

2024 Global Corporate Divestiture Survey

Amid uncertainty, new muscles
for new possibilities

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Executive summary

Is divestiture part of M&A? An exception? An adjacency? The common name for this sphere of activity implies that addition, not subtraction, is the name of the game. But without leaning too heavily into metaphors about the cyclical nature of life and business, it is clear that shedding components of an organization can be as important a strategic tool as acquiring new ones.

In the long run, divestiture can drive growth. It fosters gain, not loss. But to do so, it must satisfy the same criteria by which organizations judge acquisitions: It must align with enterprise strategy, satisfy projected metrics, and leave an organization stronger than it was.

In Deloitte's sixth biennial *Global Corporate Divestiture Survey* of mergers and acquisitions (M&A) and restructuring leaders, we explore not only the latest trends in divestiture, but also its changing role in corporate growth. A wholly realized *M&A* approach is really what we might call an *M&A&D* approach. Divestiture is a critical instrument in the corporate strategy toolbox, and the organizations that remain *divestiture-ready* in their outlooks can be better prepared to benefit from it than organizations that hold it at arm's length as a necessary evil reserved for times of crisis.

To be divestiture-ready doesn't necessarily mean to pursue that course more often. It means to pursue it more effectively. When handled as a quasi-emergency measure, a rushed divestiture process can leave value on the table—or even destroy it—and incur unnecessary separation costs, raise stakeholder concerns, and ultimately increase an organization's risk and brand exposure.



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Executive summary

In contrast, a company that keeps an eye always trained on the possibilities of subtraction, and weighs those possibilities carefully, can be in a better position to turn portfolio assets into cash and enhance flexibility. Divestiture-ready organizations can achieve better outcomes in terms of transaction value, separation cost and effort, stakeholder ambiguity and concern, and growth opportunities for the remaining organization.

What lies ahead? Sellers need buyers—and as Deloitte’s *2024 M&A Trends Survey*¹ showed, private equity investors are sitting on an unprecedented store of dry powder capital. The US\$2.6 trillion in their aggregate reserves represents an 8% increase over the prior year.² Corporate entities also have significant levels of cash and will be on the hunt for carved-out assets. Money burning a hole in potential buyers’ pockets can be a powerful stimulant to market activity. In more constrained market environments where financing may be difficult, creative thinking on transaction structures can be critical. How can the divestiture-ready seller meet prospective buyers to mutual advantage? Read on.

Money burning a hole in potential buyers’ pockets can be a powerful stimulant to market activity. How can the divestiture-ready seller meet prospective buyers to mutual advantage?



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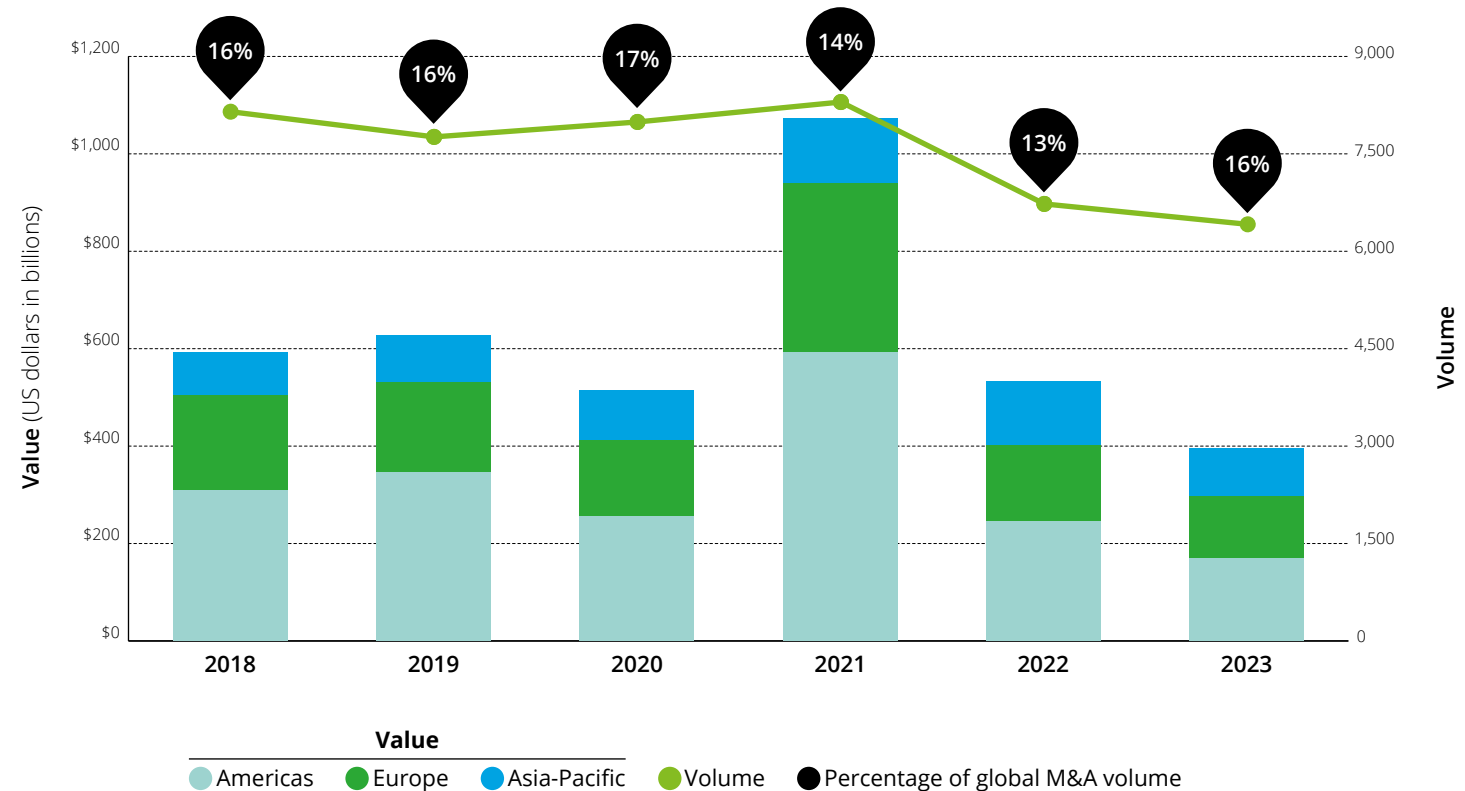
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Inconsistent trends, but a clearer path to sustained readiness

Except for a COVID-19 pandemic-related spike in 2021, the volume and value of divestitures and spinoffs has remained largely stable in recent history. Over the past six years, they have made up between 13% and 17% of global M&A volume and between 16% and 22% of value.³ The Americas accounted for most of that value, while Europe saw the second most, followed by the Asia-Pacific (APAC) region.⁴

Global divestitures and spin-offs by region and year



Source: Based on Deloitte's analysis of M&A data generated via S&P Capital IQ, accessed November 15, 2023, and January 10, 2024.



Inconsistent trends, but a clearer path to sustained readiness

The outlier year, 2021, found many organizations divesting non-core assets to free up cash after the pandemic slowed and shuttered so much business activity. Total global divestiture value topped US\$1 trillion that year.⁵ The next year brought just as rapid a cool-off to pre-pandemic levels, in part because ready buyers had been accommodated. Volume and value declined even further in 2023.⁶ Still, our divestiture survey found that more than four out of five companies surveyed engaged in three or more divestitures in the 36-month period before 2024. It is noteworthy that nearly all respondents (98%) indicate they have abandoned a divestiture in the last 12–18 months. While reasons vary—including changes in internal strategy, limited buyer interest, and regulatory challenges—many divestitures don't see the light of day and become part of market statistics.

With the most significant market disruption apparently in the rearview mirror, what *normal* will likely govern 2024 and beyond?

A positive outlook for renewed M&A activity, including divestitures. This survey and the *2024 M&A Trends Survey* both indicate that dealmaking is likely to rebound. In our divestiture survey, fewer than 2% say their organizations plan no sell-side activity, and almost 80% anticipate three or more divestitures in the next year and a half.

Increasing sense of maturity and divestiture-readiness. In part because of market volatility following the pandemic, many companies have strengthened their dealmaking muscles. Our divestiture survey respondents indicate, especially compared to *2022 Global Divestiture Survey*⁷ findings, they are realizing higher-than-expected transaction proceeds, are closing transactions more quickly than expected, and are more likely to overestimate separation costs. This year's survey respondents are three times more likely than before to report completing divestitures faster than expected, and they are seeing similar improvement in achieving stakeholder alignment for diligence and presale preparation.



