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2022 Global Divestiture Survey
Realizing value in a fast-paced market

As companies gain distance from the deepest disruptions of the pandemic, they are continuing to take a hard look at their portfolios and are adopting defensive measures—such as divestitures of non-core assets—to enhance their portfolios for the long term.

While a strong overall M&A market is helping to boost prices, our survey results show room for improvement. By becoming a more prepared seller, companies can improve their divestiture outcomes and emerge as a more streamlined and resilient organization.

Brisk activity, strong deal values

51% of survey respondents completed **three or more divestitures** in the **past 36 months**, compared to 32% in 2020 and 14% in 2017

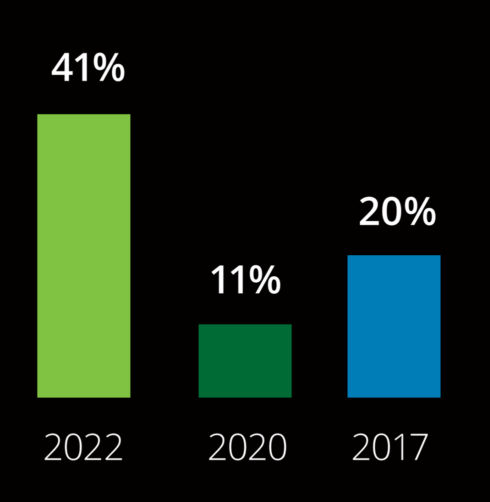
70% of survey respondents plan to do **two or more divestitures** in the **next 24 months**, compared to 36% in 2020 and 32% in 2017

79% of survey respondents agree the pandemic has had a **high or moderate** influence on divestiture strategy

> "Demand from PE buyers is particularly strong right now, they are sitting on record levels of 'dry powder' and are doing bigger and bolder deals than in the past, which is making it easier to market divestiture candidates."
>
> **—Sriram Prakash, director, Deloitte UK, and global lead for M&A Insights with Deloitte Global M&A Services**

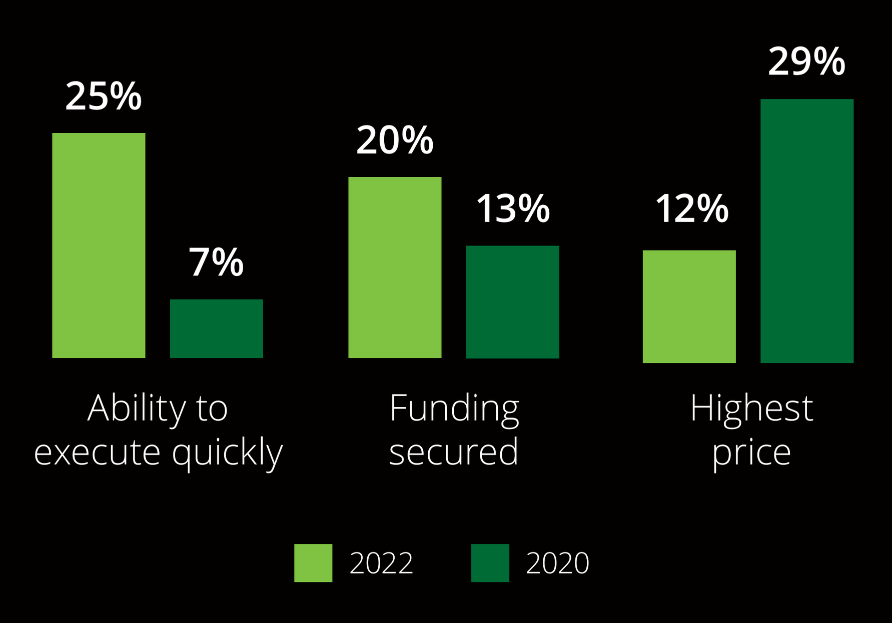
Deal values are strong

Share of company respondents receiving a higher-than-expected deal value in their most recent divestiture



