



Carve-out transactions: Mastering legal, operational, and IT challenges

Introduction & Structure

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Outline

- I. Introduction and overview
- II. IT carve-out: Identifying and overcoming legal challenges
- III. Operational Carve-Out: Interdependencies between the operational and legal perspectives
- IV. Use of generative AI (GenAI)
- V. Summary



I. Introduction and overview

Carve-out

Overview



Strategic focus

- Concentration on **core competencies**
- Realignment of **corporate strategy**: A division no longer fits with the long-term vision or portfolio.

Value enhancement

- Independent **valuation**: A carved-out division can often be valued higher on the market as an independent company.
- **Investor access**: Enables targeted investments in the carved-out division, e.g., through private equity or an initial public offering (IPO).



Operational reasons

- **Flexibility** and agility: The carved-out division can make decisions more quickly and adapt better to market conditions.
- **Different business models**: When requirements (e.g., technology, customers, processes) differ greatly from one another.

Financial motives

- **Liquidity gain**: The sale of the carve-out generates capital for investments or debt repayment.
- **Cost optimization**: Reduction of overhead and complexity within the group.

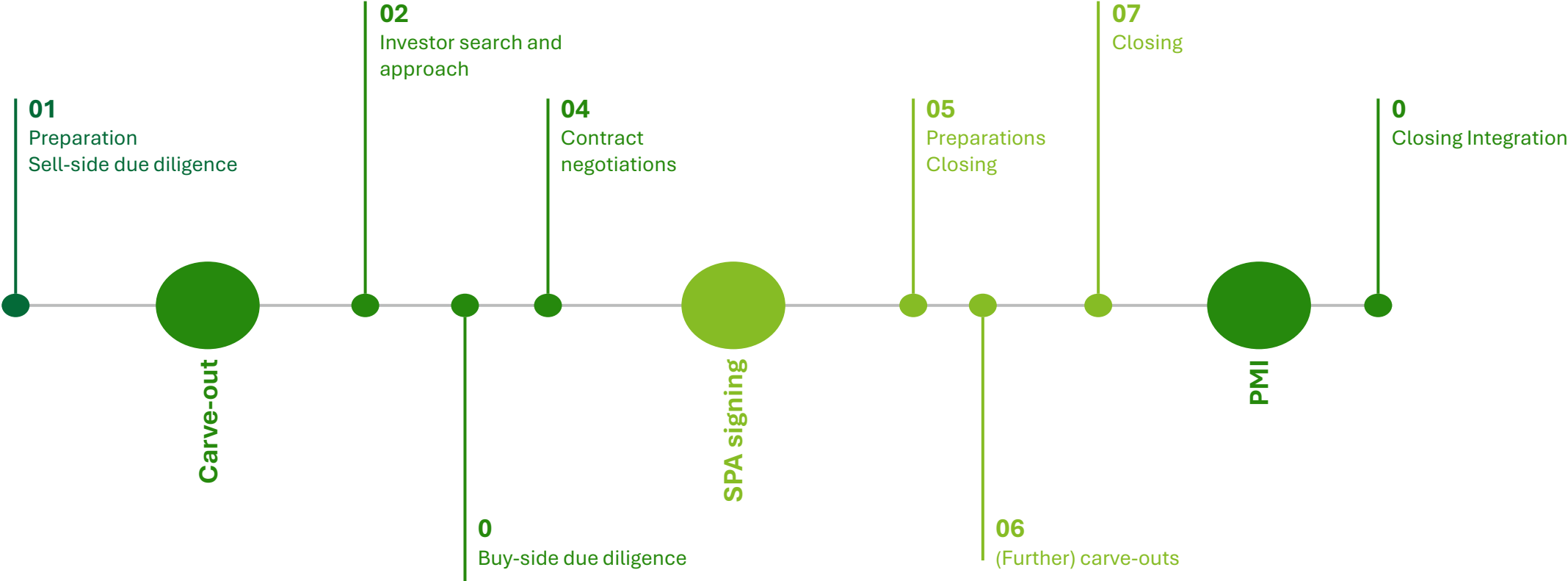


Regulatory or legal reasons

- **Antitrust requirements**: Carve-outs may be mandatory in the case of mergers or acquisitions.
- **Compliance requirements**: Different regulatory frameworks for different business areas.