Inconsistent trends, but a clearer path to sustained readiness

Transaction optimism runs counter to market reality in some areas.

While respondents anticipate more transactions and feel more capable of pursuing and executing them, the survey data indicates headwinds. Actual, not perceived, separation costs seem to continue to rise, and average actual time to divest, not perceived time, has only marginally decreased. About half of sellers said the time from finalizing a decision to divest to executing a sale agreement ranged between seven and 12 months—largely the same as our last survey. About a third of respondents indicate being able to sign a purchase agreement within six months. That said, outside the survey itself, Deloitte M&A professionals are observing recent transactions taking longer, trading at lower values, and indeed requiring more seller investment.

There are some contradictions in those observations—higher-than-expected proceeds yet trading at lower values, overestimating separation costs yet rising actual separation cost. One conclusion that aligns with this year's survey findings is that sellers remember the heightened activity of 2021 and have an appetite to make divestitures a more regular part of their plans but need to bolster that *muscle memory* with additional capabilities that can keep them divestiture-ready in the long run.

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Where to focus

When divestiture outcomes match or exceed expectations, it is no accident. Preparation makes a difference, not only transaction by transaction but as an ongoing aspect of the company's transaction-readiness. The next logical question is: *What preparation?* Our research suggests five focus areas where practice and sustained "muscle building" can make a difference.



1. Review portfolios and prepare divestitures early



2. Align and integrate internal transaction stakeholders



3. Manage separation costs and expectations



4. Embrace technology with curiosity and honesty



5. Tap into the potential of true value creation



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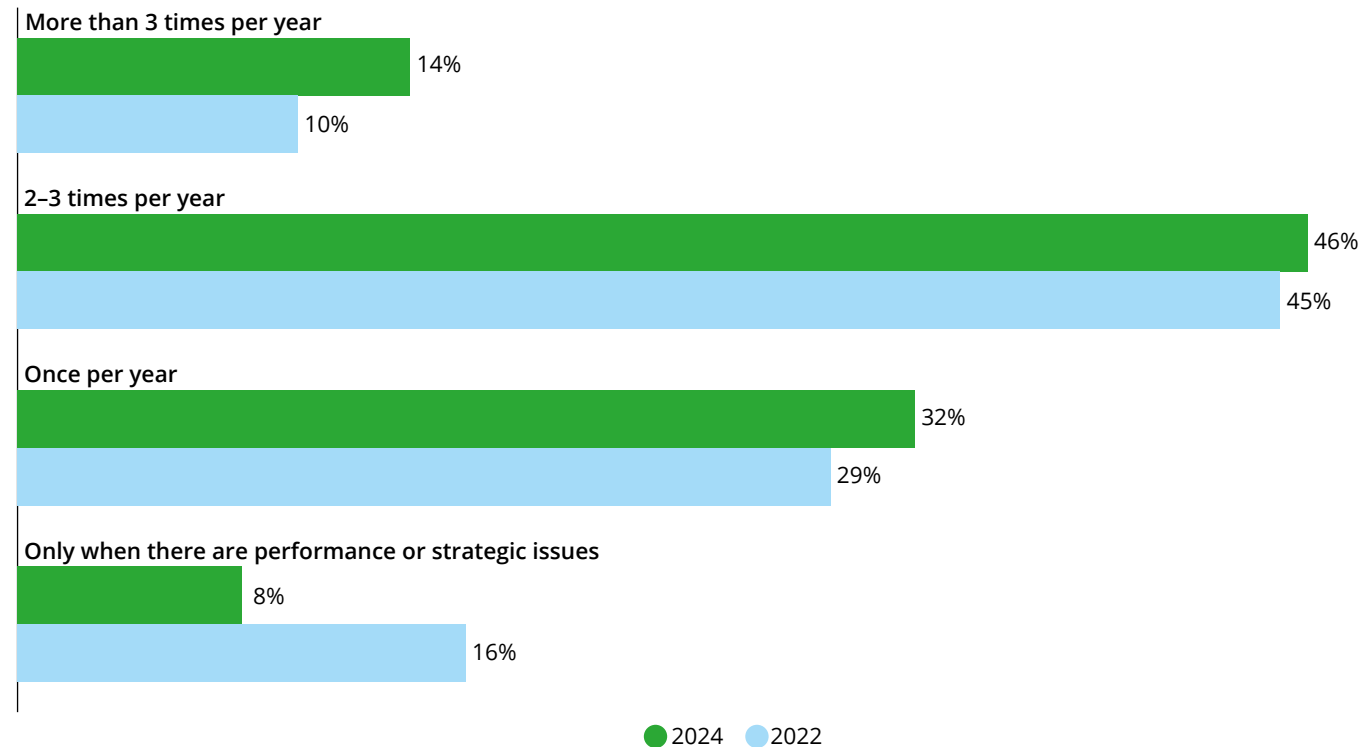
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1. Review portfolios and prepare divestitures early



During the pandemic-era spike in divestiture activity, sellers that were already frequently evaluating their product portfolios and knew what non-core assets could be good divestiture candidates saw higher-than-expected value more often than those that had not made such assessments.⁸ It pays to assess your portfolio before a looming transaction impels you to do so. And that lesson appears to be sticking: Based on our 2024 survey, 60% of our divestiture survey respondents were strategically evaluating individual portfolio businesses for divestiture potential at least twice a year, a slight increase from 55% in our 2022 survey.

Frequency of strategic portfolio evaluations for divestitures



Source: 2024 Deloitte Global Corporate Divestiture Survey (N = 500)

*Based on the question "How often does your company strategically evaluate individual businesses to determine whether the business should continue to be owned or divested?" Excludes 1% of 2022 respondents that indicated "Don't know/Cannot discuss".



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1. Review portfolios and prepare divestitures early

What about transactions that disappoint? For 38% of respondents, the most significant reason they received less-than-expected value was the lack of an exit and separation-readiness assessment. So advance preparation applies to the individual transaction as well as ongoing portfolio awareness.

As indicated in our 2022 divestiture survey, preparing assets for divestiture is one area in which divestiture-ready organizations stand apart from others. We believe the following are some additional behaviors that correspond to divestiture-ready organizations:

Understand the business to be divested thoroughly. The post-divestment challenge that surveyed sellers noted most often was operational entanglements that weren't resolved prior to close and required transition service agreements (TSAs). Missing a compelling value story to entice potential bidders was another frequently cited issue. Articulating an understanding of the business to be divested, including potential value drivers, sets prepared sellers apart.

Reduce risk by planning change management and communications with external stakeholders ahead of time. When asked if they could redo their last divestiture, this was the top answer that surveyed sellers gave. Those stakeholders include regulators who may have the ability to slow or stop a deal.

Develop a perspective on the marketing process. What is the nature of the anticipated buyer universe? How can you narrow potential bidders to find the right level of competitive tension? Tailoring the sales process to bidders is another *if they could redo* priority sellers mentioned often.

To dive deeper into the ways sellers can build divestiture-ready M&A strategies, read *The serial divestiture journey: navigating serial divestitures to rebalance portfolios for growth*.⁹



