

# Linklaters



Delivering a  
successful carve-out

## The key to success

### The role of lawyers in a successful carve-out

As strategics and financial sponsors look to unlock more value in M&A or strategies shift in the current economic climate, complex carve-out transactions have become significantly more prevalent.

Our experience in designing, executing and guiding clients through carve-out transactions is second to none. This expertise spans multiple sectors and covers both buy-side and sell-side transactions.

Having Linklaters on your side for a carve-out transaction significantly reduces the risks associated with the transaction and also creates efficiencies, thereby saving time and money.



Linklaters advised on 3 of the 4 largest European carve-outs in 2019 (including the 2 largest)

**Refinitiv/Thomson Reuters**





# The key to success

## The role of lawyers in a successful carve-out

When considering a carve-out transaction, there are a number of issues your lawyers need to be on top of. We have provided an overview of these issues below and would be delighted to discuss them with you in more detail.

### Understanding the strategic rationale for the carve-out

The reason for the transaction and your strategic objective will have an enormous impact on structure, process and timetable.



Understanding what the seller is trying to achieve is vital and flows through all of the issues set out below.

### Managing stakeholders

There are many stakeholders that need to be managed as part of large multinational carve-out transactions, including the board, investors, regulators, employees and trade unions, tax authorities, customers, suppliers, lenders, landlords and JV partners. The partners and their advisers will need to be on top of a communication strategy that ensures these stakeholders do not challenge or delay the process. Any formal third-party consents must be identified early.



### Designing the optimal structure

The structure of the carve-out in each jurisdiction will have an enormous impact on value, especially from a tax perspective and on deal timetable where antitrust or foreign investment approvals are required. Your tax and legal advisers will need to be on top of this.



### Identifying the perimeter

Scoping exactly what assets and historic and current liabilities will be carved-out, is crucial. Standalone accounts for the carve-out business' will need to be drawn up for valuation, diligence and financing the acquisition (and also for any prospectus for a demerger or IPO). The financial advisers and lawyers must work closely together to ensure that the legal definition of what is transferring matches the financial information.



### Understanding dependencies between the retained business and carved-out business

As operations have become more centralised and supply chains more complicated, it has become more difficult to carve-out businesses and separate these supply chains. Mapping the systems and supply chains in a business, and understanding what the carve-out business will need/want going forward, is the key to a successful transaction. How these ongoing services are then documented under transitional and long-term arrangements will have a significant impact on value. For some businesses, ongoing access to/ownership of IP and data will be a key part of these ongoing relationships. Any ongoing relationship between the business needs to be designed to minimise antitrust risk.



### Board and management team

The composition of the board and management team for the separated business and their incentivisation (during the transaction for retention and after completion) is important to ensure the success of the transaction. The advisory team need to advise in line with the latest market practice.



### Working as one team

Carve-out transactions can be complicated and, as a result, use up significant management time. Having advisers who can plan out the process from start to finish, identify the key issues and workstreams with long lead times and take the complexity out of the process, will free up this management time. It is important for partners to have resources dedicated to the separation.



### Dual track

Running an M&A process at the same time as an IPO/ demerger can add significant value. Your advisory team must have excellent M&A and equities experience and have the strength and depth of team to run both tracks at the same time.



# Why Linklaters?

An experienced team, ready to help

## A commercial and pragmatic team

In 2019 Linklaters advised on 3 of the top 4 carve-out transactions (by value). We have unrivalled experience in delivering successful carve-out transactions on both the sell side and the buy side and as a result, we are at the forefront of the latest market practice.

Our market-leading specialist teams provide advice across all areas of the transaction, including supply chain, IP, pensions, antitrust, HR and tax elements.

We are also one of a handful of firms to offer a dedicated sectors capability across all practice areas. This gives our lawyers an intimate understanding of the market dynamics within a sector and enables us to quickly find pragmatic solutions to challenges as they arise.

In addition to deep market expertise, the team also offers a healthy dose of pragmatism. Our advice is focussed, relevant and commercial and our fees are competitive, with a keen focus on tight cost management and the use of technological innovations to maximise efficiencies.

## Helping you to get started

If you are considering a carve-out transaction, Linklaters would be delighted to help with your early analysis on a 'no charge' basis. You will benefit from the team's vast experience as they help you to identify the key issues/red flags and frame your analysis.

We can also offer you a range of resources to help your team get up-to-speed. These include:

**Webinars**, including a recent prerecorded session with partners across a number of our corporate groups to discuss the key steps to achieving a successful carve-out.

