

# Maximising return from divestment

## Carve-out

**Failure to evaluate the costs of operational separation and prepare clear terms for transition can risk under-pricing a deal and leave buyers and vendors exposed to significant unforeseen costs. We have experience of carve outs from both buyer and vendor perspectives – and can help to prepare and implement robust, executable and cost-efficient arrangements for carve-out, transition and hand-over.**



### What we do

- Develop standalone operating models based on your needs.
- Prepare separation plans that safeguard the vendor's core business and make sure the acquired business can continue to be fully operational following the deal.
- Manage the potential increase in parent company's costs when recharges are no longer recoverable ('stranded costs').
- Maximise the operational efficiency of the carved out business and deliver this value through implementation.

### How we deliver value

Carve-outs are a growing feature of the current deal market. They are by their nature more complex than the sale of a fully standalone business. Our services are geared to making sure the carve-out is as smooth and value-enhancing as possible. We understand the costs, practicalities and potential risks of operational separation. We understand both vendor and buyer perspectives and their impact on the value of the deal.

If you're a vendor, we can help you to assess the full costs of the carve-out and transitional support and the implications for the expected returns from the deal. We can also help you to anticipate bidder requirements and hence sustain competitive tension in the auction, which can accelerate the deal process and maximise the proceeds. We ensure separation plans can be delivered, that business disruption is minimised and that there is an appropriate and executable level of support during the transition. We also advise on how to make operations more efficient following the separation.

If you're an acquirer, we provide the same assurance of certainty, and deliverability plus challenge on efficiency. This includes helping to evaluate and challenge the cost and effectiveness of the transition plans and improve operational efficiency, both during the transition and as a standalone business. We will work alongside you to implement these plans effectively.

### What sets us apart

Having worked on many of the largest and multi-faceted operational separations in recent years, we know that all carve-outs are feasible, however complex, as long as the agreement is sufficiently fair, executable and watertight. We know where the value is and where the potential complexity lies.

### What it's like to work with us

We're with you from the outset, making sure that you have the information you need to be well-prepared for negotiations, achieve a favourable price and secure an effective deal. Many of our team have direct operational experience, which means that we know the finer details of separation and can speak your language. We work with you throughout the transition planning and implementation to make sure that the business runs effectively from day one and deal objectives are fully realised.



## **Creating value together – Case study**

### **Preparing for a clean break**

**We helped a large energy group to separate its distribution network operations for sale. We helped prepare for due diligence, manage the preparation to signing, transition to new ownership and to maximise the proceeds by bringing certainty, deliverability and efficiency to the complexities of operational carve-out.**

Separating a business supported by group services and operations adds a level of complexity to a deal. In addition, buyers and funding banks are increasingly demanding in their diligence requirements around separation. Vendors need to apply a more thorough approach to the carve-out planning process than was necessary in the past.

We worked with the management team to prepare a clear set of bidder deliverables, which quantified the financial and operational impact of separation. We were beside the team during all key meetings, supporting them and bringing our experience and insight to the process. The result was a plan that provided the right amount of detail for buyers to make a bid – without the need for contingency around separation risk or uncertainty.

### **Delivering value together**

Working closely with our client throughout the deal meant that after signing we could help them to manage the transition and to ensure smooth handover to owner control, avoiding unforeseen costs for the vendor, minimising any potential disruption to their remaining business and helping the business to adjust to the changed operational demands.

Our unparalleled experience meant we could anticipate the key issues, where the complexities lay and where the risks were likely to arise. In addition, because we have worked on multiple carve-outs from a buy side perspective we could understand what the vendor needed to meet the buyer's requests and keep the bid process moving quickly. As a result, we were able to demonstrate that the plans were deliverable and cost efficient and hence strengthen confidence among buyers.

***“You don’t realise how complex separation is until you experience it first-hand. The PwC team took the complexity of the carve-out in their stride. Their expert input brought a high level of certainty to the process and gave both sides the confidence needed to secure the deal and manage the transition against tight timelines. We particularly appreciated their straight talking and hands-on approach throughout the negotiations and subsequent transition.”***

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