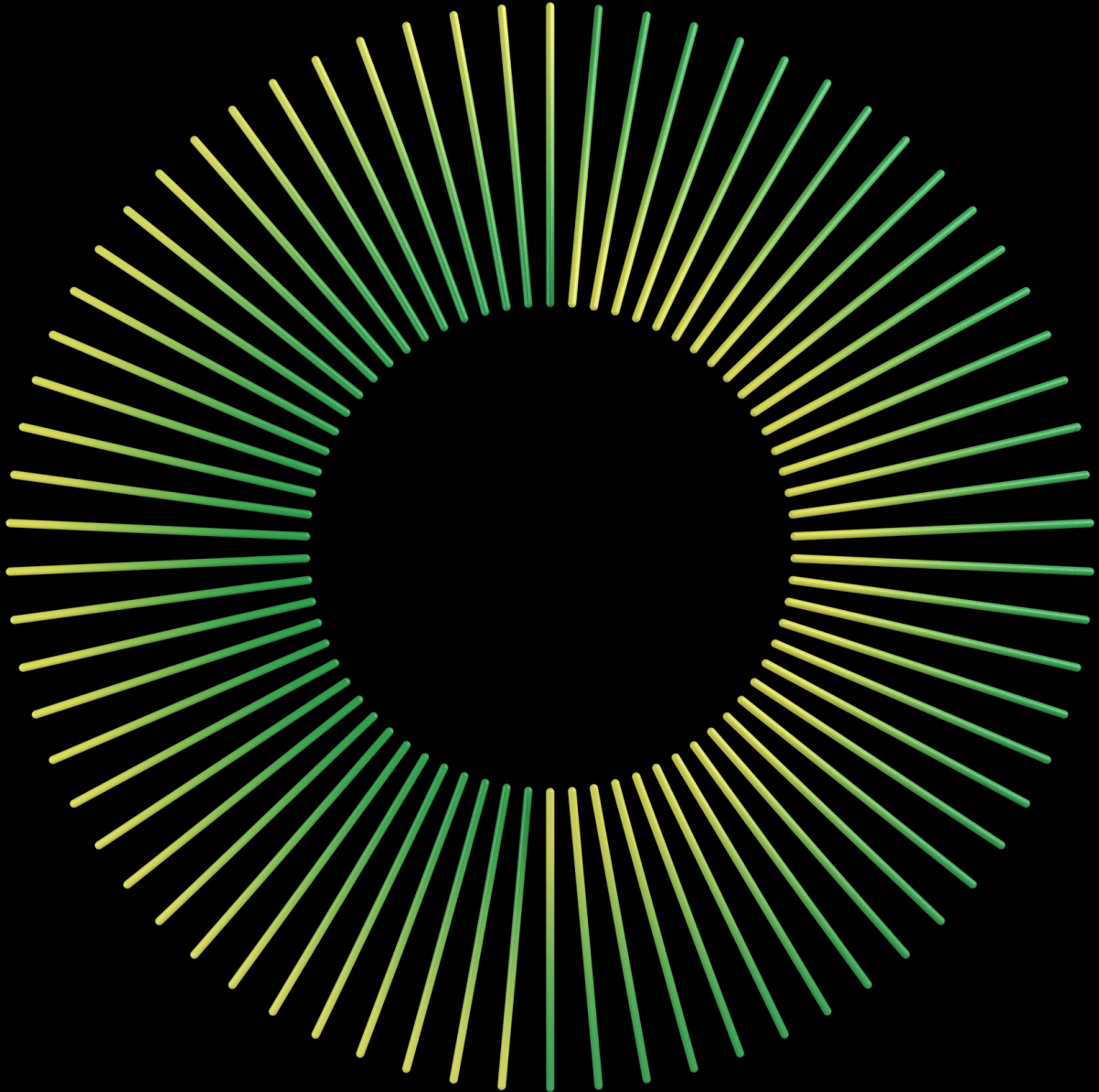
