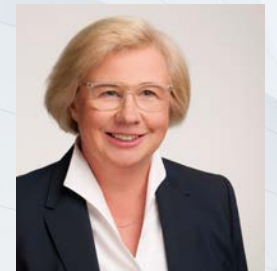


**CROSS-BORDER CARVE-OUTS: WHY ONE THIRD FAIL AND HOW TO GET THEM RIGHT**

Ben Fielding, Market Head of Business Development for UK and Ireland,  
Vjollca Berisha, Commercial Director,  
TMF Group

25.06.2020

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**Geschäftsführerin/  
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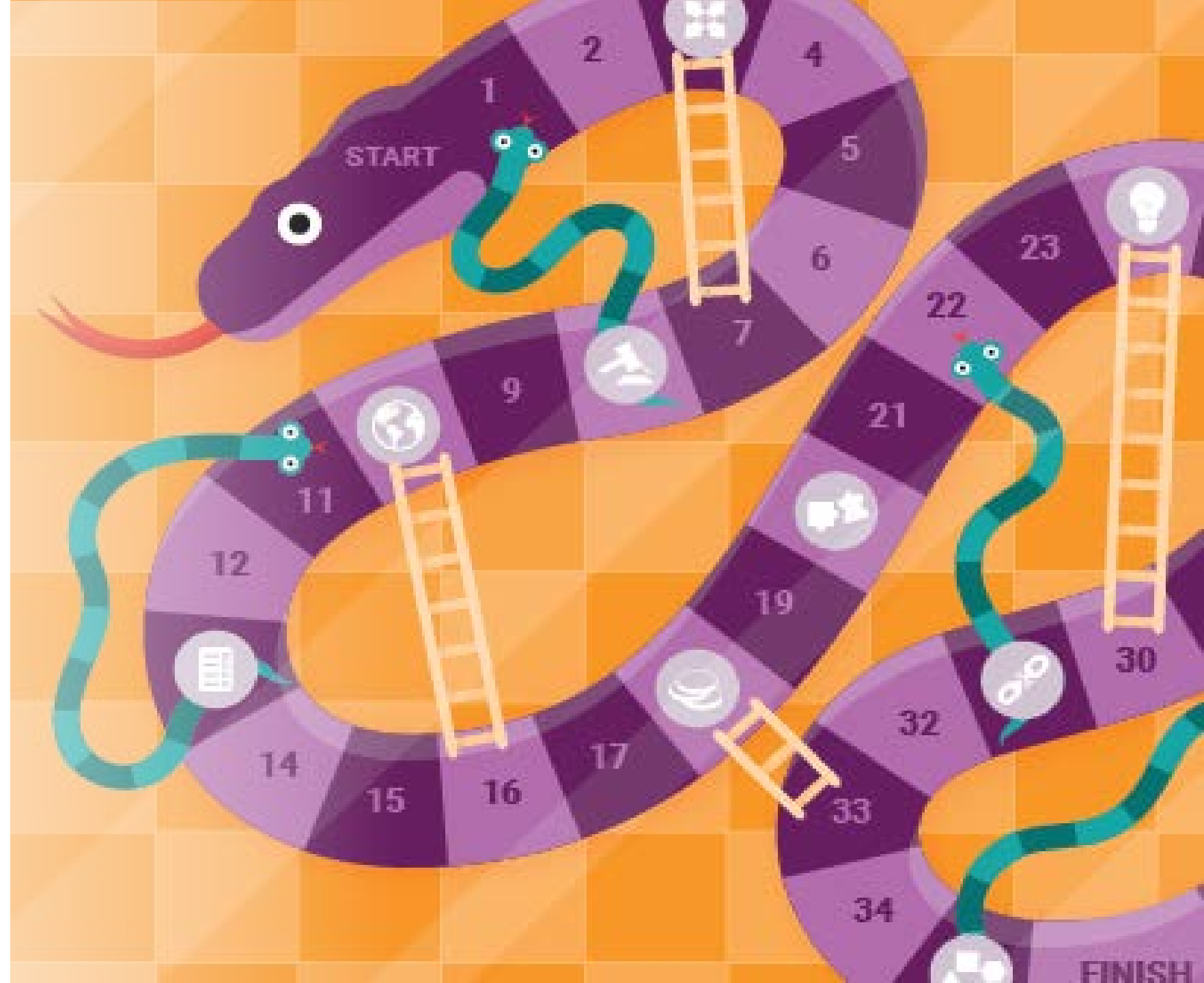
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# CROSS-BORDER CARVE-OUTS

Why one third fail  
and how to get them right.

