



Winning the carve-out relay: From team selection to the finish line

Designing, executing and winning consumer
and industrials carve-outs



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Winning the carve-out relay: From team selection to the finish line

When we reflected on years of helping Consumer & Retail corporates carve-out businesses around the world, we found the best way to think about a successful carve-out is as a relay:

Selection and Preparation

A winning team is built long before race day.

Athletes are chosen through constant performance tracking and rehearsed for every scenario.

In carve-out terms, that means knowing your portfolio, having clear value-creation muscles in business-as-usual and setting up the right governance and capability mix before the gun goes off.

Setting the race plan

A good coach reads the race and adjusts the pace.

Some relays call for an explosive start; others demand control and consistency, or a late sprint.

Likewise, every carve-out needs the right strategy: whether to sprint with a 'business-in-a-box', pace with a 'partial standalone', conserve energy through a 'synthetic standalone' or stay at the back of the pack initially with a hard late sprint to the finish, as with an 'integrated with RemainCo' approach.

Getting off to a good start

The first 50 meters set the tone.

Fast, disciplined acceleration matters more than sheer speed.

In a carve-out, this is where strategy turns into action: building clean financials, identifying value levers and demonstrating traction with clear value creation plans and business separation strategy.

Teams that launch with clear intent, crisp communication and aligned objectives are already leading halfway down the track.

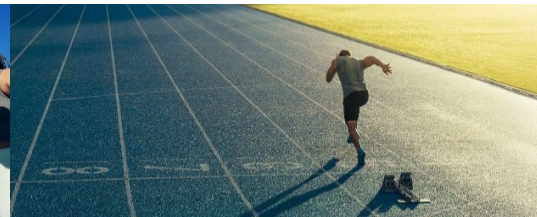
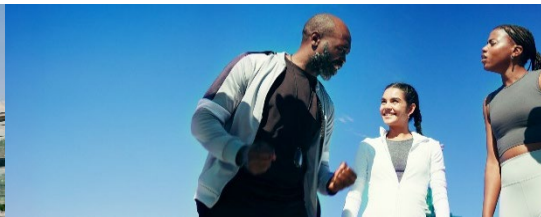
Executing a flawless exchange

Championships are won or lost in the handover.

For carve-outs, this is the transfer across different phases and ultimately to the buyer — the point where preparation, execution and value proof come together.

A clean final exchange means robust data, tested Day 1 readiness, and clarity on roles, contracts and systems so that both CarveCo and RemainCo keep running at full speed after the hand-off.

Drop the baton here and months of hard running are lost. Get it right and both sides cross the line stronger.

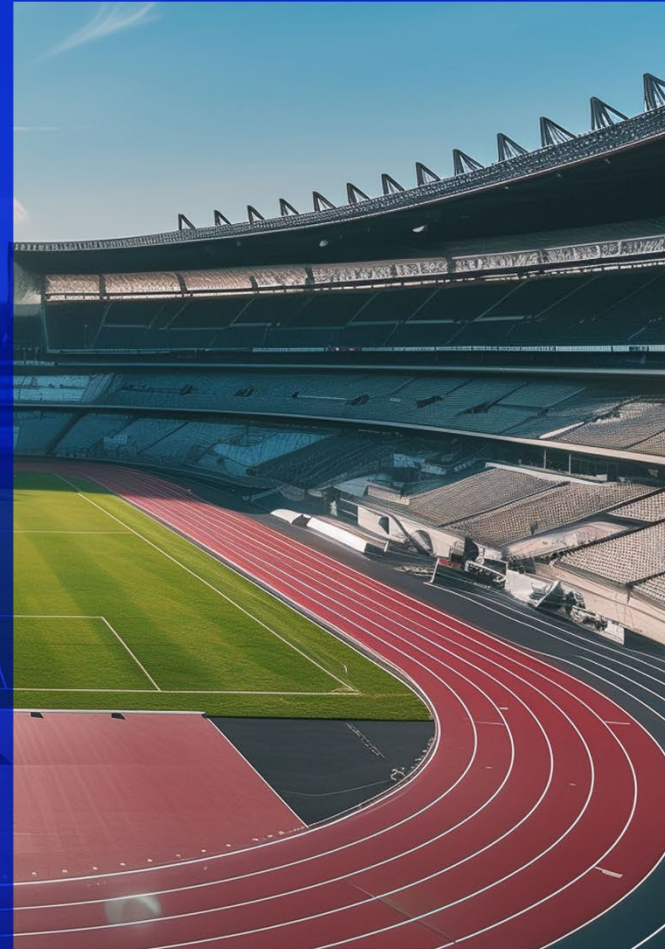


Carve-outs, like relays, reward teams that plan early, choose the right race plan, get off to a good start and execute every hand-off flawlessly.



Overview

Winning the carve-out
relay: From starting
blocks to the finish line



Foreword

Don't just divest. Win the race.

The most sophisticated sellers realize that the divestment value of their carve-outs is sensitive to the arbitrage between every dollar of CarveCo EBITDA improvement being worth 10–20x in deal value (the multiple), versus the cost of implementation.

However, few sellers run their best race; they don't fully maximize value by articulating a full potential CarveCo. Two lessons stand out:

1. The race is won or lost, long before the starter's gun.

Value creation needs to be brought forward, before the decision to divest, ideally embedded in ongoing portfolio analysis. The earlier you move the value levers, the more of them price into the deal.

2. Carve-outs aren't a normal sprint. Specialized race tactics and handoffs need to be learned.

Carve-outs are not business as usual (BAU) and require a specific execution muscle to be built in advance. Choosing to spin, sell or list is a strategic call that demands its own tool-set. A superpower is to flex this muscle while simultaneously executing BAU.

Most carve-out articles will tell you where teams stumble, or what the accounting carve-out guidance says. In this series we seek to buck that trend and focus on *'the how'*: the decisions, capabilities and sequencing that turn a carve-out into a premium performing deal.

We have organized this series into four chapters, which answer the following key questions:

- **Chapter 1. Selection and preparation (Portfolio strategy)**

How can we embed value creation into our year-round BAU portfolio management, to ensure we are always fielding the strongest team and make optimal divestment decisions? How can I build organizational capabilities long ahead of the race day?

- **Chapter 2. Setting the race plan (Carve-out strategy)**

There are four strategic race plans for a carve-out: business-in-a-box, partial standalone, synthetic standalone^(a), and integrated with RemainCo. How do I choose the playbook that best fits the deal and positions us to win?

- **Chapter 3. Getting off to a good start (Building the value case)**

How do I perfect the CarveCo, moving beyond baseline performance, to create a winning proposition that bidders will fully value and price into the deal?

- **Chapter 4. Executing a flawless exchange (Separation in practice)**

How do I choose the right separation model so that I can run the separation and execute the final handover with precision, ensuring minimum disruption and maximum value, for a clear win?

This series and the pages that follow translate our real-world experience into insights and tools to help organizations push beyond baseline thinking and capture the gold-medal value a carve-out can offer.

Let's get started.



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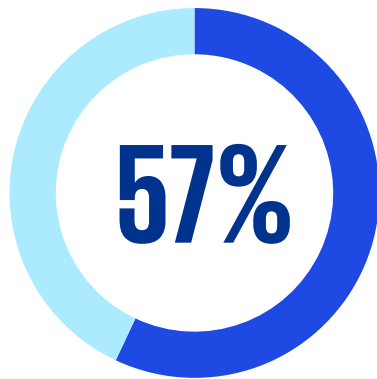
Partner, Head of Value Creation, China
Head of Deal Strategy, Hong Kong
KPMG in China

Note: ^(a) Transitional operating model created for the carved-out business that simulates full independence without immediately replicating all corporate functions.

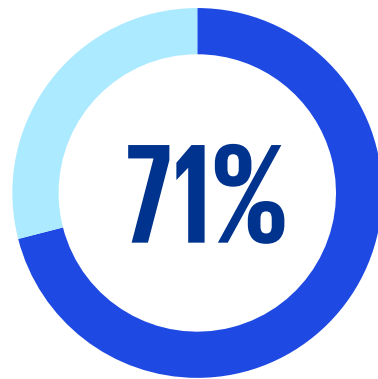
As per KPMG's 2026 Global M&A Outlook, 2026 will be the year of the carve-out

Based on a quantitative survey of 700 M&A decision-makers worldwide conducted across 20 countries.

KPMG's Global M&A Outlook 2026 finds that



of global corporate dealmakers

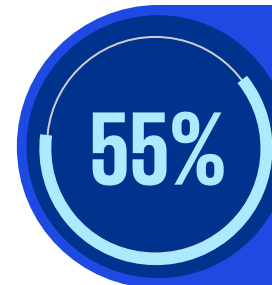


of PE firms

are open to or actively pursuing portfolio rationalization in 2026.



Over half of corporate dealmakers (51%) expect their carve-out activity to increase moderately to significantly over the next 12–24 months.



In parallel, more than half of PE dealmakers (55%) are actively considering acquisitions of carved-out assets over the same period.

Global forces driving carve-outs

Carve-out deal volume accelerated to 16.3 percent from 2023 to 2024. Five structural forces are driving this momentum.

Focus on the core

Corporates are streamlining operations to boost ROIC and eliminate the diversification discount, often driven by activist investors pushing for pure-play entities.

Non-core assets are increasingly viewed as a tax on management attention, distracting leadership from responding to critical market shifts. In C&R, this is driving a ruthless portfolio re-evaluation, divesting legacy units to fund a pivot toward health, wellness and 'better-for-you' growth engines.

More than 50 percent of 2024 carve-outs were driven by a desire to focus on the core.

Risks in the tail

Emerging risks like cybersecurity, regulatory and geopolitical exposure are disproportionately high in the portfolio tail.

Compounded by persistent inflation and slower growth profiles in global economies, the cost of complexity now outweighs the benefit of economies of scale.

This tips the balance towards strategic simplification.

Cybercrime costs are projected to reach USD12 trillion in 2025, pushing firms to isolate vulnerable business units.

Unlocking asset agility

The corporate core can diminish asset value. Group-wide policies and standardized shared services, while efficient for the center, often impede specific assets from reaching full potential.

Carve-outs allow businesses to escape rigid corporate structures and adopt a fit-for-purpose operating model.

This shift from "centralized efficiency" to "asset agility" is critical for responding to rapidly changing industrial cycles and consumer tastes.

Consumer and industrial conglomerates are using carve-outs to release assets from corporate bureaucracy.

Strong PE appetite

PE firms continue to adopt a strategic lens, pursuing opportunities in corporate carve-outs and operational turnarounds.

They seek to unlock value in businesses where they can bring in operational expertise and scale efficiencies.

PE-led break-ups in consumer groups drive 35 percent CAGR in apparel and leisure carve-outs.

Tariffs and decoupling

Geopolitical tensions, tariffs and supply chain shocks are prompting multinationals to reduce global exposure and refocus on regional strongholds.

Corporates are increasingly divesting assets located in different regions than their HQ to mitigate cross-border risk and insulate the core business from volatile geopolitical conditions.

More than 20 percent of strategic carve-outs involve the sale of companies located in different countries than the HQ of the seller.

Source: KPMG Analysis; Dealogic. Data for the period 2022 to 2024, [Forrester](#).

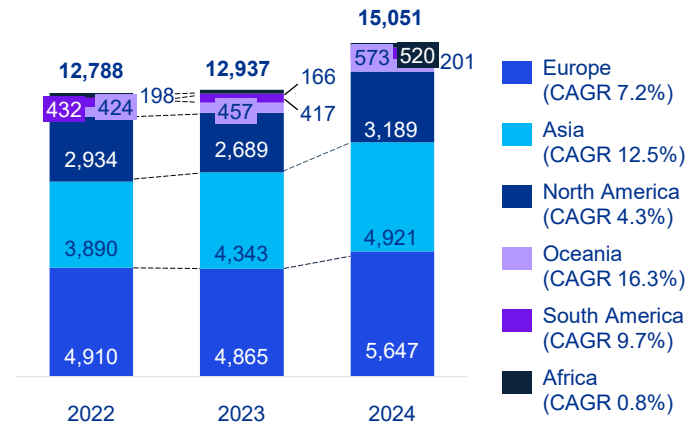
Carve-outs on the rise

Carve-outs⁽¹⁾ are outpacing the wider M&A market and now account for almost one in every three deals worldwide.

Public-company divestitures surged c.8.5% CAGR (2022–24) and +16.3% in 2023–24 even as overall M&A stayed flat. Recently, corporate break-ups and spins have added fresh momentum to portfolio reshaping. For example, Kraft Heinz is splitting ~\$25.8 billion of net sales while Kellogg separated 20% of its businesses.

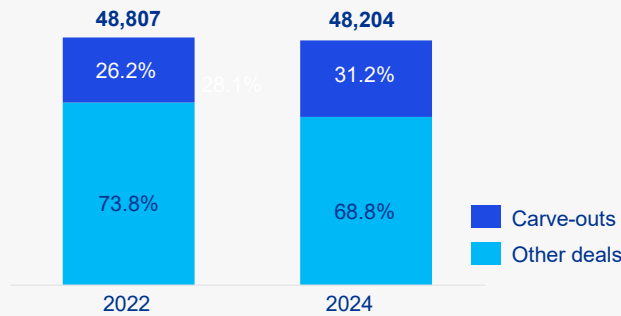
Asia and Oceania have seen the most prominent growth in carve-out transactions, driven largely by conglomerates divesting non-core assets and markets.

Total carve-outs by geography
2022–2024, # of transactions, CAGR 2022–2024 (%)



Source: KPMG Analysis; Dealogic.
Notes: ⁽¹⁾Refer to [glossary](#) for detailed definition of carve-outs.

Percentage of carve-outs from total deals
2022–2024, # of transactions (%)

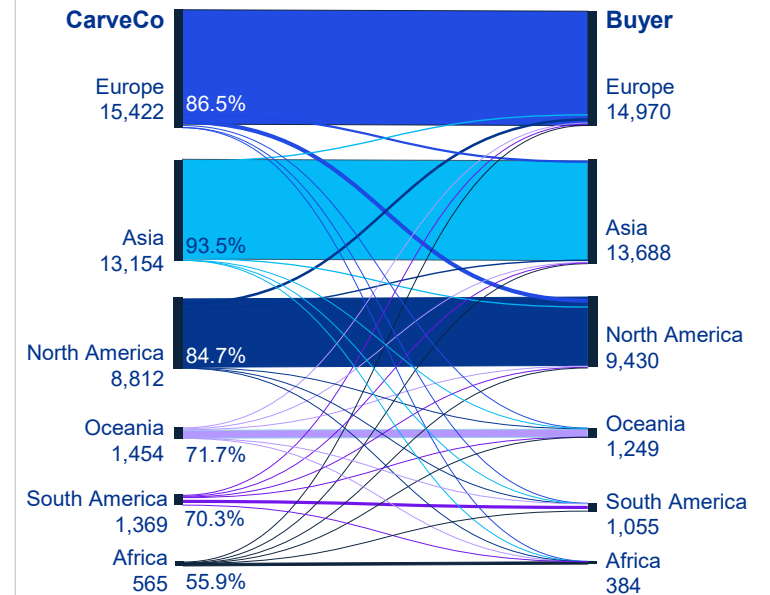


Despite the global deals market coming under pressure, carve-outs are increasingly appealing to buyers looking to tap into undervalued and/or underinvested assets with potential to unlock value opportunities.

There are a number of driving forces for sellers to pursue carve-outs, as we explore on the following pages. These trends reinforce the need for corporates to assess their strategy in relation to carve-outs and prepare their playbook accordingly.

A significant portion of carve-outs involves buyers from the same region as CarveCo, attributable to deglobalization trends, ease of integration, familiarity with local markets and existing relationships. From 2022 to 2024, 19.3% of cross-region carve-outs were within the Information technology industry, with 46.5% of these deals originating from Europe.

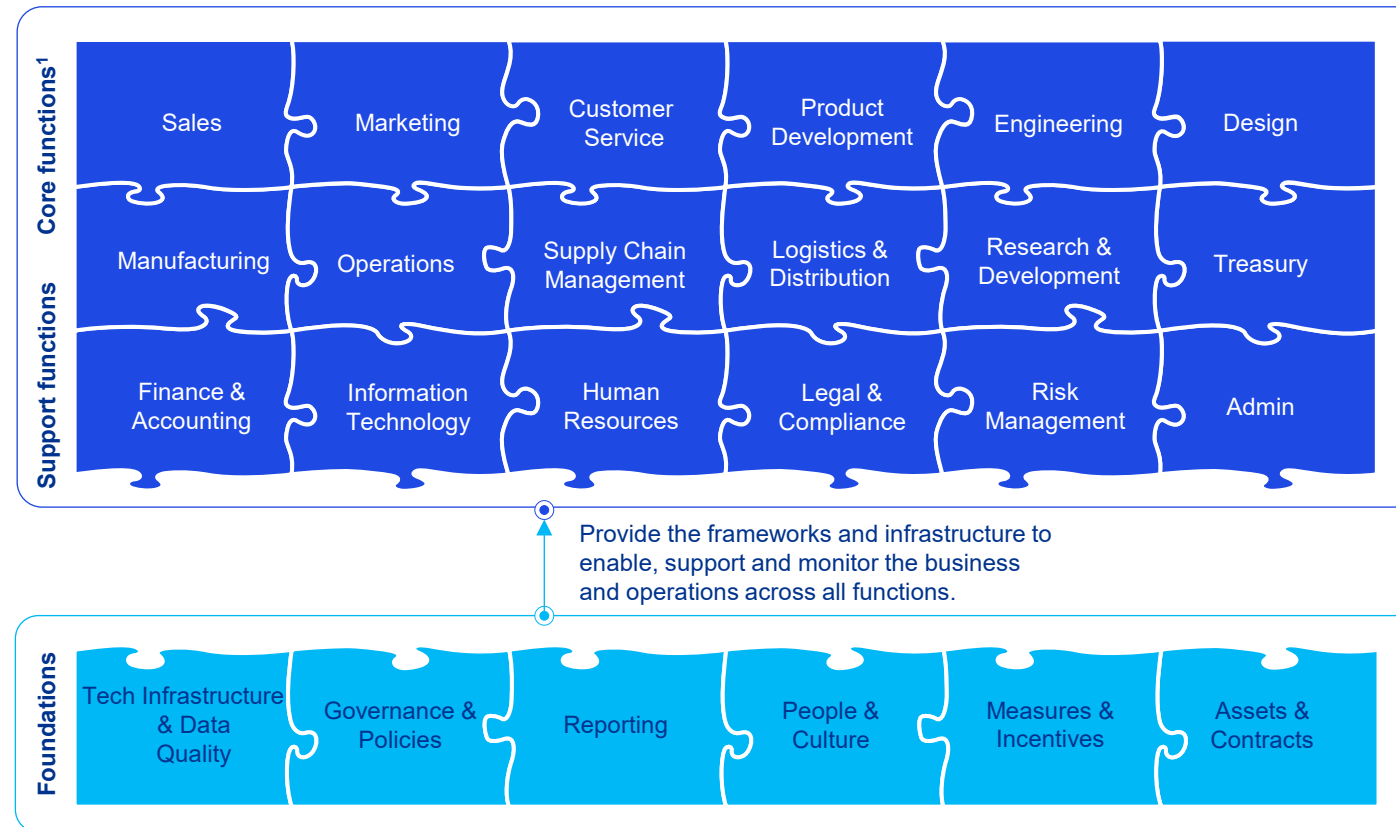
Total carve-outs from CarveCo to buyer geography
2022–2024, # of transactions



Carve-outs are complex; value slips unless you plan early for it

Carve-out complexity means sellers take their eye off the ball when it comes to value creation. We believe value creation should be embedded from the start, and set out how to do this, in this report.

A carve-out entails significant complexities at both functional and foundational levels.



Unlike selling an already independent subsidiary, in carve-out transactions, you must also unwind shared systems, people and contracts.

This brings added complexity. Common entanglements include shared technology and co-mingled data; multi-role/shared resources; shared assets; combined financials and reporting; and shared support services.

There are different approaches to dealing with these separation challenges. Some playbooks favor upfront separation while others shift implementation efforts to the sign-to-close or post-close phases and may require TSAs for business continuity until full separation. We explore the trade-offs of these approaches in this series.

