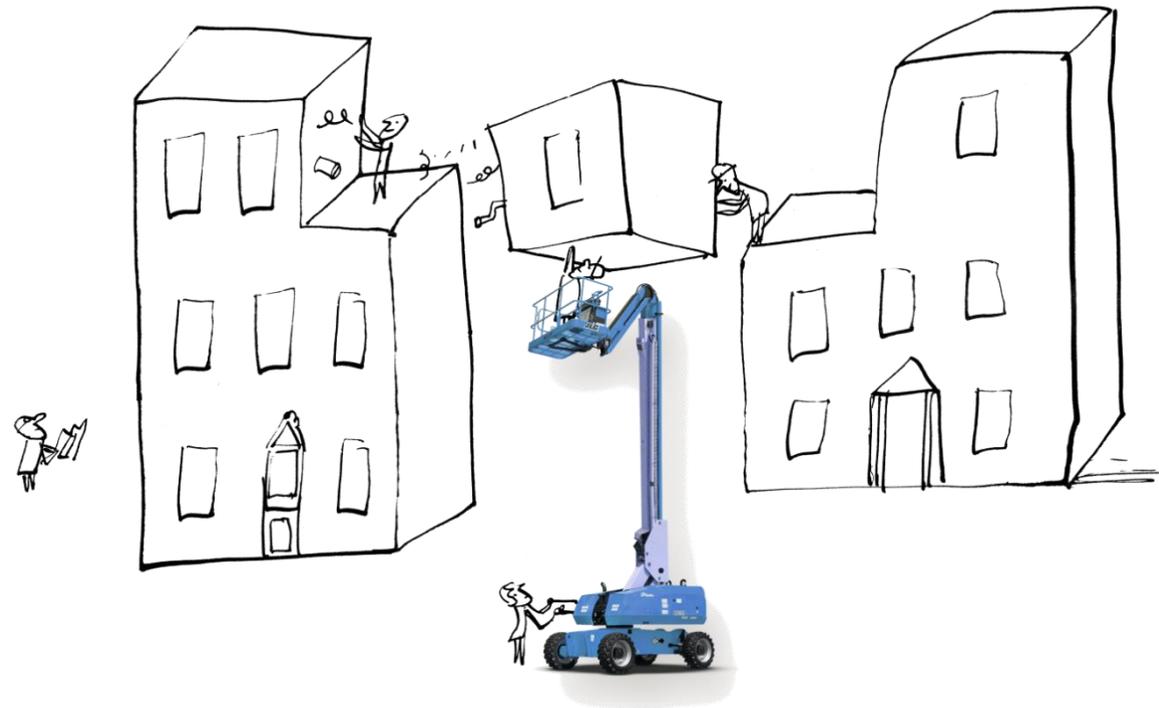




goetzpartners

STRATEGY | M&A | TRANSFORMATION



SUCCESSFUL CARVE-OUT MANAGEMENT

Managing complexity and creating corporate value

Many carve-outs fall short of expectations as they do not address key challenges, thereby impairing the whole process

KEY CHALLENGES

UNDERSTANDING THE CARVE-OUT MOTIVATION

RIGHT SCOPE

Involvement of all stakeholders

TRANSPARENT COMMUNICATION

Avoidance of legal risks

ADEQUATE SETUP OF STEERING GOVERNANCE

Focus on value creation and leveraging synergies

PREPARATION FOR DAY ONE READINESS

Strong commitment to drive organizational change

INTERLINK OF CARVE-OUT and M&A PROCESSES

DEAL FOCUS RIGHT FROM THE START

Foundation of marketing materials

PROFESSIONAL VALUATION

Structured negotiation process

CONSEQUENCES

2 out of 3 cases

lead to **unexpected follow-up costs**



2 out of 3 carve-out divestments

are closed with a significant **time delay**



>50% of entities are sold at discount

due to **lack of professional preparation**



Successful carve-out management requires a comprehensive strategy to master the challenges

EXECUTIVE SUMMARY

- 1 **STRATEGIC PREPARATION**
Detect disposal potential, understand individual carve-out specifics, gather all inputs regarding opportunities and risks to create the story for divestiture and tailor the strategy to achieve all underlying goals
- 2 **OPERATIONAL PREPARATION**
Create unique concepts and concrete carve-out designs to prepare the optimal separation planning scope before the sales process starts

