Fix, sell, or close?
End-to-end solutions for underperforming and non-core businesses
Evaluating options for an exit strategy

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

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

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

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

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

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

¹ Lost in translation: Global Markets, Deloitte, 2018
Deloitte’s approach

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

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

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

- **Reputational**—Managing brand, public relations, and employee, political, and customer relations
- **Employee**—Mitigating impacts on employees, including retention, recruitment, and other human resources concerns
- **Financial**—Addressing employee severances, contractual and contingent liabilities, tax, and potential impacts on financial stakeholders and markets
- **Commercial**—Protecting commercial and sales relationships with customers and through the supply chain
- **Governance**—Addressing the needs and interests of boards and regulators
- **Scale/Reach**—Administering the complexity that can arise as a result of exiting in different jurisdictions

**Steps in the exit process**

**PHASE 1:** Options analysis

- **Identify**
  - Is an exit the optimal choice?

**PHASE 2:** Implementation planning

- **Plan**
  - The process from strategy to execution with support at each stage

**PHASE 3:** Implementation

- **Execute**
  - Manage benefits and risks to quickly realise core objectives

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

The importance of acting decisively

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

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

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

Why Deloitte?

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

- Situational subject-matter advisers
- Hands-on approach and bandwidth for support
- Pace of delivery
- Understanding of your business
- Outstanding track record
- Integrated team
- One-stop-shop
- Cross-border entity rationalisations
CASE STUDIES:

Our Managed Exit service in action

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

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

CASE STUDY 1:
Automotive

Business problem
An automotive manufacturer needed detailed and tailored guidance through the operational wind-down of domestic and overseas manufacturing activities.

Deloitte solution
Deloitte’s Managed Exit service advised the overseas group on its exit strategy, project managing from initial feasibility assessment through to formal announcement of the exit. The team drew on Deloitte’s breadth of capabilities, including advisers for restructuring, employee relations, M&A/valuations, domestic and international tax, public relations, and crisis planning.

Key takeaways
The Managed Exit team used its global reach to provide services locally, bringing the scale of Deloitte’s capacity and local language knowledge to assist the client.

CASE STUDY 2:
Technology

Business problem
Over a five-year period, a B2B technology company experienced performance challenges in several of its global operations, ultimately resulting in a need to consider exiting operations across 20 countries.

Deloitte solution
Over a four-week period, one of our Managed Exit teams analyse the outline costings and timetables, tax implications, and legal considerations for multiple global operations. The team helped the client develop a high-level wind-down plan that identified key risks in each country, as well as a detailed commentary with respect to further planning requirements, exit communications, and key next steps.

Key takeaways
In this case, the creation of a detailed Project Management Office to prepare plans for local implementation was critical, as the team worked alongside the client during the implementation phase and closely monitored progress to improve accountability.

CASE STUDY 3:
Industrial products

Business problem
A listed company had a loss-making operation that was deemed to be non-core and problematic to manage. The client was under pressure from the market to announce its plans with respect to the business and wanted support in reviewing options ahead of any announcement.

Deloitte solution
Working with management, Deloitte’s Managed Exit team led a multi-jurisdiction team to provide a high-level view on exit options and key issues to be addressed. After the initial review, Deloitte was engaged to project manage and implement the wind-down and closure of manufacturing sites across three countries.

Key takeaways
The strategic options and detailed planning work enabled the company to announce clear exit plans to the market, contributing to an increase in its market capitalisation. Subsequently, project management of the implementation resulted in tight control of progress and costing, which again supported positive market announcements.
Throughout our Managed Exit experience, Deloitte has strived to deliver comprehensive solutions to businesses across the globe.

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

Jason Tracy
Managed Exit Lead
jtracy@deloitte.com.au
+61 2 9322 3858

Travis Anderson
Partner, Financial Advisory – Launceston
travisanderson@deloitte.com.au
+61 3 6337 7051

Matt Donnelly
Partner, Financial Advisory – Perth
mdonnelly@deloitte.com.au
+61 8 9365 7150

Sam Marsden
Partner, Financial Advisory – Sydney
smarsden@deloitte.com.au
+61 2 9322 7502

Richard Young
Managed Exit Lead
richyoung@deloitte.com.au
+61 2 9322 7348

Sal Algeri
Partner, Financial Advisory – Melbourne
saalgeri@deloitte.com.au
+61 3 9671 7362

Richard Hughes
Partner, Financial Advisory – Brisbane
richughes@deloitte.com.au
+61 7 3308 7279

Derek Barker
Managed Exit Lead
dbarker@deloitte.com.au
+61 3 9671 5802

David Mansfield
Partner, Financial Advisory – Western Sydney
dmansfield@deloitte.com.au
+61 2 9840 6630

Glen Kanevsky
Partner, Financial Advisory – Melbourne
gkanevsky@deloitte.com.au
+61 3 9671 8808

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