**Roundtables and seminars** (virtual during Covid restrictions) on deep dive topics, such as:

- > How carve-out auctions are run
- > The separation of supply chains
- > Negotiating TSA and service arrangements
- > Managing antitrust and foreign investment approvals
- > Running a successful dual track process



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Advised on the only UK  
main market IPO over £1bn  
2020 YTD



Advised on 3 of the top 5  
global M&A deals  
2020 YTD



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## An experienced team, ready to help

We have a significant experience across a broad range of sectors and have outlined a small selection of this experience below:

### Consumer

- ✓ **Nestlé:** advising on its sale of Nestlé Skin Health, a leading global provider of skin health products, for an enterprise value of CHF10.2bn.
- ✓ **Montagu Private Equity:** advising on their US\$340m carve-out acquisition of the flexographic printing division of Kodak.
- ✓ **Unilever:** advising on the US\$7bn carve-out sale of its global spreads business to KKR.
- ✓ **Public Investment Fund (on behalf of the Kingdom of Saudi Arabia):** advising on an acquisition of a 50% stake in Americana.
- ✓ **PAI Partners:** advising on the acquisition of Areas, a global leader in the travel and catering market, from Elinor Group for €1.54bn. *Biggest primary LBO, in the form of a carve-out, announced on the French market so far this year.*

### Energy

- ✓ **BP:** advising on the US\$5bn sale of their petrochemicals business to Ineos in a move designed to help it become a lower carbon firm.
- ✓ **National Grid/Cadent:** advising on the sale of a 61% equity interest in its UK gas distribution business (Cadent). The enterprise value for Cadent was approximately £13.8bn. *The biggest ever energy infrastructure deal in the UK.*
- ✓ **Arqiva:** advising on the £2bn sale of their telecoms division (towers business) to Cellnex, covering 7,400 of Arqiva's cellular sites.
- ✓ **Vodafone:** advising on the sale of its Scandinavian towers business to Telenor for US\$1.2bn.
- ✓ **Macquarie, Wren House:** advising on the divestment of part of Viesgo's portfolio to Repsol for €750m.

### Financial institutions

- ✓ **Royal Bank of Scotland:** advising on the \$3bn sale of a majority stake in its WorldPay arm to Advent and Bain Capital.
- ✓ **Julius Baer:** advising on the US\$840m acquisition of the non-US Global Wealth and Investment Management business of Bank of America Merrill Lynch.
- ✓ **Unicredit:** advising on its proposed merger of Pioneer with Santander Asset Management and later sale to Amundi.
- ✓ **CDPQ:** advising on the acquisition of a significant minority stake of approximately 25% in Hyperion Insurance Group.
- ✓ **Axa:** advising on the sale of AXA Life Europe's offshore bonds business to Harcourt Life International by way of a business sale agreement and a court sanctioned Irish transfer scheme.
- ✓ **Cerberus:** advising on the US\$5bn carve out acquisition of My Money Bank from GE.



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## Healthcare

- ✓ **Novartis:** advising on its transformational restructuring involving three strategic deals with GlaxoSmithKline (GSK). The carveout relevant deals include:
  - > the US\$7.1bn sale of Novartis' vaccines business; and the creation of a joint venture involving the contribution of Novartis' OTC business with GSK's consumer healthcare business; and
  - > on the carve-out for anti-trust reasons of its influenza vaccines business from its vaccines business being sold to GSK and sale to CSL Limited, closing at the same time as the GSK deal.
- ✓ **Qiagen:** advising on the acquisition of GE Healthcare's forensic technology business.
- ✓ **Arqiva:** advising on the £2bn sale of their telecoms division (towers business) to Cellnex, covering 7,400 of Arqiva's cellular sites.
- ✓ **Takeda:** advising on its disposal of its haemostasis product TachoSil to GTCR
- ✓ **Bayer:** advising on the carve-out of its Material Science business and on the IPO of the new entity Covestro.

## Industrials

- ✓ **ThyssenKrupp:** advising on the €17bn sale of its elevator business to a consortium of bidders led by Advent, Cinven and RAG Foundation.
- ✓ **Brambles Industries:** advising on the carve-out and sale of its IFCO business to Triton and a middle eastern sovereign wealth fund.
- ✓ **Whirlpool Corporation:** advising on the US\$1.08bn sale of its Embraco compressor business to Nidec Corporation.
- ✓ **Balfour Beatty:** advising on the US\$1.3bn sale of Parsons Brinckerhoff to WSP Global Inc.

## Mining

- ✓ **Rio Tinto:** advising on the sale of its Alcan Engineered Products business to Apollo and FSI, with Rio Tinto maintaining a sizeable minority stake.
- ✓ **Anglo American:** advising on the carve-out of certain nonoperational properties from Lafarge Tarmac Holdings Limited.
- ✓ **KAZ Minerals:** advising on the US\$240m transfer of certain mature assets in the Central Regions of Kazakhstan to Cuprum Holding.

## Tech

- ✓ **Montagu Private Equity:** advising on the US\$470m acquisition of Jane's from IHS Markit.
- ✓ **Schneider Electric:** advising on its £3bn reverse takeover of AVEVA Group, which involved Schneider Electric carving out and contributing its global software business together with £550m to take a 60% stake in the enlarged premium listed AVEVA Group.

## IPO carve-outs

- ✓ **Carve-out IPOs:** advising seller and spinco on many carveout IPOs including of Quilter from Old Mutual, Ninety-One from Investec, TSB from Lloyds, and Williams and Glyn from RBS (proposed).



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