- 3 **TRANSACTION PROCESS AND SIGNING**
Prepare and lead a structured transaction process by positioning and evaluating the transaction object, conducting a due diligence check and negotiating with the established best-fit buyer
- 4 **CLOSING AND EXECUTION**
Ensure Day One readiness by fulfilling closing conditions and pursuing a thorough implementation roadmap. Create an impact without disturbing the business – properly size the remaining business to ensure a lasting success and project ramp-down

MANAGEMENT CONSULTING

Carve-out design and project management



CORPORATE FINANCE

Transaction preparation and deal execution

OUR PROMISE

Offering substantial experience in carve-outs from single business units to highly complex and global arrangements, including remedy scenarios by antitrust authorities.

Solving major challenges

- Clear-cut carve-out perimeter and asset ringfencing
- Straight to the point carve-out concept
- Structured transaction process
- Fast execution and transition
- Efficient process management
- Business continuity

We are determined to execute the carve-out **together with you in a joint approach**

goetzpartners addresses all key issues and creates value throughout the entire process

AT A GLANCE

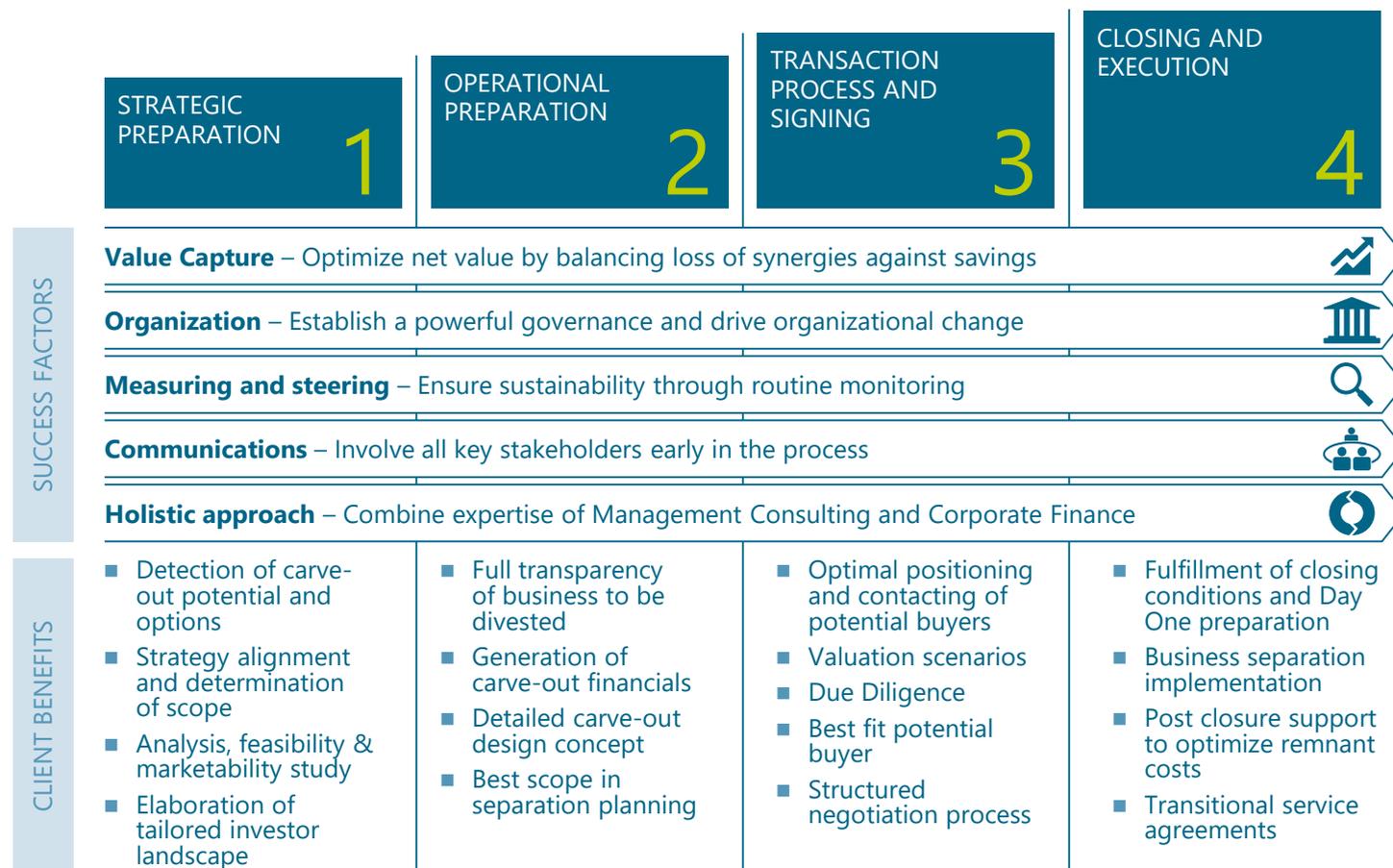
The **comprehensive carve-out approach** substantially increases the chances of a successful carve-out.