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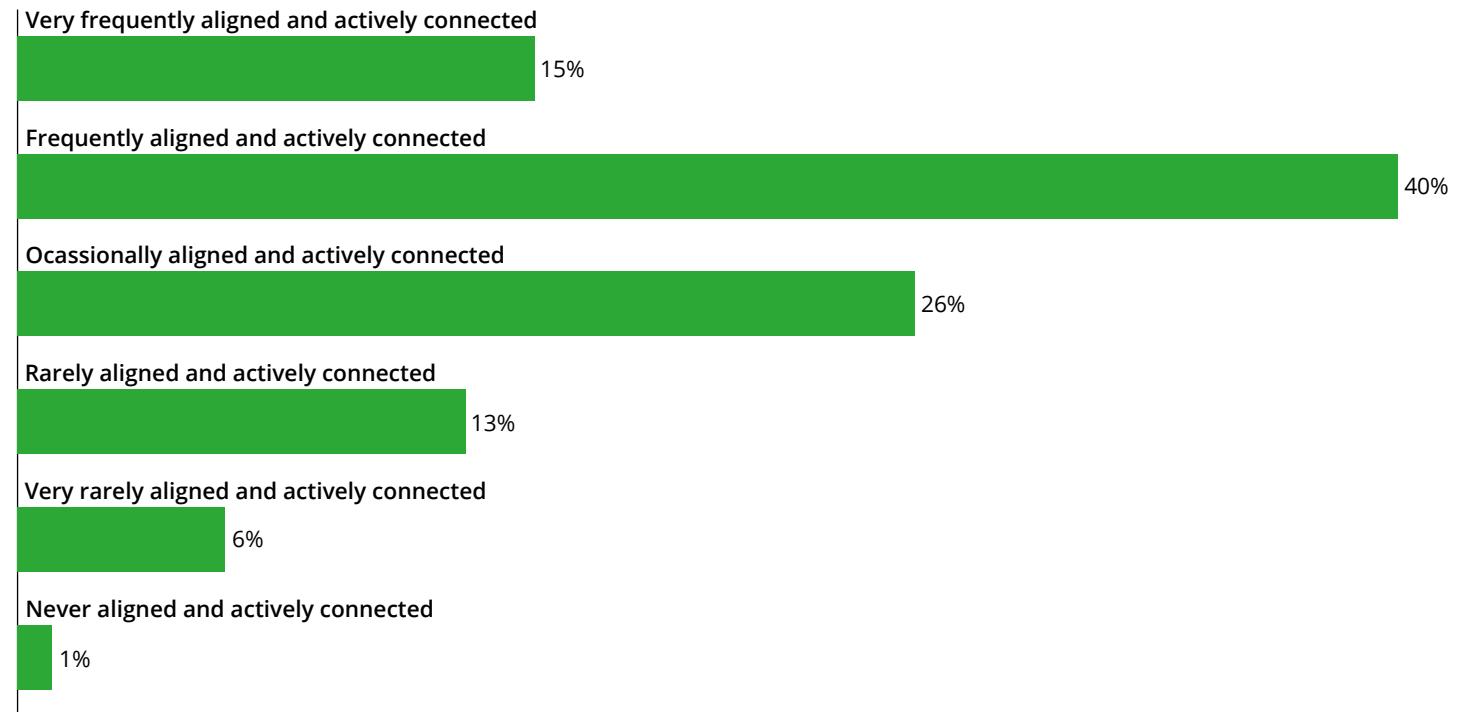
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2. Align and integrate internal transaction stakeholders



It takes many internal stakeholders to bring a transaction across the finish line: executive and business leadership, corporate strategy, business development, and separation management all need to work toward a common goal as the process unfolds. Too often, the individuals who support these stakeholder groups hand tasks off from silo to silo, an inefficiency that can erode transaction value. This siloed approach may even mask potential sources of deal erosion. Aligning internal players is a step that should take place as early as possible.

M&A stakeholder end-to-end alignment in divestitures processes



Source: 2024 Deloitte Global Corporate Divestiture Survey (N = 500)

*Based on the question "How aligned and actively connected are different M&A stakeholders from start to finish in your company's divestitures?"



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2. Align and integrate internal transaction stakeholders

More than half of survey respondents believe their stakeholders are well-aligned today, but about a third did say stakeholder alignment was one reason their most recent transactions took longer than expected to complete. Looking deeper into survey data, we noticed clusters¹⁰ of particularly *integrated sellers* who combine strong internal collaboration, frequent portfolio evaluation, openness to strategic alternatives,¹¹ and confidence in transaction execution. So what did very integrated sellers have in common?

- They are more likely to report that the time required to divest was faster than expected for their most recent divestiture—and significantly higher than less integrated sellers.
- They are significantly more likely to report receiving higher transaction value than expected compared to less integrated sellers (81% vs. 47%).
- They are more than four times as likely as less integrated sellers to identify and mitigate stranded costs in the wake of divestiture.

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2. Align and integrate internal transaction stakeholders

Having established the value of stakeholder alignment, what are the paths to achieving it? We believe divestiture-ready sellers have some practices in common as well:

They extensively prepare management of the business they intend to divest.

Participation in bidder due diligence and management presentations can instill confidence in the value story of a business and build investors' confidence.

They consider the potential impact of cross-border divestitures on execution time. Where seller and buyer are in different countries, business operations—including people, policy and practices, contracts, customer, and commercial practices—might not always be clearly understood or well-documented and prolong execution of divestiture transactions.

They operate from a shared base of operations using a playbook aligned across corporate strategy, business development, and transition teams. This way, people speak the same language about roles, responsibilities, expectations, and value drivers. They work from a clear, shared transaction narrative that helps promote buy-in and helps improve confidence in the deal.

They conduct exit/separation-readiness exercises with critical stakeholders at the onset of divestiture decision-making. This helps align goals, objectives, and must-haves to maintain and realize value. It can also hone the timeliness and accuracy of messaging.

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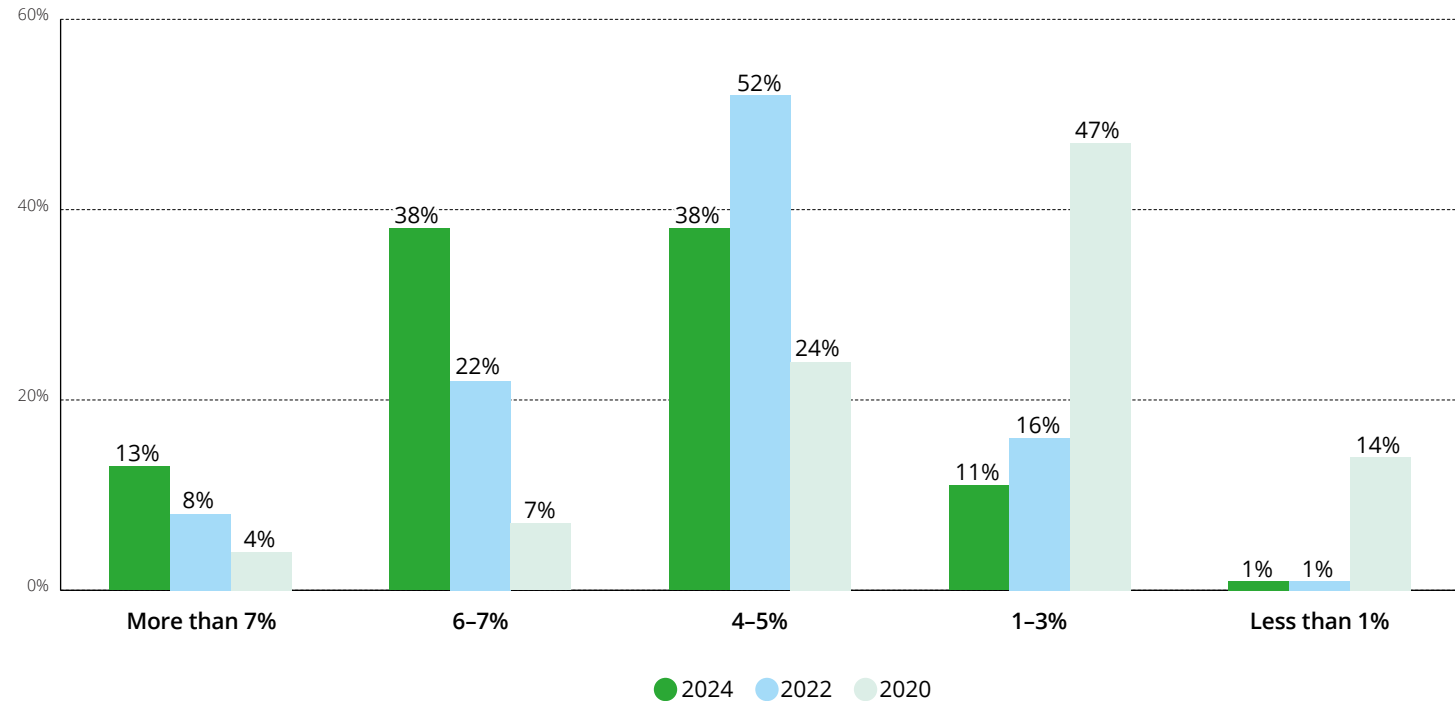
3. Manage separation costs and expectations



A divestiture carries costs an organization should anticipate. Stakeholders inside and outside

the company may need to commit significant resources to make it work. One way to measure the one-time cost of a transaction is to compare separation costs with its annual revenue. Most of our respondents (89%) said they spend at least 4% of the revenue of the business to be divested to execute their divestitures, and more than half spent at least 6% of revenue. More complex and cross-border divestitures may cost as much as 20% to 25% of revenue.