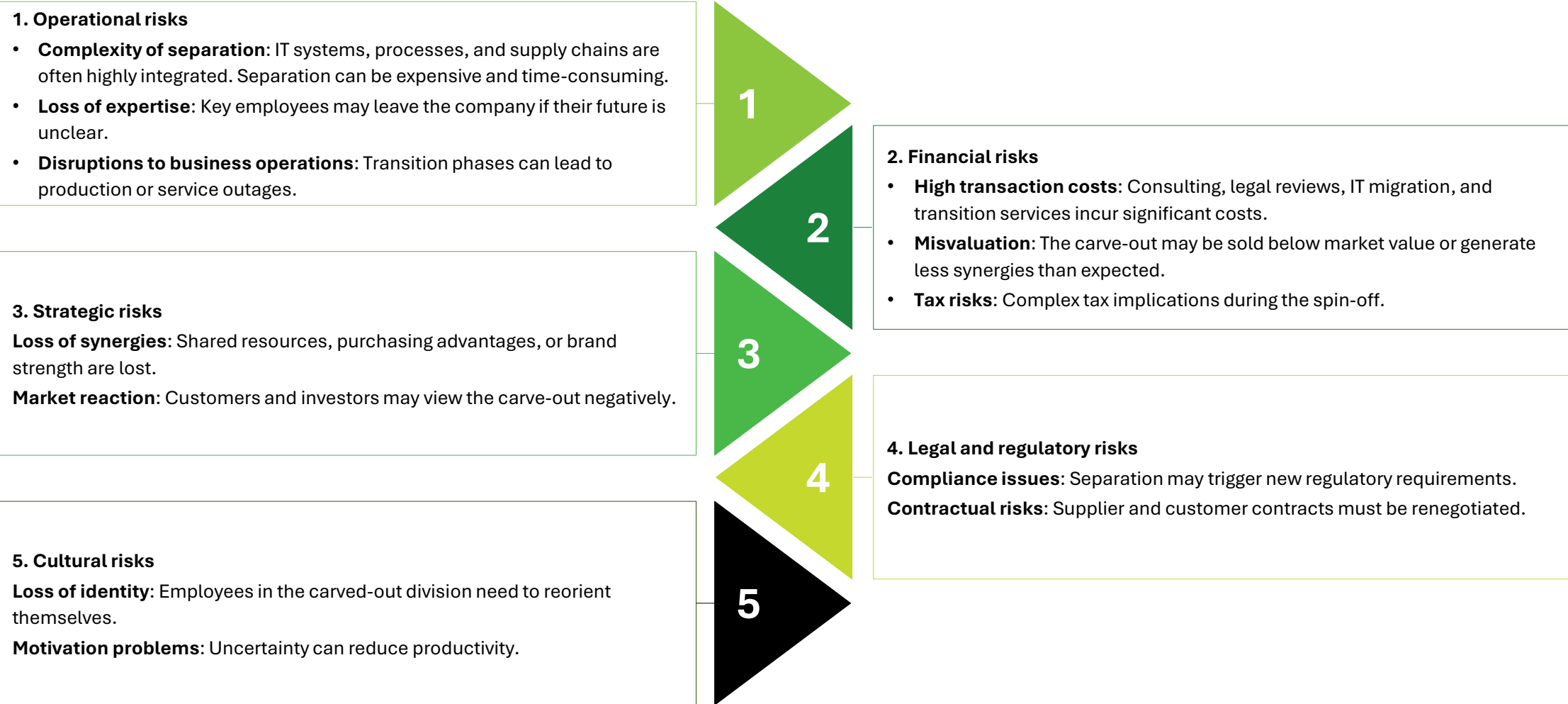
Carve-outs in the context of M&A

Transaction phases



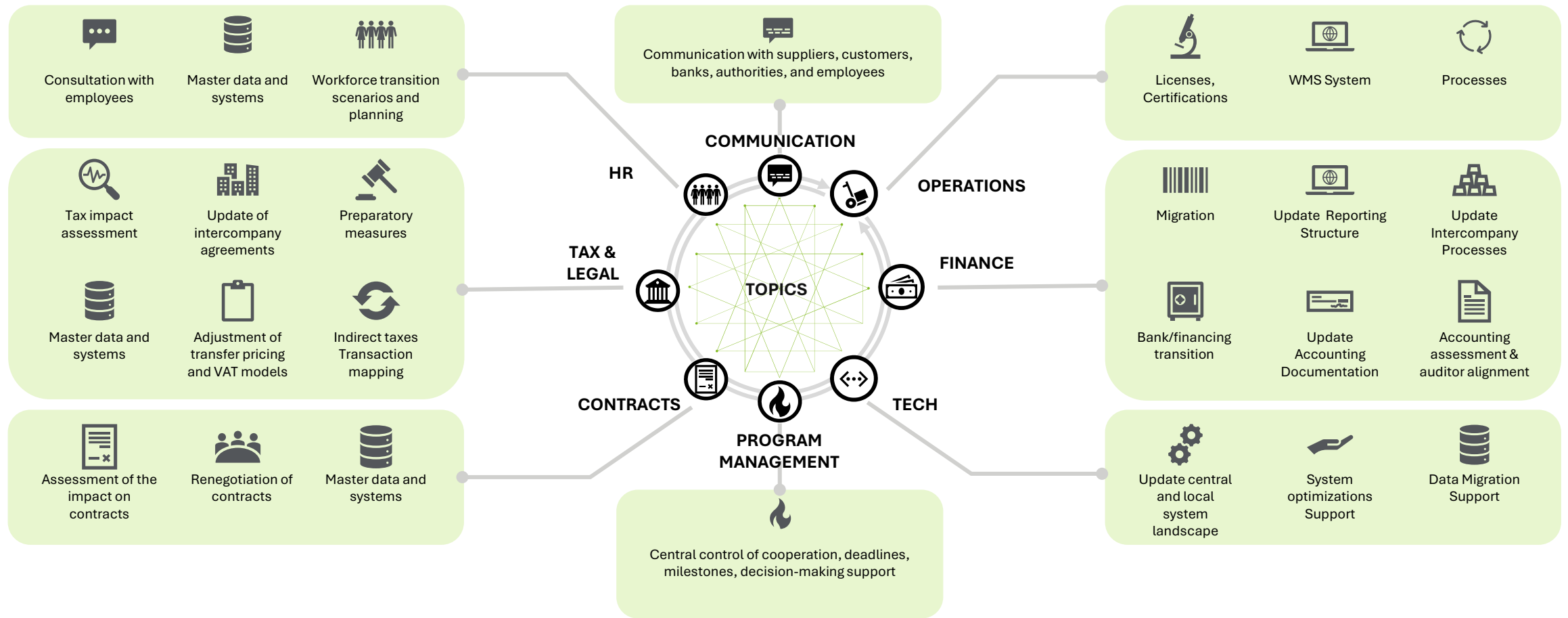
Carve-out

Risks



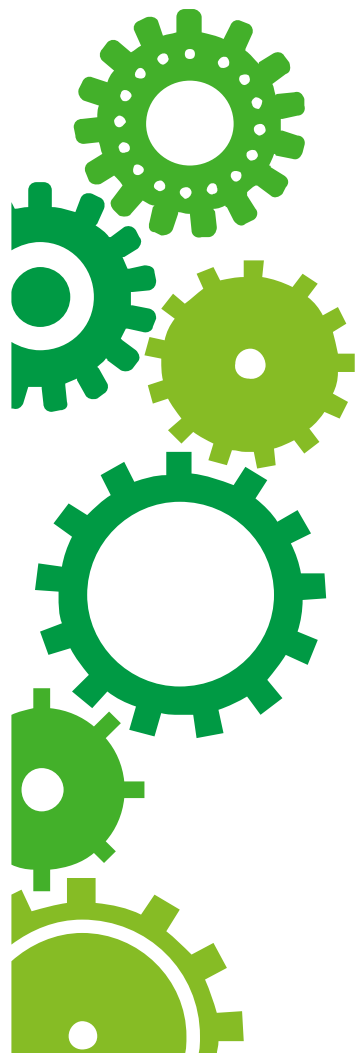
Carve-out

Topics & Stakeholders



II. IT Carve-Out: Recognizing and Overcoming Legal Challenges

Initial situation (from a legal perspective)



IT operations are a crucial component of every company...