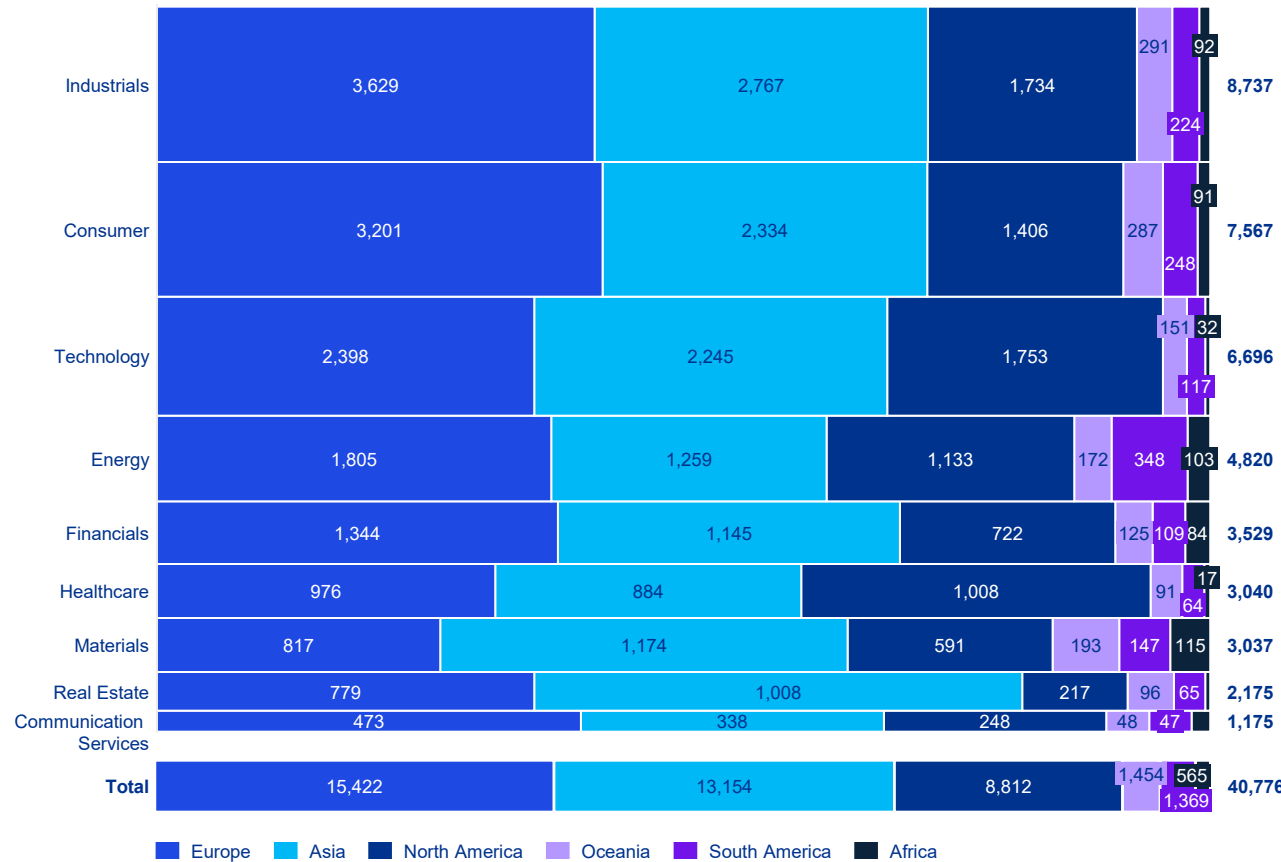
Ultimately the best carve-out outcomes come from identifying and addressing complexities and value opportunities early, regardless of the playbook chosen.

Note: ¹The definition of core vs support functions may vary across industries and different operating models. Unless otherwise specified, industrial manufacturing is assumed for all analysis throughout this paper.

Consumer & Industrials dominate carve-outs

The Consumer & Industrials sectors accounted for 40 percent of global carve-outs from 2022–2024, predominantly from European and Asian sellers.

of carve-outs by CarveCo geography and industry 2022–2024, # of transactions



Industry	CAGR 2022–2024	Main strategic rationale of carve-outs
Industrials	11.3%	Rising input costs and labor shortages strain ROIC ¹ ; European and Asian conglomerates are pruning construction, engineering and capital-goods units to focus on high-margin niches
Consumer	11.4%	PE-led break-ups of diversified consumer groups; apparel and leisure carve-outs growing at 35% CAGR as brands pursue direct-to-consumer growth. FMCG ⁴ giants divest under-performing or non-core SKUs ⁵ to concentrate on 'better-for-you' food categories or adapt to the K-shaped economy that is taking consumers from the mainstream (high volume) brands down to value (low margin) brands, or up to premium (low volume) brands
Information Technology	5.1%	Strategic refocus on AI/cloud/SaaS ² ; geopolitical risk pushing high tech hardware makers to on-shore and spin out non-core assets
Energy	3.2%	Investor pressure drives oil & gas majors to carve-out certain assets to realize value or meet sourcing commitments
Financials	8.9%	Higher capital charges (Basel IV) and efficiency targets push banks and insurers to divest payments, asset management and legacy servicing arms to fund digital and AI initiatives
Healthcare	10.8%	Largely driven by American big pharma and med-tech companies divesting mature brands and asset providers to fund higher-margin precision therapies, diagnostics and CDMO ³ platforms
Materials	10.1%	Tightening carbon regulations prompt chemicals, cement and mining groups to shed carbon-intensive or low-growth division, with China accounting for over 20% of the industry carve-outs
Real Estate	11.2%	Higher interest rates and remote-work trends trigger office portfolio restructuring and sales of non-core REIT ⁶ divisions. In China, debt crisis and government-led restructurings led to 562 carve-outs
Communication Services	(4.4%)	Legacy telco copper and print media disposals continue, but overall industry carve-out volume lags amid consolidation pauses

Source: KPMG Analysis; Dealogic.

Notes: ¹Return on Invested Capital (ROIC); ²Software as a Service (SaaS); ³Contract Development and Manufacturing Organization (CDMO); ⁴Fast Moving Consumer Good (FMCG); ⁵Stock Keeping Unit (SKU); ⁶Real Estate Investment Trusts (REIT).

Roadmap for an effective carve-out

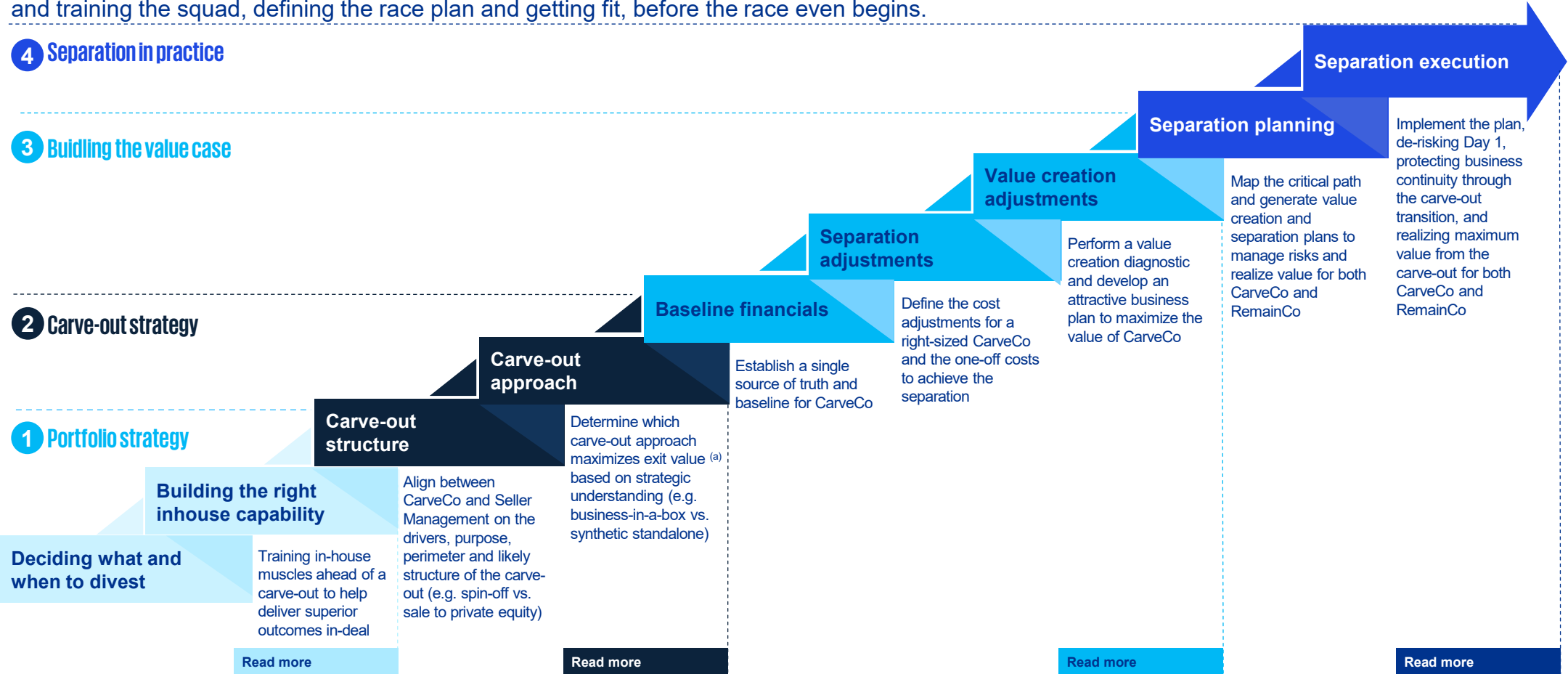
Too many teams focus only on the race, rushing into the financials without proper preparation. We believe more time should be spent upfront, picking and training the squad, defining the race plan and getting fit, before the race even begins.

4 Separation in practice

3 Building the value case

2 Carve-out strategy

1 Portfolio strategy



Note: ^(a) Exit Value should factor exit costs (e.g. double running costs, stranded costs and dis-synergies), including ongoing impacts to RemainCo. Please refer to the chapter 'Building the Value Case' for more information.

Preview:

Portfolio strategy

1

Portfolio strategy: Embedding value creation into BAU

Preparation often decides outcomes. Building systematic portfolio reviews and developing the in-house muscle around value creation and carve-out strategy is the key foundation for a successful carve out.

Strategic compass vs. Operational intensity

Corporates and private equity owners operate with different superpowers. Corporates hold the advantage of a long-term strategic compass, asking “does this asset fit who we want to be in 10 years?” based on evolving market trends. PE firms operate with operational intensity, asking “is this asset running at maximum efficiency today?”

The trap for many corporates is using “long-term vision” as an excuse to tolerate short-term underperformance. Leading players combine these disciplines: they use market trends to steer the portfolio but apply a PE-style value creation lens to ensure every business unit earns its place in the group.

Lifting the mirror: The role of the center

To execute this, corporates must regularly ‘lift the mirror’ and assess the role of the center. The central question is not just “is this asset profitable?” but “are we the best owner?”

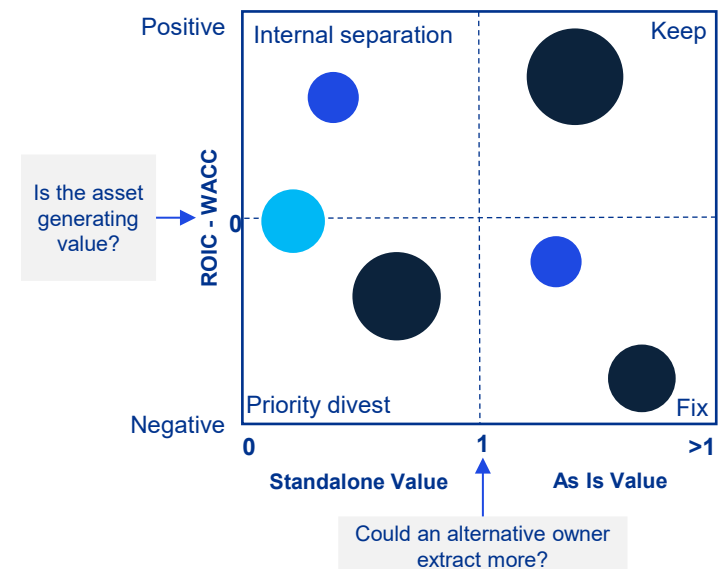
Does the corporate center accelerate the asset through shared capabilities and capital, or does it stifle agility through bureaucracy? If the asset generates more value standalone than it does inside the group, a change is required.

Internal separation: Carve-out does not always mean “sell”

The solution to an underperforming asset isn’t always divestment. We increasingly see corporates executing “internal separations” (or “carve-outs within”), physically carving out an asset operationally and financially but retaining ownership.

This materialized physical carve-out removes the fog of group allocations, exposing the asset’s true performance. It allows the group to solve specific cost or tax inefficiencies (a common driver in international assets of European HQ groups) and forces the asset to stand on its own feet, driving performance uplift whether a transaction eventually happens or not.

Illustrative framework for portfolio review



Key

Feasibility of sale:

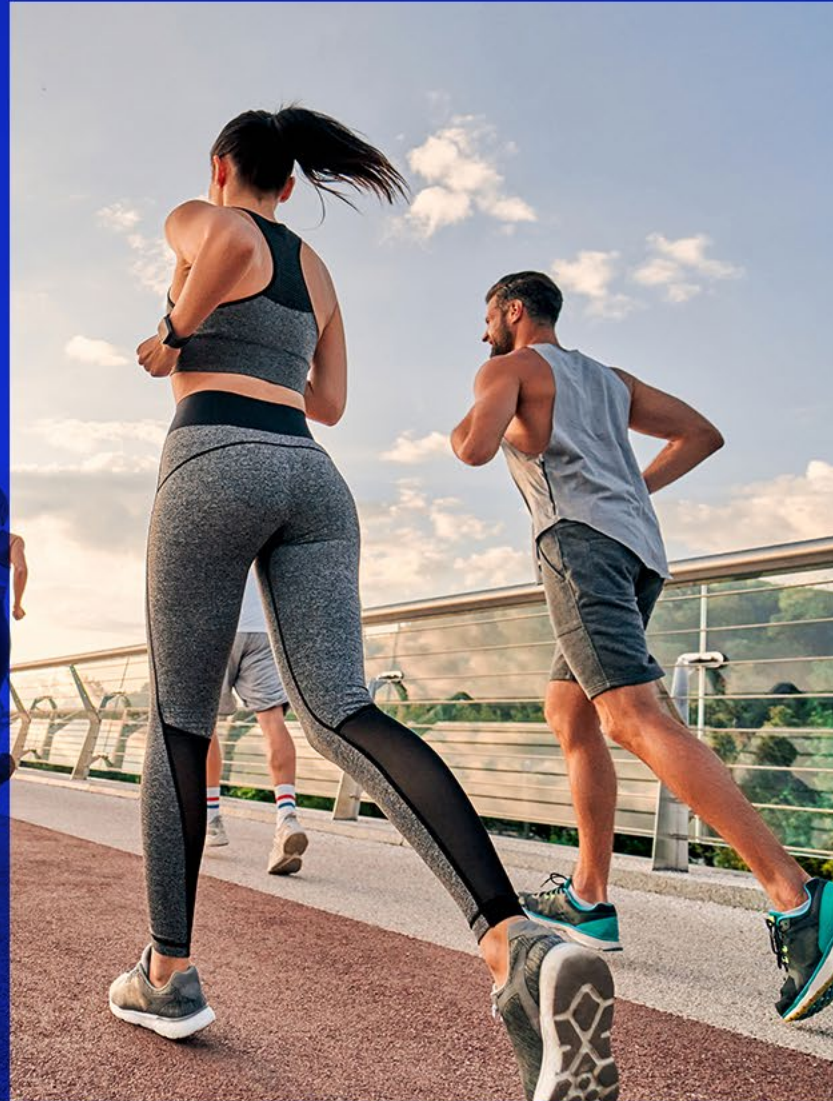
- High
- Medium
- Low

Bubble size indicates BU share of invested capital



Portfolio strategy

Winning the carve-out relay: Team
selection and preparation



Portfolio strategy

The job of management is to optimally develop and deploy resources. Spinning off businesses that are valued more highly on their own can unlock significant upside for the seller. To realize these ‘addition through subtraction opportunities’, a structured approach and developing the training muscles ahead of race day is essential.

Portfolio strategy is one of management’s prime responsibilities. Yet few executives are versed or trained in methods to systematically analyze and determine which portfolio businesses to allocate capital to and which to sell.

Further, corporate incentive programs frequently focus on “growth” metrics over economic profit, encouraging managers to accumulate assets rather than optimize capital. The empirical record shows that [sellers in public company M&A create more value than buyers](#) meaning active portfolio managers — those who divest as effectively as they acquire — are likely to outperform those who only buy.

Insights



01 Corporate capital allocation

[Read more](#)

02 Portfolio analysis

[Read more](#)

03 Value creation as the key source of alpha

[Read more](#)

04 Embedding a value creation mindset into portfolio management

[Read more](#)

Corporate capital allocation strategy

Divestment is a strategic funding source. Capital allocation must balance investing in the core with pruning the tail to maximize total shareholder return.

Balancing sources and uses

Corporate focus often leans heavily on the uses of capital (CapEx and M&A). However, leading Consumer & Industrial groups pay equal attention to the sources. Divestitures are a critical lever to release trapped equity, providing the fuel to invest in high-growth core segments without over-leveraging the balance sheet.

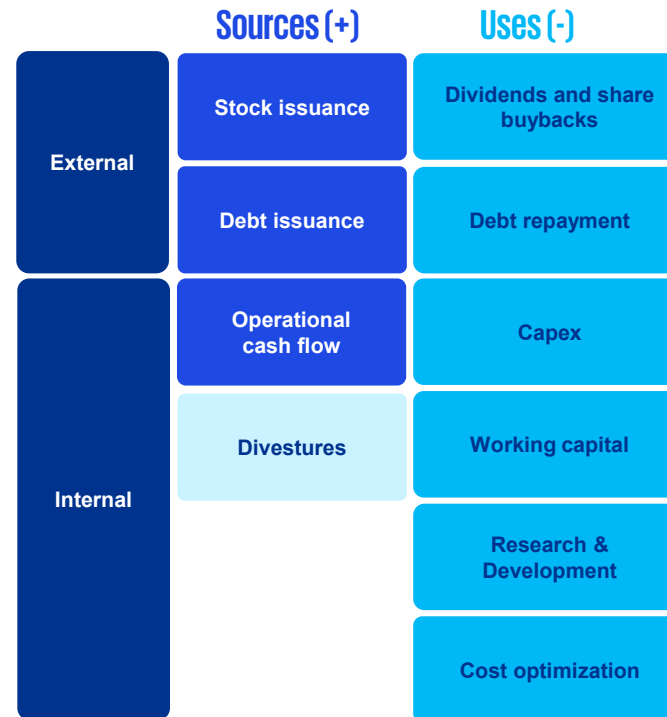
The arbitrage opportunity

Selling non-core assets is often a form of valuation arbitrage. By divesting assets that command a higher multiple outside the group — or simply removing the “conglomerate discount” drag — corporates can recycle capital into higher-ROIC core activities.

The role of the center in allocation

Effective allocation requires an honest assessment: Is the Corporate Center the best source of capital for this asset? If a business unit competes for resources against a high-growth core, it may be starved of the investment it needs. Divestment can be the most responsible decision for the asset’s own future growth.

Sources and uses of financial capital



US financial capital sources and uses, 2024 USD bn



Sources: KPMG Analysis. US Capital Deployment is for the S&P 500, sourced from S&P Capital IQ. Sourced from cash flow statements except or Research & Development.

Portfolio performance analysis

Building a data-driven view of the portfolio that goes beyond lagging financial metrics. Successful reviews integrate market trends and consumer behaviors to anticipate where the portfolio needs to be tomorrow.

From “current state” to “future exposure”

Traditional portfolio analysis focuses on past performance (revenue, ROIC). While essential, these are lagging indicators. To future-proof the business, analysis must identify where the portfolio is exposed to disruption.

