

Divestment of a power grids infrastructure business



The KPMG Strategy project team provided vendor separation assistance to a major industrial manufacturing client for the divestment of a segment in power grids infrastructure.

With the growth of renewables and the continued electrification of society, the demands on power grids are steadily increasing. Simultaneously, the integration of digital operations, control and maintenance systems is becoming a key differentiator for power grids system suppliers.

In this challenging environment, our client performed a portfolio review of their power grids activities and decided to refocus on the high growth potential of the core segment and to invest in the digitalization of their product offering. As an outcome, the client identified a capital intensive segment as a target for divestiture. The business had a global presence, generating EUR 500 million in revenue and employing around 900 people.

To assist them in their divestiture, the client hired the Strategy consultants from KPMG Deal Advisory. Over the course of five months, the project team focused on identifying the operational issues, due to the carve-out of the segment, and quantifying the financial impact of the separation. The work performed led to the identification of a significant amount of expected savings which were considered in the building of a Target Operating Model. The findings were presented in a branded separation vendor assistance report which was shared with the bidders. The team supported the client during the bidders' due diligence phase in running dedicated separation expert sessions and the separation Q&A process.

As a result of KPMG's work in this first phase, the value of the target business was protected. The vendor assistance report offered a deep understanding of the separation complexity and provided transparency on the approach and the financials to bidders. The due diligence process was efficient and bidders did not challenge the impact of the approach taken. Overall, the work was performed with the client and target's top management, whose contribution was complementary to KPMG's transaction and industry expertise throughout the engagement.

Following this preparatory work, the KPMG team assisted the client in the execution of the separation up to closing, which took seven months. During this period, the team was part of the client separation management office. As such, KPMG helped to set up the separation program structure, monitored the project progress and supported in the reporting across all functions. Senior team members provided additional technical and subject matter expertise. KPMG also acted as an enabler for communication with the buyer, ensuring notably that antitrust rules were applied and client interests protected.

With the assistance of the KPMG team, the client was able to close the deal on time with no business disruption. The client appreciated KPMG's separation expertise to help guide the separation process, leveraging knowledge from the initial phase and anticipating separation issues early on. A truly combined team between the client and KPMG demonstrated high efficiency and empowerment of client and target's stakeholders during the whole process.