Automotive Industry

Dissolution and parallel creation of a new joint venture

Client challenge

A leading global car manufacturer and its supplier decided to dissolve their long-standing joint venture (JV) and to reintegrate the assets back into the parent companies. KPMG was appointed to support in optimal deal structure design, Day 1 readiness, carve out and reintegration efforts.

The dissolution of the JV would enable the client to eliminate value lost to the partner, restructure its initially contributed business and repurpose some of the repatriated assets for electrical vehicle production.

The dissolution involved multiple geographies, including France, Germany, India, China and the UK. It also involved the creation of a new JV, where assets both parties were unwilling to reintegrate could be kept and restructured.

Our approach

We were the lead advisor throughout the transaction and supported the client over 12+ months to achieve a successful outcome.

Our tax, accounting and valuation experts helped in drafting and negotiating an optimised deal structure, which we subsequently helped to implement. Our finance specialists worked closely with the client's management to establish a robust financial model of the deal mechanics, reviewing and challenging the client's model assumptions, to ensure clear and equitable assignment of transaction costs.

In addition, we supported client teams during a detailed review of the carve-out plan and provided support on mitigation actions for critical path items.

Our assistant also enabled the client to identify and address key Day 1 readiness challenges, including HR separation approach, ICC processes, governance, and transition service agreements.

Benefits for the client

The complex cross-border deal structure needed to consider many different options to allow a win-win situation for both partners.

We changed the initial identified deal structure and added new proposals to move from potential actual tax cost to lower risk tax exposures. This included:

- how the contribution of the French branch was managed
- packaging the deal structure to manage any tax cost from future indemnity claims in particular
- minimising potential gift tax charges in India
- considering the issue of appropriate indemnity cover when drafting the memorandum of understanding and sale and purchase agreement.

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