business model.

Consider the scalability of target digital assets in terms of human resources, technology and business models.

Improve the cultural integration practices to preserve and develop the business culture of a digital objective.

Nurture and mobilize specific digital experts during the due diligence process.

Tools

Artificial Intelligence

It is the simulation of human intelligence processes by machines (Bots, Machine Learning)

Blockchain

It is a new form of decentralized and encrypted databases, which keeps data secure.

Software as a service

It is a way to deliver applications through the internet as a service. Instead of installing the software, you access it through the cloud.

Source: The In House Legal Tech Buyer's Guide 2018

And investment in the field of technology for legal use continues to grow.

The legal technology in 2017 saw $233 million in investments in companies in 61 agreements, exceeding 2016 with $224 million in investments in 79 businesses.

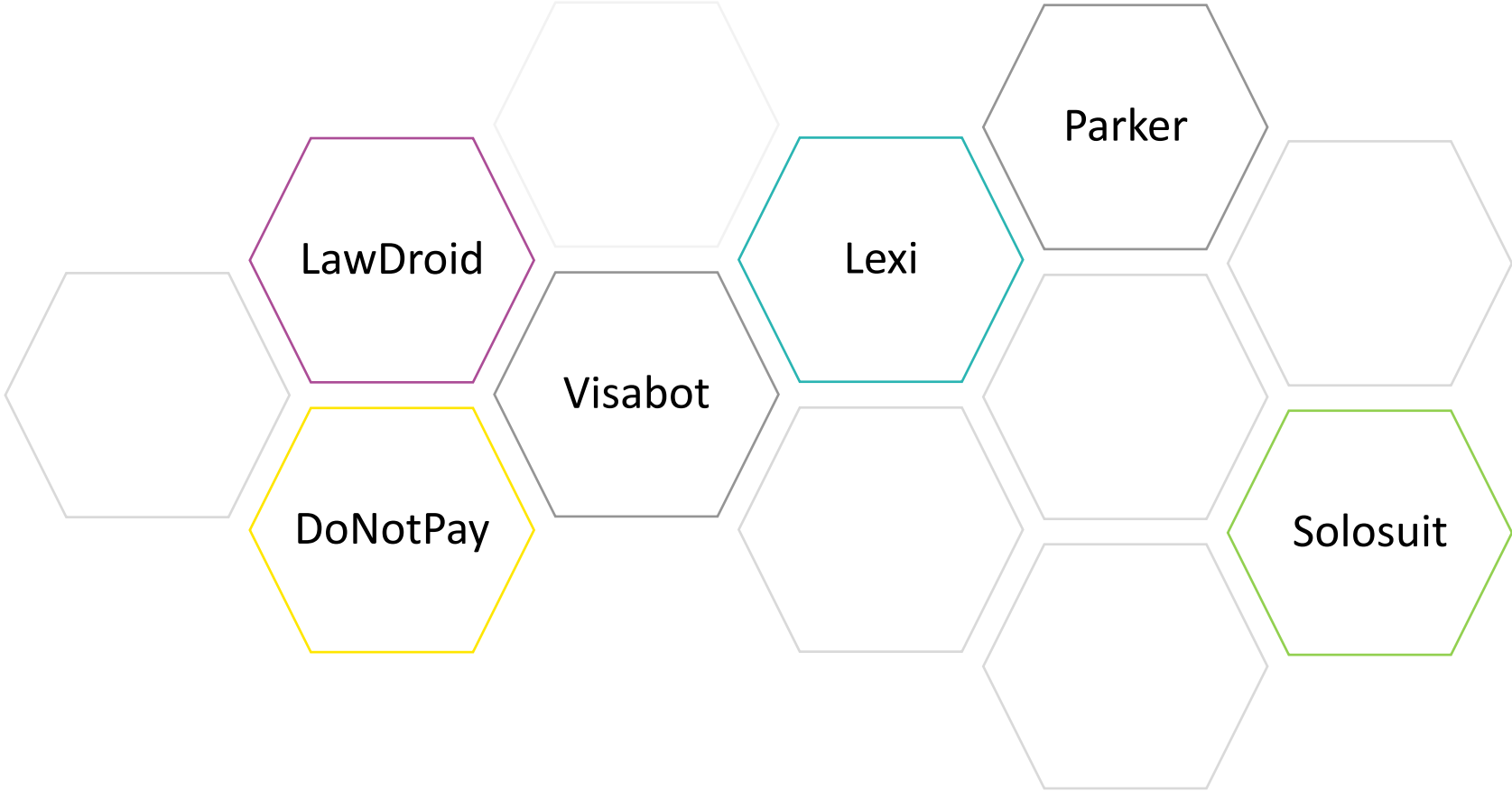
The Crunchbase investment site discovered that new legal technology companies raised $1.25 million in the first quarter of 2017, compared to more than $49 million in the first month of 2018 alone.

