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# M&A strategies with a value creation mindset

# Carve-out

An Alternative for Value Enhancement and Strategic Growth

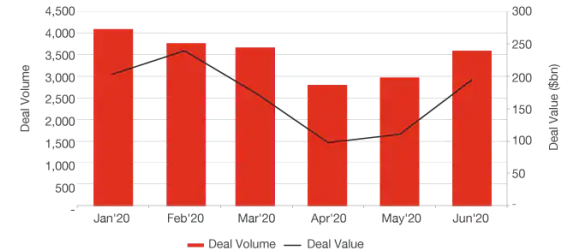


# Global M&A Trends

- Global M&A activity has been on an **upswing since 2008**
- In 2019, there was a slight downturn compared to the previous year, but the total volume and number of deals remained at a **historically high level**
- In the first half of 2020, the **COVID-19 pandemic** stopped new M&A activities causing deal volumes to decline by 13%\* compared to the previous year
- In general, global M&A activity appears to **slow down** due to rising uncertainty around the global economy, trade tensions between the US and China, and political tensions
- The **technology sector** has been the most resilient with tech deals leading the way

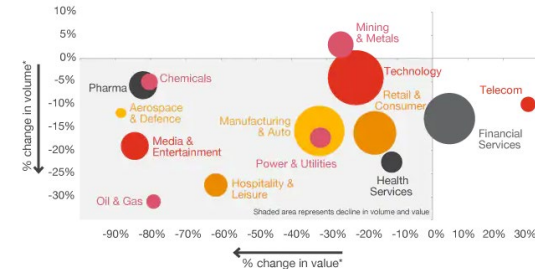
\*Source: Global M&A Industry Trends, PWC Analysis

Global Deal Volumes and Values, Jan-Jun 2020



Source: Refinitiv, Dealogic and PwC analysis

Global Deal Volumes and Values, Jan-Jun 2020



\* Percentage change calculated as H1 20 vs. H1 19. Bubble size represents deal volume in H1 2019. Source: Refinitiv, Dealogic and PwC analysis

# Future Drivers of M&A Activity

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Not only the apparent disconnect between the economy and soaring financial indices has led many to **question** the **sustainability of the capital markets development** and the **credibility of M&A activity to the longer term sustainability**.

But what if M&A is **the key to corporate recovery** and **sustainable value creation**?

Acceleration of  
digital transformation

Refocusing on  
core businesses

Reshaping  
business models  
and building resilience

ESG



Companies will need to strategically repair, rethink and reconfigure their businesses

Have you considered **Carve-outs** as an essential component of successful M&A activity?

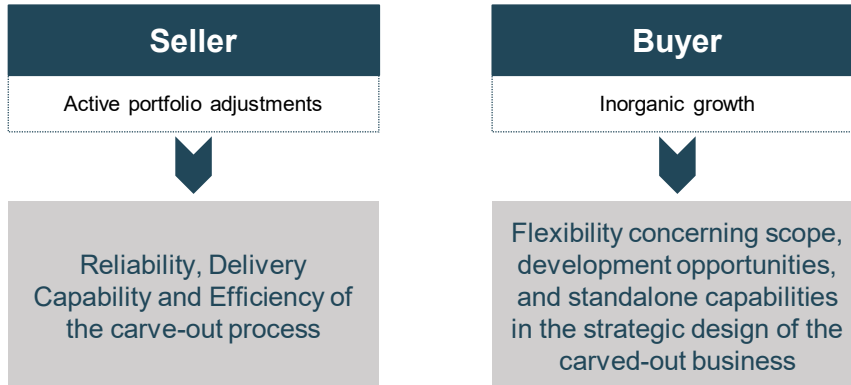
Focus on the **replacement** and **disposal** of **non-core activities**  
in order to **generate capital for acquisitions** or investments, particularly in new technologies

## Key challenges and success factors

Properly managed Carve-outs offer **sellers** and **buyers** far-reaching potentials for value enhancement



The interests of both buy & sell side place **high demands on the efficient design, planning and implementation of carve-outs**



