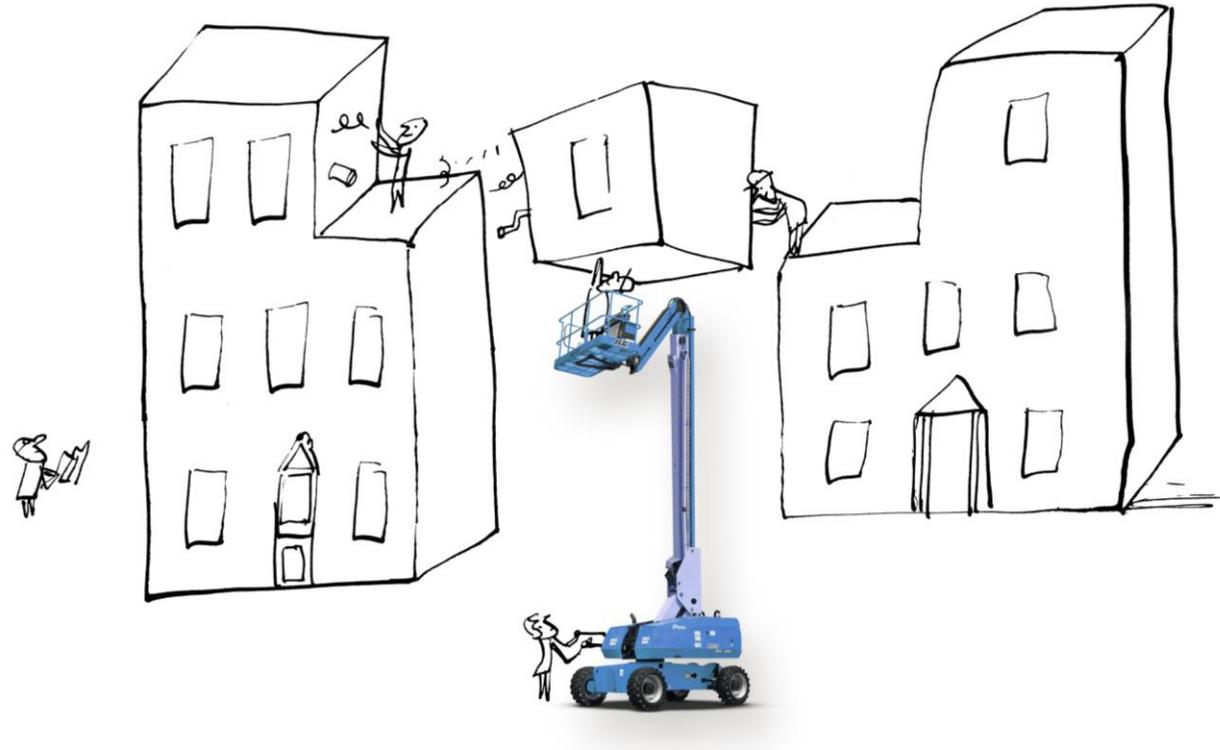




goetzpartners

STRATEGY | M&A | TRANSFORMATION



Integrated Carve-Out Management

MAXIMIZING VALUE IN CARVE-OUT SITUATIONS

When to consider a carve-out?

Multiple reasons can lead to a carve-out and provide substantial return potential – not all companies entertaining carve-out considerations aim at a divestment at the next step

CARVE-OUT TRIGGER (SELECTION)

SCHEMATIC

INTERNAL REORGANIZATION

E.g., from an integrated group to a management holding



FUNDING PREPARATION

Prepare divestment to meet IPO/funding requirements



PARENTING ADVANTAGE

Sell to best owner (strategic or buy & build PE investor) w/ higher group synergy potential



FINANCIAL CONSTRAINTS

Need to improve liquidity, reduce debt, refinancing needs etc.



CAPITAL COST REDUCTION

Optimize risk profile/ focus on more profitable businesses



ENTREPRENEURIAL DRIVE

Streamline operations, increase management accountability and speed



ANTITRUST REGULATIONS

Condition for merger clearance to reduce power in specific market



Low

High

TYPICAL CARVE-OUT RETURN

= Divest as mandatory next step
Source: goetzpartners

CARVE-OUT PERIMETER

COMPANY

REMAINING BUSINESS



POTENTIAL CARVE-OUT PERIMETER



Deep dive next slide



KEY FACTS

- ✓ Carving out a business can be the answer to multiple challenges, **not all** aim at a **divestment** at the next step (e.g., internal reorganization)
- ✓ Carve-out situations with focus at leveraging **parenting advantage and entrepreneurial drive** offer the **highest return potential**
- ✓ **Transparency** about **carve-out goals** is essential for maximizing return potential