One-time cost to prepare and execute divestments
(Percent of target revenue)



Source: 2024 Deloitte Global Corporate Divestiture Survey (N = 500)

*Based on the question "For your company's most recent divestiture, what was the (one-off) cost of preparing for and executing the divestment, as a percentage of the sold business's revenue?"



3. Manage separation costs and expectations

Where do separation costs arise? We believe transaction costs, operational separation costs, and taxes make up most of the bill. These inputs are volatile—the number of respondents who found their cost estimates *fairly accurate* dropped by more than half from 2022 to 2023. In our divestiture survey, the performance of the to-be-divested business, the time it takes to separate the business to be divested, and the time required for internal stakeholder alignment are among internal factors that contributed to that difficulty in transaction cost forecasting. Our respondents also cited the time to negotiate transaction agreements, to accommodate buyer diligence, and to arrange buyer financing as additional drivers of separation costs. Note that time is the common thread—a factor that continual preparedness can help mitigate.

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3. Manage separation costs and expectations

To address these sources of inflated transaction cost, we believe that divestiture-ready sellers can adopt several tactics, including:

Assess businesses to be divested early to identify entanglements and find ways to mitigate them before going to market.

Many bidders place an importance on clearly understanding the target stand-alone cost base as part of diligence.

Don't assume the seller should bear all costs.

If multiple bidders are competing, or if a bidder is rushing to meet financing deadlines, certain costs may be up for negotiation. If pre-close restructuring shapes certain costs to the buyer's benefit, the buyer may agree to pay them.

Carefully evaluate incremental taxes resulting from a gain on the sale that may be perceived as a one-time cost. Sellers may look for ways to reduce them through structuring alternatives.

Consider sufficient one-time costs in transaction models to avoid internal negotiations about committing resources necessary to prepare businesses to be divested for separation. Those negotiations can prolong the processes unnecessarily and add cost. Sellers may look for ways to reduce costs through structuring alternatives.

Use TSAs to balance one-time cost against impact on the remaining organization. Offering a TSA can help shorten time to close, but it may also result in less than the *clean cut* some sellers may want. There may also be stranded costs after the TSA exit for sellers that were not able to put mitigation plans in place early. More than half of sellers in our survey report using TSAs to facilitate divestitures and manage costs proactively.



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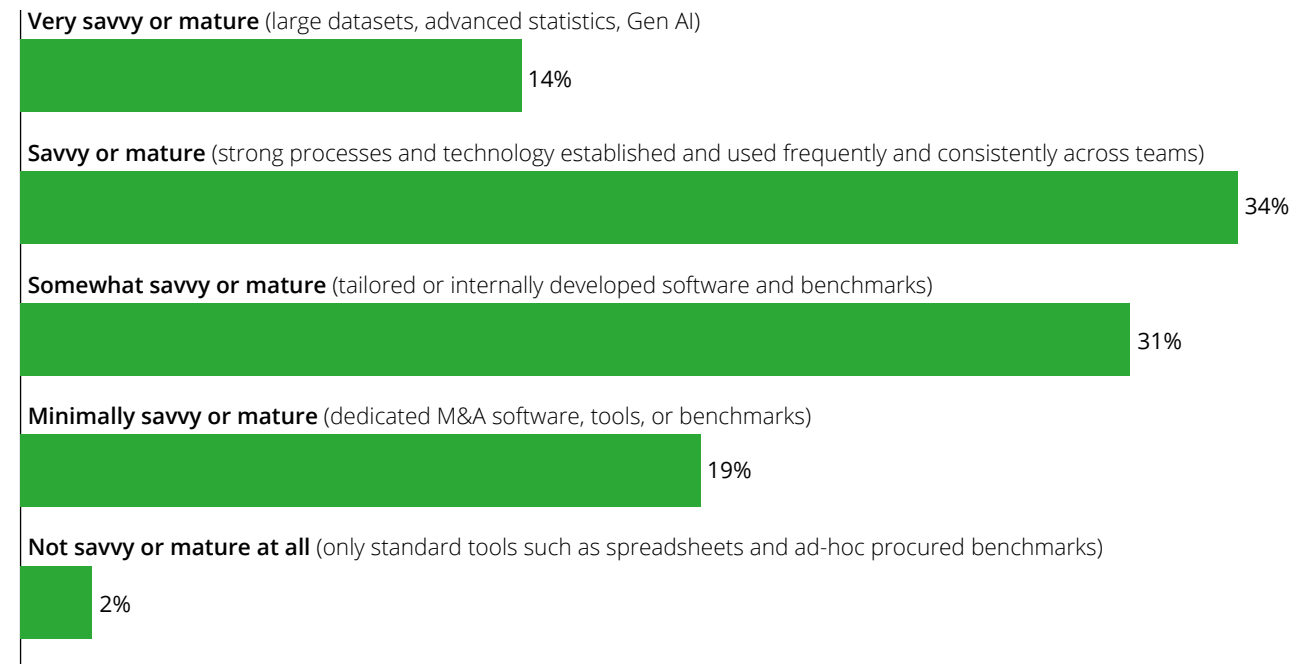
4. Embrace technology with curiosity and honesty



In our 2024 M&A Trends Survey, virtually all respondents (99%) indicated that their organizations

have begun moving beyond traditional software solutions and have started to incorporate Generative AI or advanced data analytics into their M&A processes. Based on the divestiture survey, sellers aren't far behind in their own technology adoption.

How technologically savvy and mature is your company when it comes to planning for and executing divestitures?



Source: 2024 Deloitte Global Corporate Divestiture Survey (N = 500)

*Based on the question "Would improving your company's technological savviness or maturity have the potential to improve divestiture outcomes for your company (e.g., increase transaction proceeds, decrease one-time separation costs, reduce internal effort/stress)?"



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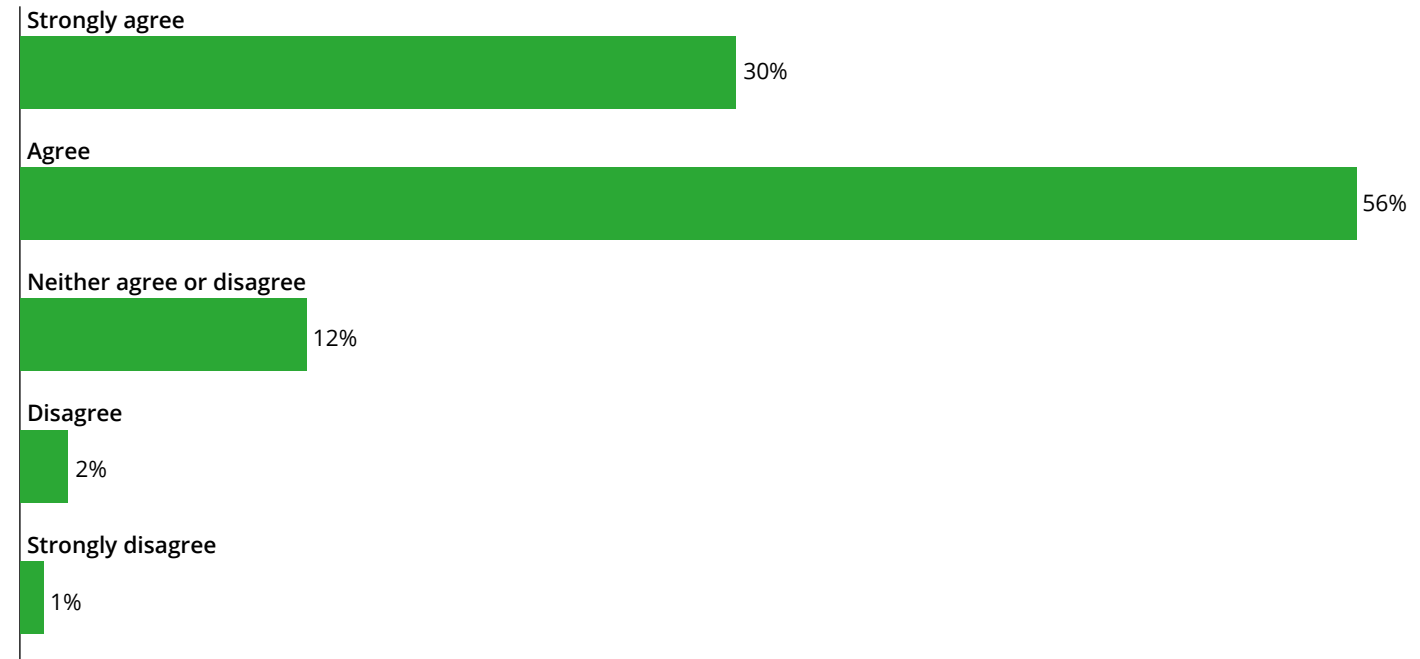
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4. Embrace technology with curiosity and honesty

Nearly all (98%) sellers believe their companies to be at least minimally technologically savvy and mature in planning and executing divestitures and say they use technology augmentation beyond standard tools or spreadsheets. Yet only a fraction (14%) indicate they are *very savvy* or *mature*,¹² leveraging large datasets fluently with advanced statistics or Generative AI to improve divestiture outcomes. The view from C-suite respondents was more muted: Fewer than half believed their organizations were *tech-savvy* or *very tech-savvy*, compared to 63% of non-C-suite respondents. However, in terms of their current preparedness, a strong majority (86%) of overall respondents agree improving tech-savviness and maturity helps improve divestiture outcomes.