Sellers prioritize fast execution

Primary determinant in choosing a buyer for their most recent divestiture



18% of companies are seeing faster-than-expected time to complete their most recent divestiture

> "As much as value is always important, there are occasions when the board makes a decision to execute a divestiture. The strategy to execute quickly—and get back to business—may be more important than waiting for increased value."
>
> **—Brenda Ciampolillo, managing director, Deloitte & Touche LLP**

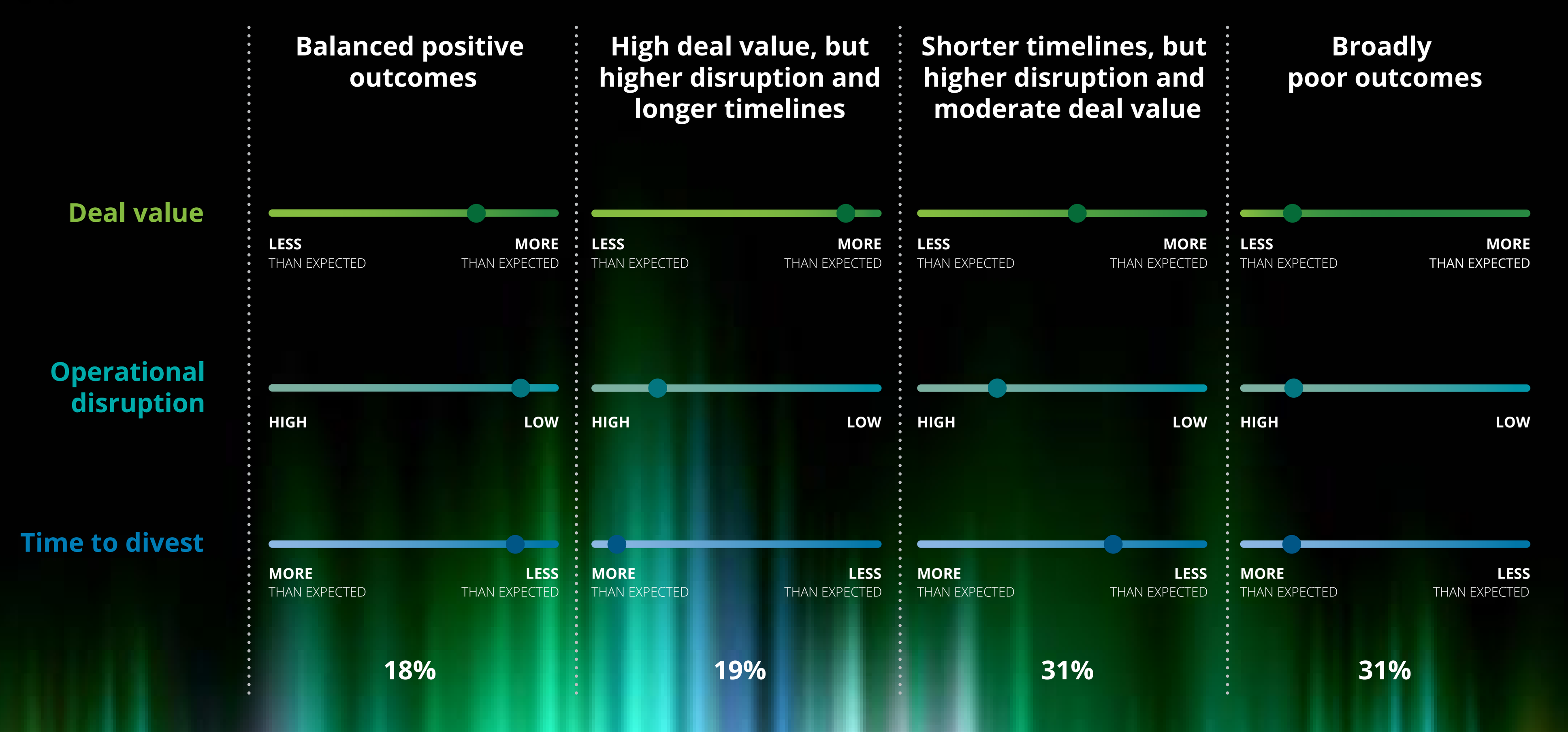
Execution hurdles

75% of companies say the one-time **cost of a divestiture** was 4%–7% of the revenue of the business sold, while just 17% say the cost was 3% or less; in 2020, most respondents said the cost was less than 3% of revenue