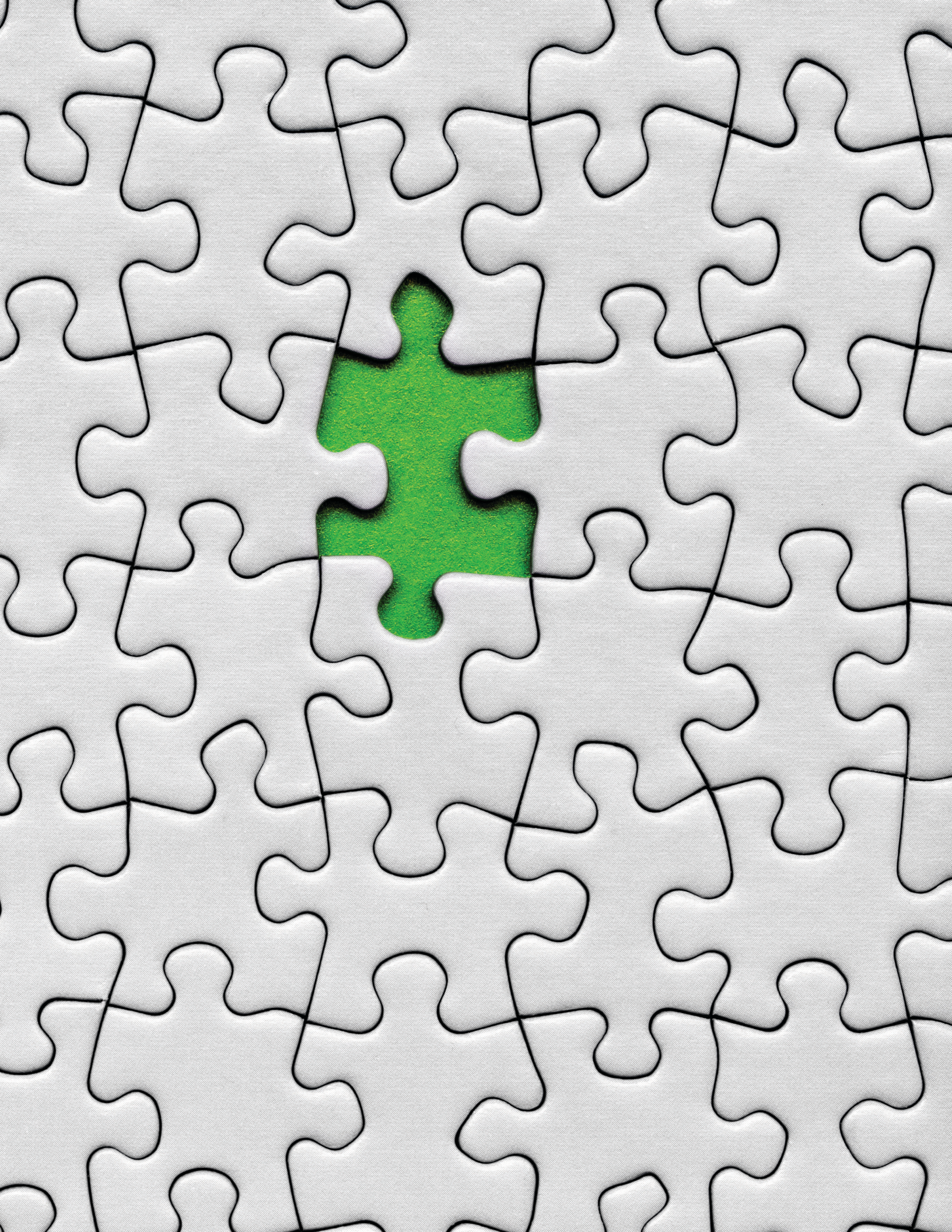