Would improving technological savviness or maturity improve divestiture outcomes?



Source: 2024 Deloitte Global Corporate Divestiture Survey (N = 500)

*Based on the question "Would improving your company's technological savviness or maturity have the potential to improve divestiture outcomes for your company (e.g., increase transaction proceeds, decrease one-time separation costs, reduce internal effort/stress)?"



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4. Embrace technology with curiosity and honesty

That's the self-assessment picture. What about metrics? Looking at transaction performance, we found that divestiture survey respondents that seem to be *very tech-savvy* sellers are:

- Nearly twice as likely to report faster-than-expected time to divest compared to less tech-savvy peers.
- Two-and-a-half times more likely to identify and mitigate stranded costs as part of their divestiture processes.
- Eight times more likely to report being very confident that their companies would be prepared to achieve favorable transaction outcomes in case of an opportunistic approach by a bidder.
- Significantly more likely than respondents that seem to be *non-tech-savvy* sellers to report their different M&A stakeholders are frequently or very frequently aligned and actively connected from start to end of divestitures (80% vs. 35%).

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4. Embrace technology with curiosity and honesty

Who are the very tech-savvy sellers? Spending power may boost tech maturity. Based on our divestiture survey, those with annual revenues of US\$5 billion or more were one-and-a-half times more likely than those with annual revenues of less than US\$5 billion to be in this category. But we believe smaller organizations can break into the ranks of the tech-savvy on the strength of resourceful talent and the effective use of common software tools. Additional approaches that can contribute to organizational tech-savviness include:

Getting the basics right. Do you have all data, information, and benchmarks from past transactions archived and easily accessible at your fingertips? Generative AI and large language models run on data.

Understand which parts of the divestiture lifecycle can benefit from technology.

For example, shared contracts that require third-party engagement and negotiations can jeopardize transaction value and drag out a divestiture process. Identifying these early and disentangling them ahead of time can decrease transaction time and cost.

Deploying technology to aid the preparation of customer and transaction-level financial information.

This can help accelerate the divestiture process and assist sellers in addressing disparate groups of bidders, thereby increasing competitive tension.

Consider preconfigured software-as-a-service solutions a business to be divested can migrate operations into.

Building and operating a business operations platform for a carved-out entity may speed stand-up timing, lower separation costs and run-rate costs (thereby, increasing the attractiveness of the asset) and provide easier scalability for the future growth path of the business to be divested. All of which may help attract bidder groups.



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5. Tap into the potential of true value creation



You sell an asset; you receive proceeds. Is that the alpha and omega of divestiture value? Only in the simplest terms. A sale might also leave the remaining organization more focused or efficient, which is another source of value. We believe that the divestiture-ready organization sees value creation from all sides—the buyer, the business to be divested, and itself.

Going to market with a business to be divested at the peak of its value can contribute to value. Failing to execute on value-creation opportunities can limit value. About one-third of divestiture survey respondents said shortcomings in this area had depressed the value of a deal. Having a compelling value story and track record for the divested business was the second most-frequent priority respondents said they would address if they had a chance to redo recent transactions. A demonstrated business model or strategy, a record of performance in a geography—anything a seller can measure or articulate—may help define value to a potential buyer. Even yet-to-be-realized value can help enhance a transaction if forecasting is solid.

What else would sellers change to improve value if they could do their most recent transactions over? Change management, planning, and communications for customers, suppliers, and other partners was a popular answer. So was making sure to evaluate transaction structures and cost-benefit analyses more carefully. As we noted earlier, analyses like these should contemplate tax attributes that may offset gains on a sale or that may transfer with the divested business, thereby creating value for the buyer.



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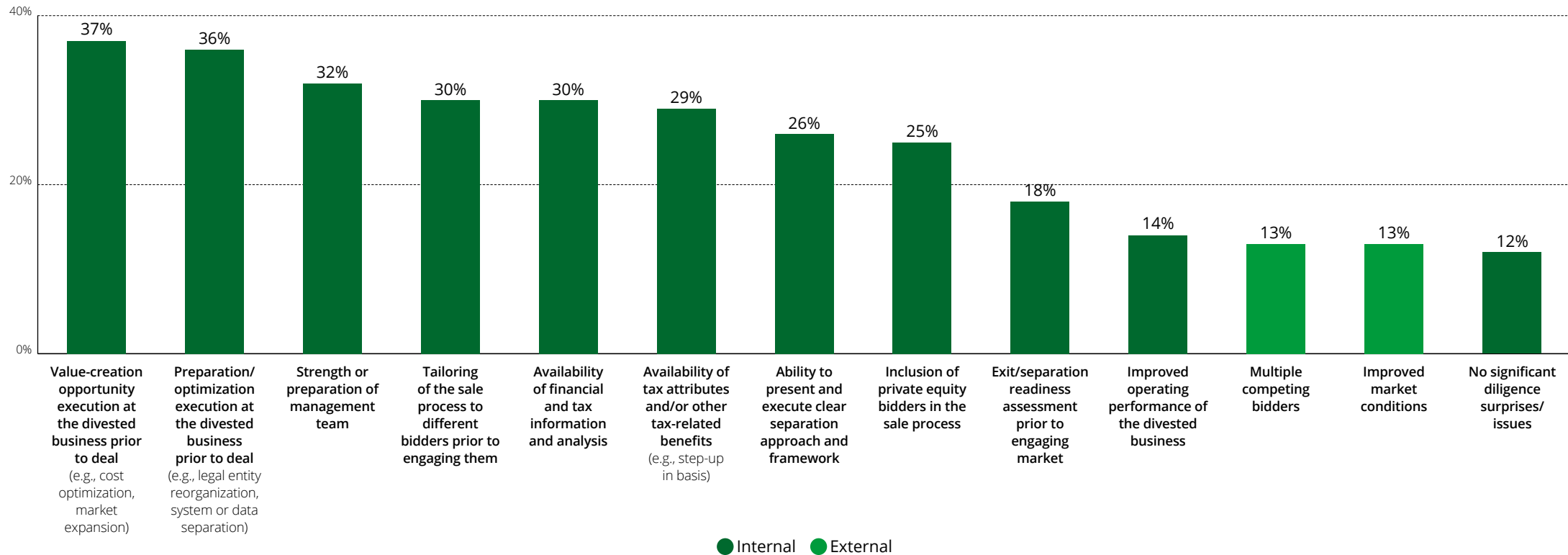
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5. Tap into the potential of true value creation

Reasons for higher-than-expected divestiture value



Source: 2024 Deloitte Global Corporate Divestiture Survey (N = 500)

*Based on the question "How aligned and actively connected are different M&A stakeholders from start to finish in your company's divestitures?"



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5. Tap into the potential of true value creation

Where the value story of a business to be divested isn't clear, bidders may take advantage. Further, the bidder's due diligence may prolong the process and erode final value. On the other hand, the work of defining that value story may cost time and money. More than one-third of our survey respondents told us that preparing value-creation opportunities for a business was one of the main reasons their companies' most recent divestitures took more time than expected to complete.

Potential value of a business to be divested can be influenced by factors a company may not immediately suspect. For example, the sustainability profile of an asset can be important. In Deloitte's 2022 report, *ESG's evolving role in corporate M&A decisions*,¹³ more than three-quarters of companies surveyed said they were willing to pay a significant (3% to 6%) premium for an asset that would improve their *ESG profile*. In addition, about one-third of respondents said they had to abandon a potential divestiture because of negative feedback on the sustainability profile of the business to be divested.

