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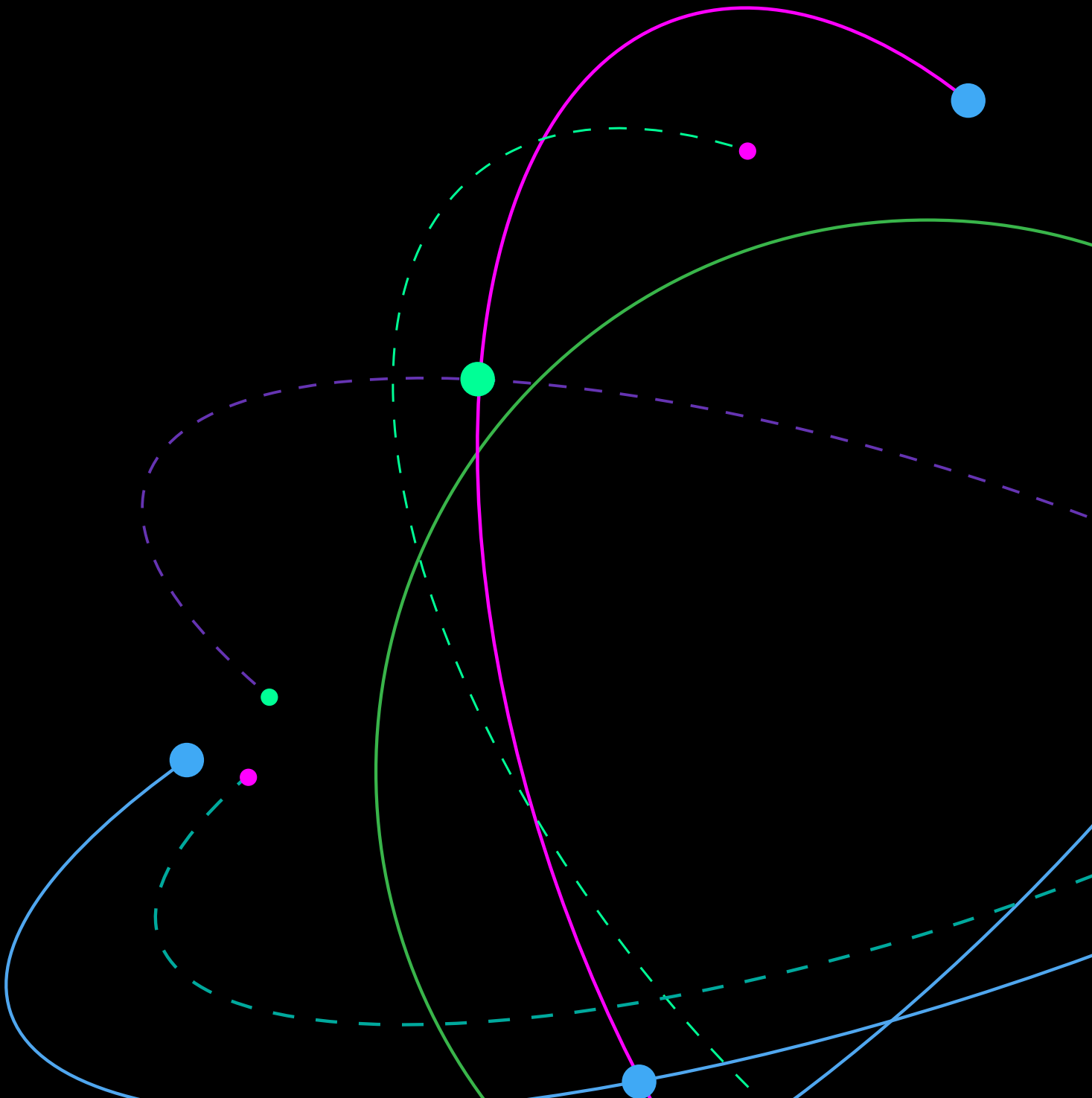


Adding method to managing
an exit strategy to wind-down
and close a business

Weigh all your options

Introduction

Deloitte Turnaround and Restructuring (Deloitte T&R) Managed Exit practice works with clients to devise and implement a tailored exit strategy for a client's business. Our proven methodology and prior experience can help clients achieve successful exits and wind-downs. Explore how.