For consumer groups, this means analyzing evolving tastes (e.g. health and wellness shifts, channel migration) to predict brand obsolescence. For Industrials, it means mapping assets against technological shifts. These “leading indicators” provide the early signals required to pivot the portfolio before value erodes.

Establishing “true” profitability (internal separation)

Before making strategic decisions, management needs a single source of truth. By overlaying full cost allocations to create a “shadow P&L,” corporates can simulate standalone performance. This internal separation reveals whether an asset is a self-sustaining value driver or is being propped up by the corporate center — a key input for the “keep vs. divest” decision.

The right cadence: Stability vs. agility

Strategic portfolio reviews should not be a quarterly distraction that destabilizes business units. We recommend a dual-speed approach:

- Quarterly: Light-touch monitoring of financial health and key operational KPIs.
- Annual: Deep-dive strategic reviews challenging the “Best Owner” status and long-term fit.

This ensures assets have the stability to execute their plans while ensuring the portfolio strategy remains agile enough to react to market signals.

Source: KPMG Analysis.



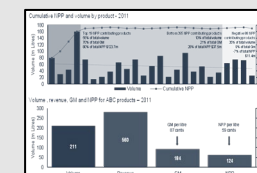
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Example data driven portfolio performance analyses



Asset/BU level performance

- Combine financial profitability (ROIC, margin) with market health scores (brand relevance, innovation velocity) to identify assets that are profitable today but strategically challenged.

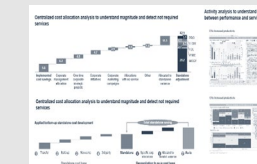


Portfolio optimization



Cost allocation analysis

- Create a ‘synthetic’ or ‘shadow P&L’ to reveal standalone economics. Identify stranded costs and corporate subsidies that distort true asset performance.

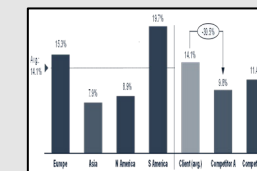


Centralised cost allocation analysis



Asset/BU benchmarking

- Benchmark against peers on both efficiency (cost, yield) and future readiness (R&D spend, digital maturity) to inform turnaround, internal separation or divestment decisions.

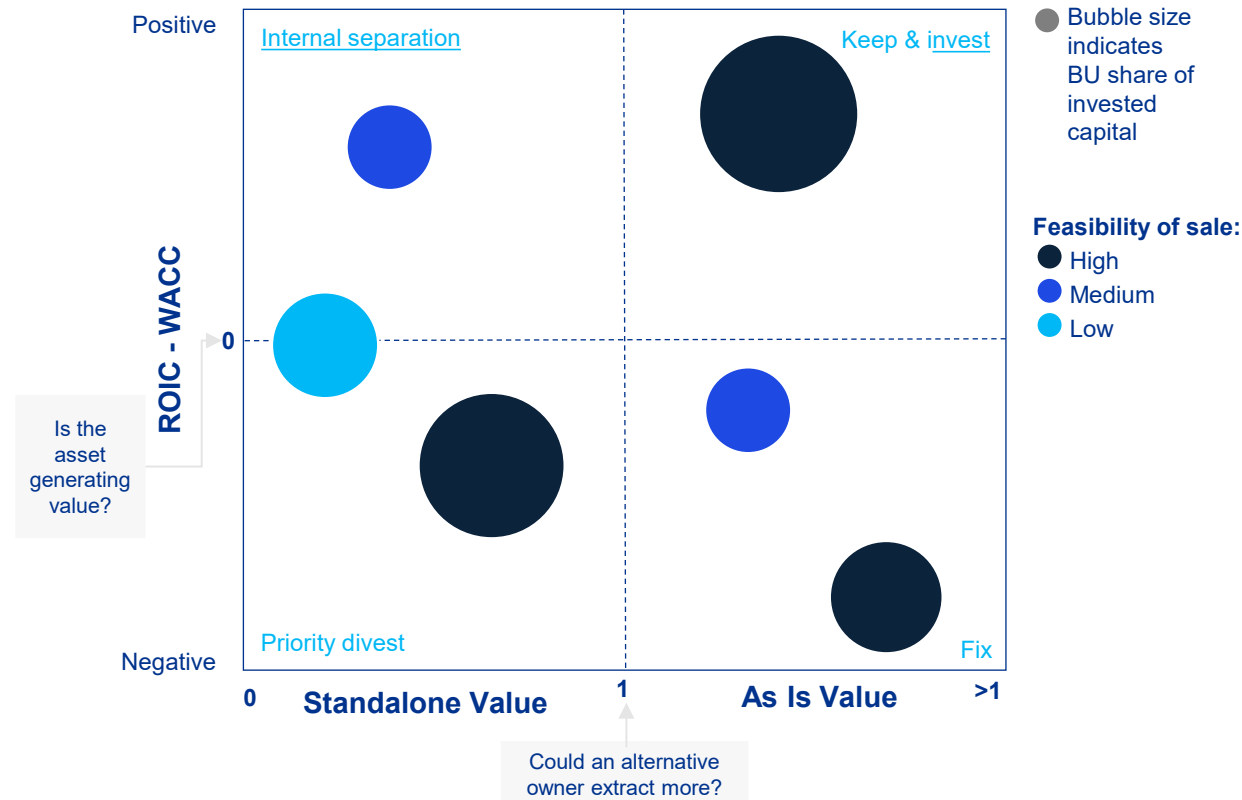


Asset performance benchmarking

Dynamic portfolio reviews: The 'best owner' test

Keep or divest decisions start with two questions: (1) Does the asset beat its own cost of capital? (2) Are we the best owner?

Illustrative framework for portfolio review



Reading the chart

We've set out here a framework for making portfolio divestment decisions, with each bubble representing a portfolio company:

- **Value creation/Vertical axis:** Is the asset generating returns above its cost of capital? (ROIC > WACC)
- **Best ownership/Horizontal axis: I.e. size:** What share of group capital is invested in this BU?

The resulting quadrants:

- **Priority divest:** Value eroding and worth more to someone else.
- **Internal separation:** Value positive but derives little benefit from the corporate center. In these cases, the best move isn't always to sell immediately. Instead, corporates can execute an internal separation, carving out the asset operationally and financially while retaining ownership. This forces P&L transparency, removes corporate overhead drag and creates the "standalone discipline", while preserving optionality to sell or spin-off later.
- **Fix:** Value negative yet hard to sell.
- **Keep:** Outperforming under current ownership.

From theory to the starting line

This framework is not an academic exercise; it is the qualifying heat for the relay. Once an asset falls into the "priority divest" or "internal separation" zones, the focus must shift immediately from theoretical valuation to operational readiness (the focus of the rest of this paper).

Source: KPMG Analysis.

Note: A numerical quantification positioning re As Is v Standalone Value could be calculated based on the ratio of: (a) estimated enterprise value within the group (e.g. using the Group's EBITDA multiple) and (b) estimated third-party value (e.g. using a market multiple for similar assets).

Embedding value creation into your portfolio strategy

Transforming portfolio reviews from tactical checkpoints into long-term value roadmaps. Providing assets with an “optimization runway” prevents value destruction.

Knowing which assets to divest and when requires a long-term view

Case study example:

The challenge: A global consumer conglomerate identified a sub-segment of brands that were diluting overall Group ROIC.

The tactical trap: The immediate instinct was to sell quickly to stop the margin bleed. However, a “fire sale” of underperforming assets would have crystallized a significant loss in value.

The strategic solution: Instead of an immediate sale, management used the portfolio review to define a value creation roadmap. They treated the unit as an “internal separation,” allocating 18 months to execute specific efficiency levers (SKU rationalization and overhead reduction) that the group had previously neglected.

The result: By giving the asset a “second chance” to prove its standalone economics, the company eventually divested the unit at a higher multiple than the initial as-is valuation.



Source: KPMG Analysis.

Common static approach (tactical)

Approach

Incident-led and reactive:

- Focuses on fixing immediate issues. Often serves to “rubber stamp” divestment decisions already made by management. “Should we sell this underperformer”.
- Focused on known underperformers rather than a holistic assessment.

Timing

Immediate action

- Infrequent, triggered by crisis or buyer inbound.
- Assets are identified and sold immediately (as-is), often in distress, leaving value on the table for the buyer to unlock.

Mindset

Defensive

- Selling only when there is no other choice; bias towards hoarding assets.
- Protective divestment decisions.

Dynamic, long-term roadmap (strategic)

Forward-looking

- Asks questions: “Does this asset belong in our future?”, “What is the value potential of this asset?” and “Are we the best in satisfying consumer demands?”
- Biases mitigated through objective, transparent process and clear metrics.
- Ongoing tracking of performance improvement initiatives (particularly for assets in the “fix” or “monitor” categories).

Allows for optimization runways

- Build into reporting and budget cycles.
- Continually refresh analysis with relevant internal and external data, and trends.
- Identifies candidates 18-24 months early, creating a lead-time to fix stranded costs and lift EBITDA before the sale process launches.

Value first

- “Second chance” mentality: Fix the asset first via internal separation, then decide to keep or sell based on the new baseline.
- Incentives aligned to return on invested capital leading to value creative divestment decisions.

Building corporate portfolio optimization capability

Building the right capability with corporate development teams requires consideration of a variety of different levers related to the M&A process.

Division/Industry

Establishing how the team is organized internally by capabilities and specialization

Division/Industry
(i.e. FMCG, LSHC)

Geography
(i.e. US, ASPAC, etc.)

Strategic priority
(i.e. M&A, partnerships)

Organization in deal lifecycle

Establishing when in the deal to bring the value creation capabilities and the role of those in the process

Portfolio analysis
(i.e. performance tracking)

Deal
(i.e. DD and negotiation)

Post-deal
(i.e. 100 days, Ops team)

Capability development

Defining which capabilities are internally developed vs. what comes from suppliers

In-house
(i.e. sector, function)

External
(i.e. deal, specialized)

Expert Network
(i.e. SME, operator)

Process and governance

Establishing the level of systemic implementation and scalation mechanisms

Processes
(i.e. BP dev, value creation DD)

Governance
(i.e. conflict, escalation)

Incentives
(i.e. performance)

Your questions answered (1 of 2)

We set out below the common Consumer & Retail portfolio strategy questions we are asked most often, together with our perspective.

How do leading Consumer & Industrials sellers maximize value from carve-outs?

We see leading Consumer & Industrials sellers using portfolio reviews as a capital allocation tool, not just a transactional step. Companies with mature M&A and strategy teams have an end-to-end roadmap that links portfolio evaluation, brand strategy and separation readiness. This includes clear articulation of the equity story, cost of capital discipline and operational disentanglement planning.

Rising input costs, shifting consumer preferences and ongoing supply-chain volatility have made portfolio agility critical. The strongest sellers build optionality early, identifying which brands or formats could create greater value under alternative ownership.

How are leading Consumer & Industrials businesses evaluating their portfolios?

Consumer & Industrials groups are redefining core product lines to strengthen margin resilience and maintain relevance amid changing consumer trends, tariff shifts and cost inflation.

A few leading practices include:

- **Competitive benchmarking:** Assessing brands versus discounters and private labels across market share, retailer margin pressure and pricing power.
- **Return on invested capital:** Evaluating returns from brand and format investment relative to WACC and lifecycle stage.
- **Operational footprint:** Reviewing sourcing, logistics and regulatory complexity to optimize cost and responsiveness.
- **Market signals:** Using leading indicators (e.g. commodity cycles, shift to EVs/electrification, health trends) to predict asset obsolescence.

What indicates a divestiture might be right for an asset?

Typical divestiture signals in Consumer & Industrials include:

- Brands or SKUs that no longer align with portfolio architecture or retailer strategy.
- Assets where in-group value is below likely standalone or buyer value, due to synergy potential elsewhere.
- Units facing structural cost inflation or channel conflict (for example, D2C overlap with wholesale).
- Categories experiencing declining innovation velocity or share erosion from private-label competition.
- High-capital or working-capital intensity compared with group alternatives.
- Categories subject to disruption from upstart brands or dynamic consumer trends.

Your questions answered (2 of 2)

We set out below the common Consumer & Retail portfolio strategy questions we are asked most often, together with our perspective.

How should companies decide which assets to carve out?

We recommend combining analytical rigor with practical separation readiness, as we have set out in this paper.

Companies should map their brands and business units by ROIC spread versus ownership fit, then test feasibility: IP ownership, trade-term novations, co-manufacturing options and data disentanglement.

Underperforming or non-core units that dilute focus and capital efficiency often become carve-out candidates. The goal is a capital-light end state where retained assets compound faster and carved-out units realize greater value under new ownership.

What are the typical pitfalls that Consumer & Industrials sellers fall into and how can these be overcome?

The most common pitfall is ignoring structural warning signs and holding assets until they are in terminal decline.

C&R portfolios are currently facing a “hollowed-out middle” (K-shaped demand) where heritage mass-market brands are being squeezed by the growth of private label at the value end and specific wellness/premium challengers at the top. Additionally, increasing ESG and sustainability requirements are turning older, capital-intensive manufacturing footprints into stranded liabilities.

Sellers often fall into the trap of “inertia,” hoping these trends will cycle back. To overcome this, corporates must identify these structural headwinds early and divest mid-tier assets before the margin squeeze becomes visible in the P&L, selling a platform with potential rather than a “fixer-upper” in decline.

Preview:

Carve-out strategy

2

Carve-out strategy: Knowing your options

Decide the structure and separation play up front. These two calls set up the order, the pass and level of work you bring forward.

In this leg of the carve-out relay, we present the predominant carve-out structures and approaches and provide some key guideposts in determining the carve-out structure and selecting the optimal approach to achieve the carve-out strategy.

Building value into the design of your carve-out starts with making informed decisions on structure and approach and formulating a comprehensive carve-out strategy.

Defining the perimeter and addressing the key drivers and purpose of the carve-out will direct you to the best suited structure. In the following leg of our carve-out relay race, we outline the requirements and implications of each potential structure and further present a decision tree to guide you through the key gating questions to address.

Bridging the gap from preferred structure to successful preparation for market requires a holistic evaluation of a number of additional factors in order to determine the optimal carve-out approach.

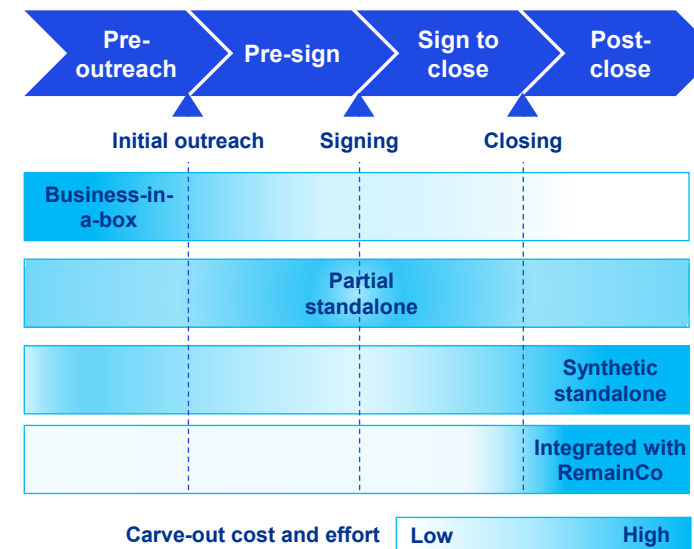
These factors include buyer universe certainty, transaction timeline, entanglement complexity, confidentiality, regulatory/market pressures and experience of the seller.

We outline the key considerations of the four dominating carve-out frameworks through all phases of the transaction and provide detailed definitions of each.

Understanding the playbook, benefits and challenges for each approach can direct you to the best solution in alignment with your priorities (e.g. requirements on cash, focus, speed or optionality) and with the buyer you want across the table.

The carve-out playbook sets the direction for the entire program from both the seller and buyer's perspectives, impacting carve-out financials, potential for value realization, and separation planning and implementation, with cost and effort intensity varying by deal phase depending on the approach taken.

Carve-out cost and effort through deal cycle



Business-in-a-box
A fully autonomous CarveCo entity with all functions included at time of buyer outreach.

Partial standalone
Core functions are carved-out; RemainCo provides support functions to CarveCo at buyer outreach.

Synthetic standalone
Operations are integrated with RemainCo while financials are separated at buyer outreach.

Integrated with RemainCo
Operations and financials are fully integrated with RemainCo at the time of buyer outreach.

[Read more in the Carve-out strategy section](#)



Carve-out strategy

Winning the carve-out relay:
Setting the race plan



KPMG. Make the Difference.

March 2026

Carve-out strategy

It's shocking how little thought or time is often placed upfront on carve-out strategic thinking. Many dive straight into carve-out financials with little thought of the structures and options available. The following insights aim to guide the reader on these choices and which strategic approach to select.

Taking the time to think through carve-out strategy upfront pays big dividends later. There are two critical considerations that need to be weighed early on:

- 1. Monetization route:** How do we best realize value? Do we monetize via the balance sheet (spinning, floating or selling) or via the P&L (internal separation to drive performance)? If we're divesting, which buyer maximizes the premium?
- 2. Approach:** Do we plan to hand over buyers a turn-key business, run partial TSAs or look to keep CarveCo tucked in RemainCo until we have deal certainty or start with a lighter 'Synthetic' separation to test performance while maintaining ownership?

Understanding these factors and getting the related strategic calls right early, enables the next steps — carve-out financials, equity story and separation planning — to go a lot more smoothly with more value created for the seller.

Skip this step and you'll likely leave value on the table or worse, end up with a failed divestiture and disgruntled CarveCo management team. The following commentary gives you the insights to make the right decisions.

Insights



01 Understanding the strategic path and carve-out structure

[Read more](#)

02 Identifying your optimal carve-out structure

[Read more](#)

03 Carve-out approaches at a glance

[Read more](#)

04 Approach definitions and trade-offs

[Read more](#)

05 Picking a winning playbook

[Read more](#)

Understanding the likely buyer and carve-out structure

Start with the lane you will run in, e.g. public vs private. There are eight forms of carve-out structure, and each lane is dependent on the nature of the buyer and different strategic goals. The following page provides a logic tree to help to identify likely structure. Carve-outs structure often informs optimal carve-out approach, so we think it's best to start here.