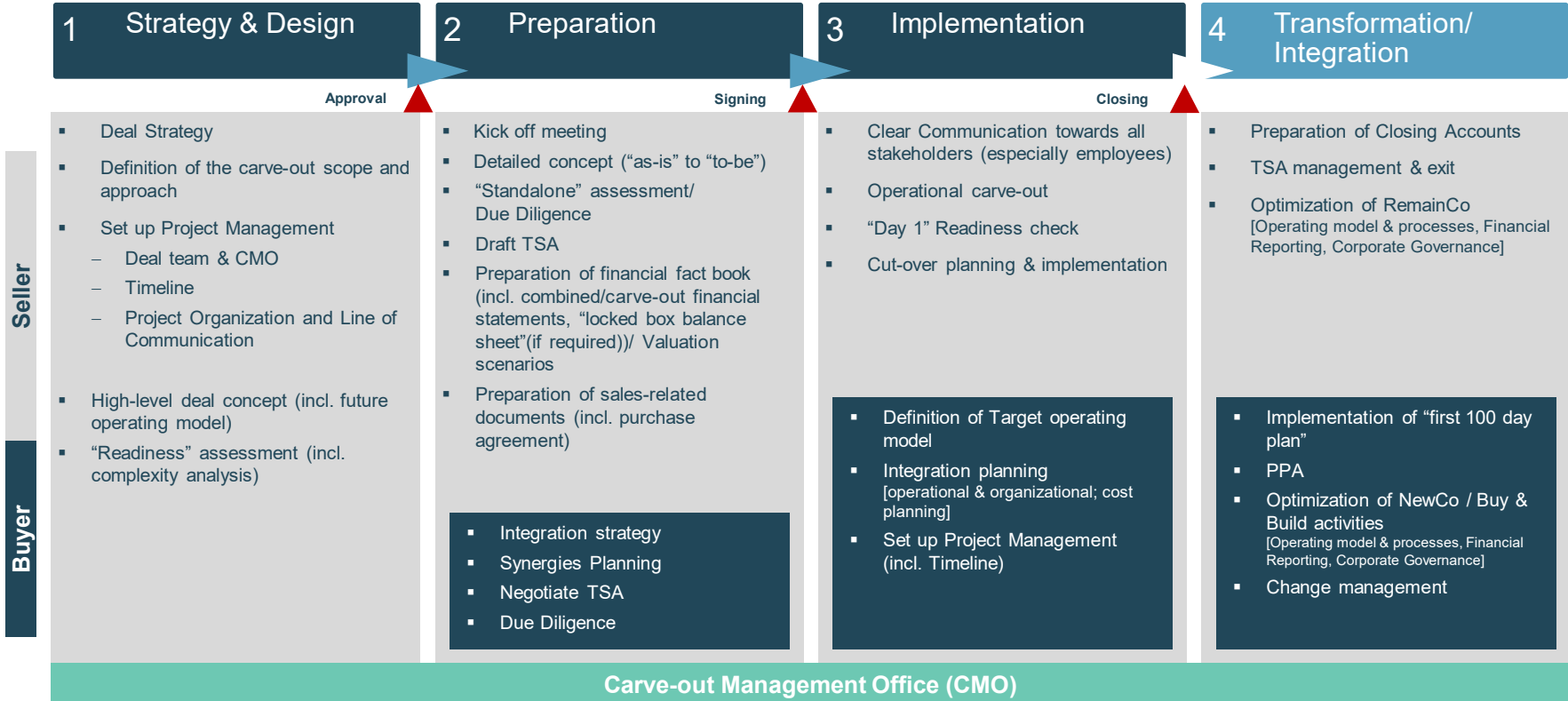
### Key success factors

- Efficient design, planning and implementation of carve-outs
- Deal Preparation  
→ Definition of the carve-out scope and deal process
- Transparent communication between involved parties

### Common Pitfalls

- Underestimating the operational complexity
- Lack of experience of the deal & management team
- Lack of preparation
- Miscalculating timelines

# Carve-out Process and Approach



## Carve-out

# Approach – Level of standalone ability

Parameter	Level of standalone ability		
	Full	Partial	Minimal
Timing – reaching full standalone ability	@Signing/ partially @Closing	@Closing/ partially during TSA phase	@End of TSA phase
Timing – start of operational carve-out	As early as possible	After Signing	After Closing
Corporate/ Legal structure	Share deals		Asset deals
Assets	100% definable and assigned to carve-out object	Transfer to Closing	Shared assets/ plants/ offices/ licenses until the end of TSA phase
Contracts	Earliest possible migration of customers/ suppliers/ service providers		Migration/ new contracting to Closing
Employees	100% dedicated or build-up to Signing/Closing	Transfer to Closing	Takeover or build-up until the end of TSA phase
IT/ Systems	Own infrastructure and applications	Partial physical otherwise logical separation	Migration/ construction up until the end of TSA phase
Processes	No or minimal dependencies up until Closing; own Company Codes	Own Company Codes from Closing	Strong dependencies up until the end of TSA phase
TSA	None		Extensive

\*Source: M&A Review, Nb. 31 1-2/2020 (Thomas Menzler/ Marc Niemeyer (Deloitte), Franz Woelfler/ Geraldine Haase (Aurelius))

**It is time to reassess  
carve-outs' value creation potential**



# Here to help

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**Michael Schlecht**

Wirtschaftsprüfer  
Steuerberater

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T: +49 (0) 89 24 29 16 30  
F: +49 (0) 89 24 29 16 99

E: [m.schlecht@schlecht-partner.de](mailto:m.schlecht@schlecht-partner.de)

[www.schlecht-partner.de](http://www.schlecht-partner.de)



[www.linkedin.com/in/michael-schlecht-9a76322b](https://www.linkedin.com/in/michael-schlecht-9a76322b)



**Sarah Kasper**

Wirtschaftsprüferin  
Steuerberaterin

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T: +49 (0) 89 24 29 16 28  
F: +49 (0) 89 24 29 16 99

E: [s.kasper@schlecht-partner.de](mailto:s.kasper@schlecht-partner.de)

[www.schlecht-partner.de](http://www.schlecht-partner.de)



[www.linkedin.com/in/sarah-kasper](https://www.linkedin.com/in/sarah-kasper)