Also, in May and June, 200 million were invested.

Application examples

Parker's first day at the Norton Rose Fullbright law firm in Australia involved 1,000 conversations with potential clients. Even the most energetic young lawyer would normally administer only a fraction of that, but Parker is, of course: **a chatbot, a computer program that simulates human conversation.**

Chatbots can answer basic customer questions and free up lawyers to deal with more complex issues.



Steps to invest in technology

1. Priority

What is the most complicated process? Is technology the ultimate solution? Which technological solution will have the least resistance? You have to start with a solution.

2. Status.

Map the processes, systems and people using similar technology to find deficiencies and how to correct them. Inform stakeholders what will be the biggest impacts.

3. Define goals and requirements.

Define implementation and success metrics. What type of technology? Define exactly what task to perform. Should it be integrated with another future process?

4. Choose a solution.

Deploy the solution and include the lawyers who will be affected so they understand the performance and impact.

5. Plan.

Define how to communicate results. Develop material for training.

EY LAW: Digital Due Diligence

Our legal due diligence service enabled by artificial intelligence (AI) is seamlessly coupled with EY colleagues to provide a comprehensive and complete image of any business. Our approach is integrated and collaborative. Each project is underpinned with a true understanding of the key objectives, drivers and concerns of our clients.

Our team has experience in a wide range of exercises:

Regulatory Compliance

Trade agreements and review

Corporate reorganizations

National and cross-border mergers and acquisitions and joint ventures

EY

On a day-to-day basis, contract reviews can be expensive, time-consuming and involve large volumes of information that create a bottleneck for companies: **The common “sampling” approach can easily miss hidden risks.**

Artificial Intelligence is a key element of our technology-enabled approach for our contracts review services, in order to ensure that these "**unknown unknowns**" do not become expensive surprises.

IA uses machine learning techniques, instead of keyword searches, to evaluate and compare large volumes of documents. It evaluates both against each other, and against the finding of pre-learned patterns (algorithms), which allow technology to conceptualize documents in context and highlight where one document differs from another.

Study case:

Luminance

Siena Project: the Law team in the United Kingdom was advising a FTSE 250 company in the acquisition of a strategic objective.

- Urgent detailed review of the 10 main key contracts.
- Urgent review of other commercial/employment contracts

- The team quickly met to carry out the initial review of the 10 main contracts.
- All the contracts provided in the data room were uploaded to Luminance: 15 minutes
- Luminance provided the overview of all the contracts for a greater direction and security to the human review - filter, clustering and sorting. 5 minutes

EY

Study case: Luminance

Information

Detailed summaries of a page of the 10 main commercial contracts where the problems identified by the human review and AI feedback are incorporated.