Value creation starts with defining the best carve-out scope in alignment with the corporate strategy.

At this stage, the **buyer's perspective** and **market requirements** already have to be properly considered. This remains true for all periods until closing.

goetzpartners **aligns activities throughout all phases** of the carve-out process.

HOLISTIC CARVE-OUT APPROACH





Sound strategic analysis and profound scoping set the basis for a carve-out

1 STRATEGIC PREPARATION

WHY

ANALYSIS AND FEASIBILITY STUDY

Preparation of **carve-out decision** by assessing carve-out **options** and corporate **strategy fit**

- Detection of **disposal potential**
- Determination of **underlying goals** and **alignment** with overall **corporate strategy**
- Check the fulfillment of fundamental **transaction requirements**
- Evaluation of associated legal and operational **risks**
- Challenging the **marketability** of the potential carve-out object

WHAT

TAILORING AND SCOPING

Determination of scope and clear definition of **transaction object**

Which parts of the business should be carved out?

- Which **org-units**?
- Which **employees, customers, suppliers**?
- Which **contracts** and **intellectual property**?



GP VALUE ADD

Joint approach and services from a single source

Profound strategic preparation directly complemented by a M&A perspective

Capitalization of transaction expertise

Focus on the deal right from the start to maximize value by understanding sellers' needs and through optimal positioning

AT A GLANCE

In-depth analysis and preparation are the **basis for a successful carve-out**.

The **analysis** of the situation helps to tailor carve-outs and their processes according to the underlying goals and motivation.

Thorough **preparation** structures and facilitates the whole process, prevents problems in advance and saves time and money in the long run.

goetzpartners adds value and secures the success of the carve-out in this early stage by using a **structured joint process** combining **corporate finance and management consulting** expertise.



The carve-out design summary above all ensures operational and stakeholder management