Exiting a business? Welcome aboard.

Is your industry currently going through a period of slow growth? Is an underperforming segment pulling down your overall enterprise valuation? Well, Deloitte T&R's Managed Exit practice is here to help businesses just like yours.

Deloitte T&R's Managed Exit practice, led by our multidisciplinary Turnaround & Restructuring teams, advises multinational corporations and organizations on fixing, funding, selling, or closing underperforming and/or non-core areas of their respective business. We work in collaboration with multiple service lines and specialists in various jurisdictions globally to support our clients in determining an appropriate course of action, including developing an initial strategy and conducting an assessment. When the result of the assessment of strategic alternatives is that a wind-down and closure of the business is optimal, Deloitte T&R can help with the detailed planning and assist in implementing an exit. We are also able to provide project management oversight as well as hands-on implementation as needed.

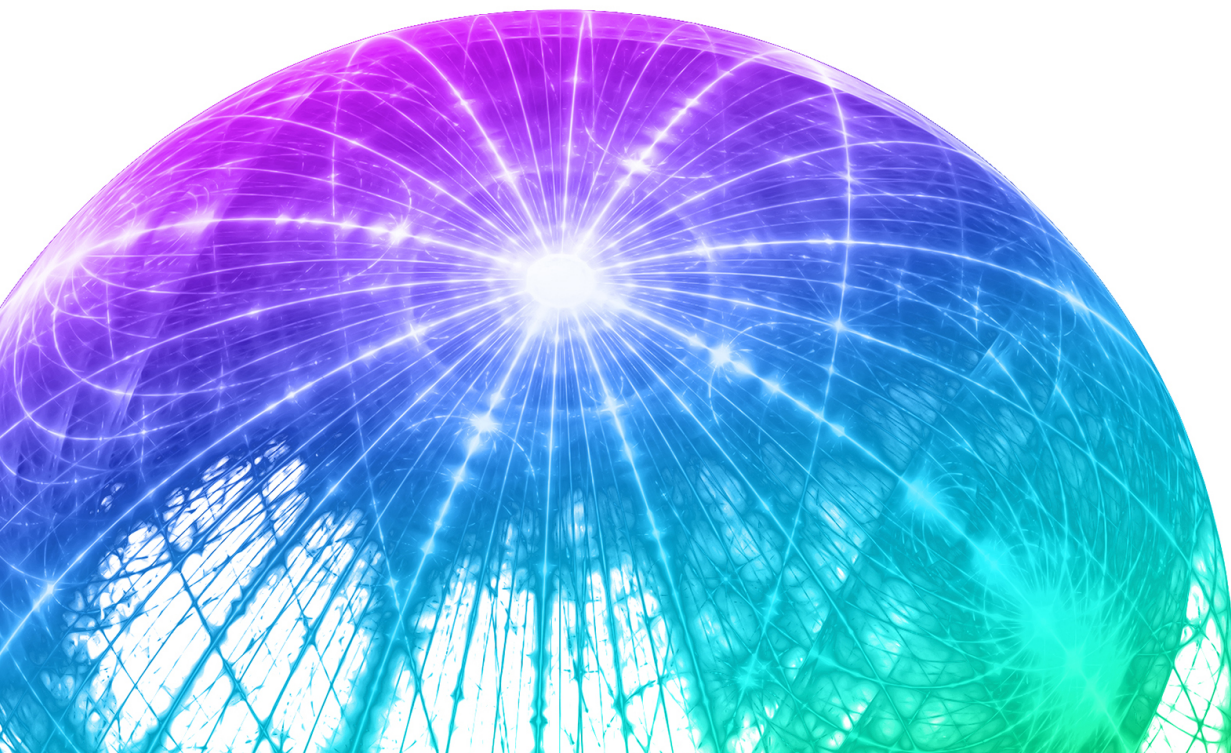
Throughout the process, our focus is on better understanding key drivers, helping to create an actionable plan with clear-cut roles and responsibilities in order to deliver value that has buy-in from leadership and key stakeholders.

Reasons for an exit

If a business cannot be fixed, funded, or sold, we assist clients with winding down and closing underperforming operations. This type of exit often becomes necessary due to external factors, such as global economic events; geopolitical issues like trade wars, tariffs and regulatory changes; pandemics; supply chain disruption issues; and negative trends impacting industries, such as technological obsolescence or changing demographics.