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JUNE 25, 2020



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Vjollca Berisha is a commercial director at TMF Group. Vjollca brings more than 15 years of experience in the fund industry. Prior to her current role, Vjollca was a business development manager at BNP Paribas and served institutional clients and asset managers investing in German and Luxembourg vehicles. Before that she worked for Universal Investment with a focus on white label funds. Vjollca began her career in asset management at UBS.

She studied economics at the University of Siegen, as well as at the Georgian Court University in Lakewood.

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Ben Fielding joined TMF Group in February 2020 as Market Head of Business Development for UK and Ireland and leads our UK M&A Services practice. He has 20 years' experience leading global governance, expansion and transaction work, with a focus on corporate, venture capital and private equity clients. Ben was previously Deputy Managing Director in the UK for International Expansion with Vistra and worked for Deloitte in Canada, the Cayman Islands and the UK.

Ben is a Chartered Accountant, having qualified in Canada, and hold a Bachelors of Commerce from the University of Manitoba.

# WELCOME TO THE BAI WEBINAR

## Agenda

- ① About TMF Group
- ① Carve-Out in theory
- ① TMF Group *Cross-Border Carve-Out Report*
- ① Case Studies

## Speakers

- ① **Vjollca Berisha**, Commercial Director
- ① **Ben Fielding**, Market Head of Business Development – UKI
- ① **Vjollca Berisha**, Commercial Director
- ① **Ben Fielding**, Market Head of Business Development – UKI

# ABOUT TMF GROUP



WE MAKE A COMPLEX WORLD SIMPLE

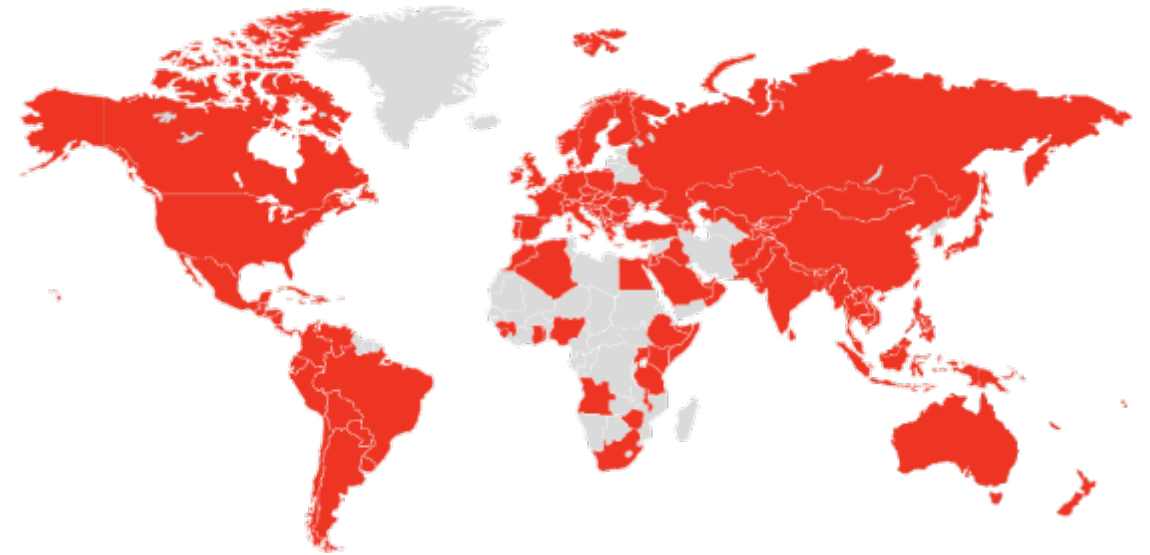
## ABOUT TMF GROUP

TMF Group is the leading provider of **administrative support services** for international business expansion – **organically or through M&A** – and investment funds.

