



PRESS RELEASE

W&P Entrepreneur Panel: Strategies against Carve-Out Pneumonia

[Munich, 17 October 2012] Carve-out projects are in high demand. One current example is BASF. Steps are currently being taken to carve out the Styrofoam business activities in South America. As the current study "Ausgestaltung von Carve-Out Prozessen" (design of carve-out processes) of Munich corporate consultant Dr. Wieselhuber & Partner (W&P) shows, BASF is not alone with this strategy.

From May to September 2012, 76 companies, 40 percent of which are listed in the DAX-30, participate in the quantity and quality survey. They came to a unique result. More than two thirds of the companies registered an increasing number of carve-outs, indicating different reasons. The outstanding entrepreneurial motivation for carve-outs, however, is a focus of the companies on their core competences (63 percent). An interesting fact is that a lack of profitability is the reason for a carve-out in only one third of the respondents.

The majority of the survey participants agree on the factors for success of a carve-out. For more than 70 percent, the precise definition of the object is decisive. Roughly two thirds of the respondents consider the strategic placement and stability of the business model to be very important for success. 39 percent say the same about organisational disconnection of the corporate processes of the parent.

In the light of these results, a company should place high value on differentiation of sustainable product market combinations as a business model element in preparation of a carve-out, as Dr. Günter Lubos, the study's initiator, suggests

"A stress test of the business model has to prove that the carved-out activities are robust, suitable and future-proof. Therefore, the carve-out must be organised so that the carved-out unit can perform without help from the parent, while also working cost-efficiently."



However, this does not necessarily mean that all relationships between the former parent and the carved-out company are cut. According to the W&P study, the carved-out unit continues to be connected to the former parent through customer or supplier relationships in roughly half the cases. However, the purchaser's willingness to pay a higher acquisition price increases with the reliability of the expected results and the stability of the carve-out object. Depending on the former parent means added risk. "Of course, the purchaser never wants the carve-out to catch pneumonia when the former parent coughs," says expert Lubos. In the light of this, additional business fields for the carve-out are to be developed early on to permit revenue potential even independently of the parent.

The development of local instead of the previously central procedures and instruments is another important step in the path towards an organisationally independent company with high performance capacity. "De-bureaucratisation" of process provisions that make sense in the overall group but are not suitable for smaller carve-outs also positively affects the administrative costs: The result is a relief of burden. As a consequence, the future revenue value, and thus the sales price, is increased.

Active design of business model and organisation are therefore absolutely mandatory when preparing a carve-out. Only this permits a high sales price in the end.

More information is available on request.



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About Dr. Wieselhuber & Partner

Dr. Wieselhuber & Partner (W&P) is an independent, cross-sector top management consultancy for family-owned businesses, as well as public institutions. This consistent orientation to particular target groups and the expertise resulting from it has led W&P in the past twenty years to become the leading management consultancy firm in Germany for family-owned businesses and the public sector. With offices in Munich, Düsseldorf and Hamburg, Dr. Wieselhuber & Partner affords its clients comprehensive expertise in business sectors and methods and stands out above all due to its competency in the area of conflicting priorities of family, management and business

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