Typical carve-out scenarios

Carve-out scenarios follow certain archetypes – different scenarios show substantial variations in top line and bottom-line impact as well as deal complexity

PRIMARY CARVE-OUT SCENARIOS

SCENARIO	01 Business Unit carve-out	02 Product group / site carve-out	03 Product / Unit carve-out
CHARACTERISTICS	<ul style="list-style-type: none"> Separate complete business unit and enable stand-alone ability Stand-alone business unit with existing P&L to start with 	<ul style="list-style-type: none"> Separate specific product groups or production sites; if required incl. stand-alone ability Build up full stand-alone P&L capabilities 	<ul style="list-style-type: none"> Outsourcing of single products or units to integrate or enable stand-alone ability Small entities with mostly bottom-line impacts in need for thorough buyer universe assessment
IMPACT/COMPLEXITY	<p>Topline impact: High (Negative)</p> <p>Bottom-line impact: High (Positive)</p> <p>Perimeter definition & deal complexity: Low (Positive)</p>	<p>Topline impact: Medium - High (Neutral)</p> <p>Bottom-line impact: Medium - High (Positive)</p> <p>Perimeter definition & deal complexity: Medium (Positive)</p>	<p>Topline impact: Low (Positive)</p> <p>Bottom-line impact: Medium (Positive)</p> <p>Perimeter definition & deal complexity: High (Negative)</p>

KEY TAKEAWAYS

- ✓ The **level of integration** and **stand-alone** ability **prior** to the deal largely determines financial impact and deal complexity
- ✓ Carve-out situations aiming at outsourcing **whole business units** have the **highest financial impact** and **lowest complexity**
- ✓ Carve-out situations with **unclear perimeter definition** require especially thorough **buyer universe assessments**

Impact direction: ■ Positive ■ Neutral ■ Negative

Challenges in carve-out situations

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

CARVE-OUT FAILURES ...



> 50% of carve-out units are **sold at discount** due to a lack of preparation and mismatch of buyers' interest



2 out of 3 carve-out divestments are closed with a **significant time delay**



2 out of 3 carve-out divestments lead to **unexpected follow-up costs**

... AND THEIR UNDERLYING CHALLENGES

OPTIONS EVALUATION

- Optimize divestment rationale
- Prioritize speed, value or deal quality
- Define the right carve-out perimeter

TRANSACTION INITIATION

- Interlock operational carve-out and transaction process
- Develop compelling equity story
- Prepare for day-1 readiness