With close-knit teams of **some 7,800 in-house experts** – on the **ground in over 80 locations** – we are the only company worldwide to provide the combination of fiduciary, company secretarial, accounting and tax and HR and payroll services essential to the success of businesses investing, operating and expanding across multiple jurisdictions.

We know how to unlock access to some of the world's most attractive markets – no matter how complex – swiftly, safely and efficiently.

That's why **over 60% of the Fortune Global 500** and **FTSE 100** and **almost half of the top 300 private equity firms** use us.



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# CARVE-OUT IN THEORY





CARVE OUT AND THE ROLES WE CAN ALL PLAY

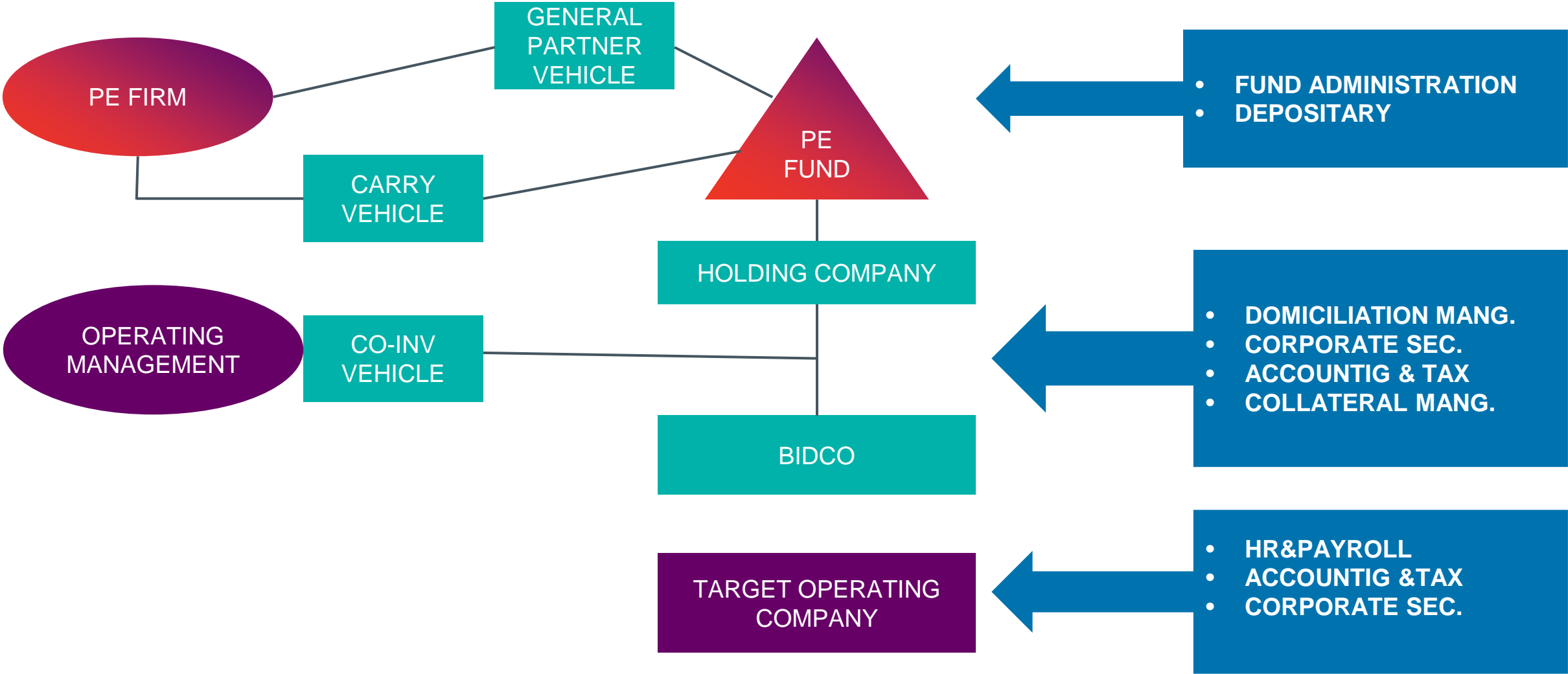
## DEFINING CARVE-OUT

*“A carve-out refers to a business unit or units that are spun off, or “carved out,” out of a larger company or companies. Usually these business units have existing management and customers in