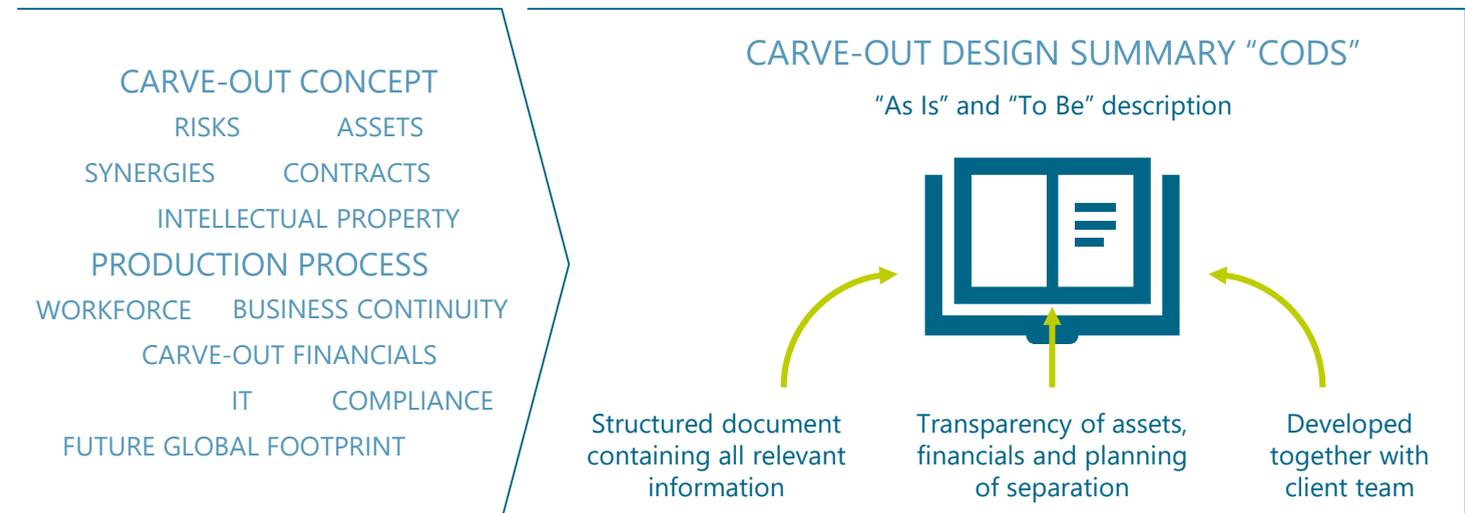
AT A GLANCE

Thoughtful operational preparation is crucial to achieving **transparency** of the business to be divested and to developing a **carve-out design** that considers all critical elements:

- Which **employees** and **assets** are crucial for the seller or the buyer?
- Which **gaps** have to be closed?
- How are **processes** separated or rebuilt? Does the seller temporarily share processes with the buyer?
- What about the **IT landscape**?
- How should third party **contracts** be split? Is there a need for renegotiation?

Together with the client team we create comprehensive **carve-out designs** to ensure the best scope of separation planning while taking all **stakeholder perspectives** into account.

2 OPERATIONAL PREPARATION



BENEFITS OF CODS

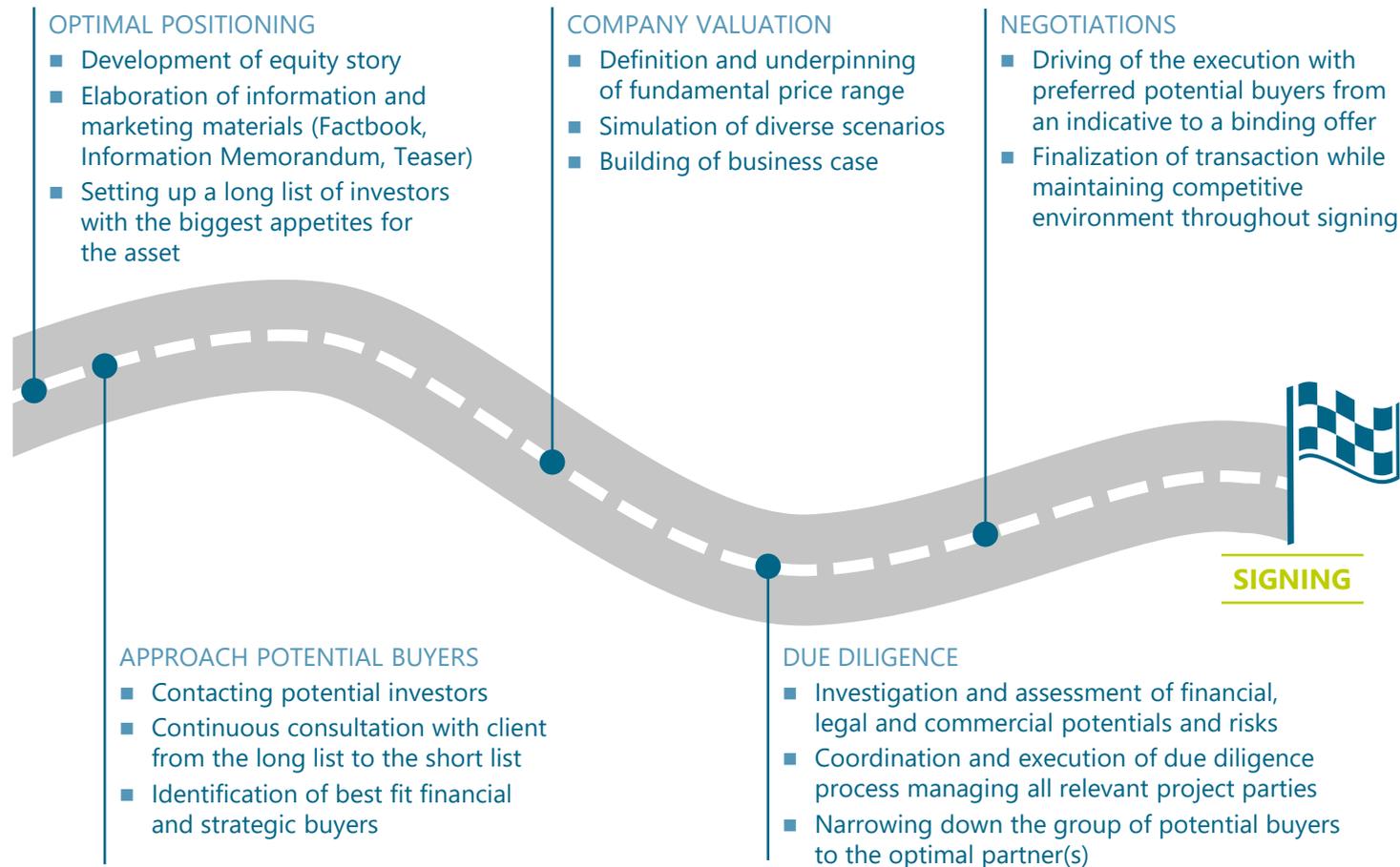
Extensive operational preparation with a detailed carve-out design summary enables the organization to execute the whole carve-out efficiently, incorporating all relevant information