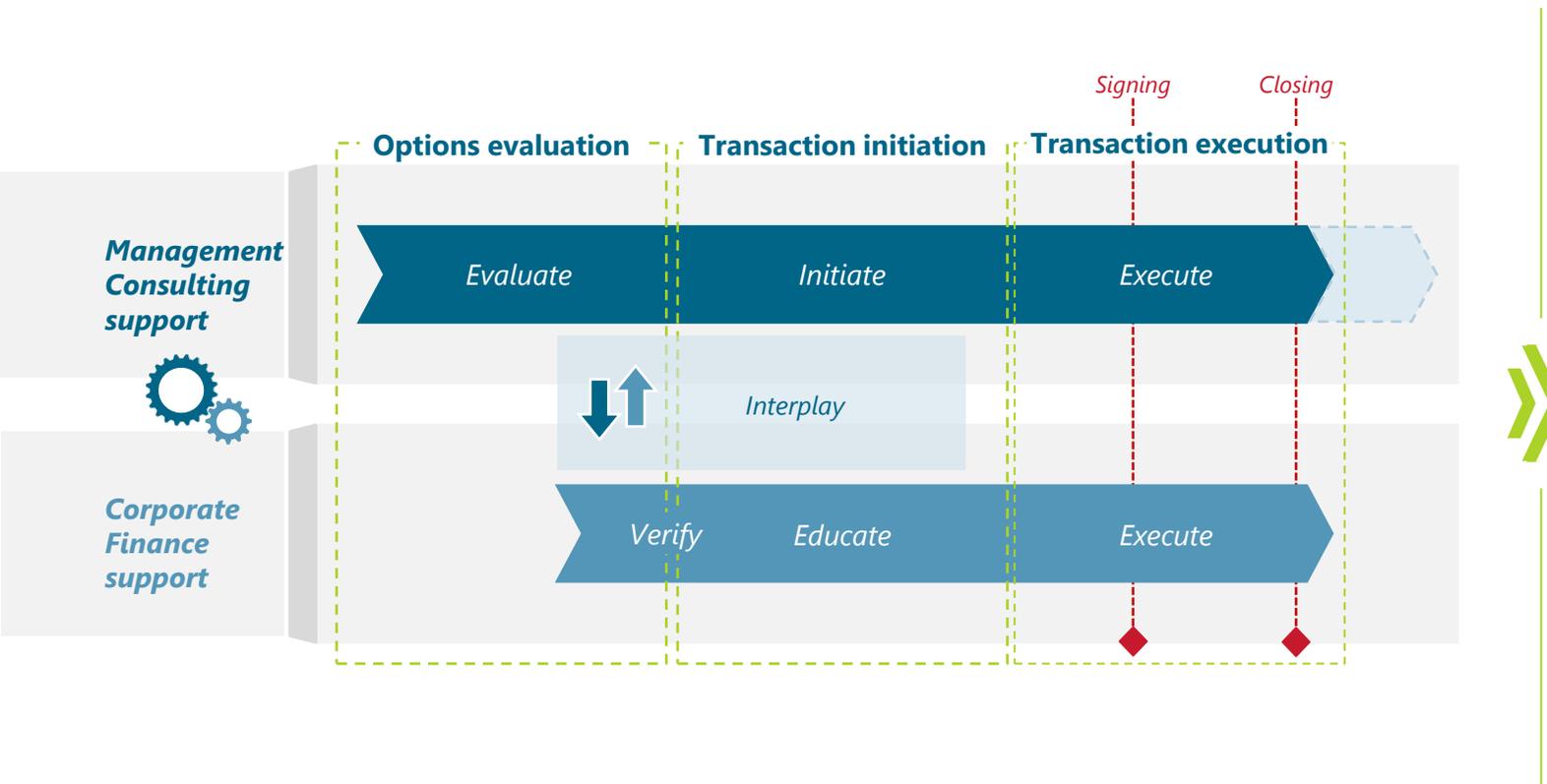
TRANSACTION EXECUTION

- Set up steering & execution governance
- Involve all stakeholders & avoid legal risks
- Commit to drive organizational change

goetzpartners value proposition along the transaction cycle

The integration of Management Consulting and Corporate Finance makes goetzpartners a one-stop shop for successful carve-out transactions – our track record proves a high deal likelihood and focus on maximizing net proceeds

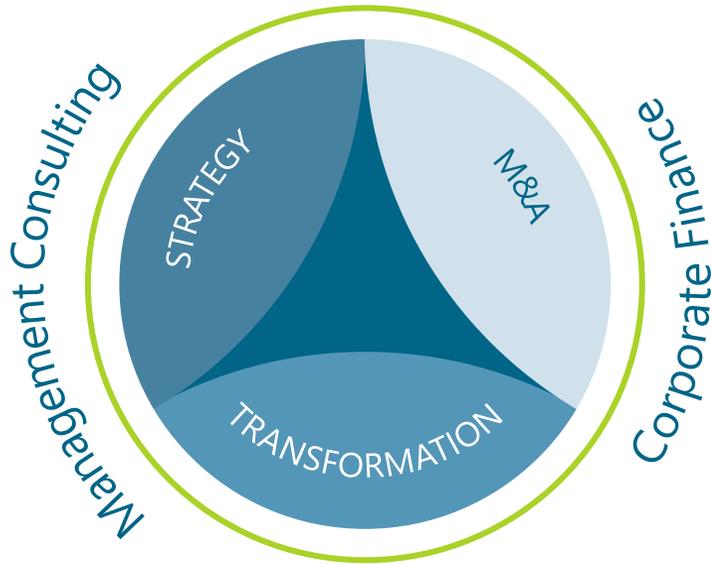
GOETZPARTNERS SUPPORT ALONG THE TRANSACTION CYCLE



OUR UNIQUE VALUE PROPOSITION

- 1 One-stop shop service provision** and **single point of contact** for key elements of the carve-out process (Management Consulting & Corporate Finance)
- 2 E2E proficiency along the entire carve-out process:** from portfolio assessment through carve-out design until final implementation
- 3 Increased deal likelihood:** Clear view on potential buyers from day-1 and strong **execution focus** through the entire transaction process to maximize net proceeds

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: Industrials & Mobility, Technology, Media & Telecommunication, Infrastructure, Transportation & Energy, Financial Institutions, Pharma, Healthcare & Medtech, Retail & Fast Moving Consumer Goods and Business Services.

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, involves 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®). For its excellent advisory services goetzpartners has received numerous awards, among others, the Best of Consulting Award from the renowned German business magazine "WirtschaftsWoche" has been conferred five times to date. Internationally, the company operates in 11 countries out of 13 offices with 300 professionals.

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Get in touch!

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