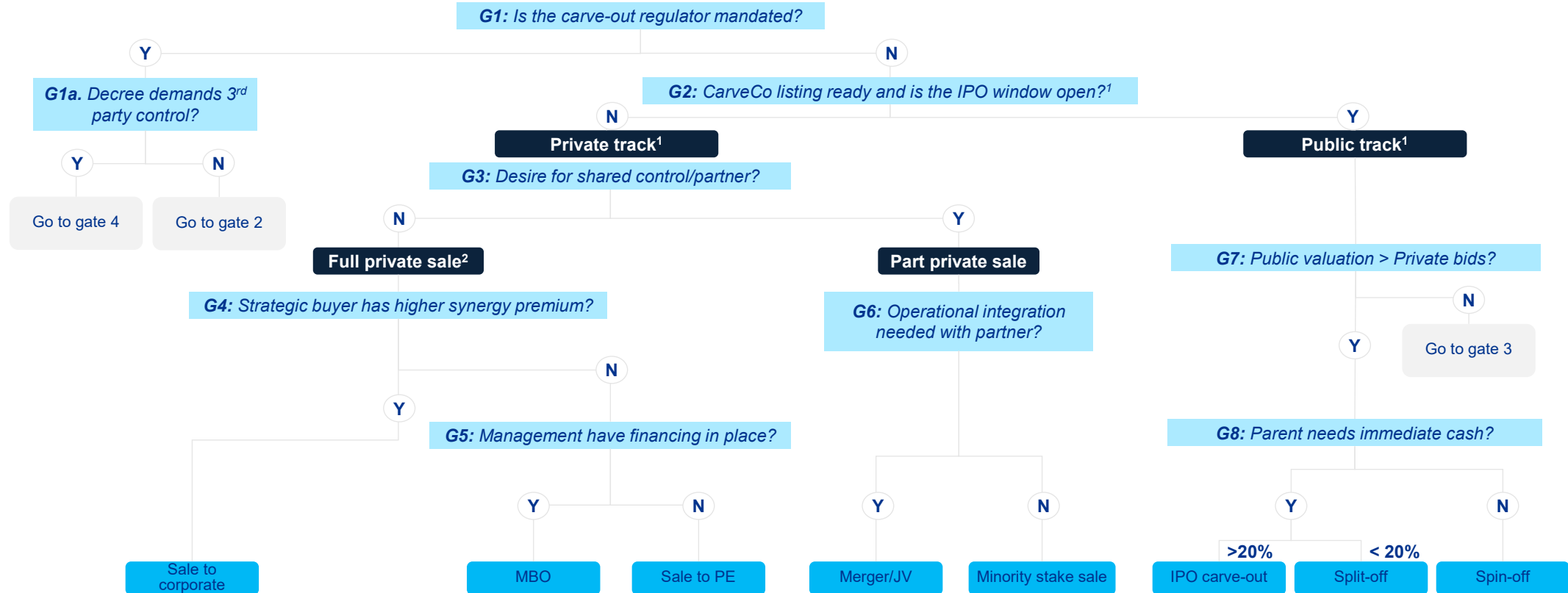
Path	Structure/Buyer	The play (what and why)	Key trade-offs
Internal	0 Internal separation	Operational isolation within the Group. Optimizes the asset for P&L performance rather than immediate sale. Creates transparency and a “shelf-ready” option for the future.	<ul style="list-style-type: none"> No upfront cash. Requires discipline to enforce separation without a legal buyer.
Public track	1 IPO carve-out	Float a minority stake (e.g. 20 percent). Raises cash while parent retains majority control. Establishes a market valuation mark.	<ul style="list-style-type: none"> Governance burden. Requires full public company governance infrastructure (separate management, audit, IR, board, controls, etc.).
	2 Spin-off	Distribute shares to existing shareholders. Tax-efficient exit that lets shareholders decide whether to keep or sell. No IPO discount applied.	<ul style="list-style-type: none"> Governance burden: (As per IPO carve-out) No cash proceeds. Parent receives no capital; value flows directly to shareholders.
	3 Split-off	Share exchange offer. Parent shareholders swap parent stock for CarveCo stock. Accretive to parent EPS (reduces share count).	<ul style="list-style-type: none"> Execution risk. Relies on shareholder uptake; can be complex to market.
Private track — full sale	4 Sale to PE	100% cash exit. Clean break with high execution speed. PE buyers focus on cash flow and standalone potential (not integration).	<ul style="list-style-type: none"> Extensive DD: Focusing on standalone equity story and value creation; seek exit in 5-7 years Incentivizing management: CarveCo management quality is key to negotiate higher valuation. Price sensitivity. PE less like to have synergies; price is capped by financing markets.
	5 Sale to corporate	Synergy premium. Strategic buyers pay the highest price (including synergy value). Best for assets with logical corporate homes.	<ul style="list-style-type: none"> Incentivizing management: Management may be replaced or integrated; less seller involvement post-sale. Entanglement risk. Intense diligence on integration; often slower to close than PE.
	6 MBO	Management buyout. Good for niche assets where continuity is key. Management is highly motivated.	<ul style="list-style-type: none"> Funding complexity. Often requires seller financing or complex debt structures to make the math work.
Private track — part sale	7 Minority stake sale	Sell <50 percent to a partner. Raises cash while keeping control. Brings in a partner for capital or expertise (e.g. entering a new region).	<ul style="list-style-type: none"> Misalignment. Governance rights can paralyze decision-making if strategies diverge.
	8 Merger/JV	Combine assets for scale. Synergy play without a cash exit. Creates a larger, stronger entity for a future exit.	<ul style="list-style-type: none"> Loss of control. “Merger of equals” issues; difficult to exit if the partnership sours.

Source: KPMG Analysis.



Identifying the optimal carve-out structure

Use the below logic tree to predict the buyer and transaction format. Eight gating questions lead you to the mostly likely outcomes. Understanding this is critical to determining the carve-out approach. Companies often prepare for dual public and private tracks, based on market valuations and 'IPO windows.' This requires accommodating the lowest common denominator, with public track optionality needing a 'business-in-a-box' approach to carve-out (see remainder of this chapter).



Notes:

¹ It is not uncommon for companies to prepare for a dual public and private track process — dependent on relative valuations in public and private markets, 'IPO windows' and so on. In such circumstances the lowest common denominator needs to be catered for, i.e. public track optionality tends to require a business-in-a-box approach to carve-out (see remainder of this chapter).

² Many times sellers may prepare to approach PE and corporate buyers at the start of the process. In such circumstances, the most likely winning bidder archetype needs to be factored into carve-out approach (see remainder of this chapter).

From structure to approach: Key factors to consider

Bridging the gap from preferred structure to successful preparation for market outreach requires a holistic evaluation of a number of additional factors in order to determine the best carve-out approach to maximize seller and CarveCo value potential.

Selecting the optimal structure is just the beginning of the journey towards a successful carve-out. Carefully evaluating a number of other key factors (outlined right) enables you to make an informed decision on the most suitable carve-out approach, maximize deal value and ensure a smooth transition.

Where the carve-out and deal structure is certain and the likely buyers known, the CarveCo target end state is more defined and 'best' carve-out approach more obvious. If there is uncertainty or optionality in the deal, carve-out structure and/or buyer universe, the CarveCo end state can be more ambiguous and other factors such as timeline, confidentiality, complexity and seller experience and bandwidth will have more influence on the approach chosen.

For example, business-in-a-box is recommended where there is certainty of a public track carve-out and considered favorably by PE buyers with no bolt-on plan, as it provides the highest degree of certainty on CarveCo value and least post-sign separation time and effort to buyers. This approach can consume significant seller time, effort and cost, therefore is unlikely to be advised in less certain deal scenarios.

Unknown or strategic buyers can vary significantly in deal rationale, synergy potential and integration plans, therefore less pre-outreach separation could be more appropriate to avoid disruption to business and limit seller cost and effort, which may not ultimately be value accretive to the deal. The approach chosen in these cases is more dependent on the current state model and carve-out complexity.

Experienced sellers with allocated resources may be more inclined to proactively steer the separation efforts upfront, whereas less experienced sellers with financial or resource constraints may opt for integrated or synthetic standalone approaches to await the buyers lead on separation planning and implementation.

On the following pages we provide an overview of each approach.

Every carve-out scenario will be influenced by different internal and external factors to varying degrees and there is no one-size-fits-all solution to the carve-out approach. Below represents some common influencing factors.

Factors influencing approach

Deal structure (asset/equity) and likely buyers

Transaction perimeter

Confidentiality/sensitivities

Carve-out complexity and level of entanglement

Transaction timeline

Experience and bandwidth of seller

Regulatory and market pressures

Carve-out approaches

Business-in-a-box

A fully autonomous CarveCo entity with all functions included at time of buyer outreach.

Partial standalone

Core functions are carved out. RemainCo provides support functions to CarveCo at buyer outreach.

Synthetic standalone

Operations are integrated with RemainCo while financials are separated at buyer outreach.

Integrated with RemainCo

Operations and financials are fully integrated with RemainCo at the time of buyer outreach.

Carve-out approaches at a glance

Each carve-out approach has different benefits and tradeoffs throughout the deal process. We have summarized these below with further details of the four approaches on the following pages. In essence, the choices result in faster sprints at the start, middle or end.

Status at outreach →

		Business-in-a-box	Partial standalone	Synthetic standalone	Integrated with RemainCo
		A fully autonomous CarveCo entity with all functions included	Core functions are carved-out; RemainCo provides support functions to CarveCo	Operations are integrated with RemainCo while financials are separated	Operations and financials are fully integrated with RemainCo at outreach
Deal phase	Consideration ¹				
Pre-outreach	1 Preparation effort	○	◐	◑	●
	2 Up-front carve-out cost	○	◐	◑	●
	3 Buyer-universe flexibility	◐	◑	◒	◓
Pre-sign	4 Double running cost risk	○	◐	◑	●
	5 Valuation uplift potential	●	◐	◑	○
Sign to close	6 Signing to close speed	●	◐	◑	○
	7 Post sign disentanglement effort	●	◐	○	○
Post-close (Day 1 onwards)	8 Day 1 operational independence	●	◐	○	○
	9 Reliance on seller TSAs	●	◐	◑	○
	10 Speed to buyer synergies	◐	◑	●	●
	11 Seller stranded cost risk ²	●	◐	○	○

Note: ¹Ratings may vary depending on specific deal context and seller buyer dynamics. Refer to Appendix for detailed rating rationale; ²In addition to stranded costs, TSA and dis-synergy costs are common carve-out costs that the seller should consider.

Key Worst ○ ◐ ◑ ◒ ◓ ● Best

Intercompany (Service) Agreements (ICAs) →



Carve-out approach: Business-in-a-box

CarveCo is fully separated at initial outreach and subsequently transferred to the buyer or listed as a standalone entity unencumbered by operational, managerial or financial entanglements post-close, i.e. do more before the gun goes off and run the hard yards early, leaving an easier finish.

Definition

Business-in-a-box approach requires the seller to set up the CarveCo as a fully independent company at initial outreach without ongoing seller support.¹

When setting up CarveCo, the seller can implement prioritized value creation initiatives across revenue, cost, cash and capital levers to optimize the business for the best valuation and demonstrate positive momentum against the standalone business plan.

Use cases

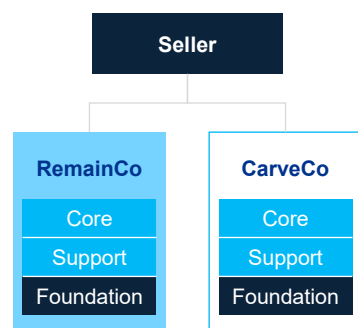
- ü Known IPO or spin-off
- ü Divestiture auction that involves multiple PE bidders
- ü Seller lacking bandwidth for long TSAs
- ü Carve-out of a peripheral business unit
- ü Regulatory or market pressure for quick independence

Trade-offs

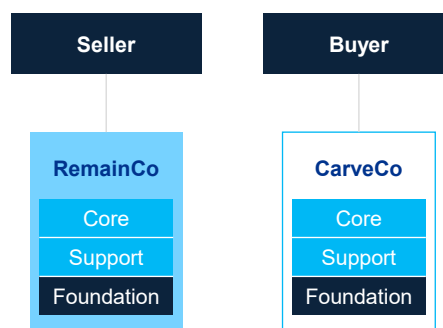
- ! Seller proposed structure and valuation may become irrelevant/less attractive if buyer's universe is uncertain
- ! Overlooking potential buyer synergies could result in redundant structure
- ! Risk of copying or transferring seller model/inefficiencies into the CarveCo
- ! Separating highly-entangled operations can disrupt business continuity
- ! May require significant seller resources and experience to implement the separation
- ! Potential for high implementation and double running costs pre-close

Structure at a glance

Initial outreach



Post-close



Key Separate BU/entity In-house capability Defined perimeter Supported capability

Business and operating model

Prior to deal close, the complete business, operations and foundational infrastructure are in a standalone legal entity/group. The seller executes full separation pre-outreach:

- Completed transfer or hire staff to CarveCo
- Established own governance, policies and procedures in CarveCo
- Migrated data and applications to CarveCo IT infrastructure
- Transferred relevant assets and contracts or set up new as required
- Established standalone business plan and financial reporting
- Commenced prioritized implementation of value optimization opportunities

Note: ¹Trivial one-time support might be needed from the seller in certain circumstances.

Carve-out approach: Partial standalone

CarveCo operates standalone core functions but relies on RemainCo for certain functions and infrastructure. Full separation time and effort will be dependent on entanglement complexity and buyer profile/requirements, i.e. share the early load so the pace is more even and the finish less frantic.

Definition

CarveCo core business operates independently, while RemainCo provides certain support functions and operational foundations via intercompany agreements.

This approach enables CarveCo to focus on revenue value opportunities while avoiding the build up of a fully separate operating model, providing higher flexibility on deal perimeter and structure. For strategic buyers there is potential for synergy opportunities to be recognized more quickly post-deal.

Use cases

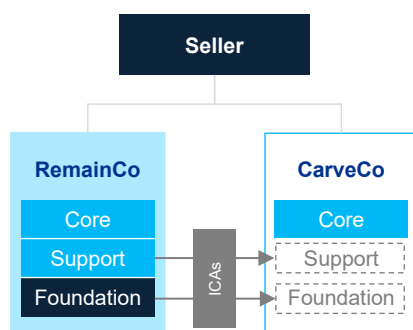
- ü Unknown buyer universe or multiple exit options
- ü Strategic sale with integration synergies
- ü Time-constrained separation
- ü High carve-out complexity
- ü Seller lacking sufficient capabilities to establish fully standalone business

Trade-offs

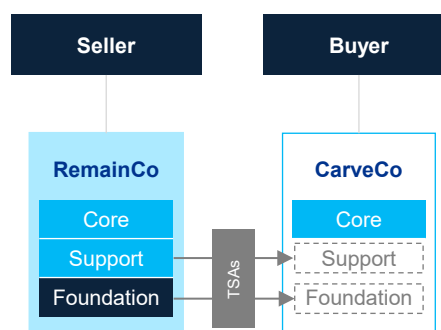
- ! Higher degree of uncertainty of end state operating model — potential for extensive TSA requirements
- ! Dependence on buyer to replace services/infrastructure not within CarveCo perimeter can prolong the transition period
- ! Risks disruption to BAU and longer lead times to realize value upside if transition period is lengthy
- ! Comprehensive people and change management required throughout the deal and transition period
- ! Data segregation and protection for customer and commercial data can be complex to implement

Structure at a glance

Initial outreach



Post-close



Key Separate BU/entity In-house capability Defined perimeter Supported capability

Business and operating model

CarveCo management, core business operations and reporting are separated, while dependency on RemainCo continues for foundation and support functions:

- CarveCo management team and governance structure in place
- Separate core teams and processes transferred/established in CarveCo
- Standalone business plan and financial reporting in place
- Segregated data and applications related to core business processes
- RemainCo provides group/back-office support service provision under ICAs
- Potential reliance on RemainCo IT infrastructure, shared 3rd party contracts, premises, IP, assets, etc.

Carve-out approach: Synthetic standalone

CarveCo continues to operate within the seller's organization but has fully independent financials and reporting workflows, while deferring heavier operational build, i.e. practice under race conditions and put the splits on the board, giving buyers greater confidence.

Definition

CarveCo has a defined perimeter and separately reports financials but remains operationally and organizationally integrated with RemainCo across people, processes, technology, assets and contracts.

The synthetic standalone financials deliver a full cost baseline for CarveCo (i.e. including allocations for shared functions, services, infrastructure etc.), providing more transparency on the business value and accelerating the due diligence process.

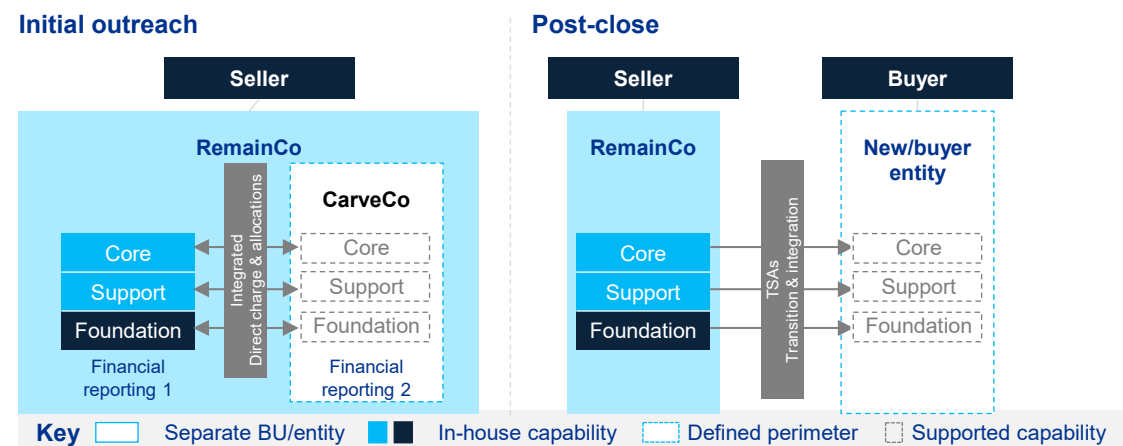
Use cases

- ü Uncertainty in CarveCo value, marketability and/or buyer profile
- ü Need to provide frequent trading updates
- ü High operational entanglement
- ü Pre-deal optimization planned/required
- ü Required by regulators of specific markets or industries

Trade-offs

- ! Will require comprehensive standalone model assumptions to create complete and accurate financials
- ! Likely to incur one-time and double running costs associated with creating separate financial reporting instance
- ! Lack of dedicated management and teams may reduce buyer confidence in the CarveCo equity case
- ! Potential for long transition period with extensive TSA requirements
- ! Protracted period of uncertainty and/or transition increases people and BAU risks

Structure at a glance



Business and operating model

Apart from financial reporting, the day-to-day operations of the business remain unchanged at initial outreach:

- Creation of separate accounts in RemainCo financial systems to report and monitor CarveCo synthetic standalone financials (e.g. profit centers, cost centers, shared cost allocations for complete management reporting and financial statements)
- All other functions and processes are unchanged pre-outreach
- Optionality to move towards partial standalone or business-in-a-box models as the deal progresses

Carve-out approach: Integrated with RemainCo

CarveCo continues to function within the seller's operational environment with no separation implemented pre-outreach, i.e. easy early meters with hard late kick under pressure.

Definition

CarveCo has a defined perimeter pre-outreach but remains operationally integrated with RemainCo with significant shared functions and foundations. There is no standalone financial reporting in place.

This approach involves minimal separation effort and cost up-front but these are pushed into later deal phases and less upside is likely to be recognized in valuations.

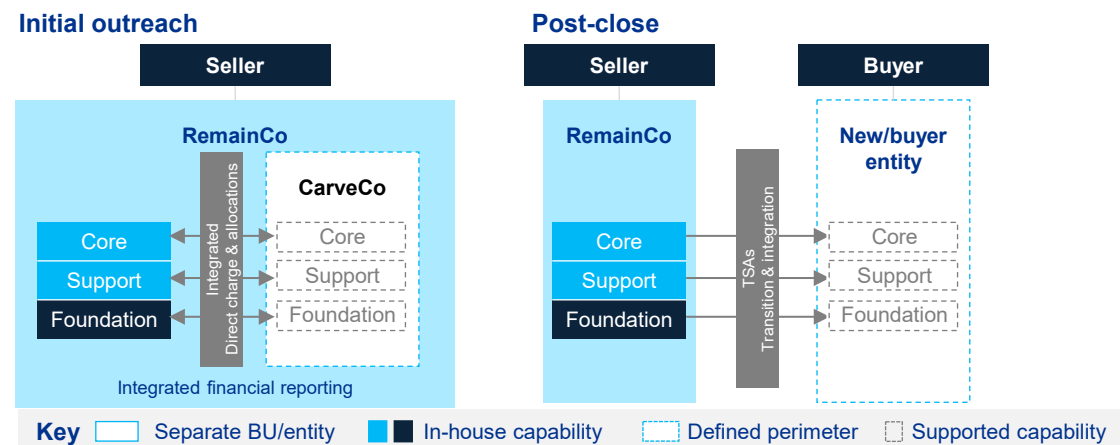
Use cases

- ü Mergers and joint ventures or strategic buyers with high integration potential
- ü Asset deals
- ü Highly confidential/sensitive carve-outs
- ü Uncertainty in CarveCo value, marketability and/or buyer profile
- ü Seller lacks experience, resources or budget

Trade-offs

- ! Highest complexity in preparing CarveCo financials and equity case
- ! Lowest buyer confidence in equity case and least recognition of standalone upside in valuations
- ! Lack of dedicated management, teams and operations can hinder value and separation efforts
- ! Where buyer lacks own infrastructure or functions, potential for long transition period with extensive TSA requirements
- ! Extended uncertainty and/or transition elevates people and BAU risks
- ! Risk of stranded costs and dis-synergies post-deal if not managed upfront

Structure at a glance



Business and operating model

The day-to-day operations of the business remain unchanged at initial outreach, with CarveCo continuing to function within the seller's operational environment:

- All functions are operated by the seller as an integrated business, with limited or no separation implementation until deal sign or close
- Financial reporting is integrated with RemainCo business; fully standalone financials for CarveCo are not available from the financial reporting systems
- From Day 1, likely extensive service provision by seller via TSAs; buyer to determine either carving out the defined CarveCO perimeter into a new standalone entity or directly integrating with its own corporate structure

Carve-out strategy: Choosing the path to value

A carve-out does not always equal a disposal and a carve-out approach can change as thinking evolves, i.e. from a synthetic standalone to a business-in-a-box. The first strategic choice is whether to monetize value via P&L performance (internal separation) or balance sheet proceeds (divestment).