The triggers can also be internal, such as labor issues, structural operating costs, operational inefficiencies, obsolete plant and equipment, poor financial performance, and weak management. At times, these internal triggers can prevent business strategy transformation, cause stagnant growth that cannot be rectified by M&A activity, result in business and financial restructuring, or (in some cases) require filing bankruptcy to resolve litigation and various liabilities.

Effects of an improper execution of a wind-down can cause the parent organization to be perceived as an underperforming business, incapable of meeting its own performance objectives. Failing to achieve a wind-down on time and under cost can cause disruptions to the remaining business and have negative financial and tax implications, resulting in diminished shareholder value.

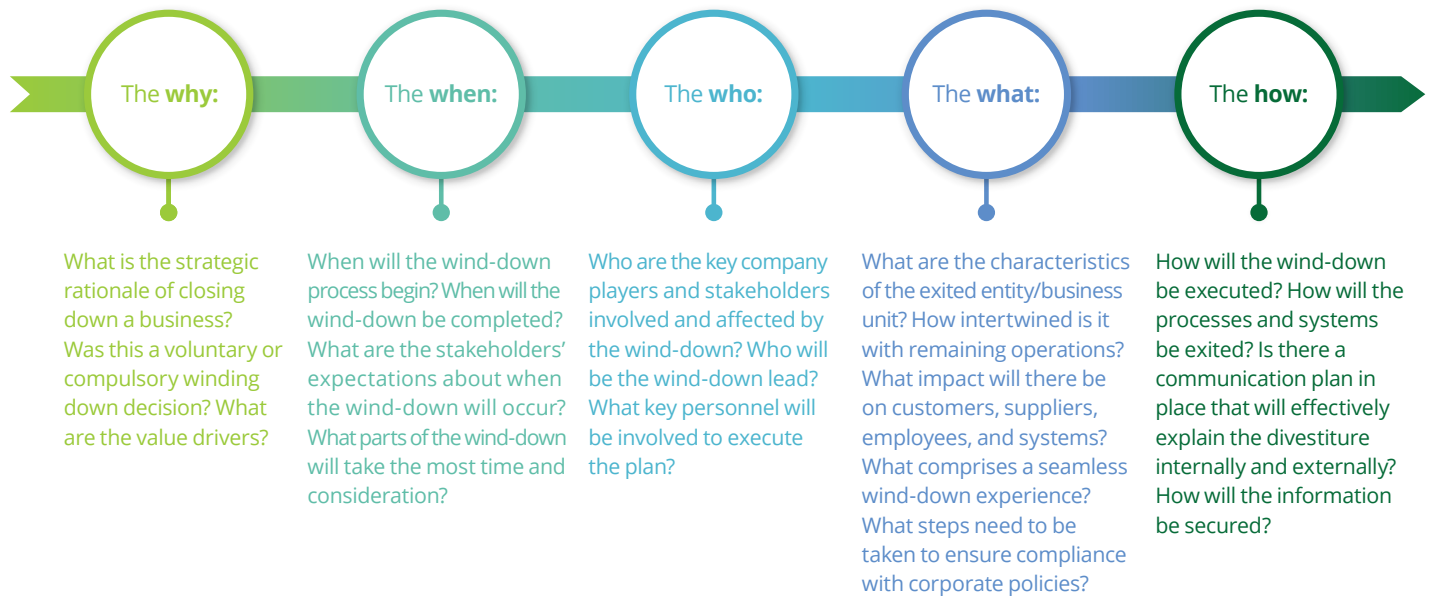


Introduction to wind-downs and business closures

When a company decides to exit a business or close a substantial part of it, it must remember to address legal and business obligations before ultimately ceasing to exist. Importantly, only after a business brings closure to relationships with customers, suppliers, employees, creditors, and (in some cases) regulators may it call the effort a successful wind-down.

Depending on the rationale behind this strategic decision, companies might wind-down the full business or only partial operations. Deloitte T&R proposes to approach wind-downs as an M&A divestiture. We apply the usual speed and rigor to help parent companies seamlessly cease specific business units, regions, or operations.

