

# PricewaterhouseCoopers' Transaction Services

## Divestitures

### Preparing for successful divestitures in today's market

The world financial crisis and slowing world economy have left many companies financially stressed, with declines in credit ratings and market value. Liquidity issues and stakeholder pressures for improved performance will lead to an increased focus on divestiture activities in the short term. In this much tougher deal market, a smaller pool of likely buyers and greater demands from banks has led to an increased level of buyer due diligence, generally lengthening the sales process and eroding sale prices. While market dynamics today generally don't favor sellers, for companies who are cash strapped, debt burdened, or have units that are troubled, the need to divest may be an inevitable reality even in the current environment.

Preparing for the more rigorous buyer due diligence will be critical to preserving the value of a divestiture for the seller. Also, preparing to mitigate other key areas of common value loss will be important, including ineffective terms and pricing of transition service agreements and insufficient infrastructure planning for stranded costs.



#### How we help

The divestiture specialists at PwC are able to address deal financial information, carve-out issues, standalone audit requirements, operational separation issues, transition service agreements, structural alternatives, and buyer diligence requirements. PwC can deploy a tailored team to advise clients from the beginning to the end of the divestiture process. Our divestiture team can also deliver overall program support for the divestiture process, including methodology, tools and templates.

#### Benefit to you

Rigorous divestiture management and due diligence helps enable clients to prepare for the sale of their business to obtain the full value of the business in the offering price. By using an experienced advisor, clients can:

- Improve speed to market/close
- Execute a smooth transaction process, close, and post-close transition
- Minimize risks, avoid surprises, and enhance overall control over the process
- Address operational separation issues up front, including transition service agreements and potential stranded costs
- Avoid value deterioration throughout the process and post close
- Minimize disruptions to both the target and remaining businesses
- Reduce regulatory, financial reporting, and operational risks
- Optimize transaction value for the seller

### How PwC helped one company successfully divest several non-core operations to meet cash demands

A global leader in the electronic manufacturing and services industry was looking to divest several of its non-core business operations. The company was in urgent need of cash to service a fast approaching debt call by its primary lender, and therefore had to execute a series of rapid and smooth divestiture transactions.

#### Our Approach

PwC performed sell-side due diligence on the divested entities, investigating earnings trends, working capital issues, and potential separation matters. We assisted management in gaining an accurate view of normalized earnings and working capital, and helped prepare the company for buyer diligence by identifying areas of value leakage. PwC also helped the company establish its overall Divestiture Management Office and achieve its operational separation goals, including transition service agreements and tactical IT and people separation.

