



## Applying M&A rigor to wind down situations 5x5: Insights and actions

Any number of situations can result in a company's needing to exit a business—and sometimes there is no real prospect of finding a buyer. If it can't be fixed, funded, or sold, it's time to wind the business down.

### 5 things you should know

Any number of situations (strategy, regulatory, political, industry, and technological) can result in a company's need to exit a business—and sometimes there is no real prospect of finding a buyer.

The value of assets may continue to erode, losses may continue to bleed the parent company, and there may be damage to the core business of the going concern.

In the process of evaluating winding down a business, management must consider the resulting impact on employees, customers, supply chain, and more.

The opportunities for financial gain are quite limited when a company gets to the point of winding down a business.

Another question to settle early in the process is whether this should be a solvent or insolvent wind down. Putting a unit into bankruptcy in a particular geography can have advantages, helping to address potential liabilities (e.g., excessive debts, burdensome contracts, litigation, unfunded pension obligations) in an orderly and equitable manner.

### 5 actions you can take

1

If the business can't be transformed, fixed, funded, or sold, it may be time to wind the business down; a thorough analyses of the alternatives should be conducted.

2

Bring the same discipline and urgency to a wind down that would be brought to a more typical M&A situation. The wind down should be treated as a transaction to be worked through with the rigor and speed of a divestiture.

3

Identify potential pain points and then move quickly to create a high-level road map to address the concerns. An effective communications effort will be key to managing relationships with affected stakeholders.

4

Optimize value from sources like sale of factories, inventory, real estate, and intellectual property. Stopping the bleeding is valuable.

5

Perform a solvency analysis when contemplating the wind down of a business to help to address this question.

### Connect with us

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