48% of sellers that took more time than expected on their most recent divestiture cite **regulatory approvals** as an important reason

47% of respondents report that their last divestiture caused **moderate to significant disruption** to core business operations

Companies report mixed results



Note: Numbers may not add to 100% due to rounding.

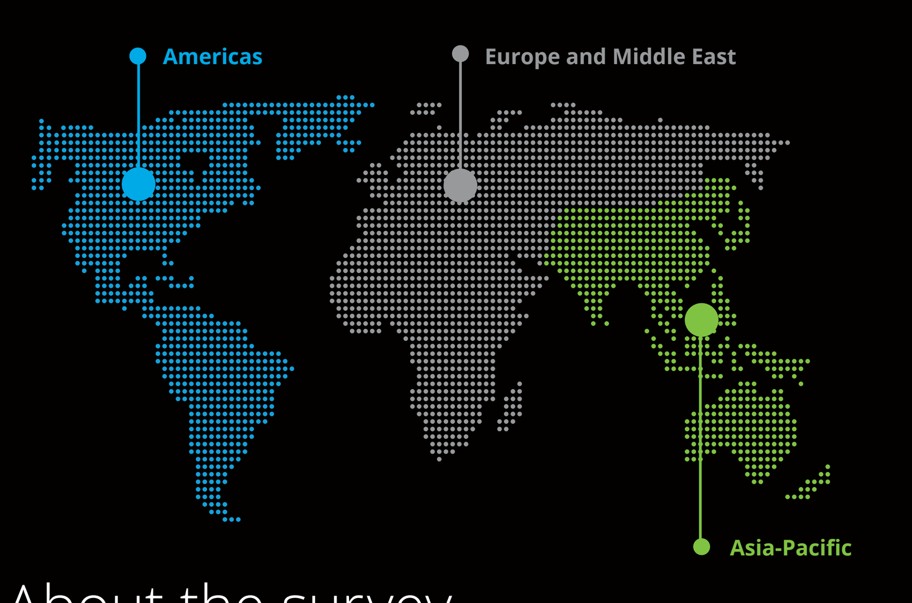
Prepared sellers, stronger outcomes

We looked at correlations between responses to explore how prepared sellers can make gains across all the ways we measure outcomes.

	Higher-than-expected deal value	Faster-than-expected completion time	Less operational disruption
More frequent portfolio reviews	X		
Higher effort on end-state optimization pre-close	X		
Identify and mitigate stranded costs pre-close	X		
Effective digital tools		X	X
Strong strategic communication		X	
Use TSAs more frequently to sign up a buyer			X

Building a more focused and resilient organization

In a post-pandemic world, many companies are identifying legacy businesses that might best belong with a different owner. The good news is that this comes amid a strong M&A market. Especially in this environment, companies benefit from being prepared sellers and taking a thoughtful approach to divestiture planning and execution. These steps can set the organization up to thrive, achieve more successful divestiture outcomes, and drive long-term value for shareholders.



About the survey

Data for this survey was collected from 500 individuals at private or public companies with revenue of at least $500 million that completed at least one divestiture in the past 36 months. Respondents were senior director-level or above, and the survey sought to balance C-suite and non-C-suite managers. Industry representation was controlled for a balanced distribution, and participation was balanced across major geographic regions (Asia-Pacific, Europe and Middle East, and Americas). The survey was conducted from October 14 to November 12, 2021.

This is our fifth divestiture survey in the past decade, allowing us to track key trends related to strategy and execution over time. In particular, we are able to compare our most recent poll with data from the 2020 report (collected in late 2019, just before COVID-19 spread around the world), providing insights about how the pandemic has affected divestiture strategy and execution.