Results

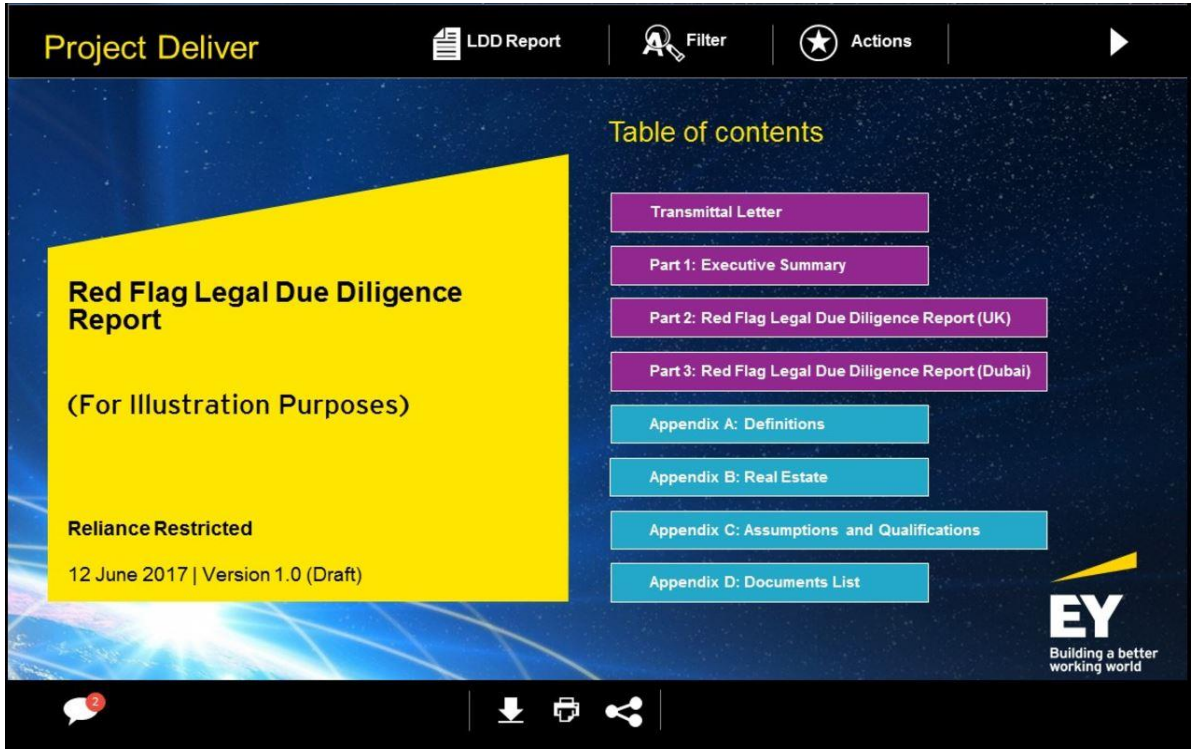
Possible problems identified by AI in other commercial and labor contracts that allow us to conduct a more specific human review of the key concerns.

