PROBLEM STATEMENT:

Establish a stand-alone entity for a business being carved-out from the corporate structure of a top 50 ASX listed company.

Client profile

Purchasing company:

- Private Equity Firm
- Completed 300+ Acquisitions
- US based, Global Transactions
- $450+ Million Deal

Acquired company:

- Advertising Industry
- $600M+ Revenue
- 1,500+ Employees

Key Team Roles

- Transition Lead
- Project Team
- Finance Analysts
- Corporate
- External Advisors

Business Impact

- Carve-out was delivered early and under budget
- Stand-alone IT systems transferred directly to the cloud - 1 step approach, reducing the need for databases
- New contracts negotiated with no impact on underlying cost base
- License arrangements renegotiated with service providers to reduce the exposure of audit
- Set-up of new entities to minimise the tax obligation
- Reduced property and facility costs by $10M p.a. as a result of reduced accommodation footprint and sublease arrangements

Our client purchased an advertising business for $450+M that was entrenched in the corporate structure of an ASX listed company. The following deliverables needed to achieved to carve-out the business and set it up as a stand-alone entity: Prepare Transitional Services Agreements (TSA) before Day1 to govern the transition period; develop a completely (100%) separate IT infrastructure; contract separation; stand-up of stand-alone functions including procurement, tax, corporate affair and human resources; new contracts for employees, new entities to be set-up with effective tax structures and consolidation of office space for give back in 4 month period.

Approach:

- A project team was established to manage the carve-out and as per the TSA agreement, it was critical that the program plan was delivered (budgets and milestones) to have the company completely separated by 18 months post Day1. Aggressive financial targets and timelines were required to deliver the outcome.
- It was fundamental to the success of the transition that the internal project team would meet for weekly stand-ups to discuss progress and any roadblocks that needed to be addressed and resolved. Regular meetings with the other party were also essential to communicate the status of the transition and understanding any issues from their side.
- External parties needed to be engaged to assist where scope was aligned to their expertise to accelerate the separation and reduce risk and cost.
- Frequent assessments of financial and contractual risk we critical to ensure they could actively be managed.

Solution:

- Achieved Day1 readiness with all the key areas in place
- New operating model developed including recruitment of new capability for the stand-alone entity
- Carve-out achieved 6 months early and $5M (14%) under budget due to well managed program
- Material commercial contract separated with immaterial impact on underlying cost base of business
- IT separation was a lift and shift to the cloud as a one-step approach, reducing the rebuild and development costs for the new infrastructure and database costs

CARVE-OUT COMPLETED	CARVE-OUT COMPLETED	PROPERTY & FACILITY SAVINGS
6 months	**$5 million**	**$10 million**
EARLIER THAN EXPECTED	UNDER BUDGET (14%)	PER ANNUM