place, but there is a catalyst that encourages the larger company to divest. This catalyst may be that the business unit provides a service or product that is not core to the overall strategy, the overall company may have too much debt and is looking to monetize a valuable piece of the business for debt reduction, or simply the unit has considerable value that is not being reflected in the overall valuation of the company”.*



M&A TRANSACTION: YOUR STRATEGY & HOW WE CAN SUPPORT YOU

# A TYPICAL PRIVATE EQUITY M&A TRANSACTION



*TMF GROUP CROSS-BORDER  
CARVE-OUT REPORT*

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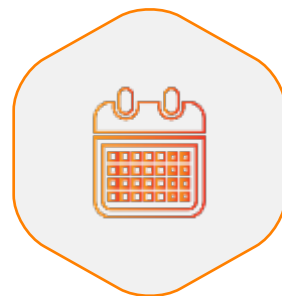


# M & A REPORT

## At a glance



- **27%** of corporates say their most recent deal was mostly unsuccessful.
- **34%** of PE firms say the same.



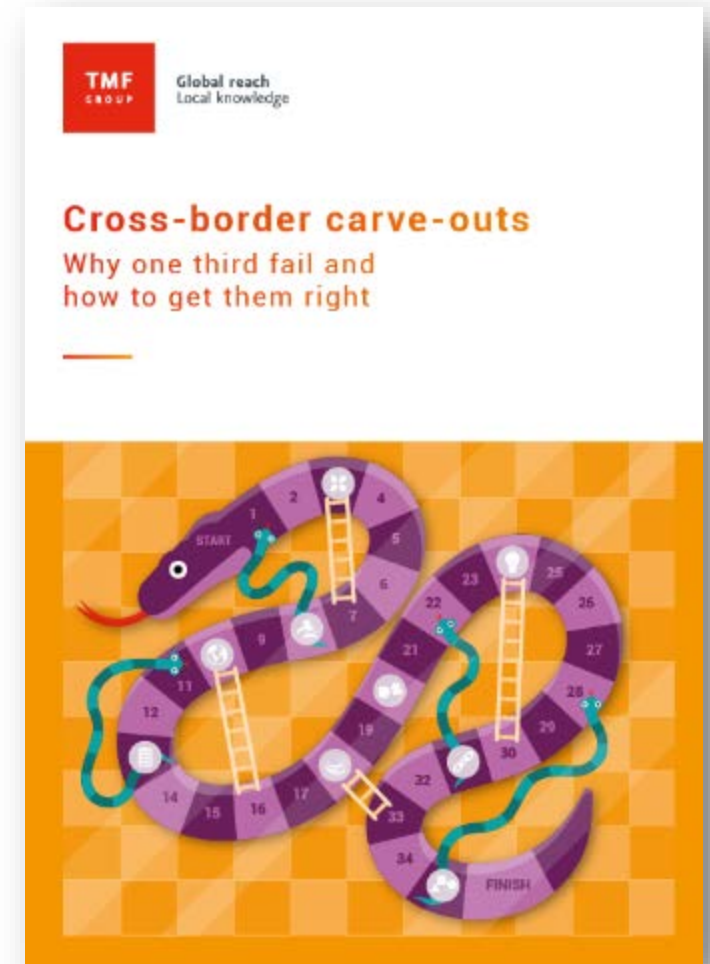
- **19%** of corporates say their most recent deal took longer than expected
- **24%** of private equity (PE) firms say the same.