- Structuring and visibility of data room content
- Generation of transparent financials along transaction object
- Detailed assessments as basis for management decisions
- Strong foundation to generate marketing material for potential buyer
- Merger control clearance (antitrust remedy proposal)



Having defined the scope, a structured transaction process ensures the upmost success of the divestment

3 TRANSACTION PROCESS AND SIGNING



AT A GLANCE

The transaction process begins way ahead of the negotiations. Building on the determined basis prepares it for subsequent negotiations by identifying the **right partner** and **maximizing the sale price**.

goetzpartners supports the evaluation of **initial offers** as well as the determination of general conditions as a basis for **negotiating**.

goetzpartners capitalizes on its transaction expertise and **integrates the steps** to maximize value.



Signing the deal does not conclude the project – adapting the existing structures is critical

AT A GLANCE

After signing, an **implementation roadmap** is defined to fulfill closing conditions and to secure **disruption-free operations**.

Moreover, managing the complexity of carve-outs means handling multiple post-closing initiatives:

- Align the organization to the **new set-up** and implement rationalization
- Manage carve-out implications and **ensure cash flows** from TSA^[1]
- **Monitor risks** resulting from dependencies with retained business
- **Track profitability and KPIs** to ensure target achievement
- Initiate the project ramp down and ensure **timely TSA exit**

goetzpartners supports the PMO until final completion of the carve-out project.

4 CLOSING AND EXECUTION

PREPARATION OF CLOSING AND DAY ONE

FULLFILLMENT OF CLOSING CONDITIONS
Setup legal entity, separate business, fulfill contractual obligations

IMPLEMENTATION ROADMAP
Define milestones and responsibilities for Day One operations

DAY ONE READINESS CHECKLIST
Conduct handover and list all actions and required results for Day One

COMMUNICATION PLAN
Ensure clear communication, include all stakeholders (esp. employees)

EXECUTION – MAJOR INITIATIVES AFTER CLOSING

BUSINESS SEPARATION MGMT.
e.g. contract exits | product rationalization

POST-CLOSURE ISSUE MGMT.
e.g. know-how drain | interface problems

REMNANT COST AVOIDANCE^[2]
e.g. overhead dimensioning | right sizing

INVESTMENT RETURN TRACKING
e.g. profit margin | working capital

TSA MANAGEMENT
e.g. managing reverse transaction



PROJECT RAMP DOWN

[1] Transitional service agreement [2] Cost still left over at RemainCo after divestment
Source: goetzpartners