**Deloitte.**



**Fix, sell, or close?**

End-to-end solutions for underperforming  
and non-core businesses



# Evaluating options for an exit strategy

Even the most successful companies around the globe may need to address and reconsider the future of underperforming and non-core assets. Deloitte's research of 80,000 overseas-owned trading businesses highlights the challenge at hand, with over 20 percent generating an operating loss.<sup>1</sup>

Corporates are challenged to use their capital effectively, particularly if that capital is trapped in underperforming businesses.

There are many external factors that can trigger a decision to exit, including:

- A turndown in economic conditions, which may drive a need to cut costs
- Sector-specific changes, often driven by technological advances and changing consumer preferences
- The M&A environment, with the rise of activist investor pressure and disruptive M&A, is potentially driving boards to dispose and exit from non-core operations

At Deloitte, we have developed comprehensive solutions to help businesses evaluate their options when contemplating an exit strategy. Our multidisciplinary Managed Exit service, led by our Financial Advisory teams, advises multinational corporations and organizations on fixing, selling, or closing underperforming and/or non-core areas of their business.

We work alongside the business throughout the process, from developing an initial strategy through to detailed planning and hands-on implementation of the exit. The ultimate goal is to free up valuable capital and management time.

Deloitte is also able to help global clients eliminate entities once the operations have ceased, including removing dividend traps. By de-risking oversized corporate structures, the business is better able to achieve a state of both commercial and legal dormancy.

<sup>1</sup> Lost in translation: Global Markets, Deloitte, 2018

# Deloitte's approach

Exiting a non-core, loss-making, or underperforming business requires dedicated, on-site specialists to plan and project manage, especially as many businesses do not have the experience or bandwidth to manage the process in-house. Working with advisers makes commercial sense, and can bring significant implementation support. For some businesses, this is a defining moment for the future of the enterprise, one that can release tangible benefits to the bottom line.

At Deloitte, we draw on an extensive network across services and jurisdictions, offering deep knowledge and global experience to advise businesses through exit strategies. Throughout the process, our focus is on better understanding key drivers, helping to create an actionable plan with clear-cut responsibilities, and working to help deliver value that has buy-in from management and stakeholders.

Implementing an exit without a well-thought-out and carefully structured plan can negatively impact many aspects of your business success, including:

- **Reputational**—Managing brand, public relations, and employee, political, and customer relations
- **Employee**—Mitigating impacts on employees, including retention, recruitment, and other human resources concerns

- **Financial**—Addressing employee severances, contractual and contingent liabilities, tax, and potential impacts on financial stakeholders and markets
- **Commercial**—Protecting commercial and sales relationships with customers and through the supply chain
- **Governance**—Addressing the needs and interests of boards and regulators
- **Scale/Reach**—Administering the complexity that can arise as a result of exiting in different jurisdictions

## Steps in the exit process



In addition to helping you identify and plan an optimal exit solution, we also work alongside the business and other advisers to support them through implementation. This hands-on approach sets us apart from competitors, as we provide practical and pragmatic support to both group and local management teams to assist them in achieving strategic outcomes.

## Deloitte's value proposition:

# The importance of acting decisively

Though globalization continues, and markets are increasingly connected through trade and M&A, many businesses around the world still face the significant challenge of managing non-core, underperforming, or loss-making operations. As a result, multinational corporations are revisiting their competitive positioning in key markets and responding to changing economic conditions.

The pressure on boards is coming from many angles. Significant shifts in technology are driving disruptive M&A and there is a shift in strategic focus away from more traditional operations and/or markets. There is more pressure than ever on shareholder value, in part driven by activist investors—who actively push their target companies to divest of non-core assets.

Faced with these challenges, management teams need to proactively address businesses that are consistently unable to meet expectations. And timing matters—when boards fail to act in a timely manner, the options and opportunities to manage risk and capture financial upsides are diminished. This is especially true when management is under pressure to deliver increasing value in a rapidly changing economic, political, and regulatory landscape.