Phase 1: The setup

Internal separation (Typically a synthetic carve-out)

Action: Establish standalone P&L, define perimeter, allocate shared costs and identify value creation levers.

Result: True performance transparency and “clean” financials. This creates immediate value by exposing inefficiencies (“conglomerate fog”).

Path A: Monetize via P&L (retain)

Logic: The asset is strategic, or market offers are below internal valuation. The “internal separation” has improved performance enough to justify keeping it.

Financial impact: Value realized through EBITDA uplift and margin expansion in the corporate P&L.

Operational model: Operate as a distinct business unit with standalone accountability. Maintain “shelf-readiness” for future optionality.

Decision point: Where is the maximum value?
(Is the asset worth more inside or outside the group?)

Path B: Exit and arbitrage

Logic: A buyer will pay a premium (multiple arbitrage) that exceeds the value of keeping the asset.

Financial impact: Value realized through cash proceeds and debt reduction on the balance sheet.

Operational model: Move to structure selection (IPO, trade sale, PE). Move to separation approach (business-in-a-box, TSA, etc.).

Choosing the best carve-out approach

While there is no one-size-fits-all carve-out approach, some tracks can drive higher CarveCo value dependent on the structure. We have outlined a framework below to draw out which approach could be more beneficial for each carve-out structure and why others may be less suitable.

Path	Structure	Likely approaches	Why other approaches drop out
Internal	0 Internal separation	<ul style="list-style-type: none"> • Synthetic standalone • Partial standalone 	<ul style="list-style-type: none"> • Business-in-a-box is rarely chosen because the high cost of duplicating back-office functions (double running costs) cannot be offset by a sale premium. • Integrated with RemainCo fails to provide the transparency and accountability required to drive the “standalone” performance uplift.
	Public track	1 IPO carve-out 2 Spin-off 3 Split-off	<ul style="list-style-type: none"> • Business-in-a-box
Private track—full sale	4 Sale to PE	<ul style="list-style-type: none"> • Business-in-a-box (base) • Partial standalone 	<ul style="list-style-type: none"> • Unless a bolt-on, PE generally lack corporate infrastructure so synthetic standalone and integrated with RemainCo rarely work for larger transactions. • Partial standalone may be accepted if TSA tail is clearly priced and capped.
	5 Sale to corporate	<ul style="list-style-type: none"> • Any of the four approaches, determined via negotiation 	<ul style="list-style-type: none"> • Strategic buyers often prefer synthetic standalone or integrated with RemainCo (quicker close, ability for synergy capture) and alternatively partial standalone (ability to decide integration timeline). • If the seller insists on no TSAs, business-in-a-box may be required.
	6 Management buyout	<ul style="list-style-type: none"> • Business-in-a-box • Partial standalone 	<ul style="list-style-type: none"> • MBO teams rely on ex-parent TSAs so partial standalone is generally the optimal. • Business-in-a-box is often costly but may be preferred when a clean-cut CarveCo is desirable. • Synthetic standalone and integrated with RemainCo are often unworkable due to conflicts once the ownership transfers.
Private track — part sale	7 Minority stake sale	<ul style="list-style-type: none"> • Partial standalone • Synthetic standalone • Integrated with RemainCo 	<ul style="list-style-type: none"> • Seller maintains over 50 percent ownership of the CarveCo, while buyer gains economic stake and partial control. Controls over internal transfer pricing and separation of financial reporting are required. • Business-in-a-box would waste seller’s resources as their majority ownership upholds.
	8 Merger/JV	<ul style="list-style-type: none"> • Synthetic standalone • Integrated with RemainCo 	<ul style="list-style-type: none"> • The two parents agree who will host which functions with phased separation over time. • Business-in-a-box before merging becomes redundant.

Private track - Practical seller posture at outreach tips

- Run PE and corporate buyers in parallel to create price tension.
- Share a concept package: (e.g. baseline Business-in-a-Box; Partial standalone kept as an option).
- Do only no-regrets pre-sign (e.g. perimeter definition, standalone P&L, TSA catalogue with caps, vendor disentanglement, IP mapping).
- Defer heavy lifts (e.g. Tech cutovers, Treasury platforms, HRIS migrations) until signing/confirmatory diligence.
- Pivot the approach during negotiation based on buyer preference and TSA appetite.

Source: KPMG Analysis.



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Your questions answered (1/2)

We've set out below some of the common Consumer & Retail carve-out strategy questions we get asked, together with our perspective.

What are the main steps in developing a carve-out strategy for consumer and retail businesses?

Developing a carve-out in Consumer & Industrials starts with a comprehensive portfolio assessment to identify which business units align with strategic priorities and which dilute focus, as we discussed in our section on Portfolio Optimization. Key steps include:

- **Value maximization:** Identify assets that could realize higher value under alternative ownership, whether through brand divestiture, product-category optimization or supply-chain restructuring. Also consider the opportunity cost of retaining off-trend/slower-growth/lower-margin businesses, particularly in a world of hyper-paced volatility in consumer tastes and trends.
- **Buyer mapping:** Target acquirers whose scale, channel access, product or category adjacency can unlock synergies unavailable to the parent.
- **Transition planning:** Prepare for separation of people, systems and operations with minimal disruption to both buyer and parent.
- **Regulatory readiness:** Address consumer protection, competition law and market-specific compliance from the outset.

How can strategic divestitures enable a brand's innovation engine in a competitive market?

Partial or structured divestitures often accelerate innovation by freeing brands from portfolio constraints. Joint ventures or long-term supply partnerships can enable co-development, faster decision-making and shared R&D investment (e.g. the Clorox-P&G Glad partnership).

In practice, carve-outs can rejuvenate stalled brands by giving them the focus, capital and autonomy to innovate closer to consumer demand.

How can we plan effectively when the buyer is not yet known?

An option-rich carve-out design is best. Define a standalone perimeter that preserves flexibility while maintaining appeal — a perimeter that will organically attract interest and is broad enough to accommodate PE interest but efficient enough for strategic bidders.

Early articulation of transition options and TSA scope signals confidence to the market and protects against stranded costs once the buyer profile emerges.

Should we push separation work pre-sign or rely on TSAs after close?

It depends on buyer type and exit route.

- **IPO or spin-off:** A high degree of standalone operational capability is preferred to ensure investor confidence and regulatory compliance. While limited-duration TSAs are often used for non-critical support functions, the core equity story usually relies on the entity being largely independent at listing.
- **Private equity buyer:** Financial sponsors are generally comfortable with, and often expect, extensive TSAs to bridge operations while they stand up a fit-for-purpose infrastructure. They typically prefer a clean TSA schedule over a “gold-plated” seller-built infrastructure that they may have to replace later.
- **Strategic buyer with in-market presence:** Usually requires the lightest pre-sign separation work. They will often integrate the asset into their own platforms, meaning TSAs are used only to cover specific capability gaps during the integration window.

In essence, balance lead time, TSA risk, and buyer confidence to determine the right point of operational readiness.

Your questions answered (2/2)

We've set out below some of the common Consumer & Retail carve-out strategy questions we get asked, together with our perspective.

What are some areas that need pre-deal consideration while designing the carve-out strategy?

Operational interdependencies, especially in procurement, manufacturing, logistics and commercial areas, are often underestimated. Early mapping of these touchpoints helps ensure continuity of sales, brand presence and consumer engagement.

For example, Consumer & Industrials sellers should verify that:

- Commercial teams can manage trade relationships independently.
- Supply chains and manufacturing arrangements allow uninterrupted fulfilment.
- Marketing and data access plans are in place to protect brand performance through and beyond transaction close.

The goal is to hand over a buyer-ready business that performs on Day 1 and avoids post-close instability.

What trends do you see in the types of carve-out strategy being chosen?

Business-in-a-box was traditionally only used for spins or IPOs, but we are seeing a shift towards greater separation pre-signing as a mechanism to secure standalone cost savings and enhance the sales price, as well as shorten/reduce TSAs for the seller. Shifting the carve-out to a standalone ERP system is a cornerstone of such an approach, although sellers rightfully assess their ability to sell and transform an asset simultaneously.

Likewise, synthetic standalone carve-outs are increasingly being considered. With a greater focus and ability to customize financial reporting systems, the advantages of being able to show updated results on a standalone basis is particularly helpful where deal timelines extend.

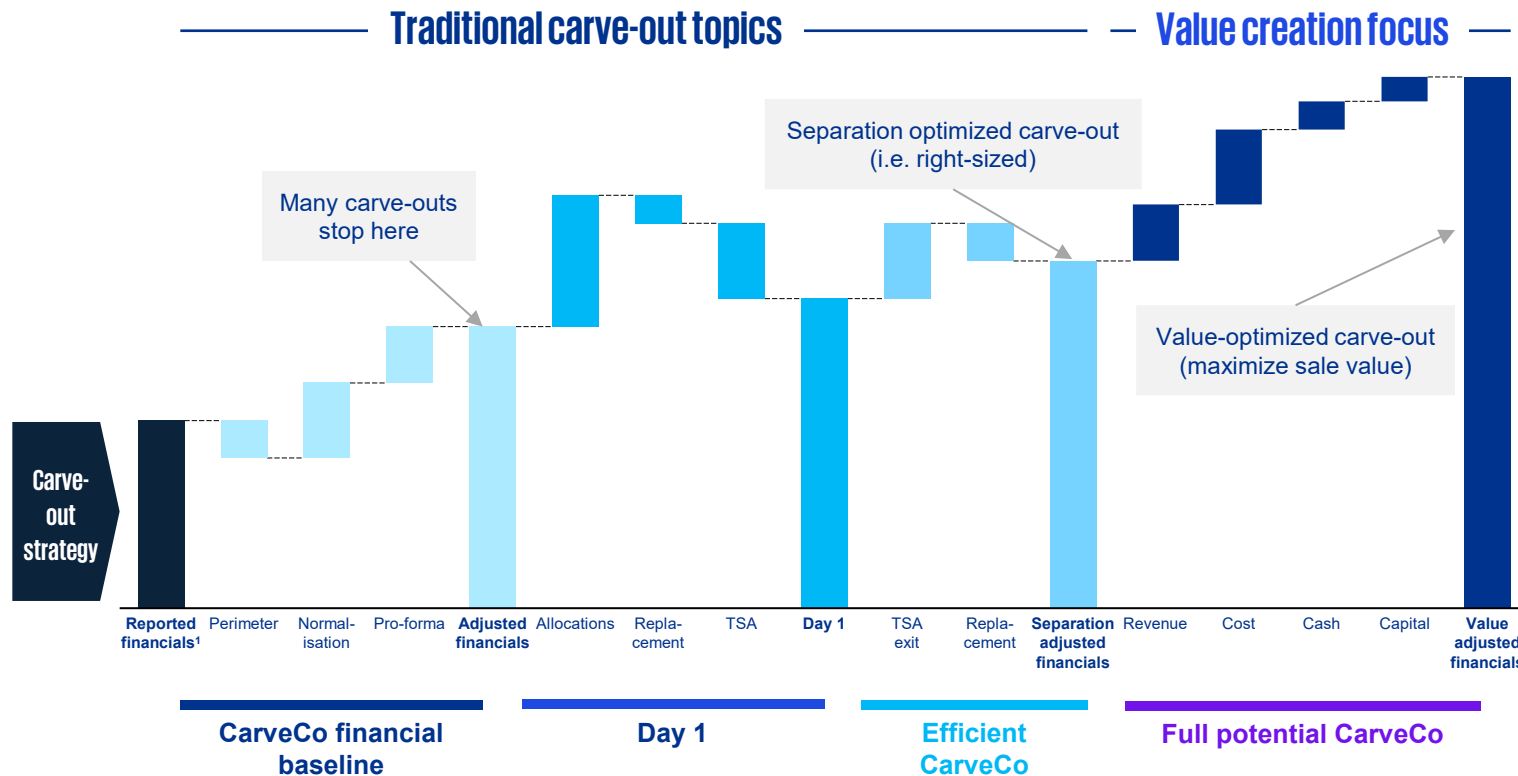
Preview:

Building the value case

3

Building the value case: Getting to full potential

Set the target time first: baseline, upside and the cost to get there all need to be on the board before the gun. Few sellers fully maximize value by articulating a full potential CarveCo. Many stop just beyond the baseline financials, underselling the equity story.



A compelling equity story is shaped by evidencing the strategic value and growth prospects that CarveCo offers, going beyond the financial baseline to showcase the potential for value creation.

Challenging the current cost model is crucial to avoid replicating inefficiencies in CarveCo and leaving value on the table. By critically evaluating existing processes and structures, sellers can quantify and implement opportunities to optimize CarveCo upfront.

By carefully evaluating revenue, cost, cash and capital levers, the carve-out becomes more streamlined and attractive. This helps the seller present a stronger investment case backed by clear financial gains, practical execution plans and measurable progress.

[Read more in Building the value case](#)

Note: ¹Reported financials and the focus metric for carve-out equity valuation depends on business industry, and company lifecycle stage. Examples include Revenue, EBITDA, Gross Profit, Net Profit, Net Asset Value (NAV), Free Cash Flow (FCF).



Building the value case

Winning the carve-out relay: Getting
off to a good start



Building the value case

In this section we outline what it takes to present credible full-potential CarveCo financials, which get factored into a buyer's valuation. Buyers price a clear structured game plan with activities practiced/underway, not a half-hearted warm-up.

Inherently carve-out transactions produce extreme buyer focus on the credibility of the numbers as there are often no 'audited' accounts to rely on. Before any buyer settles on a multiple, they need three proofs: a clean baseline, a credible upside and a realistic cost to get there.

We set out next how to deliver all three, early, so valuation discussions start on the front foot, and sellers get paid for the full-potential.¹

Insights



Note: ¹Refer to appendix for valuation considerations by lifecycle stage and industry of the business.



01 The end game: Achieving the best price

[Read more](#)

02 Going from a traditional carve-out to the full potential

[Read more](#)

03 Embedding value creation from the start

[Read more](#)

04 Proving a value-optimized CarveCo

[Read more](#)

05 How the carve-out approach impacts costs and upside

[Read more](#)

06 Thinking strategically around exit costs

[Read more](#)

The end-game: Achieving the best price

Choose the lane and field early, then run to a story the market can believe in and pay for. The deal needs to be structured from the outset around building a compelling equity story that maximizes offer price.

The foundation: A credible equity story

A carve-out that commands a premium is built around an equity story the market can believe. That means treating value creation as the organizing principle from the first workshop.

The sequence is critical. First, select the deal structure and buyer universe. Next, set a clean perimeter. But rather than simply mapping the “as-is” operations, leading sellers map the “full potential” baseline, stripping out parent noise to show lean, standalone financials.

The financial lever: Multiple arbitrage

Defining this perimeter is the moment to exercise multiple arbitrage.

Every dollar of recurring cost transferred to CarveCo reduces the sale price by the exit multiple (e.g. 10x-12x). However, retaining that cost in RemainCo, even if it becomes stranded, might only cost 1x-2x to fix via restructuring.

The strategy: Aggressively “clean” the CarveCo EBITDA. Sellers should accept higher one-off costs in RemainCo (e.g. severance or contract breakage) to deliver a higher-margin asset to the buyer. The 8x-10x spread between the cost to fix and the value created is the “arbitrage.”

The proof: From promise to price

Finally, arbitrage and upside must be evidenced. If you factor value creation early, you can package the prioritized levers and generate proof of progress. This provides buyers with a bridge from today’s earnings to tomorrow’s cash flows, ensuring they price the deal on the full potential EBITDA, lifting the final enterprise value.

In the following pages, we outline how value creation can be embedded to take you from a ‘traditional carve-out’ to a ‘full potential carve-out’ and how to think about the trade-offs around matters such as dealing with ‘stranded costs.’

EBITDA

The impact on financial performance derived from either top line, bottom line and other efficiency improvements



Multiple

The impact on your valuation multiple derived from the adoption of a different business model or the improvement in governance model of the asset

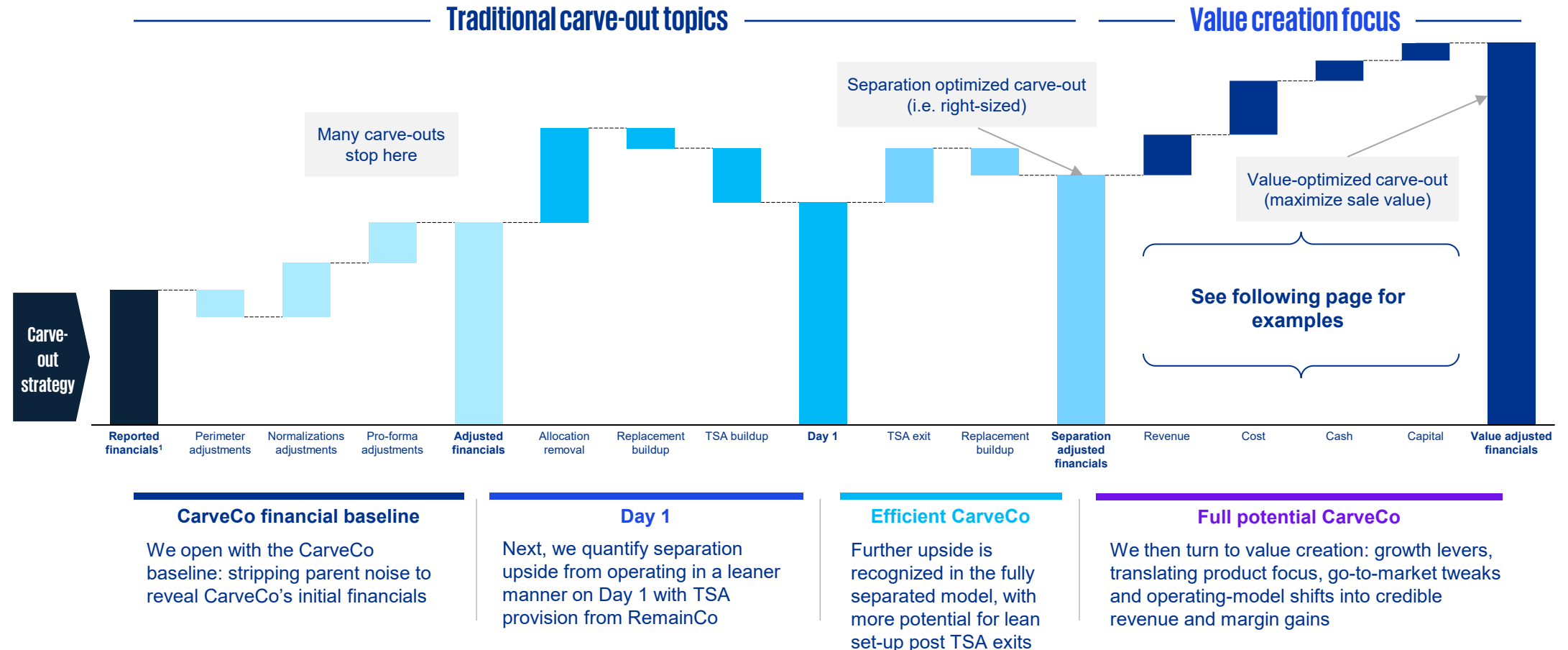


↑ EV

Increase the enterprise value, reflective of your current state and transition to an improved future

Going from a traditional carve-out to the full potential

A value creation mindset needs to be brought in early, so you're not baking in previous inefficiencies to the efficient CarveCo TOM and financials and you're designing with full-potential in mind. Reset the race model so every leg improves.



Note: ¹Reported financials and the focus metric for carve-out equity valuation depends on business industry, and company lifecycle stage. Examples include Revenue, EBITDA, Gross Profit, Net Profit, Net Asset Value (NAV), Free Cash Flow (FCF).