Joint and holistic approach of goetzpartners Management Consulting and Corporate Finance

CARVE-OUT DUE TO REGULATORY HURDLES AFTER HORIZONTAL MERGER

THE CLIENT

- Global automotive supplier
- Revenue: €6bn
- Employees: ~25,000

INITIAL SITUATION

- Horizontal merger attempt with a main competitor
- Regulatory hurdles from antitrust due to significant market influence of merger participants
- Necessary carve-outs of several business units in order to fulfil requirements of the EU Commission and the Department of Justice

APPROACH AND LEVERS



PMO	General coordination, meeting coordination and progress reporting, alignment of all work streams
Merger Control	Coordination and support of legal department and external legal advisors
Carve-out	Preparation of carve-out designs and steering of efforts on the acquirer's side
Clean Team	Provision and set-up of legally ringfenced team of experts with strict requirements for carve-out designs on the target's side
Divestment	Preparation of all divestments, transaction marketing and search/approach of bidders

gp Management Consulting
 gp Corporate Finance
 Joint Team

AT A GLANCE

RESULTS

- Carve-out**
- 7 carve-out options prepared in Europe and US
 - Elaboration of detailed carve-out design summaries
 - 18 potential buyers approached and execution of expert sessions with each one
 - Several bids received in very short time period
 - Successful meetings with the EU Commission and Department of Justice

Project management

- Rapid project set-up including clear governance structure
- Successful coordination of internal departments and external legal/financial/economic advisors
- Sound decision-making basis for top-level executives

We have a proven track record for applying our experience to our clients' success

AT A GLANCE

We have assisted our clients of different sizes and industries throughout the entire carve-out ...

Strategic preparation

Analysis, detection of potential, scoping

Operational preparation

Separation of assets, contracts and processes

Transaction process and signing

Positioning, due diligence, negotiations

Closing and execution

Ensure Day One readiness and post-closing support

SELECTED REFERENCES

CLIENT

Telco provider



Automotive supplier



IT service provider



Logistics provider



PROJECT SCOPE

Advisory and operational support in various carve-out projects

Complete merger control in acquisition of a direct competitor and carve-out support to meet regulatory conditions

Carve-out, performance improvement and change management

Carve-out and set-up of new company including functional structure, process and governance

APPROACH/SUCCESS FACTORS

- **Holistic carve-out management**, ringfencing and definition of structures for 10 carve-outs affecting ~60 countries and €770m sales volume
- Removal of >€80m remnant costs

- Fast-paced **carve-out conceptualization** considering regulatory conditions in Europe and US
- **Collaboration** between MC and CF enabling a fast and smooth process

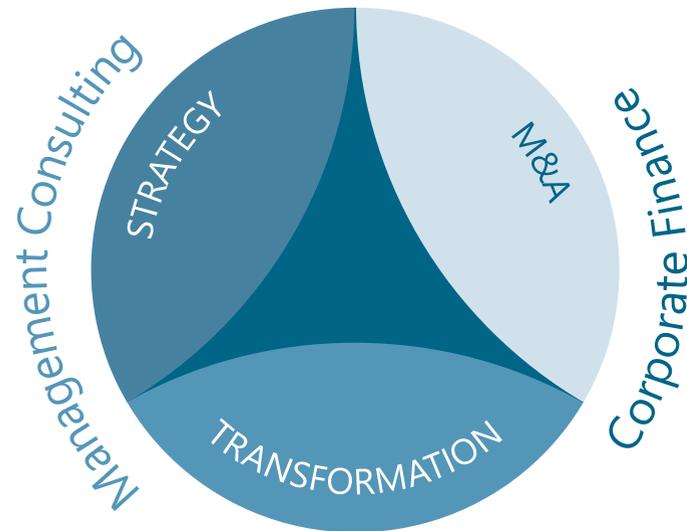
- Definition of **organizational setup** for stand-alone **carved-out company**
- Elaboration of prime principles and forward-looking story of change to mobilize the organization

