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IT due diligence shaped a transformative IT separation scenario to meet buy-side restructuring thesis and future growth plans

Client Issue

An international independent private equity (PE) firm was examining the acquisition of selected lines of business from a global financial services incumbent. In a context where target entities had extensive intersection with the Group, our Client requested to carry out a comprehensive and forward-looking IT carve-out due diligence.

The focus extended beyond reviewing the feasibility and impact of sell-side's 'lift-and-shift' separation scenario. Main priority was defining a transformative scenario that enabled a lean and fit-for-purpose technology core that would not only effectively disentangle the company from the Group, but also provide rationalized, sustainable and future-proof foundations for future commerce and back-office operations, in line with the buy-side's restructuring hypothesis.

Solution

In a context marked by an extremely fragmented, legacy, and integrated IT landscape, defining a transformative separation strategy requires a deep understanding of the current IT maturity and a clear vision on modern FSI platform-centric technology cores. To do so, we mobilized a highly experienced team consisting of tech M&A specialists, tech strategists, solution, and industry experts.

Once we gained a clear understanding of existing gaps through dedicated workshops with buy-side experts, we outlined a separation scenario encompassing 4 main transformation areas:

1. Modernization and rationalization of core business and core support applications
2. Evolution of target's data architecture and definition of suitable data platform archetype
3. Definition of a phased approach for journey-to-cloud
4. Simplification of IT organization and set-up of the standalone IT operating model

Identified target scenarios were supported by a detailed analysis of associated capital requirements, synergies and benefits on the standalone cost baseline, as well as specific TSA amendments and requirements to support a highly transformative transition.



Impact

With our IT strategy approach to IT carve-out due diligence, we envisioned an alternative separation scenario that champions modern, platform-centric principles and data management frameworks, and aligns with buyer's requirements for a buy-and-build ready IT landscape.

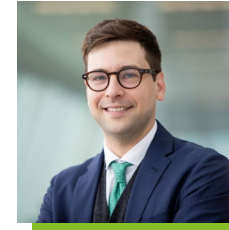
By tactically shifting towards an IT outsourcing model, we have identified the optimal size for the Target's IT organization, eliminating the reliance on parent company services and minimizing the requirement of in-house application and infrastructure management capabilities.

By ensuring a clear understanding of cost implications and requirements, we supported our client in updating its investment thesis and formulating an informed and strategic bid.

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