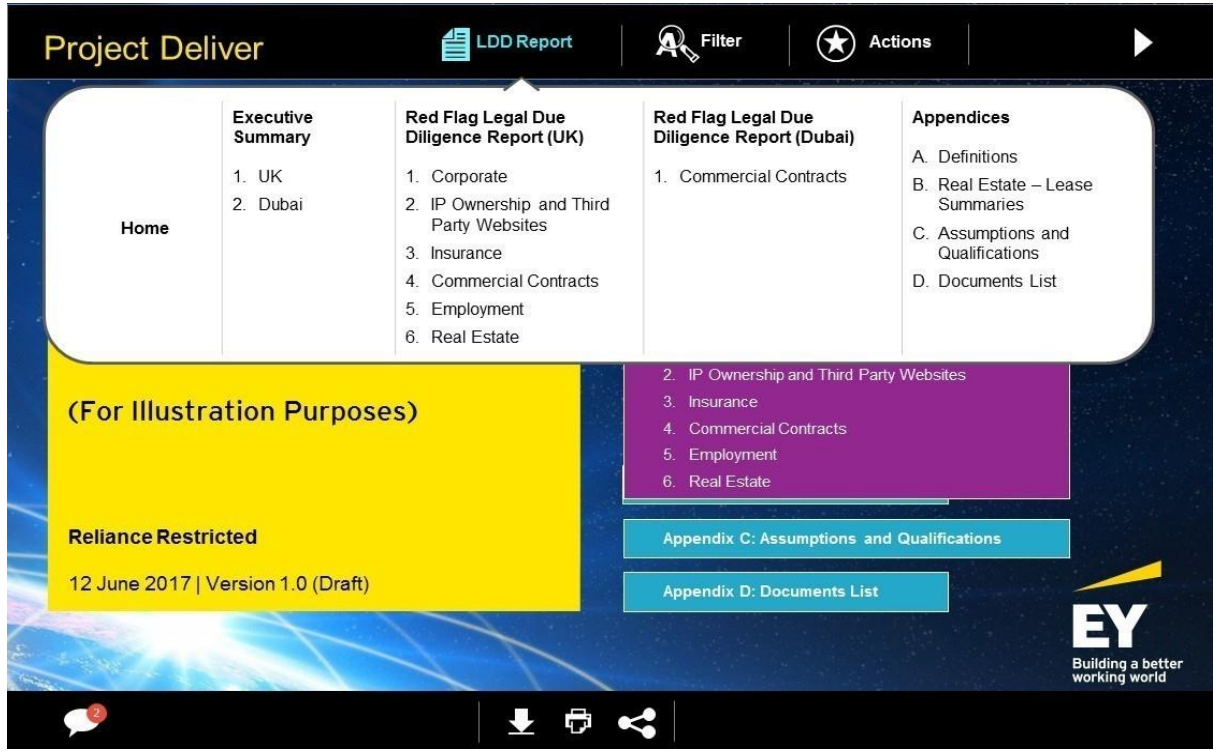
Compliance with tight deadlines/exceeded customer expectations

Also...

- Last month, several new opportunities emerged to perform reviews of large-scale contracts enabled by AI.
- UK Law hired WEX Europe Services Limited to carry out a Phase 1 review of 300 contracts, reaching 3000 contracts in Phase 2, with a potential review of the global Phase 3 contract in process.
- Consultation of Scapa Group plc to carry out a review of large-scale contracts.
- Several inquiries from other EY service lines to help with large-scale intelligent contract reviews.

How do we process the data?





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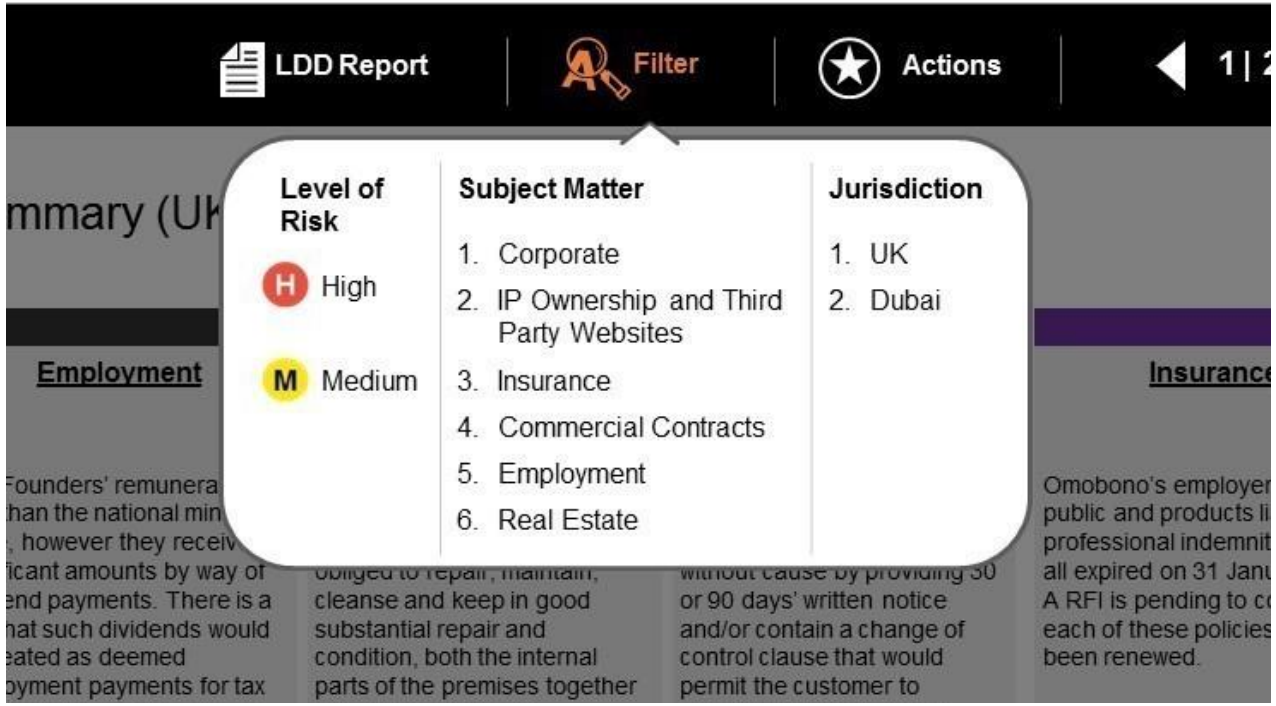