Getting to full potential Carve-Co: Example opportunities

Unlocking full potential means driving profitable growth, improving liquidity and deploying capital with the discipline of a well managed company — capital-light, high-ROIC and low-WACC

Revenue



Drive top-line growth

Pricing optimization

Customer segmentation and personalization

Marketing and promotional efficiency

Localization and channel mix

New category and product expansion

Costs



Improve margins

Store/Brand/Facilities and footprint optimization

Customer/Product/SKU profitability

Sales and operational planning

Structured delayering

Fleet utilization and logistics efficiency

Cash



Release trapped working capital and optimize return on liquid assets

Sales and operations planning

Inventory optimization and SKU rationalization

Payables and receivables discipline

Trade-terms harmonisation

Treasury management and cash pooling

Capital



Become capital light and lower WACC through smarter financing

Capex prioritization and hurdle-rate discipline

Asset rationalization/Sale-and — leaseback

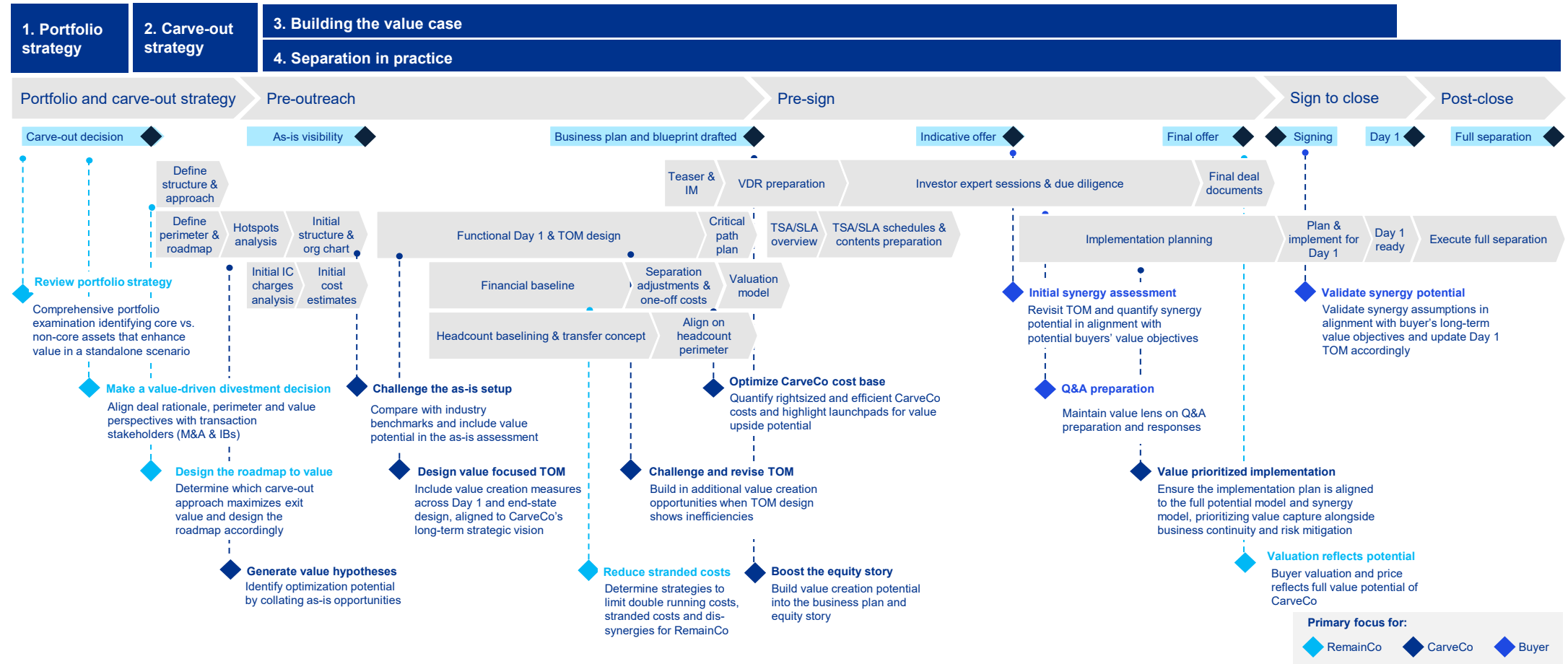
Transition from owned to contract manufacturing

Franchising and partnership-led expansion

Financing optimization (lending terms and rates, etc.)

Embedding value creation from the start

Value creation should be an integral part of the entire carve-out journey across all phases, from portfolio strategy to separation.



Note: This timeline and phasing reflect what we commonly see, i.e. late implementation of value creation actions that should ideally be brought forward. The timing and effort intensity vary by carve-out approach, e.g. 'business-in-a-box' tends to front-load setup, while 'integrated with RemainCo' often defers cost and effort. See chapters 2 and 4 for further discussion.

Proving a value-optimized CarveCo

Identify, quantify and prioritize all value opportunities across revenue, cost, cash and capital levers, and take demonstrable steps to implement priority initiatives. Evidence beats promise; benchmark, size, assign and track so buyers can credit pace, not just theoretical potential.

Our end-to-end value creation methodology and analytics platforms help rapidly identify, quantify and prioritize opportunities to help get to a full potential CarveCo at deal speed.

To maximize CarveCo's enterprise value, sellers need to look beyond basic efficiency improvements and pinpoint where CarveCo lags best-in-class, providing quantified, prioritized improvement opportunities backed by supporting evidence and implementation plans.

Start by benchmarking revenue, cost, cash and capex to identify where CarveCo trails best-in-class. Quantify each gap with data and stress-test assumptions with experts. Rank the list by value, risk, complexity, and execution speed and cost, then focus on the handful a buyer will pay for that can be evidenced pre-deal.

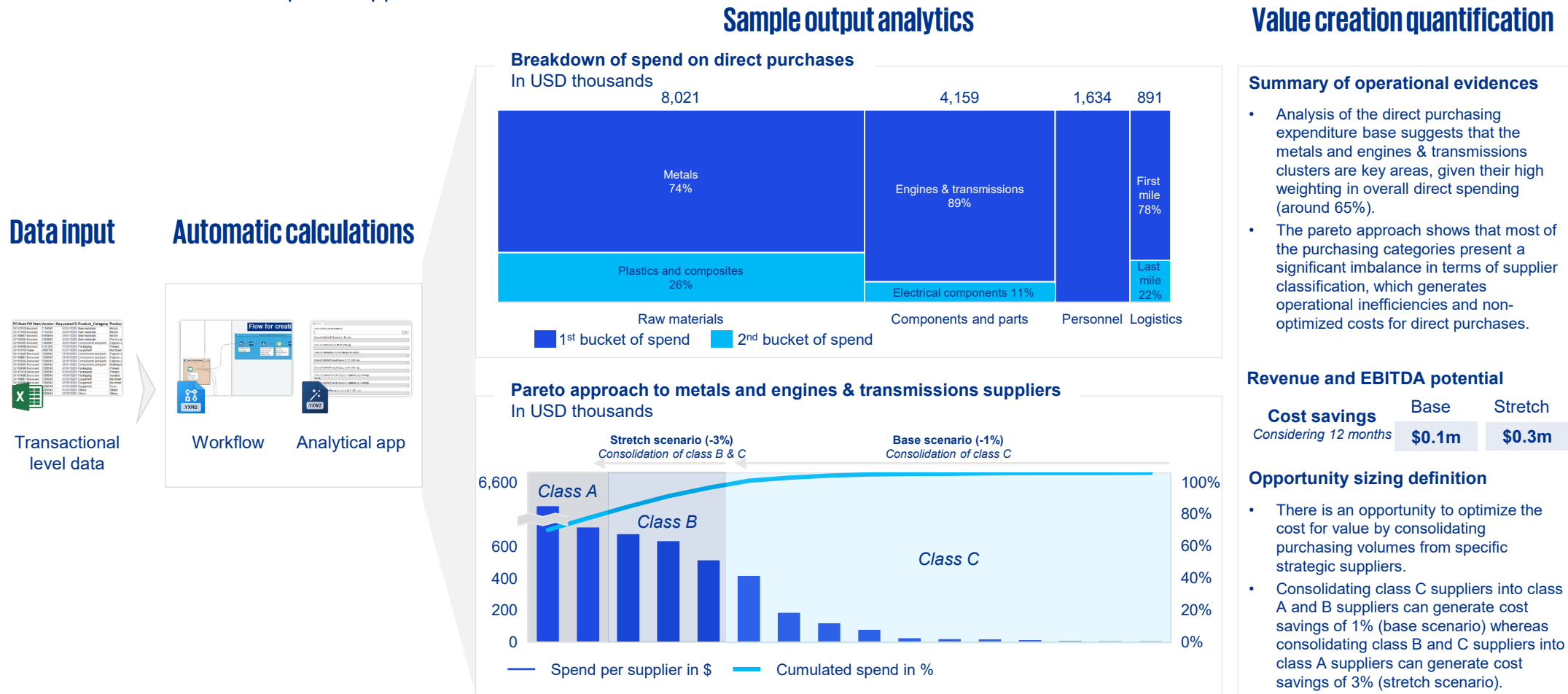
Finally, put the chosen levers on an implementation tracker, including owner, budget, KPI and timeline, and feed the numbers into the equity model. Buyers reward upsides they see progressing; everything else prices in at a discount, especially if not evidenced.

	Identify	Quantify	Prioritize	Implement
What you do	<ul style="list-style-type: none"> Scan potential revenue, cost, cash and capex levers. Benchmark CarveCo baseline vs. peers 	<ul style="list-style-type: none"> Size each lever with internal and external data Stress-test levers with SMEs and management 	<ul style="list-style-type: none"> Score by value, risk, complexity, time, credibility and cost/resources to implement 	<ul style="list-style-type: none"> Sequence the short list into a road map Assign owners and KPIs
Output	<ul style="list-style-type: none"> Long-list of value ideas and initial hypotheses 	<ul style="list-style-type: none"> Long-list, now costed and sized 	<ul style="list-style-type: none"> Short-list ready for equity story 	<ul style="list-style-type: none"> Evidence of initiatives underway; increased credibility

Decoding value creation

Proving a value-optimized CarveCo

Below is an example illustrating the application of KPMG’s value creation analytics to evaluate and quantify the supply chain optimization opportunity identified in an automotive parts supplier business.



What to optimize pre-divestment

The quality of evidence has a huge impact on whether an upside makes it into enterprise value estimates. Identified upsides translate into price only if they are credible: optimize what you can prove. Run what you can now, keep momentum where it's in-flight and signal the rest.

Before you launch value creation initiatives, prioritize where to put your energy and cash:

- 1. Optimize now:** Standalone costs that disappear on Day 1 and any 'ways-of-working' fixes you can implement quickly. The best proof sits in realized numbers and buyers often price these almost dollar-for-dollar.
- 2. Keep the engine running:** Transformation programs already in flight (new systems, footprint shifts, automation sprints) carry momentum and credibility, especially for financial buyers. Maintain funding and timelines; with milestones and KPIs in hand, buyers will credit a good share of the upside.¹
- 3. Signal, don't spend (yet):** Ideas still on the whiteboard that need more evidence. Flag them as post-deal options and avoid burning cash pre-sale.

Use the table to judge the hit-rate: the higher the proof, the higher the valuation credit.

Description	Priced in % ²	Evidence required	Usually included in
Standalone upsides: Operations not required by a standalone business such as reporting to group or specific group requirements	70-100%	Detailed presentation of standalone implications and their quantification in terms of either cost or FTEs. Upsides reflected in proposed TOM for business being sold	Day 1 Efficient CarveCo Full potential
Ways of working upsides: Specific requirements imposed by the group that might not be necessary from the perspective of the buyer	70-100%	Detailed presentation of current seller ways of working implications and quantification in terms of potential upside or organizational structure	Day 1 Efficient CarveCo Full potential
Ongoing initiatives upsides: Currently undergoing transformation initiatives with clear revenue/cost targets for which initial results could be showcased	30-70%	Detailed presentation of current initiatives, including delivery targets, status and implementation plans going forward. Detailed investment case behind capex investments and implementation plans	Day 1 Efficient CarveCo Full potential
Identified/not-delivered upsides: Analyses presented to the buyer on potential areas of improvement for which no implementation has yet been started or no results could be displayed	0-30%	Detailed presentation of analyses leading to identified upsides. If identified upsides in this category are material, possibility to extend timeline and move some of these upsides into the previous category	Day 1 Efficient CarveCo Full potential

Notes: ¹In the case of strategic buyers, consider if in-flight transformation programs overlap potential synergy areas, as more benefit may be realized from halting the program and saving on the implementation cost, e.g. new systems implementation when buyer may choose to transition CarveCo onto own systems. ²KPMG in-house view. Estimate and situation dependent.

How approach impacts costs and upsides

Pick the race plan with your eyes open to value case implications. The four carve-out approaches each come with distinct financial impacts and trade-offs for both CarveCo and RemainCo, which we have summarized below.

Areas	Considerations	Business-in-a-box	Partial standalone	Synthetic standalone	Integrated with RemainCo
Carve-out financials	1 Confidence in financials/valuations	●	◐	◑	○
	2 Cost allocation removal accuracy	●	◐	◑	○
	3 Standalone efficiency opportunities	●	◐	◑	○
	4 Standalone value creation	●	◐	◑	○
	5 Seller value creation execution	●	◐	◑	○
	6 Ease to buyer synergies	○	◐	●	●
One-off costs	7 Seller-incurred one-off costs	○	◐	◑	●
RemainCo costs implication	8 Seller double running costs	○	◐	◑	●
	9 Seller stranded costs	●	◐	○	○
	10 Seller dis-synergies	◐	◐	○	○

Expect **highest value uplift** in recognition of full potential CarveCo. Seller incurs **highest one-off and double running costs**, but has more control over implementation to manage out/down stranded costs and dis-synergies prior to Day 1

Confidence in and recognition of the carve-out upsides and cost is **highly dependent on the perimeter and degree of pre-deal separation** in the partial standalone scenario

High confidence in CarveCo financials given formal reporting in-place, but limited implementation may reduce buyer recognition of efficiency and optimization potential

Expect **lowest recognition of full potential**, given high degree of assumptions. Can provide **fastest path to synergies** with strategic buyer. Limited capacity to address stranded costs and dis-synergies until post-deal

Key

○
Worst

◐

◑

◒

●

Best

Thinking strategically around exit costs

Do not win CarveCo and lose RemainCo. In parallel to setting up an optimal CarveCo, sellers need to maintain focus on the RemainCo strategy and the carve-out implications on the remaining business and operating model and cost base.

While optimizing CarveCo to build a compelling equity story is essential, it's equally important to consider the implications for RemainCo as a result of the carve-out.

In addition to the one-off costs associated with a carve-out, RemainCo could face an increase in recurring costs if not effectively managed. Some of these costs are likely to occur during the transition period pre and post-close to full separation (e.g. double running costs), while others may remain with the seller post-close and take longer for the business to address, if at all (e.g. dis-synergies).

Sellers should capture the momentum of the carve-out as a catalyst to reduce stranded costs quickly and re-examine their cost base more broadly. Dis-synergies, which take longer to address, can often be reduced or mitigated through early identification and planning.

RemainCo cost implications



- **Double running costs:** Costs incurred by both RemainCo and CarveCo prior to deal close due to replicated services, roles, technology, contracts or assets



- **Stranded costs:** Costs that cannot be assigned to CarveCo and stay with RemainCo until actively removed through initiatives such as restructuring, wind-down, contract termination or redundancy



- **Dis-synergies:** Costs that will remain for the foreseeable future and cannot be quickly or easily eliminated, such as executive team salaries and shared contracts (losing economies of scale)

It is essential for the seller to keep focus on RemainCo's strategic goals in addition to CarveCo's in order to weigh up the cost and benefits to each of certain perimeter, operating model and allocation decisions.

For example, reducing allocation of headcount to CarveCo may help achieve an efficient model and cost base, but could leave significant stranded resources and costs within the RemainCo business that the seller would have responsibility for addressing through redeployment or redundancy (which could in turn increase seller one-off costs).

Mitigation strategies

- In the business-in-a-box playbook, some double running costs are unavoidable: 1) ensure CarveCo Target Business & Operating Model (TBOM) optimally designed to reduce cost build up; and 2) aim to execute the transaction quickly to limit the period of double running. In other approaches, target clean cutovers to avoid service duplication periods and incentivize quick exits from TSAs if required

- Throughout the carve-out process consider opportunities to optimize RemainCo in parallel, to limit stranded costs in the transition and post-close phases. Implement rigorous stranded cost controls with assigned accountability within RemainCo. Where feasible rapidly reassign stranded people and services to growth driving business units within RemainCo

- Identify potential dis-synergies during the carve-out process and assign accountability within RemainCo to assess opportunities to reduce or eliminate in-line with the separation roadmap or as early as possible thereafter. E.g. once there is certainty of the transaction, commence renegotiation of shared contracts, consider reassignment of resource capacity to growth/priority business areas within RemainCo

Your questions answered

We've set out below some of the most common questions we get asked on building the value case, together with our perspective and related guidance in this series.

Is it worth spending money to launch initiatives just before sale if the buyer gains the upside?

Yes, provided you can show tangible progress. Buyers typically ascribe value to in-flight initiatives with clear evidence, but almost none to "PowerPoint upside". In our experience, buyers credit 50–70% of proven run-rate initiatives if supported by KPI data and credible NPV. Short payback projects that demonstrate pricing discipline, mix improvement or cost productivity almost always return multiples of the investment.

Does a "full-potential" equity case really lift price vs. a baseline set of carve-out financials?

Yes. Where sellers substantiate a quantified value-creation story, e.g. brand repricing, footprint optimization, procurement leverage, we typically see a 0.5-1.5x EBITDA multiple uplift. The analytics cost to develop proof points is usually less than 1% of deal value and carries a high ROI.

What are typical areas of stranded costs within a Consumer & Retail transaction?

We commonly see stranded costs in shared service centers, procurement and logistics, Tech, facilities and corporate overheads (e.g. HR, insurance, finance, audit and legal). The TSA design should enable partial cost recovery while transition plans focus on reallocation, outsourcing or removal of residual cost.

How do we quantify and eliminate stranded costs in RemainCo?

Build a synthetic RemainCo P&L early, isolate functions without a revenue anchor, then execute a three-step plan: 1) reallocate costs to revenue-generating units, 2) outsource to shared services or third parties, 3) remove obsolete capacity or overhead. Clear owners, timelines and KPIs protect RemainCo profitability and give bidders transparency.

What functional activities tend to best position the target company for a carve-out and enhance deal value?

Front-load moves that shorten buyer time-to-operate include systems separation design and data cleanse, legal-entity and contract roadmaps, supply-chain independence (co-man/3PL), Day 1 organization and retention, SKU rationalization, brand and IP readiness, and trade-terms mapping by key accounts. These raise buyer confidence and often shorten the deal cycle.

What factors should be considered when building the value case for a carve-out in the Consumer & Retail industry?

Prove three things: a clean efficient stand-alone baseline, a quantified and evidenced upside, and a realistic cost and timeline for delivery of the upside.

Quantify all value levers across revenue (e.g. pricing, assortment, channel mix), cost (e.g. procurement, footprint, SG&A), cash (e.g. inventory, receivables, payables) and capital/WACC (sale-and-leaseback, co-man/3PL, franchising). Apply buyer evidence credits (e.g. 70-100% for Day 1/ways-of-working, 30-70% for in-flight, 0-30% if only identified) and pick the initiatives to invest in pre-outreach based on buyer evidence credit adjusted value, costs and speed to deliver, and time to evidence.

We struggle to see how we will have time in a divestment process to also focus on value creation.

Value creation is a muscle that responds well to training in advance. Thinking through likely value levers that could be explored for divestment candidates as well as the organizational skills and information that will be required to develop and articulate these as part of the equity story are all no-regrets moves. The valuation upside is clear but requires proper planning and execution to unlock.

Preview:

Separation in practice

4

Separation in practice: Turning plans into value

Carve-outs are complex and require dedicated focus from the get-go. Managed effectively they provide an opportunity for significant value uplift in both the CarveCo and RemainCo businesses.