- **59%** of corporate acquisitions operated in four or more countries (10% of those involved ten to 19).
- **42%** of PE carve-outs operated across four or more countries.



Download from the BAI website



## M &amp; A REPORT

Time really is money



Cross-border carve-out delays of more than **four months** can **push up costs** by an average **16%**

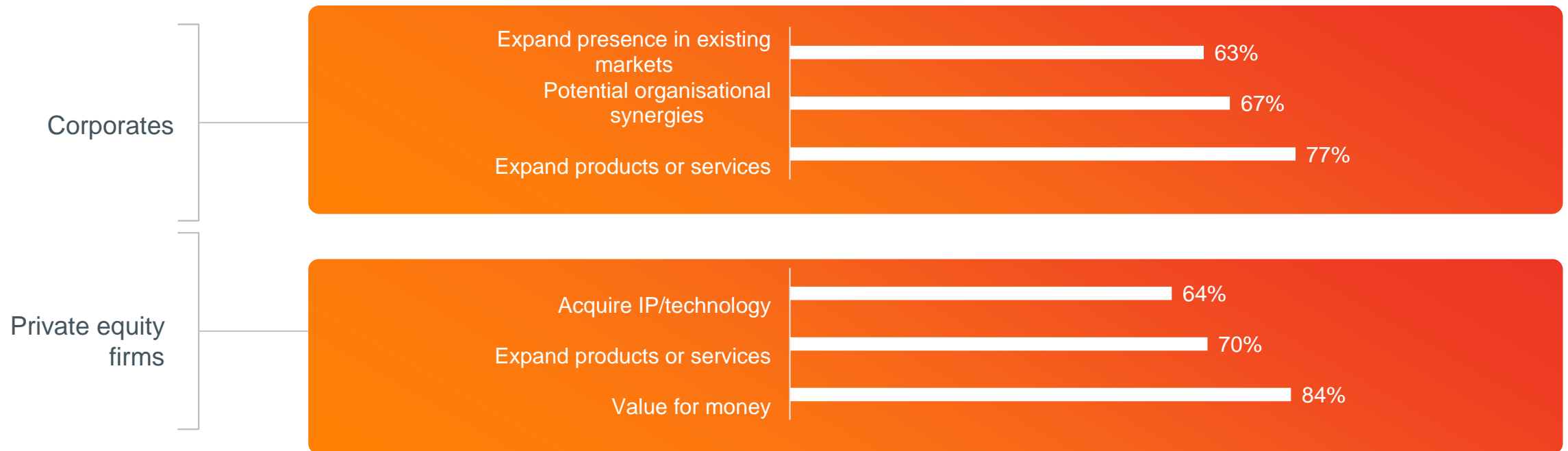
“There was an increase in the cost, and we were not prepared. The delays in establishing the cause of the problems and deriving solutions was difficult. Local expertise was used in many areas, and they were instrumental in addressing problems and offering useful solutions.”

