

Unlocking Value

**Supporting growth through
active portfolio management
and successful divestment of
non-core assets**

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Why is now the time to sell?

Businesses of all sizes, across all sectors, are having to look closely at their operating models and balance sheet strength. Active management of your portfolio can help you identify non-core assets that can be sold to release funds to strengthen your core business.

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Releasing cash

Large listed and privately-owned companies are increasingly looking to more actively manage their portfolios. They're being prompted to do so by the economic climate and unprecedented disruption to traditional business models. They're also reacting to pressure from activist investors and the emergence of specialist private equity investors.

In the current environment, active portfolio management is likely to focus on identifying and assessing non-core assets for possible sale. This can help companies generate cash to strengthen balance sheets and pay down debt where they're facing cash flow issues.

Reshaping your business

For a lot of companies, however, non-core disposals are about more than just a short-term release of cash. Programmes are established that align with broader strategic thinking on reshaping and repositioning portfolios.

The sale of non-core assets can provide companies with funds to invest in capabilities that will enable sustainable growth of their core business. Organisations across every sector are under pressure to adapt to new supply and demand dynamics, deliver digital transformation and improve their environmental, social and governance (ESG) credentials.

Rethinking strategic priorities

COVID-19 has forced many companies to rethink their strategic priorities – or at least accelerate their plans. Now is the time to review your business priorities and identify any non-core assets that will not support your longer-term goals – and that will provide cash now to build the resilience of your business and support future growth.

How non-core disposals unlock value

Successful divestment of non-core assets can unlock value and help position your company to survive in the new reality by:

- Redirecting proceeds to drive growth and develop core operations, or to invest in new products, services and technology
- Improving financial metrics by paying down debt or returning cash to shareholders
- Improving market rating by strengthening the balance sheet
- Providing a hedge against geopolitical shifts that may push operating costs higher through tariffs or trade disputes
- Improving agility to defend against market disruption, more competitive market dynamics and have a streamlined strategy for the business.



Remember:

Even where M&A activity is subdued and sellers and buyers have differing expectations on value, what is non-core for one owner can be hugely attractive and valuable to another as part of its portfolio.

How to achieve the greatest value from non-core disposals

Maximising shareholder value from divestment on non-core assets requires a clear, focussed portfolio management strategy. This involves assessing your portfolio, preparing for and executing the sale, and establishing robust portfolio governance to drive improvements.

Value can only be realised through meticulous planning, preparation and execution for divestment.

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Assess

Assess assets for strategy, performance and potential action. Make sure you have a clear understanding of what you are selling, including its strengths and weaknesses.

Prepare

Understand the exit options – and always have a plan B. Analyse the objectives of various bidders and assess which deal structure may provide you with the most leverage.



Improve

Deal with legacy issues and embed sound portfolio governance so that you can learn from the process and measure the business impact.

Execute

Put in place robust processes for managing the separation. Assets are often deeply embedded within the organisation and require complex carve-outs. Speed is of the essence in preserving deal value. Accelerate your schedules whenever possible and make sure that all milestones are reached according to plan.

Portfolio management



Seven steps to successful active portfolio management



Find the hidden value. Non-core and underperforming assets may be significantly dragging down the performance of the overall business and leading to depressed market value.



Prepare right. You're facing greater market scrutiny so demonstrate rigour and clarity of message by starting with the end in mind.



Rely on facts not perception. Understanding the true contribution and complexity of a business is often difficult in integrated businesses.



Minimise distraction. Assign a dedicated team and a rigorous process. Putting a non-core disposal strategy into action takes time and can take focus away from core activities – which is the opposite to your long-term aim.



Commit to continual improvement. Evaluating the business units that really drive value isn't a one-off exercise – markets, people and circumstances change.



Focus on growth. Fixing or exiting non-core assets doesn't just release money – it enables you to focus precious time and resources on the areas that will really drive growth.



Be brave and proactive. You're going to have to make tough decisions. But taking effective and efficient action will break the inertia and create value.

How KPMG can help

Your vision. Our proven capabilities.

When it comes to selling a business, every decision counts.

Our integrated team of specialists helps you make the right decisions throughout the sales process, combining deep sector knowledge and the foresight that comes from experience.

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We take a practical approach to enhancing value. ”

Real results achieved by integrated specialists.

Securing the best value for a divestiture is a complex process that involves gaining a more objective view of your company and a more nuanced understanding of current market conditions, as well as divining the agendas of the buyers seated across from you.

As an objective third-party advisor, KPMG member firms can support you through every phase of the lifecycle. From identifying potential buyers and creating a competitive bidding environment to helping enhance the value of your retained business.

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Contact us



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