What is Cassandra?

Cassandra is Transaction Tax's new reporting platform, improving and simplifying the creation of Transaction Tax's core deliverables. Cassandra is the codification of our due diligence process and part automation of report generation.

Cassandra's due diligence function works by starting our practitioners with a tailored questionnaire, rather than an empty template.

From this questionnaire, Cassandra will be able to present relevant questions to our teams depending on the type of taxes that are being assessed, the size of the transaction and the jurisdictions involved.

Once this is complete, Cassandra compiles all the responses and produces a fully written report, with accompanying tables and layout formatting all automatically populated.

And this is only the beginning, we are already exploring the next generation of Cassandra, which includes the use of data analytics and artificial intelligence solutions.

Data analytics will allow our engagement teams to drive insights and sell additional services by quickly leveraging and sharing data from completed deals.

The AI solutions we are looking at will drive greater efficiency in the analysis of the structured and unstructured data that we come across as part of our DD process.

Cassandra helps protect our business revenues, creates new and immediate efficiencies in how we work, and improves the quality and consistency of deliverables thus providing real-time value for our clients. By automating a portion of the tax due diligence process, existing TT talent will be able to focus on delivering better and more commercial insights and **higher-value services on existing deals**, and have additional capacity to go-to-market and develop **new clients**.

At EY we promote the use of AI to give our clients an exceptional service

In order to promote the use of cutting edge technologies in our professional practice, the **Global Innovation and AI** team launched the **Innovation Challenge**, using a state-of-the-art collaboration platform called **EY CogniStreamer**. The winning proposal, which received a large sum of money to be used in the proposal's development, was called **"The future of the legal practice: IA-enabled labor compliance solution"** presented by an EY Oceania team.

The solution is a comprehensive offer (Tax, Legal and Audit) that helps clients guarantee that their human resources area fulfills all complex regulatory and contractual requirements. It uses AI to extract the key terms and conditions from a variety of compliance documents in the labor practice, such as work contracts, business negotiation agreements and modern adjudication documents. The key terms and conditions extracted are compared with real payroll and assignment data to help our clients identify signs of noncompliance in their payroll, using a dynamic panel that can be presented to our clients live and used as a basis for subsequent discussion and analysis.

This case leverages various AI technologies, such as Machine Learning (ML), Natural Language Processing (NLP) and Optical Character Recognition (OCR) to read and interpret commercial documents.

EY has a Network of AI Champions with over 500 professionals around the world, committed to help promote strategic AI initiatives for our clients.

This is another example of how we use AI at EY, in this case applied to the legal practice.

Better begins now