- IT operations are a **key success factor** for companies.
- They are crucial for **maintaining the operational continuity** of the company.
- **Day-1 readiness** is therefore crucial and an **important contractual condition** in most transactions.

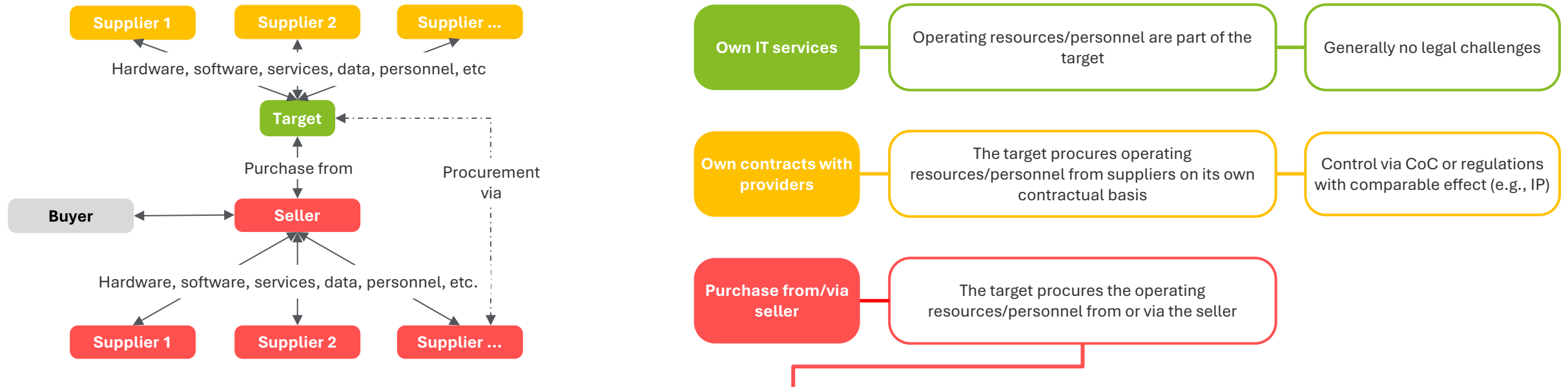
...which leads to unexpected and unnecessary costs or legal risks

- The carve-out cannot be resolved by legal means alone, but has **technical and operational dependencies** and/or measures that require the **consent of third parties** and can incur **significant costs** that are often not as transparent as they may appear at first glance.
- There **is a risk of (legal) uncertainty** if the issues are not resolved at an early stage.

...whereby the operational aspects are usually taken into account, but the legal components are often underestimated...

- The **legal complexity** of integrating or separating operational units into/from an existing conglomerate is usually underestimated.
- The assessment and preparation of the **legal feasibility of the carve-out** must be carried out at an early stage in the sale/acquisition process.
- Based on this, a **binding legal framework** must be developed.

Ensuring business continuity in the context of an IT carve-out from a legal perspective



3 options for contractually compliant implementation of business continuity

01 (Re)procurement by the target

The necessary operating resources are procured independently by the buyer / personnel are hired

- Seller's **obligations to cooperate**
- Integration into existing **buyer organization** (e.g., expansion of licenses, procurement directly from the seller)

02 Transfer from seller

The necessary operating resources/personnel are permanently transferred from the seller to the target.