Director of M&A, Japan

# M & A REPORT

## Drivers and challenges

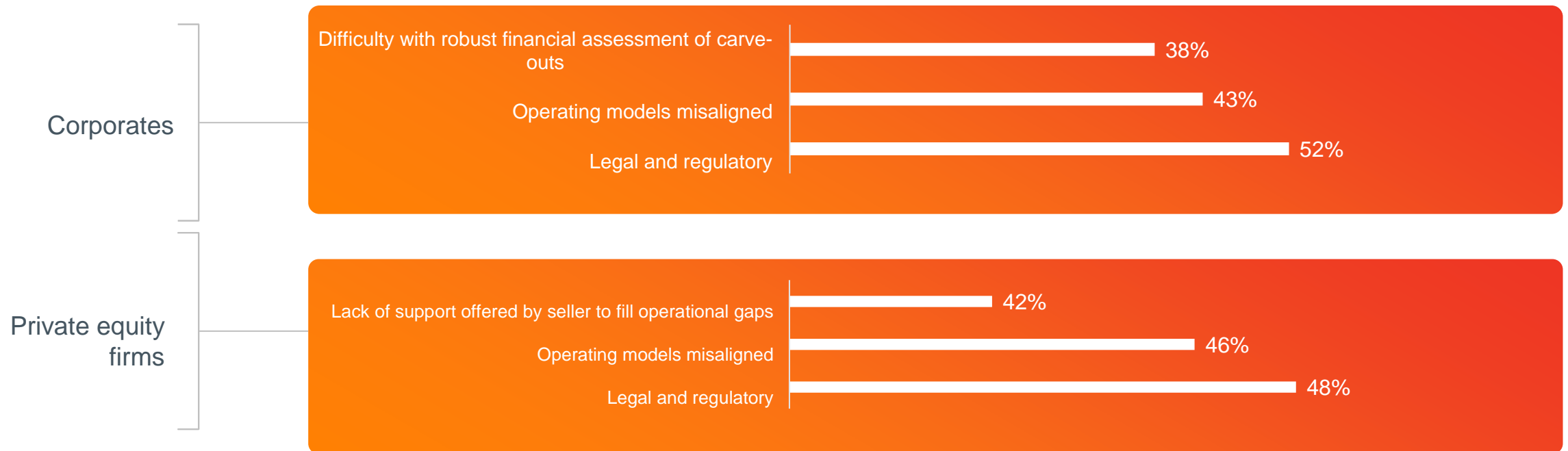
### TOP THREE DRIVERS



# M & A REPORT

## Drivers and challenges

### TOP THREE CHALLENGES



# M & A REPORT

## The keys to success

### A LOCAL PRESENCE

- **38%** of dealmakers with no/low presence in the target country say their most recent deal was mostly unsuccessful.
- **38%** of dealmakers with no/low presence in the target country say their most recent deal took longer than expected.
- **76%** with a moderate/well-established presence have mostly successful outcomes.

### PREPARATION

- **78%** of corporates and **64%** of PE believe delays in completion could have been avoided with more preparation.
- **48%** of respondents' most recent successful cross-border carve-out involved a thoroughly prepared plan for value creation.
- **67%** say that for their most recent unsuccessful cross-border carve-out, they were neither prepared nor equipped to meet the tax and accounting regulatory requirements.



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# CASE STUDIES



## CASE STUDY

## A CARVE-OUT WITH NO SAFETY NET

- Industrials giant sells global service division to new, private owners
- Just seven months to turn the carve-out into a going concern
- Strict timetable – do the deal or the seller walks
- No Transition Services Agreement
- Lean client team: CFO, HR Director and consultant PM

## CASE STUDY: A CARVE-OUT WITH NO SAFETY NET

# THE DEVIL IS IN EVERY DETAIL

### 1. Company registrations & registered address

An extensive new network of entity registrations in 40 jurisdictions had focused on incorporation but now needed country-by-country fine tuning

### 2. Tax and regulatory registrations

There's much more to local operational readiness than a simple company registration but this had been overlooked or misunderstood.

### 3. Accounting structures

The client wanted to save time and money by using 'a standard general ledger', but there's no such thing.

### 4. Enterprise systems

A 'do-it-all' ERP couldn't really 'do-it-everywhere' without our help.

### 5. Employee transfer

In certain jurisdictions the promises made to employees were legally incompatible with the transfer mechanism demanded by the seller.

## CONCLUSION

- Continuity of products (or services), workforce, markets, customers, and so on, can create **a misleading sense of business as usual** for a carve-out transaction team,
- **What surprises carve-out clients time and again is that they can't simply copy** what the seller has been doing in each country and leave it there.
- That's why **international carve-outs have become a minefield** for integration PMOs, PE investors and global transaction advisors

- **Every new company**, especially one carved out of its old parental life-support systems, **needs systems, structures and processes that mirror the specificities of its own business and its own global footprint.**
- TMF Group specialises in bespoke solutions to operational and process readiness so that **TSA's are not exceeded and deals close on time.**
- Working at the granular level, we make sense of the complexity bureaucracy of multi-jurisdictional entity activation and regulatory compliance.