## Why Deloitte?

Our depth of experience strongly positions us to help you in realizing your objectives.



**Situational  
subject-matter  
advisers**



**Hands-on approach  
and bandwidth  
for support**



**Pace  
of delivery**



**Understanding  
of your business**



**Outstanding  
track record**



**Integrated  
team**



**One-stop-shop**



**Cross-border  
entity rationalizations**

## CASE STUDIES:

# Our Managed Exit service in action

An exit from a non-core operation, particularly across multiple locations, can be complex.

That's why our team includes experienced and knowledgeable subject-matter advisers from across the breadth of the Deloitte organization to help you evaluate, construct, and deliver a comprehensive and custom-made exit program, more effectively crossing borders to provide global solutions.

### CASE STUDY 1:

#### Construction

##### **Business problem**

Falling oil prices, decreased government spending and a 30% decline in the GCC construction industry forced a multi-billion dirham contractor with Middle Eastern operations to look for an exit strategy.

##### **Deloitte solution**

Despite having to navigate the complexities posed by the contractor's 3,000 employees and numerous live construction projects, Deloitte's Managed Exit team developed a detailed three-year wind-down plan for the contractor's Global head office.. The plan drew on Deloitte's breadth of capabilities, including advisors from the Valuations & Modelling teams, and designed a cash based model adjusted for execution risks. Using this business plan as a guideline, the contractor was able to enter into negotiations with various interested parties.

##### **Key takeaways**

The Managed Exit team leveraged Deloitte's broad set of technical expertise to deliver a fit-for-purpose solution and assist the client.

### CASE STUDY 2:

#### Media

##### **Business problem**

Driven by general economic malaise in the region, tight liquidity and compounded by internal operating issues, a GCC based marketing and events company with subsidiaries in Europe and the Far East, decided to wind down its non-core operations in order to focus on the profitable offerings.

##### **Deloitte solution**

Integrating quickly and seamlessly with the client's management, Deloitte's Managed Exit team conducted a detailed review of cash generation and funding requirements of numerous operational groups. Using this data, the team prepared a wind-down plan that had to take into account the company's on-shore and offshore configurations, as well as its presence across multiple international jurisdictions.

##### **Key takeaways**

Integrating quickly and seamlessly with the client's management, Deloitte's Managed Exit team conducted a detailed review of cash generation and funding requirements of numerous operational groups. Using this data, the team prepared a wind-down plan that had to take into account the company's on-shore and offshore configurations, as well as its presence across multiple international jurisdictions.

### CASE STUDY 3

#### Industrial supply chain

##### **Business problem**

A number of issues with overseas JV projects and cash collections resulted in a need to restructure the whole group to protect the core business whilst pursuing the overseas recoveries and defending back-to-back litigation from overseas suppliers. These peripheral problems were further stunting core growth as investors and sponsors were nervous about injecting new cash.

##### **Deloitte solution**

Working with the head office team, a parallel structure was established to house the core profitable business whilst the liabilities were ring-fenced in entities pursuing the recoveries. A structured closure of the original groups was instigated, allowing a controlled recovery process, while simultaneously the newco was able to close the funding round and grow organically in a profitable manner.

##### **Key takeaways**

The Deloitte team worked seamlessly with the management, sponsors and legal advisors to deal with the underperforming business in a controlled manner and gave investors' confidence in the core business to allow it to raise fresh debt funding.

Throughout our  
Managed Exit experience,  
Deloitte has strived to  
deliver comprehensive  
solutions to businesses  
across the globe.

It is important to deal now with parts of a business that no longer fit, and are draining capital and management resources. Deloitte's Managed Exit services can help to smooth the process of exiting non-core businesses. Throughout every engagement, our focus is on helping clients in structuring an exit that balances the elements that are important to you—including time, financial matters, reputation, and the elimination of the legal entities.

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