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Can AI Buy a Company? What Buyers Need to Know About AI's Role and Limitations in M&A Transactions

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Artificial intelligence is changing just about everything in our lives, including the merger and acquisition (M&A) process. AI-powered tools can add tremendous efficiency to the acquisition process by reviewing large volumes of documents, summarizing contracts, organizing diligence materials, and identifying provisions that might otherwise take hours to find.

While these efficiencies can accelerate the M&A process, speed should not be mistaken for judgment. An acquisition is not just about collecting and summarizing information. Buyers must determine what that information means for the value of the business, the structure of the transaction, and their willingness to proceed. AI can be a very helpful tool, but it cannot replace the wisdom and judgment that comes with experienced M&A counsel.

The better question is not whether AI can buy a company. It is how buyers and their advisors can effectively use AI tools without losing sight of the human judgment that ultimately protects the deal.

AI Can Review Documents, But It Cannot Assess the Buyer's Risk

During due diligence, AI tools can be very useful in taking over time consuming tasks such as:

- Summarizing contracts
- Locating change-of-control or assignment provisions
- Comparing similar agreements
- Flagging unusual or inconsistent terms
- Organizing documents by subject matter
- Identifying potentially missing information

AI's speed here is particularly helpful in transactions involving hundreds or thousands of contracts. That said, identifying a provision is only the beginning of the analysis.

Suppose an AI tool finds change-of-control language in several agreements. The real questions are: Which agreements are critical to the business? Will consent be required before closing? Could the counterparty terminate or renegotiate? How would the loss of that relationship affect revenue, operations, or valuation?

The same language can create very different levels of risk depending on whether it appears in a minor vendor agreement or a contract with the target's largest customer. AI may locate the provision, but it cannot reliably determine how much risk it creates for this particular buyer in this particular transaction. That requires a human's understanding of the buyer's objectives, the target's business, the industry, and the broader structure of the deal.

AI Finds Issues, But Lawyers Determine Materiality

Due diligence often produces a long list of potential concerns, including incomplete employment agreements, gaps in intellectual property ownership, inconsistent customer contracts, regulatory deficiencies, or unresolved disputes. AI can help identify these issues, but it can also identify so many potential concerns that the buyer ends up with more information than clarity.

This is where experienced deal counsel can help the buyer separate meaningful risks from background noise. Not every issue warrants the same response, and many times, matters can be corrected before closing. Others may justify a purchase-price adjustment, escrow, or holdback. Certain risks may require a special indemnity, a closing condition or a change to the transaction structure. A sufficiently serious issue may cause the buyer to reconsider the deal altogether. But that kind of analysis depends on context, and determining how the pieces fit together remains a judgment-intensive exercise.

AI Does Not Negotiate the Deal

Every acquisition involves compromise. Even when the parties agree on price, they must negotiate representations and warranties, indemnification obligations, liability caps, escrows, closing conditions, earnouts, and numerous other provisions that allocate risk between the buyer and seller.

AI can propose language based on prior agreements or common market formulations. It may also help compare drafts and identify changes. But it is critical to note that it cannot be entrusted to manage the negotiation itself. That requires an understanding of what the other side wants, where the buyer has leverage, and which issues are worth pressing. It also requires the ability to recognize when a proposed solution creates a new problem elsewhere in the agreement.

Sometimes the strongest response is to hold firm. Other times, the better strategy is to address the concern through a price adjustment, special indemnity, post-closing covenant or alternative structure. A good deal lawyer does more than argue over language. They help the parties find a workable path to closing while protecting the client's most important interests.

There is also a strong relationship component to every transaction. Many buyers need the seller, management team, or key employees to remain involved after closing, but an unnecessarily aggressive negotiation can damage the working relationship before the buyer takes control of the company. AI cannot read the room, understand personalities, or know when winning a drafting point could hurt the larger transaction.

AI Cannot Identify Every Question the Buyer Should Be Asking

AI is generally most effective when it has the right documents and receives the right inputs and instructions. The difficulty is that buyers do not always know what is missing, or even what they should be asking in the first place. Experienced M&A counsel can recognize patterns from prior transactions. They know which diligence requests are likely to uncover problems, which industries present specialized risks, and which seemingly routine answers require follow-up.

A contract summary will not help if a significant agreement was never uploaded to the data room. A review of the target's intellectual property schedule may not reveal that a former contractor created critical software without signing an assignment. Employment records may look complete until someone asks how workers are classified, compensated, or managed in practice.

AI analyzes only the information it receives; whereas deal counsel knows when the available information does not tell the entire story. This ability to identify the unknown is particularly important for buyers entering a new industry or making their first acquisition. An experienced attorney can anticipate where issues tend to arise and tailor the diligence process to the buyer, the target, and the transaction.

AI Outputs Still Need to Be Verified

AI-generated summaries can sound authoritative even when they are incomplete or incorrect. A tool may overlook an exception, misinterpret a defined term, miss the interaction between multiple provisions, or reach a legal conclusion that the underlying language does not support.

In an M&A transaction, even a small error can have significant consequences. A missed consent requirement could delay closing. An incomplete summary of a customer agreement could distort the buyer's view of recurring revenue. A mistaken interpretation of an indemnification provision could leave the buyer with less protection than expected.

AI should be treated as an analytical tool, not as the final reviewer or decision-maker. Its work must be checked against the underlying documents and evaluated by professionals who understand the legal and business consequences.

Buyers and their counsel must also consider how sensitive deal information is handled. Confidential financial records, customer data, employee information, and trade secrets should not be entered into an AI platform without understanding the tool's security, retention, and privacy practices.

Using AI the Right Way in an Acquisition

The strongest acquisition teams will not ignore AI, but importantly, they will not treat it as a substitute for experienced advisors. AI is most valuable when it handles repetitive, time-intensive tasks and allows deal counsel to spend more time on higher-value work.

Buyers should have a firm understanding of:

- Which AI tools their advisors are using
- How confidential information is protected
- Whether AI-generated findings are independently verified
- How identified issues are prioritized and escalated
- Which decisions remain subject to human legal and business judgment

The goal in using these tools to help deal teams ask better questions, find issues sooner, and make better-informed decisions. AI may help a buyer move through diligence more efficiently, but it cannot decide whether a risk is acceptable, negotiate the right protection, or determine whether the deal still makes strategic sense. Those decisions will always require the experience, context, and judgment legal counsel and advisors bring to the table.