#### The Outcome

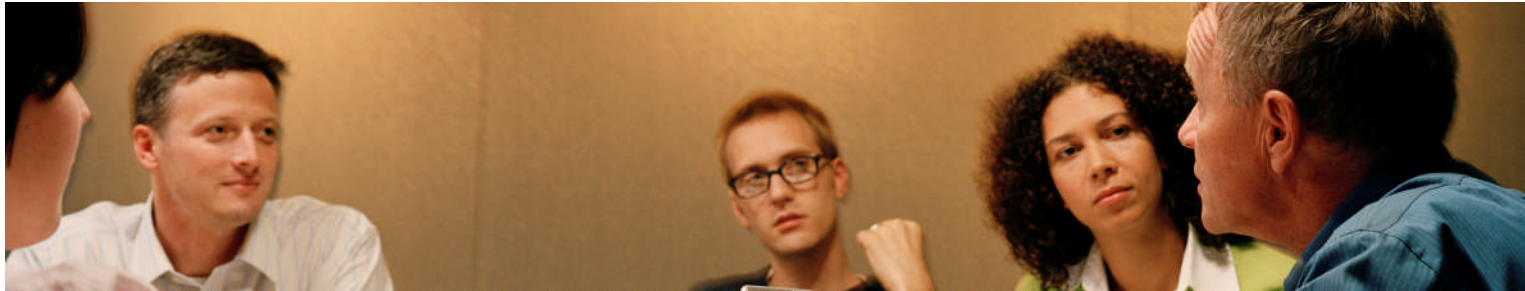
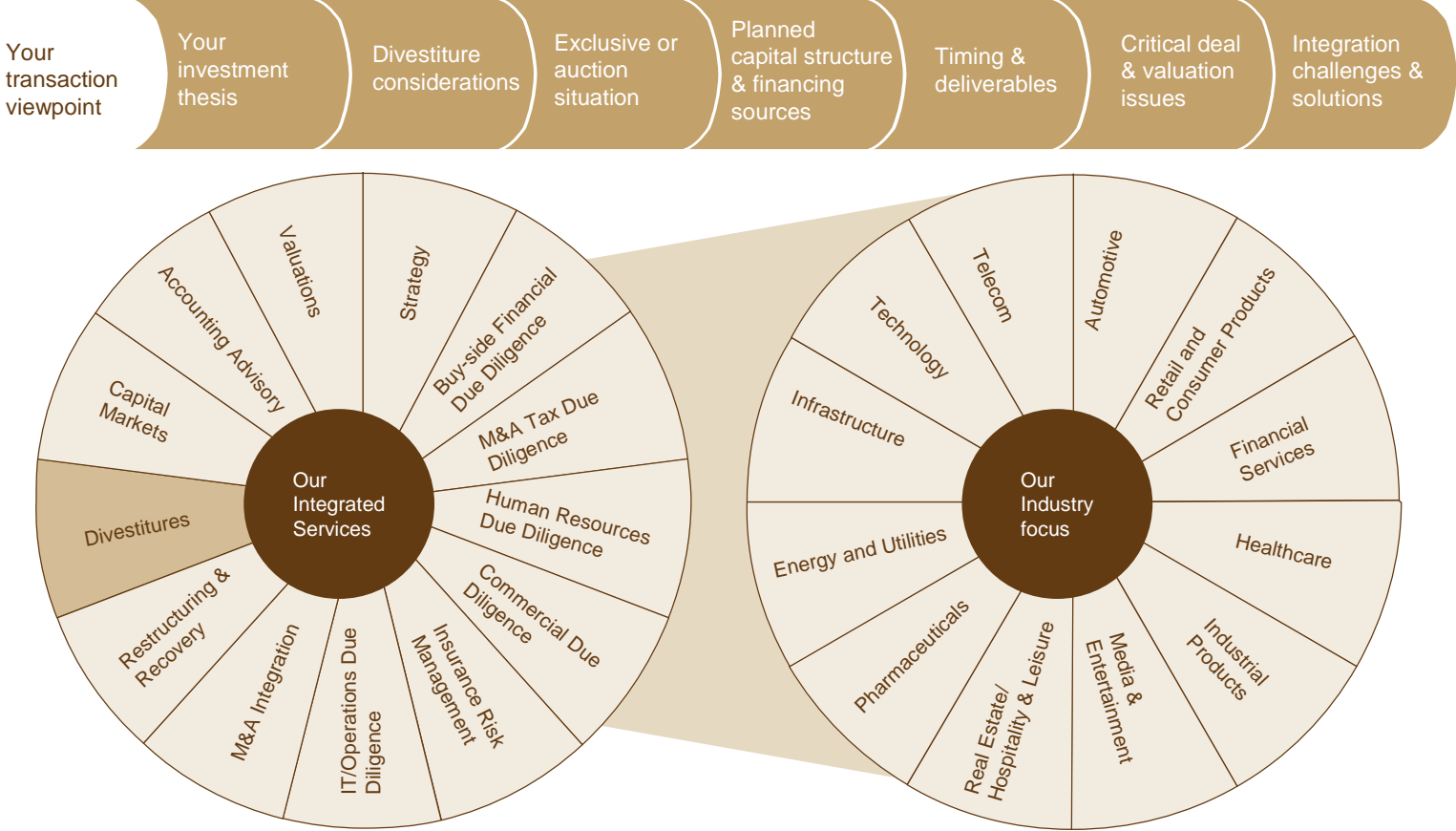
Both management and their bankers were well prepared for the upcoming deal negotiations. Within the first few weeks of PwC field deployment, the company's Divestiture Management Office was established, operational and functional Day One separation plans were developed, and transition teams were launched to execute separation activities. The company successfully closed the transactions by the debt call date, raising enough cash to successfully restructure its debt.

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# PricewaterhouseCoopers' Transaction Services

A tailored approach that provides clients with the right balance of transaction, functional, and industry expertise across the value chain



## About Transaction Services

The PricewaterhouseCoopers Transaction Services practice provides due diligence for M&A transactions, along with advice on M&A strategy and integration, divestitures and separation, valuations, accounting, financial reporting, and capital raising. With approximately 1,000 deal professionals in 16 cities in the U.S., experienced teams are deployed with deep industry and local market knowledge, and technical experience tailored to each client's situation. The Transaction Services team can be involved from strategy to integration and employ an integrated business approach to uncover the realities of a deal. The field-proven, globally consistent, controlled deal process helps clients minimize their risks, progress with the right deals, and capture value both at the deal table and after the deal closes.

For more information, visit [www.pwc.com/ustransactionservices](http://www.pwc.com/ustransactionservices)