- Setup of headquarters and 14 operating countries (new stand-alone company)
- Definition of **new organizational structure** (including segment elimination)

About goetzpartners

ADVISERS FOR STRATEGY, M&A AND TRANSFORMATION

goetzpartners is an independent advisory firm for all key issues of entrepreneurial activity: strategy, M&A and transformation. This unique approach makes clients measurably more successful. The combination of corporate finance and management consulting creates sustainable added value when determining valid courses of action, reaching decisions and implementing them. Boasting a vast wealth of business experience, goetzpartners advises clients in all key industries world-wide: Business Services, Energy, Infrastructure & Mobility, Financial Institutions, Healthcare, Industrials & Automotive, Retail & FMCG and TMT.



CHALLENGERS WITH PERSONALITY

For the key business issues of strategy, M&A and transformation, standard solutions are rarely the right answer. On every project, goetzpartners ensures that there is always sufficient scope for proven methods to be combined with individual and client-specific approaches. Our consultants lay the foundations for excellent results by trusting their own opinions and experience and taking a strong stance on the entrepreneurial challenges to be resolved.

NETWORKERS AT THE HIGHEST LEVEL

Our far-reaching network of contacts, grown over decades, include top decision makers in business and politics, and produces extraordinary advisory outcomes. Our close working relationship with prominent members of society opens up wide-ranging new perspectives. goetzpartners thinks beyond borders and connects the right people with the right ideas. That way, goetzpartners creates valuable synergies for all involved.

EXPERTS ON COURSE FOR SUCCESS

Founded in 1991 by Dr Stephan Goetz and Stefan Sanktjohanser, goetzpartners today ranks among the 10 best-performing advisory firms in Germany (Lünendonk®). goetzpartners has received awards five years in a row as part of the "Best of Consulting" contest by the renowned German magazine "WirtschaftsWoche". Internationally, the company operates in 11 countries out of 14 offices with more than 350 professionals.

November 2018

This document is copyright-protected. Its reproduction, rental or any other form of distribution or publication – including in extract form – is subject to the consent of goetzpartners. The analyses and assumptions on which this publication is based were undertaken by the authors to the best of their knowledge and judgment. goetzpartners accept no liability whatsoever for the accurateness of these analyses or assumptions. Where information was taken from public sources its accuracy and completeness was assumed without any further checking. By its very nature, this publication does not take into account the specific circumstances of individual cases. This document can therefore not replace individual expert advice or extensive research which should be undertaken by the third party.

CONTACT



PUBLISHER
Markus Schmid
Managing Director
markus.schmid@goetzpartners.com
T + 49-89-290725-810
M + 49-160-9091-9017



Robert Sannig
Senior Manager
robert.sannig@goetzpartners.com
T + 49-89-290725-810
M + 49-151-1714-1002

DUBAI
Central Park Towers OT 37 Floor 37, DIFC
PO BOX 507270 Dubai,
United Arab. Emirates

DÜSSELDORF
Königsallee 60 b
40212 Düsseldorf, Germany

FRANKFURT
TaunusTurm, Taunustor 1
60310 Frankfurt/M., Germany

LONDON
goetzpartners securities Limited
The Stanley Building
7 Pancras Square
London N1C 4AG, UK

MADRID
Calle Marqués de Urquijo n 30°, piso 1°
28008 Madrid, Spain

MILAN
Piazza Fontana, 6
20122 Milan, Italy

MOSCOW
Gagarinsky Per. 25
119034 Moscow, Russia

MUNICH
Prinzregentenstr. 56
80538 Munich, Germany

NEW YORK
7 World Trade Center, 46th Floor
250 Greenwich Street, Suite 4620
New York, NY 10007, USA

PARIS
19, Avenue George V
75008 Paris, France

BEIJING
Unit 1601
237 Chao Yang North Road
100020 Beijing, China

PRAGUE
Melantrichova 17
110 00 Prague 1, Czech Republic

SHANGHAI
Unit 2104-05
1045 Middle Huai Hai Road
200031 Shanghai, China

ZURICH
Kantonsstraße 1
8807 Freienbach/Zurich, Switzerland