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5. Tap into the potential of true value creation

What are some key strategies we believe divestiture-ready sellers can use to create and demonstrate value in their assets for divestiture?

Prepare and articulate the story of the divestment, its track record, and the way it can create value in the future. This is a message you can tailor to individual bidders or bidder groups. Survey respondents cited this process of articulating value as their number-two priority if they could redo their last divestments.

Identify your own perspective on business improvement that could drive favorable results. These may include cash, capital expenditure, working capital, or tax opportunities. Quantify that potential and communicate it as pro forma EBITDA adjustments during transaction marketing.¹⁴

Develop transaction structures that can facilitate a timely close while building value and addressing potential tax issues—or benefits—early. This was respondents' number-three "do-over" priority. For example, a step-up in tax basis for a buyer can be identified as an outcome of efficient transaction structure planning and can enhance the value proposition for a business to be divested.

Consider sell-side diligence to anticipate potential buyer issues and preempt lengthy and more costly diligence processes. This diligence can also identify broader risks that might jeopardize an entire deal.

Another characteristic we believe divestiture-ready sellers have in common is the ability to *transform while they transact*. How will removing an asset shape the organization that remains? Dis-synergies or *stranded costs*, based on elements the divested entity may have shared with the seller organization before separation, are one factor that may burden the remaining organization if not addressed promptly. For example, contracts that were previously shared between the seller and the divested business might become less favorable post-transaction due to a loss in economies of scale. Likewise, previously shared resources might now go underutilized. Most of our respondents (87%) said they have been able to identify stranded costs in recent sales; a majority, but fewer, said they had been able to mitigate them.



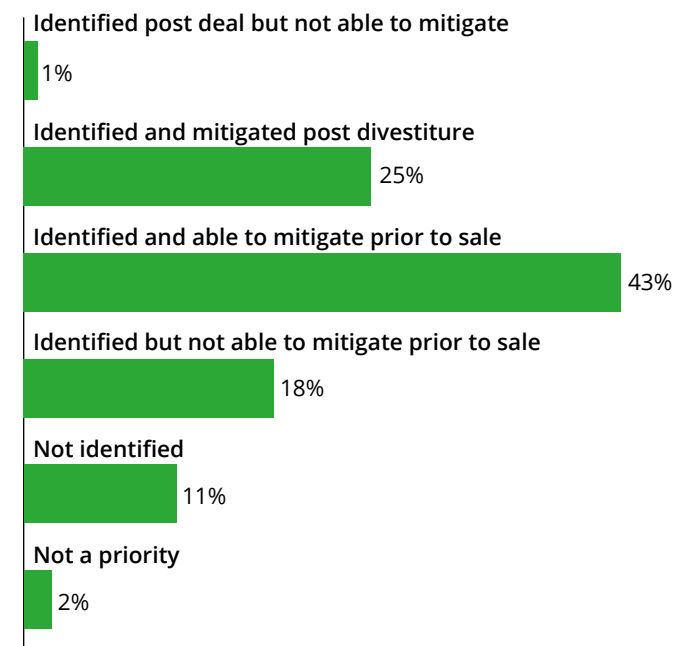
5. Tap into the potential of true value creation

The challenge and urgency to address stranded costs may be exacerbated by size, complexity, and the global nature of an asset for sale. Based on our survey, companies that typically divest to cross-border buyers were more likely than those that typically divest to domestic buyers to report they were able to identify and mitigate stranded costs prior to sale (47% vs. 37%). Compared to smaller or domestic divestitures, the prospect of large, cross-border divestitures may prompt sellers to put more thought into potential implications for the remaining organization—and to address those implications proactively.

To help prepare the post-divestiture remaining organization for these risks, we believe sellers can:

- Rapidly assess and identify shared elements between the seller and the business to be divested—products, processes, people, technology, and assets—and determine how to address them with legal and regulatory considerations in mind.
- Develop a clear end-state vision and carve-out strategy across all geographies and functions to minimize the chance of dis-synergies *falling through the cracks* without being identified and considered.
- Define a target cost structure for the post-divestiture organization to shape its growth profile, *ripping off the bandage* to shorten the duration of change.

Seller ability to identify and mitigate stranded costs prior to a divestiture



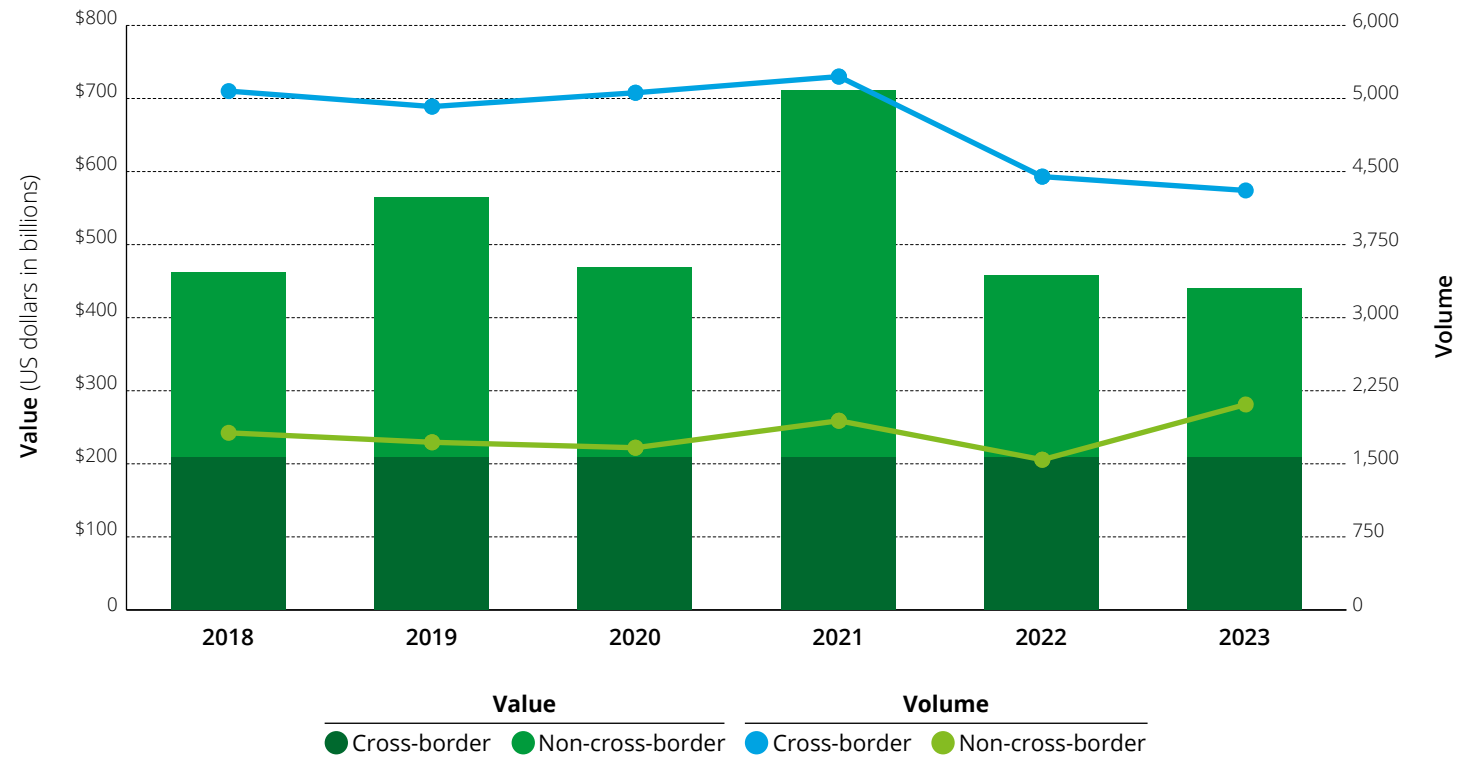
Source: 2024 Deloitte Global Corporate Divestiture Survey (N = 500)
*Based on the question "For your company's most recent divestiture, to what extent were you able to identify and mitigate dis-synergies/stranded costs at the remaining company prior to the completion of the divestiture?"



The geography factor: Regional perspectives

Many of the forces that can impact M&A and divestitures are global, but regional and local considerations often make a difference. Varying regulations, market preferences, and cultures can affect transaction planning and execution. Over the past six years, cross-border transaction volume has held mostly steady between one-quarter and one-third of divestitures, stabilizing a previously declining trend. But cross-border transactions punch above their weight in value, contributing 35% to 45% of divestitures overall.¹⁵

Global cross-border divestitures by year



Source: Based on Deloitte's analysis of M&A data generated via S&P Capital IQ, accessed November 15, 2023, and January 10, 2024.
*“Cross-border” indicates a deal where the seller/parent is headquartered in a different country compared to the buyer.



