

# Carve-outs and creating value: the advisor viewpoint



*Carina Küffen is a partner and M&A advisor at Clairfield in Germany where she focuses on transformational M&A, special situations, carve-outs, and spin-offs, supporting both international corporates and shareholders of medium-sized businesses.*

*Carina has advised on over 70 M&A*

*transactions across complex situations and a broad range of industries. In this interview, Carina gives us an advisor's viewpoint on how corporates can prepare to separate a business effectively.*

## **Based on your background in corporate finance and your restructuring and reorganisation qualification, what are the biggest differences between the academic toolkit and what you need in real-life carve-outs?**

Academic training gives you a strong toolkit. You learn how to structure valuation, build scenarios, analyse financial statements, and understand transaction mechanics. Those fundamentals matter in every deal we do.

However, in real-life carve-out execution is rarely linear. The process is often defined by ambiguity, ever-changing stakeholder dynamics, and the need to keep on moving even when assumptions change mid-process. As with everything in life, you frequently have to make decisions with imperfect information, and you must be able to translate complexity into a credible and investible story for buyers, lenders, and internal stakeholders. Beyond the technical toolkit, you need experience, judgement, and resilience to manage multiple workstreams in parallel, and nearly always under time pressure. Successful carve-outs depend as much on disciplined process management and stakeholder alignment as they do on academic analysis.

## **As an advisor, how do you approach a carve-out differently from a standalone sell-side? Can you highlight some of the differences in the buyer and seller experience?**

In carve-outs, everything lies in the preparation phase. The very first task is to define the transaction object and the perimeter so buyers can understand what they are actually acquiring. That means being explicit about assets, contracts, people, governance, and what the standalone organisation will look like after separation.

The second major difference is financial separation. Reliable carve-out financials rarely exist because historical performance is often intertwined with the whole corporation. Buyers need to be aware of the past, present, and future financials. They want a credible standalone profile and a forward-looking business case that reflects how the entity will operate outside the group. They should closely examine what corporate pricing and costs will look like when the entity is on its own.

For carve-outs, a special topic is always the IT carve-out and day-one operability. IT access, email, banking, and core operational systems need to be working from the first day.

With a carve-out, you are not selling the history, you are selling the future. The opportunity is that carve-outs can be repositioned. Once you have a clear standalone plan, the asset can attract investors who can see the upside in focus, revenue, and operational improvements, especially if the business has been non-core within a larger group.

## **With all the work that a carve-out entails, including post-transaction transitional agreements, what is typically the scope of the financial advisor?**

The core sell-side scope remains the same and involves positioning, materials, process management, valuation, and negotiation. In carve-outs, though, the role is often more hands-on earlier in the process. Compared to standard transactions, we act much more as a strategic sparring

partner for our clients, particularly during the preparation phase.

At Clairfield we typically support standalone readiness by helping define what “Day One” needs to look like, and what needs to be done to get there, and most importantly, the timeline. We also identify what is most likely to undermine buyer confidence and ensure the key buyer questions are answered upfront rather than being deferred to late-stage negotiation. Transitional Service Agreements are a good example. If TSA principles are not discussed early, they can become a late-stage deal complication. The advisor helps create the structure and keeps the process moving.

### **Does a carve-out typically require a different buyer universe than a standalone asset?**

Often, yes. Carve-outs come with separation complexity, and it very much depends on the type of asset and the industry. From an ownership logic point-of-view some investors are more suitable than others. Private equity is frequently very active in this space because they are comfortable underwriting complexity and building standalone businesses as part of their value creation planning. They have an appetite for risk. Around 70% of our carve-out transactions here in the German office involve private equity buyers.

Strategic buyers remain important especially where there are strong sector synergies but strategic investors will frequently pull back if the transaction is overly complex. Most strategic investors prefer to wait and buy from private equity only after the asset is fully standalone.

### **What do you advise a buyer of a carve-out to pay special attention to?**

Firstly, the management team. Business leaders who have worked successfully in a large corporate environment are not always prepared to operate a standalone business. Buyers should assess the commitment and capability of the senior management team to position the company in the market.

Also, TSA expectations are often misaligned. Sellers want very short ones; they want to get rid of the asset without spending any more time or money on it. On the buyers' side, they want to reduce risk, so having longer TSAs is safer and more appealing.

### **What are the factors for a successful carve-out and what should a corporation do to ensure success?**

Preparation is key. A corporation should define the transaction object and invest in carving out the financials early. The TSA should be discussed early. Buyers need to know exactly what they're potentially getting. The biggest cause of internal tension is often the valuation expectation of the shareholders and stakeholders. This is often seen in asset-heavy businesses such as the energy sector, mining, car manufacturing, and construction, where owners use the apparent value of assets, such as real estate, while



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buyers price the business on cash generation, risk, and the required investment to become standalone.

As advisors, we approach potential investors, test market interest, and return with credible offers. Shareholders decide whether to proceed, but market feedback provides the clearest signal of value under real conditions. Ultimately, the offers speak for themselves.

In family-owned situations, the emotional component can be very strong and influential. In these cases, transparent communication and early expectation management are even more important.

### **Can you talk us through a carve-out you've worked on that illustrates the practical challenges?**

One notable case involved the carve-out of an industrial business from a larger automotive group. The unit itself was solid but non-core to the seller and represented around 10% of group revenue, so it had not received much internal attention. The carve-out took place while the seller was under significant pressure, and by separating the business and finding the right partner, it was able to expand and strengthen its market leadership.

Technically the carve-out was relatively straightforward because the group had completed similar separations before. The real challenge was financing. The carved-out entity had been part of the group's financing structure and was underperforming. After a prior large deal had failed, there was intense pressure to find a solution.

Even the eventual buyer, a hands-on private equity investor focused on operational improvement, struggled to secure suitable financing. That search alone took five months, and the overall process stretched to about 18 months.

That is a practical carve-out lesson: even when the technical separation plan is sound, the deal can still fail on the question of whether the standalone business can fund itself from day one.

### **Have you ever seen a carveout proposal that you thought would not work?**

Not yet! I love a challenge, and if you name the most complex transaction currently running in the German market, there is a good chance it is on my desk.

Even the most heavily entangled carve-outs can usually be positioned with the right preparation and planning. In some cases, the path to success involves additional steps before bringing the asset to market, such as simplifying dependencies, improving standalone readiness, separating shared services, reviewing financing options, and preparing the TSAs early. ■