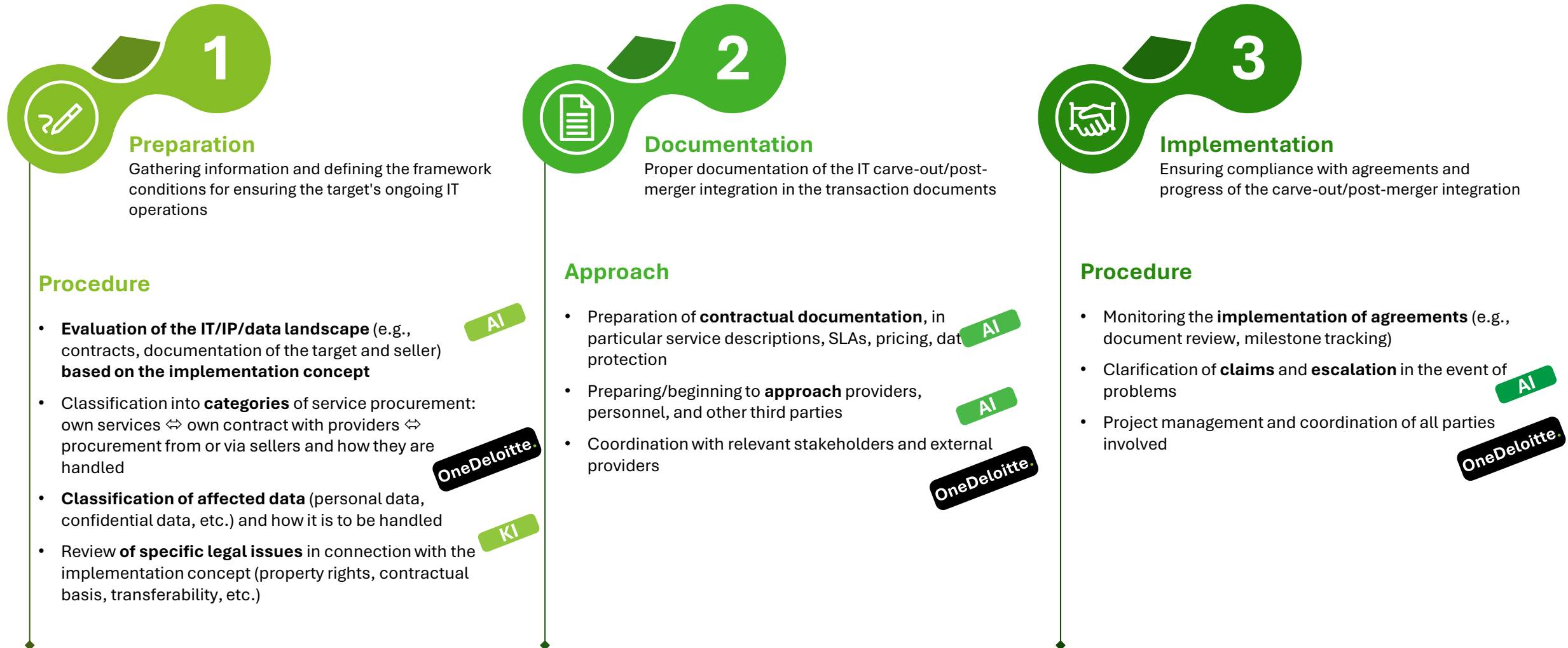
- **Requirements for consent** from providers for the transfer/restrictions on rights of use, especially for software, must be observed
- Often, **continued use of software** is also necessary at **the seller's** or the seller's group companies → not possible without the provider's cooperation
- Transfer of operating resources/personnel may trigger a **transfer of operations**
- **Separation of data stocks** must be carried out

03 Temporary provision by seller

Provision is made for a limited period via a Transitional Service Agreement (TSA).