In order to achieve a successful wind-down, a variety of items must be understood, such as:



Wind-downs are unique, and there is not one answer for how to successfully exit part of a company's business. Thus, the information included in this document is intended to provide high-level guidance, which will be evolving continuously.

How it is done

Deloitte T&R can provide advisory assistance or hands-on services to work collaboratively with the management team responsible for overseeing the wind-down and closure of a business. Where appropriate, we can work on site with local management to protect critical assets and mitigate risk to maximize the efficiency and transparency of the process. If not appropriate, we can work remotely to assist those with the corporate responsibility to execute the exit.

Deloitte T&R frequently works with external legal counsel (law firm(s) chosen by the parent company) who advise on legal areas such as filings to comply with local and federal statutory requirements, identification of potential employee (labor) issues, execution of intellectual property transfer, etc. End-to-end collaboration throughout the process is essential.

There are several moving parts involved in a wind-down that require special attention to reduce risk and provide a seamless experience to employees, customers, suppliers, and other stakeholders. The following guiding principles should be kept in mind throughout the process:



Initiation and planning establish a framework and governance for activities and ensures accountability and readiness. Key steps include defining the vision and guiding principles as well as developing the overall timeline and identifying the stakeholders. This provides the foundation for subsequent work. It involves assessing key assets and liabilities for synergies with other business units; performing scenario testing; and evaluating legal, financial, commercial, and operational risks. This may also include an evaluation of the pros and cons of a solvent versus insolvent wind-down.

Work plans preparation creates detailed plans designed to capture a holistic view of expected work. Key steps include defining such plans with milestones and owners in order to drive accountability. This highlights interdependencies and sequential step requirements. This stage begins with the analysis and assessment of each area of the operational wind-down. Then a detailed project plan is drawn to identify critical path activities and key milestones and allocate responsibilities. A wind-down budget is prepared to include both sources and uses of cash in the settlement of liabilities and disposition of assets. If detailed planning is not required, we can provide high-level and flexible support to help design, prepare, and implement a managed exit.

Before Day 1 execution executes against the workplan and ensures accountability. Key steps include executing against the workplan and testing capabilities for “post-transaction” (i.e., wind-down). This confirms the series of steps are addressed.

Readiness certification focuses on the legal and regulatory preparation with a road map offering minute-by-minute planning. Key steps include confirming regulatory readiness and defining the detailed series of steps to ensure readiness. This involves extensive testing of remaining systems and processes, among other considerations that are needed prior to execution.

Wind-down execution executes and completes cut-over activities and achieves Day 1 operation of remaining business. Key steps include executing on the minute-by-minute plan and confirmation with governing, regulatory, and legal authorities. The complexity is dependent on a variety of factors, including interdependency of the legacy business. We work with management and any other appointed advisers (e.g., legal, real estate, tax, accounting, human resources) to ascertain and plan the most suitable exit from key contracts; prepare communications to employees, press, and other key stakeholders on progress; and come up with a strategy to exit from any leasehold premises to minimize any potential liabilities arising. We provide close support, as required, in connection with negotiations with employees, customers, and other stakeholders.

Wind-down monitoring ensures smooth operation of the legacy business post-Day 1. Key steps include utilizing post-Day 1 tracking guidelines and documents. Considerations include the potential for a long tail due to legacy contracts and regulatory or other requirements. We also help establish key performance indicators and actual and forecast reporting formats with management and set up reporting for the company.

Legal closure execution plans for legal closure and obtains tax and legal sign-offs in order to execute legal closure. Key elements of this include tax planning, balance sheet rationalization, and contingent liability diligence. Considerations include elimination of current and future liability exposure to the legal entity(ies) and its officers and directors. Depending on jurisdiction, this is coordinated among legal, financial, and tax professionals.

How else can Deloitte help

Deloitte supports businesses in restructuring, divesting, or closing underperforming and/or non-core assets, freeing up valuable capital and management time. Deloitte offers specialists across all functional areas of a wind-down:

- Operational: Specialization in all major functions (e.g., operations, communications, HR, IT, supply chain)
- Accounting and financial advisory: Includes financial statement preparation, audit readiness, and account reconciliation services
- Tax: Offers a range of tax services from business tax and transfer pricing to M&A tax services

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