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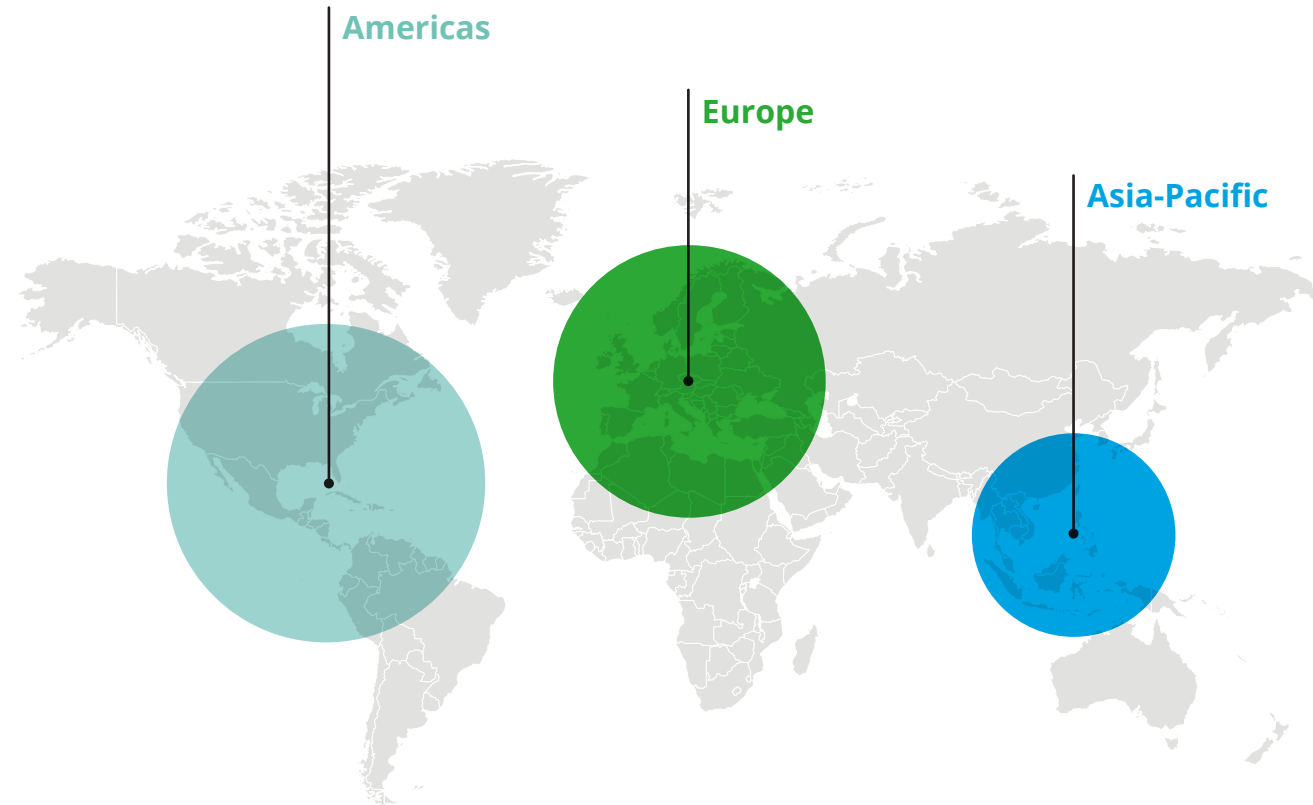
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The geography factor: Regional perspectives

Deloitte's *2024 M&A Trends Survey* found a move toward similar-country transaction partners, due perhaps to cultural comfort and a focus on more stable, established countries to mitigate risk. About 30% of sellers in our divestiture survey said cross-border buyers represented typical buyers of divested businesses in the last 24 months. We believe they may have been more likely to feel confident that approaches from opportunistic domestic buyers would lead to favorable transaction outcomes.

That said, cross-border divestiture was on the rise in 2023,¹⁶ which merits a focus on the regional and local perspectives that can influence transactions. The following are some of the key takeaways from our divestiture survey.



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The geography factor: Regional perspectives

Americas

- The primary motivations for sellers' most recent divestitures were changes in the market and competitive landscape, the need to raise additional funds, and opportunistic approaches from interested parties.
- Sellers in the Americas are twice as likely to consider five or more divestitures in the next 12 to 18 months.
- Lower-than-expected divestiture value for recent transactions was driven by a lack of exit- or separation-readiness assessment prior to engaging the markets, as well as deteriorating market conditions.
- Internal drivers of separation costs highlighted extended time required due to performance of the divested business (leading to potential delays in bringing an asset to market or bidders being more hesitant during diligence) and time required to prepare the divested business to be stand-alone prior to a sale.
- Longer-than-expected time to divest was driven externally by negotiation of transaction agreements as well as the complexity of regulatory approvals. Internally, it was driven by longer time required for internal stakeholder alignment, separation of the divested business, and internal resource capability.
- Among post-divestiture challenges, issues with previously shared customers presented relatively more challenges in the Americas compared to other regions, while TSAs were the most significant challenge.



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The geography factor: Regional perspectives

Europe

- The primary motivations for sellers' most recent divestitures were changes in the regulatory environment or tax structuring, the need to raise additional funds, or general changes in the market and competitive landscape.
- Lower-than-expected divestiture values for recent transactions were driven by weakness or lack of preparation of management teams as well as deteriorating operating performance of the business to be divested.
- Internal drivers of separation costs included extended transaction time required due to performance of the divested business (leading to potential delays in bringing an asset to market or bidders being more hesitant during diligence), internal resource capabilities and skills, and extended time required to prepare for value-creation opportunities at the divested business (e.g., pre-sale business optimization).
- External drivers of longer-than-expected time to divest included the need to find suitable bidders as well as the extent of their diligence. Internally, pre-sale preparation of the business to be divested to be stand-alone and internal resource capacity disproportionately prolonged transaction times.
- Tax and legal entity complexities were noted as being more challenging than in other regions, while TSAs were recognized as the most significant ongoing challenge post-divestiture.



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The geography factor: Regional perspectives

Asia-Pacific

- The primary motivations for most recent divestitures were a lack of internal talent to grow the business, changes in the market or competitive landscape, and a need to raise additional funds.
- Lower-than-expected divestiture value was driven, in part, by a limited number of bidders and associated decreased competitive tension. A lack of value related to tax attributes or other benefits resulted in a further erosion in divestiture value.
- Internal drivers of separation costs included extended time required to separate the divested business, time required to prepare the business to be divested to be stand-alone prior to a sale, and limited internal resource capacity.
- Longer-than-expected time to divest relative to other regions was driven by the complexity of regulatory approvals.
- Tax and legal entity complexities as well as dis-synergies and stranded costs for the remaining organization presented relatively higher challenges compared to other regions.

A lack of value related to tax attributes or other benefits resulted in a further erosion in divestiture value.



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The road ahead

The point in any kind of readiness is to be able to act decisively and with confidence. Divestiture-ready businesses are typically equipped to include divestitures as part of their M&A perspectives, not as an outlier.

Most of our survey respondents (78%) anticipate that their companies will consider at least three divestitures in the next 12 to 18 months. Fewer than 2% see no sell-side activity in their near future. This anticipation of more divestiture activity is even stronger among divestiture-ready sellers that frequently evaluate their portfolios and forge strong connections among their leadership, business development, and transition teams. Almost one-third of those *connected sellers* report considering more than five divestitures over the next 12 to 18 months. Only 8% of less connected sellers anticipate that

pace of divestiture activity. An interesting twist is that C-suite respondents seem especially bullish about divestment. Nearly half of them indicate their organizations are considering four or more divestitures over the next 12- to 18-month period, compared to 38% of non-C-suite respondents.

Still, uncertainty remains high. We believe many executives question whether their current portfolios are positioned for the future. As we note in our *2024 MarginPLUS Survey*,¹⁷ inflation and pandemic after-effects still pose lingering concerns. However, the inflation picture is improving, which may reduce interest costs and help drive transactions.¹⁸ New technologies threaten to disrupt existing business models. And ongoing and new geopolitical conflict make it more challenging to balance revenue expectations across markets.¹⁹

Business leaders are not strangers to uncertainty, but our 2024 survey findings showed—amid inflation, global conflict, new regulations, and high interest rates—many of them changed their approach to it.