When executed effectively, carve-outs have the potential to refine strategic focus, release financial capital and act as a catalyst for wider transformation, strengthening both the RemainCo and carved-out entities. The complexity of carve-outs demands a meticulous approach, beginning with stakeholder alignment on a set of clearly defined guiding principles and continuing throughout the entire deal process until full separation is achieved.

In our Separation in Practice section, we delve into the essential considerations for analyzing, planning and executing separations with the aim of minimizing risks while maintaining a steadfast commitment to realizing value not only in transaction proceeds, but also in positioning the RemainCo for long-term strength by addressing stranded costs and ensuring it emerges more resilient post-close.

Separation hotspots in Consumer & Industrials carve-outs typically include:

- 1. Technology and data:** E.g. ERP/POS, CRM/Loyalty, PIM/DAM separation
- 2. Supply chain and operations:** E.g. Supplier novation, co-man/co-pack, 3PL
- 3. Commercial and route-to-market (RTM):** Key accounts, split of sales force, trade-terms, pricing/promo

In Consumer & Industrials, technology and data usually represents the dominant separation challenge with effort back-loaded in synthetic and integrated with Remain Co carve-out approaches.

In this chapter, we provide targeted insights into functional sub-theme focuses, including data separation, people incentivization and synthetic carve-outs and TSAs.

By addressing all functional areas with precision, organizations can navigate the complexities of carve-outs effectively, ensuring that the transition not only mitigates risks but also capitalizes on opportunities for growth and improved operational efficiency.

Pre-outreach functional separation complexity

	Commercial and RTM	Supply chain and operations	Finance	Technology and data	People and culture	Legal and compliance
Business-in-a-box	High	High	High	Very High	High	High
Partial standalone	Medium	Medium	High	Very High	High	Medium
Synthetic standalone	Low	Medium	High	Medium	Medium	Low
Integrated with RemainCo	Low	Medium	High	Medium	Medium	Low

Carve-out risk and complexity: **Low** **High**

Refer to the Separation in practice section for more



Separation in practice

Winning the carve-out relay:
Executing a flawless exchange



Separation in practice

Make the exchange deliberate. Set the guiding principles, keep value in view and run a structured path to a clean Day 1 handover.

Carve-outs are complex, high-stakes undertakings that expose hidden dependency, cost and risk in your operating model. Done badly, they consume management bandwidth and destabilize the business. Done well, they sharpen strategic focus, unlock capital and create two stronger businesses.

Addressing carve-out complexity needs to start when defining the strategy and flows all the way through the deal cycle until full separation is achieved.

We set out on the following pages how thorough separation analysis, planning and execution will de-risk the carve-out while ensuring a relentless focus on value is maintained.

Insights



01 Aligning your separation guiding principles

[Read more](#)

02 Maintaining a value focus through planning and execution

[Read more](#)

03 Functional separation priorities

- The power of data
- The importance of people
- The advantage of transparency

[Read more](#)

04 Safeguarding the transition: Transitional Service Agreements

[Read more](#)

05 The separation intensity curve

[Read more](#)

Aligning your separation guiding principles

Write the relay rules upfront. Planning for the separation needs to begin with an agreed set of guiding principles to ensure stakeholder alignment and fast decision-making.

In carve-out transactions, establishing and communicating guiding principles from the outset is paramount. These principles lay the foundation for successful separation and transformation and provide an actionable framework to sellers addressing:

1. Execution timing and speed
2. Decision-making dynamics
3. Organizational design and processes

Resist the temptation to default to generic platitudes like ‘good communication is key’. Instead, set principles with depth and specificity delineating actionable choices that align to the carve-out approach and set the direction for the separation and value creation roadmap.

Clarity and alignment of separation guiding principles sets the mandate for coordinated and purposeful workstream activities.

Example separation guiding principles

✂ Topics for guideline

Carve-out strategy and perimeter	Buyer type	Financial vs. strategic buyer?
	Intellectual property	Extent of IP transfer from seller?
	Transition period	Maximum offer on TSA length?
Carve-out approach and readiness	Interdependence	Degree of entanglement with RemainCo?
	Day 1 TOM	Implementation of full separation/standalone CarveCo by closing?
Functional considerations	People transfer	Shall employees working >50% for CarveCo, but employed by RemainCo transfer?
	Processes	Level of migration of Seller processes to CarveCo and optimization required?
	IT	To what degree should IT services be transferred?

📄 Indicative positioning & likely carve-out approach

Buyer has full setup for integration		Fully standalone requirement
“Right to use” only		All IP required by CarveCo in scope
3 months		24 months
High level of dependency with RemainCo		Independent, self-reliant
Virtual TOM only (not implemented)		Full implementation (limited TSA only)
Employees stay with RemainCo		In scope for transfer to CarveCo
Replication of seller processes, selective improvement		Lean setup incl. improvement of business processes
Transfer IT services as-is		Build up dedicated new IT services

Key

- Business-in-a-box
- Synthetic
- Partial standalone
- Integrated with RemainCo

Maintaining a value focus through planning and execution

Our approach integrates value creation deeply into the carve-out methodology, leveraging the same baseline and source data and embedding the value initiatives into the separation plan and implementation management. This keeps the clock in sight.

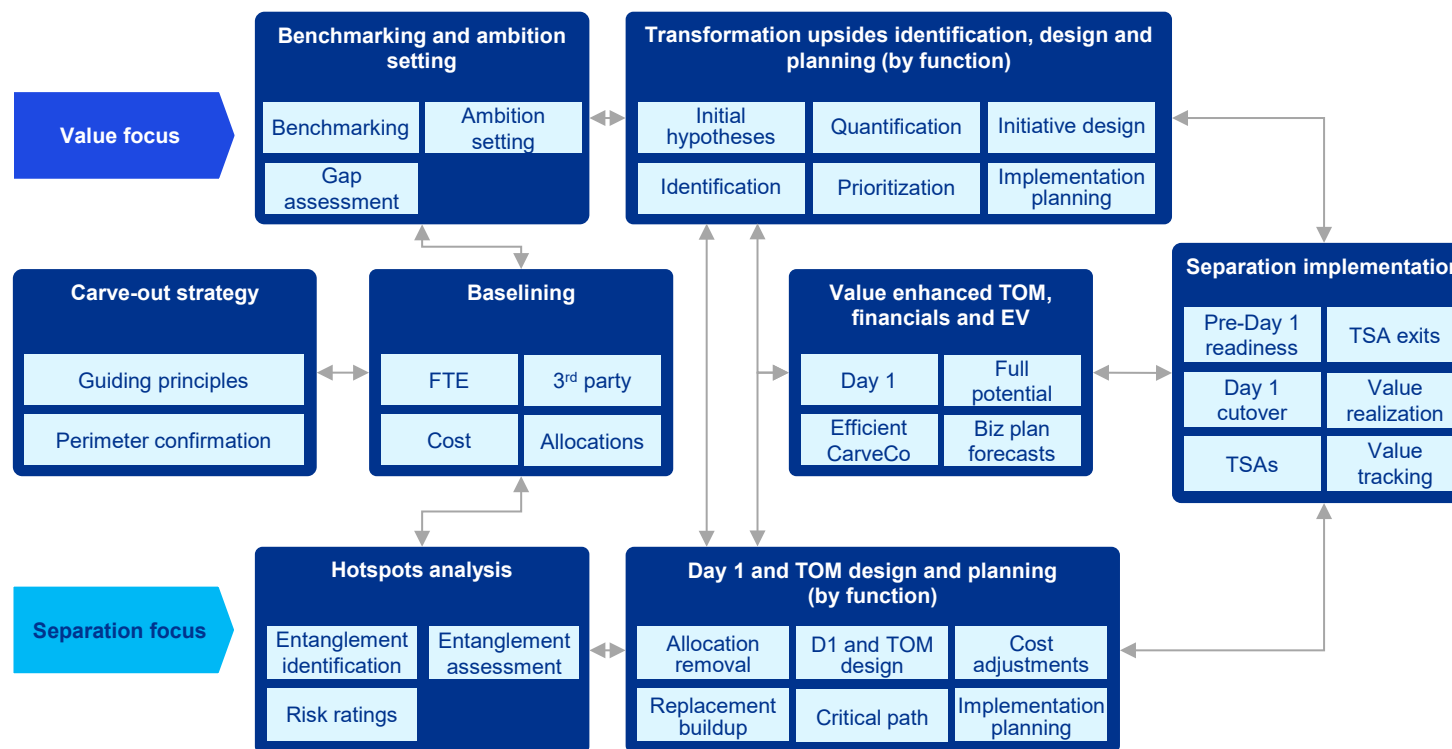
In achieving the full potential of CarveCo we propose embedding value creation into the end-to-end carve-out methodology.

To ensure effective project planning and execution an integrated team of carve-out and value creation experts is required, led by a central project lead and project management office.

Value creation workstreams are often organized by opportunity type such as organizational, commercial and operational upsides, while separation workstreams are often organized by function to define the standalone operating model. Close collaboration between these workstreams is required to align function concepts and value opportunities, ultimately delivering a value focused separation.

In structuring the opportunities for enhancing value, sometimes we will focus on value creation purely through carving out the activities without the broader corporate requirements, and other times we will focus on improving the underlying processes from design. Other opportunities might relate to unlocking potential currently trapped within corporate policies (i.e. changing corporate procurement policies to ensure improved negotiation).

Carve-out workflow



Functional separation priorities

In the pre-outreach phase, the risks and complexity for each function vary significantly depending on the separation approach taken. As the transaction progresses the functional separation risks, complexity and effort evolve, with harder sprints required for synthetic and integrated approaches later on.

	Commercial and RTM	Supply chain and operations	Finance	Technology and data	People and culture	Legal and compliance
Business-in-a-box	<ul style="list-style-type: none"> Form dedicated commercial teams to implement standalone business plan Separate products, customers and contracts Establish own brand or IP licensing agreement 	<ul style="list-style-type: none"> Establish standalone operational capability pre-sale — automated and optimized where feasible 	<ul style="list-style-type: none"> Have fully independent financial operations and reporting in place (internal and external ready) Agree long-term service/commercial agreements with RemainCo where applicable 	<ul style="list-style-type: none"> Execute full separation of data, tech stack, people, processes and contracts Streamline, automate and optimize where possible, e.g. software contract renegotiation, use of cloud-based systems 	<ul style="list-style-type: none"> Full staff transition and rightsizing, standalone governance and culture established for CarveCo Retention is critical: early communication, KPI-aligned compensation and incentives deployed 	<ul style="list-style-type: none"> Compliant legal entity established, including regulatory/licensing approvals roadmap and preparations Plan for tax structure, transfer of IP, contracts, warranties etc.
Partial standalone	<ul style="list-style-type: none"> Establish separate business plan and commercial teams with some seller dependencies 	<ul style="list-style-type: none"> Implement partial operational separation with some shared people, services, tech, contracts and assets (likely for back office/support functions) 	<ul style="list-style-type: none"> Establish separate BU reporting with interco recharges/allocations Likely shared finance operations and processes 	<ul style="list-style-type: none"> Partial setup with reliance on seller infrastructure, services, group contracts Likely some data entanglement and/or resides on seller infra 	<ul style="list-style-type: none"> Mix of dedicated and shared resources, people allocation required Communication, retention and compensation initiatives critical 	<ul style="list-style-type: none"> Partial legal separation (e.g. may be separate LE) Define assets, liabilities, contracts etc. to allocate to CarveCo Outline potential TSAs
Synthetic standalone	<ul style="list-style-type: none"> Minimal pre-outreach separation, identify key value levers and quantify synthetic standalone BP and performance 	<ul style="list-style-type: none"> Minimal pre-outreach separation, quantify full- cost profitability models and management information 	<ul style="list-style-type: none"> Build synthetic standalone financials within seller MI and reporting systems Shared finance operations and processes 	<ul style="list-style-type: none"> Minimal separation, some effort to create synthetic financials in systems/data Identify tech and data perimeter, plan for TSAs and data migration post D1 	<ul style="list-style-type: none"> Role assignment required for standalone cost model, not implemented Anticipate and manage employee uncertainty and plan retention strategies 	<ul style="list-style-type: none"> Define perimeter and assess asset and contract transferability and risks in preparation for diligence. No implementation Outline potential TSAs
Integrated with RemainCo	<ul style="list-style-type: none"> No pre-outreach separation Strategize the potential CarveCo value proposition 	<ul style="list-style-type: none"> Define operational perimeter Propose TSAs to support CarveCo at Day 1 	<ul style="list-style-type: none"> No pre-sale financial separation; may require standalone financials adjustments. Highest complexity Define financial perimeter 	<ul style="list-style-type: none"> No IT separation pre-outreach Identify tech and data perimeter, plan for segregating data for TSA preparation and migration post D1 	<ul style="list-style-type: none"> People perimeter defined Plan for key person risks for those aware of the carve-out. Ensure clear communication and plan for retention/incentives 	<ul style="list-style-type: none"> Define perimeter and assess asset and contract transferability and risks in preparation for diligence. No implementation Outline potential TSAs

Note: Illustrative example for Consumer & Industrials sector.

Carve-out risk and complexity pre-outreach:

Low High

The importance of data

Data is a strategic asset and should be used to drive enhanced value. This should be progressed prior to the sale process to mitigate risk and highlight the value potential to buyers

Carve-outs often require a protracted period pre-close. Establishing overarching data expertise in the early stages of a transaction will help guide separation planning and enhance value:

- Organizations are closing data centers and moving to the cloud. They don't care where data resides; they need access for their data developers, data scientists and data consumers.
- Acquirers are critical of spend. Cost take-out is top of mind given uncertain economy.
- Buyers are looking for ways to reduce cost (sunset technologies, consolidate apps), create new revenue streams.
- Buyers have many technologies to support variety of business operations. The question they are asking now is "How can I use these technologies to drive value?"
- As a result, emerging topics including Data Mesh, Data Fabric and Gen AI are becoming critical as clients look for ways to derive long-term value.
- Technologies are powered by data. Data quality, data privacy, data observability, metadata and many additional topics that all pertain to how an organization consumes, maintains and even sells data are critical to provide confidence in the value upside for buyers.

Illustrative data guiding principles

Implications for Carve-Out














 <p>Identify Value</p>	<ul style="list-style-type: none"> • Establishing clear scope to define how, when and what data will be provided as part of the deal. • The scope of data to be carved out differs vastly between Asset and Share Deals.
 <p>Discovery</p>	<ul style="list-style-type: none"> • Understanding the data in perimeter to evaluate key risks and opportunities to increase value through exploiting AI and Advanced Analytics (e.g. driving improvement in OSA, Forecast Accuracy and OTIF in Supply Chain Planning).
 <p>Governance & Planning</p>	<ul style="list-style-type: none"> • Establishing accountability for solving complex data separation challenges without eroding value. • Technology does not own the data and decisions need to be coordinated with business leadership.
 <p>Execute Migration</p>	<ul style="list-style-type: none"> • Use of technology and deal expertise to accelerate integration and identify value creation opportunities.

KPMG Insights

- It is vital to establish a framework for data separation which identifies the value potential of data and provides certainty to integration planning for a buyer.
- Define clear up-front guiding principles on data perimeter that can be translated by business data owners to define separation rules.
- Conduct targeted discovery to identify and map data to business requirements.
- Assess data quality and lineage to accelerate migration and AI readiness.
- Drive scoping decisions using accelerators to reduce cost, risk and complexity.
- Align separation decisions with compliance, security and data governance.
- There are a wide range of accelerator solutions to solve data separation challenges, including forensic extraction/scanning, analytics, data remediation and migration tools that remove significant manual effort.

Tech and data: Carrying the baton from deal to delivery

The transaction structure will be nuanced. Embedding this early into the technology and data approach will be the critical success factor for enhancing value while moving into seamless execution without dropping the baton

Asset sale		Share sale	
Challenge	Considerations	Challenge	Considerations
Perimeter control 	Asset sales allow precise control over which site technologies transfer, but sellers must replace or use reverse TSAs for any tech RemainCo (the seller) still needs.	Disruption 	IT disruption depends on reliance on group vs. local systems. TSAs (Transitional Service Agreements) typically involve data extraction, not system cloning.
Execution complexity 	Shared systems typically require only data extraction (not cloning), reducing the seller's burden, but disentangling Day 1 access can be a heavy burden and should be initiated early to identify unknown complexity.	Contracts 	Entity-assigned IT contracts often transfer automatically, reducing seller TSA reliance. The buyer inherits entity-owned IT and related liabilities.
Data ringfencing 	Day 1 readiness requires complex ringfencing of systems, identities, and data to enable TSAs while protecting RemainCo and its restricted IP.	Complexity and timeline 	If the entity's IT supports non-perimeter assets, separation complexity rises, requiring carve-outs, replication or extended TSAs.
Data minimization and retention 	Sellers can limit data transfer to operational essentials, reducing risk. However, retaining historical data for compliance creates compliance, archiving, access and knowledge-retention needs.	People 	IT staff supporting group services may not transfer and hence might require to be build up, forcing the buyer to find Day 1 replacements, which risks continuity and knowledge transfer.
(Users) User data 	Restricting the transfer of user data (e.g. email, personal drives) and some HR records protects IP and aids compliance, but this is disruptive and sensitive for transferring staff.	Logical boundaries 	Clear entity boundaries simplify extracting structured application data (e.g. by company code), improving separation scoping and execution.
Complexity and timeline 	Disentangling commingled data (within entities and between users) is inherently complex and frequently extends timelines.	Users and compliance 	Aligned employing entities allow transfer of user-owned data (e.g. performance records), streamlining onboarding and compliance.
		Historical legacy 	The seller must provide all entity-relevant compliance data, often requiring retrieval from archives and redaction of sensitive, non-perimeter information.

The importance of people and culture





People and culture are one of the top three reasons why deals fail to deliver value. Upfront consideration how you will identify, allocation and engage staff is key to prevent value leakage and operational disruption during the course of a carve-out and sale

Carve-outs often require a protracted period pre-close. This is a risk for the engagement and retention of talent, as management needs to deliver an agreed business plan while undertaking complex carve-out activities:

- Engaging staff during this period is critical to prevent value leakage of key talent.
- High-quality management is key to give buyers the confidence in the carve-out business plan. Management need appropriate incentive structures to i) go with the carved-out business, and ii) deliver deal value, not just transaction completion.
- Employees need to be informed, equipped for new ways of working, engaged to stay and connected to new colleagues in the standalone business to prevent business disruption
- Standalone structures need to right-size, right-shape at the right cost for a carved-out business, not just a copy-paste of existing operations. This also helps seller balance standalone cost base optimization with one-off and stranded cost implications for RemainCo.
- Employees must continue to be paid, new talent recruited and standard HR operations maintained regardless of carve-out considerations.
- People transition needs to be legally compliant with country-specific employment law and works council/unions engagement.

Illustrative TSA guiding principles

Implications for carve-Out

 <p>Retention and incentives</p>	<ul style="list-style-type: none"> • Identification and retention of key talent • Incentivization of management teams for seller transition • New culture to support smaller, leaner business
 <p>Culture and engagement</p>	<ul style="list-style-type: none"> • Cultivate a purposeful organizational identity • Build a highly motivated and committed workforce • Foster a resilient and adaptable culture • Strengthen trust and transparency
 <p>Organization design</p>	<ul style="list-style-type: none"> • Design a fit-for-purpose infrastructure and operating model • Identify and mitigate stranded costs • Right-size leadership and operational teams • Staff allocation for best objective contribution
 <p>HR operations</p>	<ul style="list-style-type: none"> • Build right-sized organizational structure • Maintain critical HR Services (e.g. payroll) • Manage perimeter and legal entity transitions • Ensure compliance with employment law

KPMG insights

- Identify key talent early and secure with **retention plans**
- Motivate management with success **bonuses** and performance **rewards** and offer career growth **support**
- Align transition through **joint KPIs** discussed with the buyer, as corporations might have incentivization mechanisms driven by broader metrics vs. the focus that financial buyers may have
- Develop **change management strategy**
- Prioritize transparent and consistent **communication** eventually incorporating buyer's perspectives
- Clearly define the new organizational **purpose & values**
- Address concerns regarding job security and future role (**psychological safety**)
- Conduct a thorough **stranded cost analysis**
- Implement **benchmarking** and efficiency **reviews**
- Challenge existing paradigms and **avoid replication** (i.e. efficient standalone rather than replicating as-is model)
- **Plan workforce**, assess skills gaps for future readiness
- **Streamline HR processes** for flexibility and compliance
- **Ensure payroll continuity** with secure data migration
- Protect seamless **employee experience** (e.g. HR portals)
- Map **HR interdependencies** to avoid disruptions

The importance of people: Retention strategies

Misalignment triangle — The core problem

In most carve-outs, management face conflicted incentives:



This creates a misalignment triangle, where the seller's optimal outcome (higher valuation, faster execution, fewer warranties) can diverge from the CarveCo team's personal comfort zone.