Our goal is cost-effective, **drama-free transitions to international operating models** that are **fit for purpose in every market.**

# CONCLUSION

## Six points on the road to carve-out success



**Do your homework**

A deep understanding of local legislation is crucial in a cross-border carve-out’s success, as is an appreciation of local culture.



**Local advisors are imperative**

Seek out specialist help to manage specific steps that are required to get the business running.



**Take local timelines into account**

Some delays are out of a buyer’s hands, but there is much that acquirers can do to ensure plans take account of local timelines.



**Keep it simple**

Buyers should also consider simplifying operations to make them more appropriate for what is likely to be a smaller business, despite retaining an international footprint.



**Preparation is key**

Rigorous analysis ahead of the deal should help identify potential issues that need to be managed and fed into a detailed project plan based on realistic timeframes.



**Keep your eyes on the prize**

When the going gets tough and deal fatigue sets in – that’s when a leader must be ready to remind the integration team about the value proposition and what all the hard yards are for.

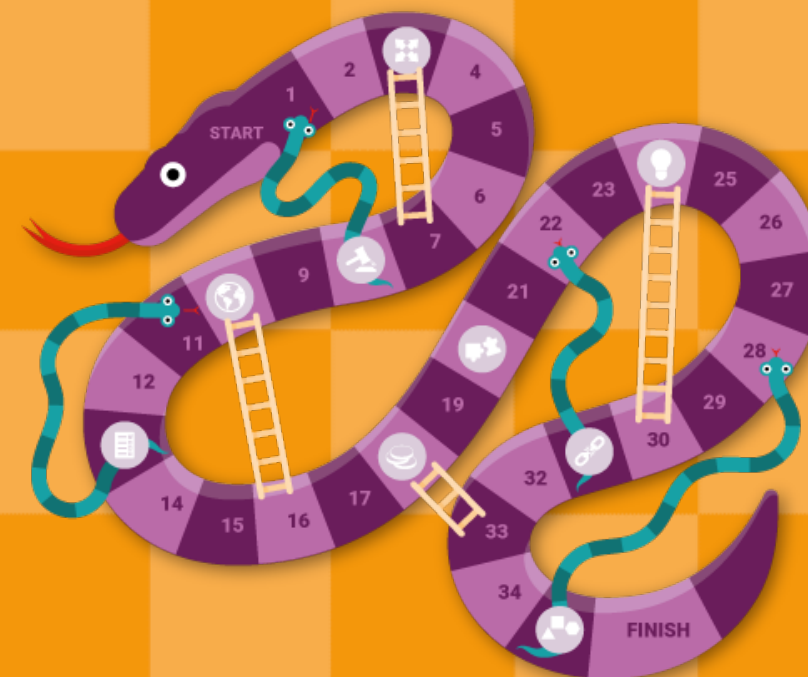
## CROSS-BORDER CARVE-OUTS 2020

## SNAKES AND LADDERS

## One step forward, ten steps back

**Such is life for the integration PMO, wrestling with a complex, international acquisition. You must part company with your parent fast. At the same time, you need to stand up a new global infrastructure that delivers HR and payroll, accounting and tax and legal foundations on the ground, anywhere you want to trade.**

- TMF Group has been setting up companies overseas for over 30 years.
- As cross-border expansion experts, we're bringing those hard-won skills and expertise to bear in complex international transactions, which our business model is perfectly designed to service.
- We're neither a partnership nor an affiliation of independent providers.
- All our experts – some 7,800 of them – are retained, operating from some 120 wholly-owned offices, covering the 80 or so jurisdictions producing 95% of global GDP.
- And we all specialise in just one thing: getting deals over the line, on time, in dozens of countries – set up right from the start, no costly remedial action needed.
- As the transaction progresses to completion, working with our friends – your global transaction advisors – we set management teams free to do the thing they do best – grow businesses.
- That's because we have been able to do the thing we do best: expedite global carve-outs by standing up companies on time, fully compliant with local laws and regulations and ready to trade – virtually anywhere in the world.



## Q & A



# THANK YOU

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