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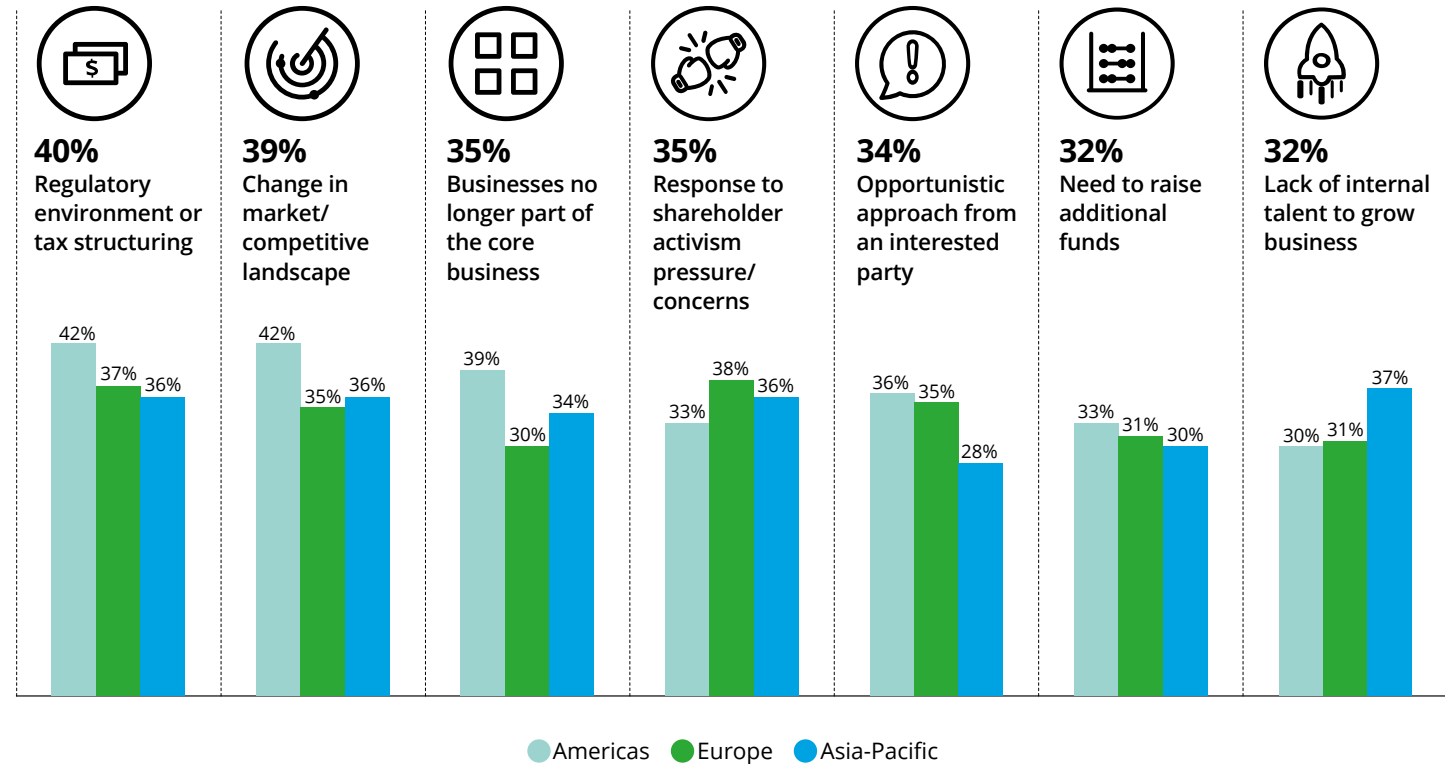
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The road ahead

One sign of the market's complexity is that divestiture survey respondents offered a variety of answers when we asked what may motivate their future divestitures. Among external factors, the regulatory environment and market changes are still the most-cited determinants. This sentiment is shared to varying degrees by respondents from the Americas (42%) and those from Asia-Pacific (36%). Shareholder activism seems to be a stronger concern for respondents from Europe and Asia-Pacific. In terms of internal factors, refocusing on the core businesses continues to be the strongest motivation, while workforce challenges and liquidity for future growth are other serious considerations.

Motivations for future divestitures



Source: 2024 Deloitte Global Corporate Divestiture Survey (N = 500). (Sum may exceed 100% due to "select all that apply" question.) Based on the question "What are the motivations underlying any future divestiture considerations in your company?"



The road ahead

Uncertainty in markets and motivations underscore the mounting complexities of divesting. Significant *dry powder* among potential buyers seems like it could propel the market—but this may only increase the pressure on sellers to be as prepared as possible, so they can make sound transactions. We are also observing a step-up in investor activism,²⁰ which can be another considerable driver of M&A activity, particularly for divestitures.

Despite the economic uncertainty and complexity ahead, we believe organizations remain bullish. They want more precise control and face limited growth prospects, as we observe in our *2024 MarginPLUS Survey*.²¹ But as respondents of our *2024 M&A Trends Survey* indicate, they also have a generally positive outlook on their ability to grow. Amid this momentum, divestitures will likely remain a critical tool in the corporate strategy toolbox to shape an organization's growth trajectory, place assets with the most effective ownership, and catalyze organizational transformation.²²

What were sellers' biggest continuing challenges after closing their most recent divestiture? In order from most- to least-cited, in this year's divestiture survey, respondents said TSA, talent retention and morale for the remaining organization, and tax and legal complexities. Issues with previously shared customers was a close fourth challenge. This highlights the need to not only understand what you are selling and how it will affect the remaining organization, but also the need to evaluate divestitures differently—perhaps not as a means to an end but as an opportunity to inspire the remaining organization for the road ahead.



The road ahead

As is the case with any new tax legislation, the *United States' Inflation Reduction Act*²³ will require more thorough analysis and evaluation during the divestiture planning phase. In addition, new corporate taxation rules from the Organisation for Economic Co-operation and Development (OECD), known as Pillar Two, may have a similar effect. We explore this topic further in *Pillar Two: Navigating cross-border M&A in the Pillar Two world*.²⁴ Similarly, the European Green Deal (EuGD) may prompt portfolio considerations or potential divestitures across Europe.

The insights from our divestiture survey can help prospective sellers consider new perspectives that may help them map their own M&A and divestiture journeys. Here's a summary.

- Review and understand your portfolio often. Always be thinking ahead about advantageous ways to structure future divestitures.
- Align and integrate your internal transaction stakeholders so they're prepared to run efficient processes before they start.
- Manage your transaction costs by proactively understanding entanglements and long lead-time separation activities, and exploring how to solve for these ahead of time, not when you're pressed for time in the midst of a transaction.

- Bring an honest lens to exploring the ways technology can enhance your transaction planning and execution.
- Don't assume separating a business will automatically clean your house. Use divestitures as a chance to chart a stronger course for the wider organization.

When an organization takes divestiture out of the *in case of emergency, break glass* category and normalizes its inclusion in strategy, planning, and dealmaking possibilities, there's no guarantee that it will happen more often. But it may—and it may also contribute more reliably to long-term value creation by making each transaction easier to imagine, pursue, and execute. In the end, the divestiture-ready organization is a growth-ready one, with a freshly sharpened tool at its disposal.



About the survey

Between October 6 and October 20, 2023, a Deloitte survey conducted by OnResearch, a market research firm, polled 500 executives who had been part of a divestiture within the preceding 36 months to gauge their expectations on divestiture activity in the upcoming 12–18 months, as well as their experiences with recent divestitures.

All survey participants work either for private or public companies with revenues in excess of US\$500 million. More than half (55%) of respondents represented firms with more than US\$1 billion in revenue. The participants hold senior ranks (senior director or above at the corporations). Most of the respondents (80%) sit within the C-suite. All respondents indicated that they are involved in M&A activity. The respondents represent a variety of industries, including consumer; technology, media and telecommunications; energy, resources and industrials; financial services; and life sciences and health care. Respondents' corporations are headquartered in ten countries (United States, Canada, United Kingdom, France, Germany, the Netherlands, China, Japan, Singapore, and Australia) across three regions (Americas, Europe, and APAC).



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Additionally, we wish to thank the following colleagues for their contributions: **Lauren Coffman**, **Natasha Saputra**, **Divya Surana**, **Matt Rigolizzo**, **John Forster**, and **Pankaj Kumar Bansal**.

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