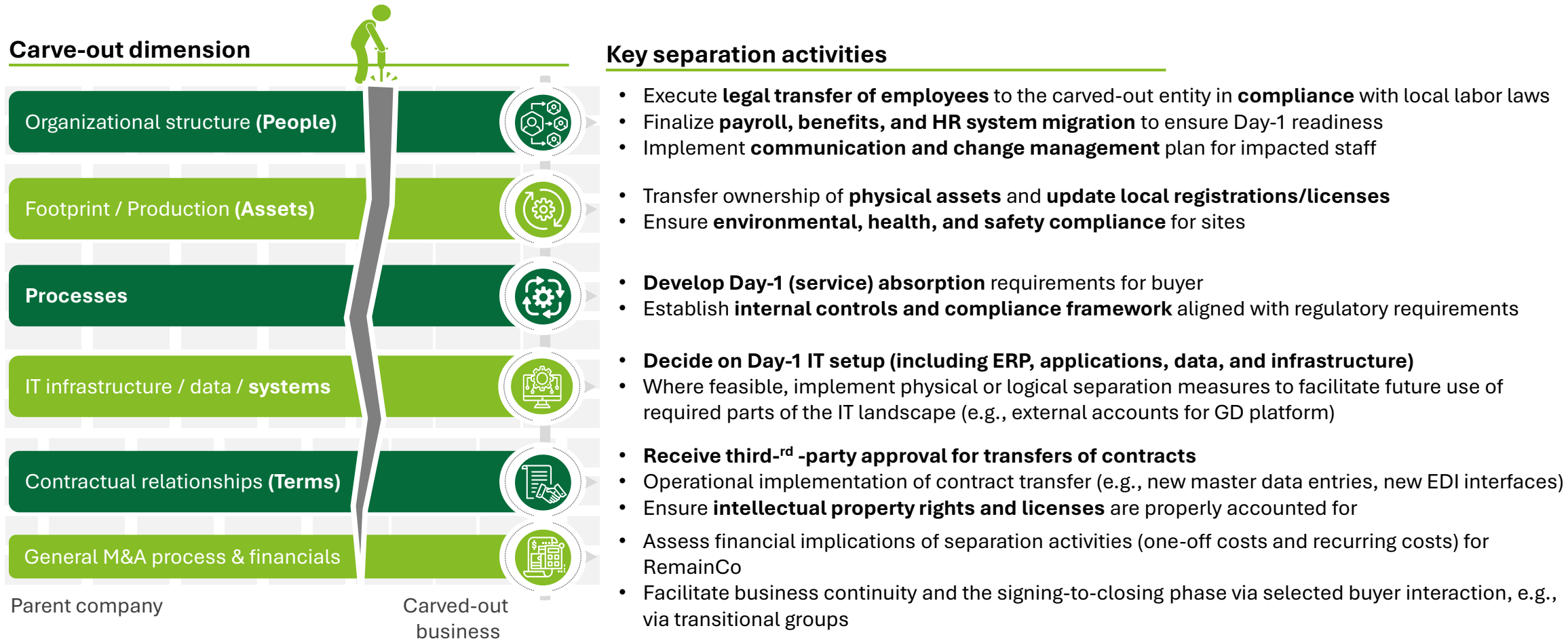
- Seller **as IT service provider**: clear service description (SaB?), SLAs, liability, pricing, etc.
- **Separate data storage** and usage and access rights, domains, email addresses, etc.
- Regulatory requirements (NIS2, DORA, etc.)
- **Consent requirements** of providers/staff (works council?)
- **Duration of the transition period** and extension, as well as **exit support**

Procedure



III. Operational carve-out: Interdependencies between the operational and legal perspectives

Operational carve-out approach (1/2)



Operational carve-out approach (2/2)

Separation best practices

Strong governance with clear responsibilities

- Establish a Separation Management Office (SMO) as the central coordination hub
- Define clear roles and responsibilities across all workstreams early in the process
- Assign accountability for financial and operational topics to avoid overlaps and gaps

Define clear transaction guiding principles

- Agree on non-negotiables and guiding principles for people, assets, processes, systems, and contracts
- Ensure senior management involvement in planning

Clearly ring-fenced transaction perimeter

- Clearly define the scope of the carve-out: objectives, boundaries, timeline, and legal setup
- Define and document the transaction perimeter explicitly for all dimensions

Highlight Day-1 operating model

- Assess complexity drivers and allocate adequate resources and budget.
- Deploy issue-based status reporting and maintain a single source of truth for tracking.


Communicate proactively

- Develop a communication roadmap for all stakeholders (internal, external, investors)
- Use consistent messaging and prepare Day-1 readiness communication

V. Use of Generative AI (GenAI)

VI. Summary

VII. Q&A



**Thank you very
much**
for your attention.

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