Principles of effective incentivization

For key management, an effective design should:

- Bridge the transition phase: Ensure management focuses on value creation before completion, not just post-close.
- Reward deal and separation execution support (on top of 'day jobs'): Incentivize cooperation in due diligence, even when exposing weaknesses.
- Recognize short-term dislocation: Compensate for career uncertainty, potential roles changes or benefit changes under new ownership.
- Signal commitment to both sides: The buyer sees management aligned; the seller sees protection of value.
- Ensure the incentivization mechanism is well understood by the management team and that they understand the levers to act upon it.

The importance of people: Retention strategies

Practical tools

Category	Tool
 Retention and transition awards	“Stay bonuses” payable only if management actively support TSA build and handover
 Shadow equity/Deal uplift bonus	Bonus linked to sale proceeds above baseline valuation
 Separation KPI bonus	KPI-based scorecard: Clean data, TSA readiness, carve-out P&L accuracy, zero-defect audits
 Dual offer framework	Sellers commit to negotiate parallel management packages with buyer
 Deferred earn-in rights	Seller/buyer grants management an option to “earn in” small equity in buyer-co if deal succeeds

Typically, such payments would have a series of milestones/waterfall timing.

For example:

- Pre-sign: Based on final deal value.
- Sign to close: Meeting sign-to-close target period.
- Close + 6 months: TSA handover, no material restatements.
- Close + 12 months: Meeting of any post-close contingent payment targets after independent validation of carve-co performance.

Other behavioral soft power levers

- 1 Involve management in story-building: Present the carve-out equity story to buyers.
- 2 Create “CarveCo identity” early: Name, logo, mini-leadership offsite. Builds emotional ownership of the new entity.
- 3 Sponsor testimonials: Show that leadership success in carve-outs leads to internal promotion or board roles post-deal.
- 4 Simplify bureaucracy: Remove parent hurdles (approvals, HR constraints) during the process to empower the team. This can be particularly relevant for business-in-a-box carve-out strategies.

Financial reporting: Synthetic standalone carve-outs

Synthetic standalone financials can be both a “carve-out enabler” and a “value creation accelerator”, providing ‘live’, race-paced, decision-grade standalone numbers before the ops split, allowing better insights and improved bidder confidence.

“Synthetic standalone”: Understanding, benefits and trade-offs

What?

- Build decision-grade synthetic carve-out financials in the parent ERP (or a separate one) with a separate CoA, profit/cost centers and driver-based allocations, closed monthly to a governed standard and reconciled to group actuals.
- Requires upfront investment to wire data linkages, codify allocation logic, assign data ownership and governance, and define the output pack (P&L, BS, CF, WC bridge, KPIs).
- Aim for scalability: Design the reporting structure to migrate easily to CarveCo’s future platform.

Why?

- Enables early visibility on CarveCo performance and transparency for buyers and leadership.
- Clarifies cost allocations, entanglements and potential stranded costs.
- Creates a single source of truth to support due diligence, valuation and TSA design.
- Allows real-time tracking of value creation initiatives and carve-out readiness.
- Builds confidence with internal and external stakeholders through credible, repeatable data.

Where?

- **Platform:** Inside the parent ERP (or an alternative), using distinct CoA/profit centers/driver hierarchy designed to migrate to the bidder platform post close.
- **In the deal:** Pre-sign - the synthetic standalone phase is between integrated reporting and post-close independence.
- **Outputs used:** Monthly pack for management, diligence Q&A and TSA scoping, value creation plan, etc.

When?

- Complex carve-outs with multiple adjustments and reallocations.
- Before full ops split to give buyers decision-grade monthly views during outreach/diligence.
- When systems are complex/shared and duplicating ops pre-sign would be wasteful.
- When buyer profile is uncertain (works for PE, IPO/spin, strategics).
- When TSAs are likely and need scoping/time-boxing.

Evolution of financial transparency in a “synthetic standalone” carve-out

Integrated reporting (Pre-carve)

Limited visibility, consolidated group view

Synthetic standalone (Pre-sign)

Independent CarveCo P&L, transparency and live KPIs

Independent reporting (Post-close)

Full separation, standalone control

Safeguarding the transition: Transitional Service Agreements

A TSA is a legal agreement with supporting schedules defining the required services between RemainCo and CarveCo to close any service gaps arising from the carve-out and safeguard the CarveCo business through a smooth and issue free Day 1. TSAs are tape, not glue; use them sparingly and design the exit at the start.

A TSA is a legal document that describes services a seller will provide to CarveCo at a cost for a period of time after the deal closes. In some instances, reverse TSAs may also be applicable.

TSAs should be used as a last resort for services that cannot be discontinued, outsourced, replicated or transitioned to the buyer or a third party prior to deal close.

TSAs are a “patch” used to ensure business continuity while the CarveCo develops its own servicing capabilities, integrates with the buyer or finds new third-party providers.

TSAs comprise of two primary sections:

Legal agreements

- General legal provisions
- Standards of service
- Indemnification
- Invoicing and payment terms
- Confidentiality provisions

Service schedules

- Service name and description
- Provider and recipient
- Service period
- Pricing of services
- Service level agreements (“SLA”)
- Service managers

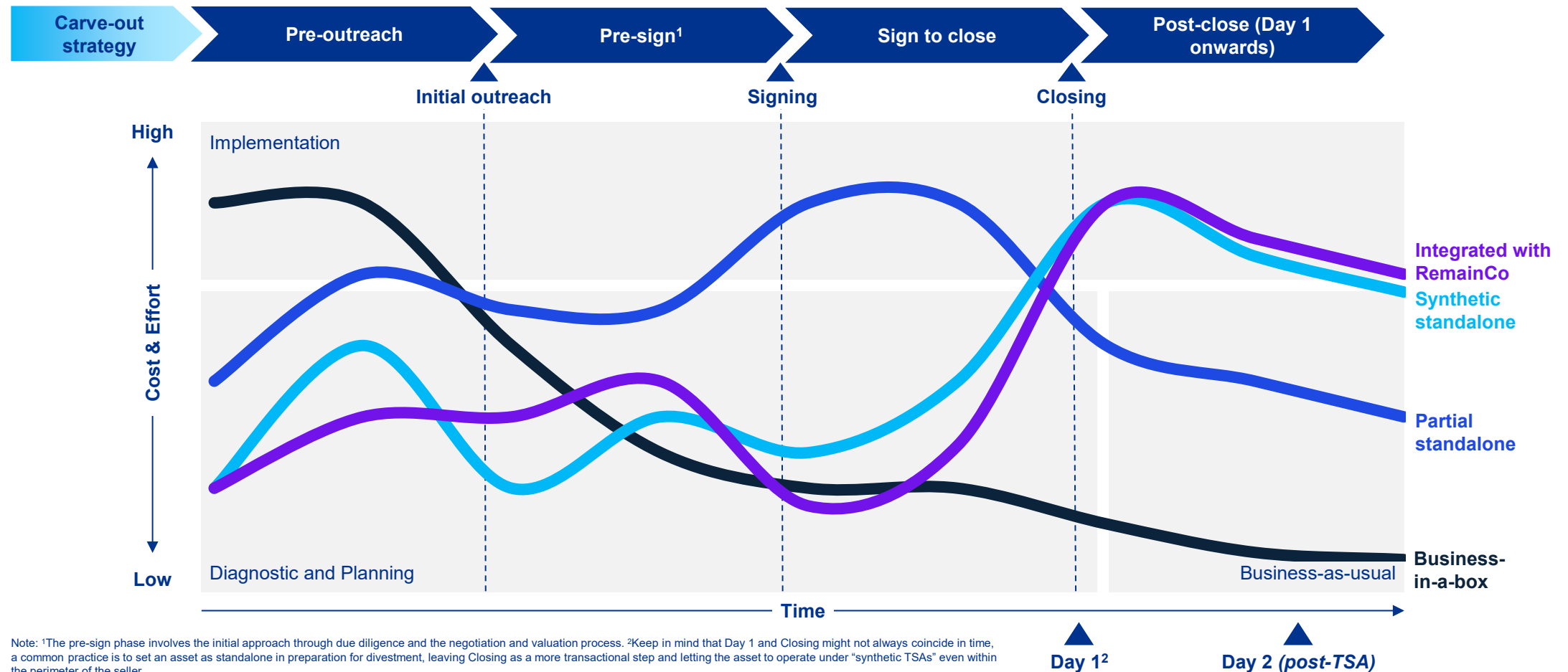
Illustrative TSA guiding principles

Guiding principles

Guiding principle	Implications
Minimize <ul style="list-style-type: none"> • TSAs should be the last resort, only implemented when CarveCo cannot meet business needs standalone from Day 1. • Aim to minimize the number, complexity and duration of TSAs but not at the risk of post-close business requirements. 	<ul style="list-style-type: none"> • Implement TSAs to safeguard business continuity where replication, outsourcing or transition of service requirements is not possible by Day 1. • Deliver only what is necessary (limit duration, scope and service level).
Recipient driven <ul style="list-style-type: none"> • Service recipients should drive the identification and validation of TSA requirements. • TSAs should be written with input and feedback from the service providers. • Cross-functional dependencies need to be identified and addressed in the scoping phase. 	<ul style="list-style-type: none"> • Service recipients and providers should draft the TSA schedules, not attorneys. • The recipient often prepares the schedules then reviews/reaches agreement with the service provider. • Map all interdependencies between services; they are the primary culprit for service breakdowns and late exits.
Thoroughly managed <ul style="list-style-type: none"> • Identify and prepare initial view on TSAs as early as possible. • Start with the end in mind: know how to exit a TSA before drafting the schedule. • If necessary, assume the broadest possible needs of CarveCo; leave no stone unturned. • Assess the administrative burden of monitoring TSA requirements. 	<ul style="list-style-type: none"> • Understand the end state model in order to accurately estimate the cost and complexity of the TSA services. • Anticipate critical path items. • Unnecessary services can be dropped from a TSA more easily than an omitted one can be added. • Tax implications should be considered in the TSA negotiations.

Separation timing and effort varies for each carve-out approach

Different plays, different fatigue curves. Each carve-out approach presents varying levels of cost and effort to the seller in different phases of the deal planning and execution.



Note: ¹The pre-sign phase involves the initial approach through due diligence and the negotiation and valuation process. ²Keep in mind that Day 1 and Closing might not always coincide in time, a common practice is to set an asset as standalone in preparation for divestment, leaving Closing as a more transactional step and letting the asset to operate under "synthetic TSAs" even within the perimeter of the seller

Your questions answered

We've set out below some of the common questions we get asked, together with our thoughts on these and linked to related guidance in this paper.

How do you build value into the target operating model so inefficiencies don't carry across?

Bring a value lens from the start as you map the "as-is". For example, for every shared process ask: keep, kill, outsource or automate? Bake the answer into the Day 1 and end-state TOM and the equity model.

What is the fastest, cheapest way to separate shared technology without breaching data or licenses?

Clone and go is an efficient way to separate shared technology to ensure business continuity, but data vulnerability must be evaluated in a competitive environment.

How do we keep key talent engaged while announcing major cost efficiencies?

Ring-fence critical staff with stay bonuses; communicate the growth narrative (not just cost); stagger announcements so Day 1 roles are clear on both sides. Incentivize management to be a seller, not a buyer.

How should you organize the separation project to ensure speed and quality?

Define workstreams and sub-workstreams prior to execution, with a clear decision process. Determine areas where a TSA will not be offered (e.g. Legal, Cybersecurity, Commercial) and consider areas where change of ownership can trigger regulatory impacts across global regulators (FDA, USDA, EPA (USA), CFIA, Health Canada, NHC (China), EFSA (EU), ANVISA (Brazil), etc.). Other key decisions area include post-close branding considerations, IT security thresholds, and commercial/distribution agreement considerations.

Do Day 1 and closing have to happen at the same time?

No, it is not an uncommon situation to execute the full carve-out until leaving the asset on standalone and even operating under TSAs pre-closing, leaving the closing event to mostly capture only the ownership transition.

What practical steps should a company take to ensure a smooth separation during a carve-out?

To ensure a successful separation during a carve-out in the consumer and retail sector:

- **Planning and program management:** Develop a detailed separation plan that outlines key milestones, resources, timelines and responsibilities.

- **Legal and regulatory compliance:** Ensure adherence to legal and regulatory requirements, including notifying stakeholders and obtaining necessary approvals or waivers.
- **Customer communication:** Develop a comprehensive communication plan to inform customers about any changes to the brand and services.
- **Brand strategy:** Determine how the brand will be positioned post-separation, including marketing strategies, brand identity, gift cards and customer engagement plans.
- **Operational continuity:** Ensure that the carved-out entity has the appropriate operational structure in place, including supply chain management, HR, IT systems and financial reporting along with clear transition of to legal payables. Evaluate the supply chain to understand the need for a distribution agreement or engagement of a third party.
- **Transition Services Agreement (if needed):** Develop a Transition Services Agreement (TSA) that outlines how the parent company and carved-out entity will manage shared services, systems or personnel during the transition period, including timelines for separation.

From theory to practice

A practical look at six real-world hurdles in Consumer & Industrials separations and how they were overcome

Untangling SAP and EDI to keep invoices flowing on Day 1

- **Challenge:** The divesting unit's order-to-cash process ran on a fully integrated SAP landscape, with EDI and e-invoicing tied directly into warehouse management systems. There were no dedicated resources to run EDI or e-invoicing once the unit was separated.
- **Impact:** Retail shipments risked missing critical ASN/EDI windows. Business continuity for billing was at stake.
- **What worked:** A standalone technology and data plan plus transitional services were established. This kept the critical EDI/e-invoicing and WMS interfaces alive while the CarveCo built its own long-term capability.

[Read more](#)

One brand, many countries: Carving out a retail footprint

- **Challenge:** The Consumer & Industrials business spanned multiple countries and sites. A country-by-country analysis revealed highly variable legal, people and operational realities.
- **Impact:** A "one-size-fits-all" perimeter would have broken local compliance and threatened business continuity.
- **What worked:** The perimeter was defined on a per-country basis. The operational footprint was mapped, and Transitional Service Agreements (TSAs) were used where local support (technology, logistics, back office) had to continue post-close.

"What exactly leaves?": Perimeter and one-off adjustments

- **Challenge:** The separation required precise brand and SKU perimeter decisions. It also required clear financial treatment of one-off separation costs (e.g. carve-out costs, depreciation impacts).
- **Impact:** Ambiguity around what moved (and what stayed) distorted the standalone economics and the value case.
- **What worked:** The perimeter was locked early. All one-off and central management adjustments were quantified to derive a defensible standalone view.

Lifting out people and culture across stores, field and HQ

- **Challenge:** People and culture considerations spanned store/field operations and HQ functions, all with deeply entangled processes.
- **Impact:** There were significant risks to customer service and in-store execution during the transition.
- **What worked:** A headcount baselining was linked directly to the Target Operating Model (TOM). Service agreements were used for interim support where new functions could not be stood up by Day 1.

[Read more](#)

Co-packers and 3PLs: Contracts won't transfer themselves

- **Challenge:** The CarveCo relied on a dense web of third-party contracts (e.g. co-manufacturing, 3PLs, agencies) that required triage.
- **Impact:** Without planned transfers or novations, the supply chain and promotional activities would stall immediately.
- **What worked:** A dedicated third-party contract analysis and procurement dis-synergies workstream was created. Interim services were put in place for critical contracts that could not be executed in time.

TSAs as a bridge to standalone economics

- **Challenge:** The blueprint required TSAs across multiple functions and treatment of one-time separation costs.
- **Impact:** Without TSA pricing and exit plans, "temporary" services could become long-term cost leakage.
- **What worked:** Build TSA one pagers per function (scope, owner, duration, pricing) and connect them to the standalone cost base to track and exit systematically.

[Read more](#)

Glossary and definitions (1/3)

AI	Artificial Intelligence
ASPAC	Asia Pacific
BAU	Business As Usual
BP Dev	Business Process Development
BU	Business Unit
Business-in-a-box	CarveCo is fully separated at initial outreach and subsequently transferred to the buyer or listed as a standalone entity unincumbered by operational, managerial or financial entanglements post-close
C&R	Consumer and Retail
CAPEX	Capital expenditure
CarveCo	The subsidiary or business unit that is being separated from its parent company to become a standalone entity
CDMO	Contract Development and Manufacturing Organization
DD	Due Diligence
EBITDA	Earnings before interest, taxes, depreciation and amortization
EV	Enterprise value
FMCG	Fast Moving Consumer Good
FTE	Full-time employee
ICA	Intercompany service agreements
INSEAD	Institut Européen d'Administration des Affaires
Integrated with RemainCo	Operations and financials are fully integrated with RemainCo
IP	Intellectual Property

Glossary and definitions (2/3)

IPO	Initial Public Offering
LSHC	Life Sciences and Healthcare
MBO	Management Buyout
Partial standalone	CarveCo operates standalone core functions but relies on RemainCo for certain functions and infrastructure; full separation time and effort will be dependent on entanglement complexity and buyer profile/requirements
PE	Private Equity
REIT	Real Estate Investment Trusts
RemainCo	The name for the original parent company that holds the business and assets not included in the divestiture
ROIC	Return on Invested Capital
SaaS	Software as a Service
SKU	Stock Keeping Unit
SME	Subject Matter Expert
Synthetic standalone	CarveCo continues to operate within the seller's organization but has fully independent financials and reporting workflows
TBOM	Target Business & Operating Model
TOM	Target Operating Model
TSA	Transitional Service Agreements
TUR	Total Unit Holder Return
US	United States
WACC	Weighted Average Cost of Capital

Glossary and definitions (3/3)

Carveout strategy and structures: Carve-outs can take various forms, each suited to different strategic goals and buyer profiles. Transactions can range from asset or equity sales, encompassing full or partial disposals, to strategic buyers, private equity firms or via capital markets.

	Structure	Definition	Example
1. Sale	A. To Private equity fund	Sale of a business unit or an asset to a private equity fund. This usually involves ready-to-run businesses.	In 2024, Broadcom sold its VMware's End-User-Computing (EUC) division to KKR in a deal valued at USD4 bn.
	B. To Corporate	Sale of a business unit or an asset to another corporation/competitor, often for integration into existing operations.	In 2021, Centrica divested its North American business unit, Direct Energy, which oversaw energy supply, services and trading operations, to NRG Energy for USD3.6 bn.
	C. To Management Buyout	Company's existing managers acquire a large part or all of the company.	In 2020, Thyssenkrupp sold its elevator business for EUR17.2 bn to a PE consortium including management, rebranding as TK Elevator and achieving a strong post-carve-out growth before 2022 IPO.
2. Capital market exit	A. IPO split-off/Equity carve-out	Private EquityA parent company offers shares of a business unit to the public via IPO, typically keeping majority ownership.	In 2022, AIG conducted an IPO, selling around 12 percent of Corebridge Financial shares, a division of AIG, which offers retirement solutions and insurance products in the United States.
	B. Spin-off	A business unit transitions into a new public company, issuing shares to existing shareholders and the public.	In 2024, Honeywell, a conglomerate operating in aerospace, automation and energy, announced the advanced materials division spin-off into an independent public company.
3. Partial exit	A. Merger/Joint Venture (JV)	Competitors merge business units or assets; the parent company retains a stake in the new company.	In 2024, Renault and Geely combined existing IP and resources to establish HORSE Powertrain Limited, with each group holding a 50 percent stake in the new company.
	B. Stake sale	A parent company sells a minority share of a business unit to strategic or financial partners.	In 2024, Sanofi entered negotiations with CD&R for the sale of a 50 percent stake in Opella, its consumer healthcare business unit. Sanofi, along with CD&R, will continue to support Opella's growth strategy.

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