



Automotive Joint Venture

Providing carve-out and reintegration supporting for a dissolving joint venture



Client challenge

A major global automotive OEM and one of its partners had agreed to dissolve their joint venture (JV) and to reintegrate its functions into the parent companies. We were appointed to support in designing the optimal deal structure, Day 1 readiness, and reintegration efforts.

The client had initially established a JV to collaborate on the development of manual, hybrid and electrified transmissions. European manual transmission demand is expected to decline 50% by 2025, driven by electrification and customer preference shifting to automatic transmissions.

The JV had not generated significant third-party business, however, and additional sales or product opportunities were limited. It required significant restructuring to improve its performance, while its future product technology provided limited potential for improving its competitive position.

Our client recognised that dissolving the JV would enable it to eliminate value lost, restructure this area of its business more efficiently and protect future business opportunities.

Our approach

We organised a series of separation and integration workshops to identify risks and mitigation actions in HR, IP, IT, and operational readiness. We also advised the client on all other agreements, and supported it in drafting the memorandum of understanding, sale and purchase agreement and the target operating model.

Our tax and valuation experts helped to draft and negotiate an optimised deal structure. Our tax team also worked closely with its senior management to establish a robust financial model for the deal mechanics to ensure clear and equitable assignment of the transaction costs. This included reviewing and challenging the client's model assumptions.

We supported the client's internal teams during a detailed review of the carve-out plan and provided support on mitigation actions for critical path items. Our assistance also enabled the client to identify and address key Day 1 readiness challenges, including HR separation, ICC processes, governance, and transition service agreements.

Benefits for the client

Our team worked seamlessly with the client across multiple sites, providing support and challenge during the dissolution of the JV and structuring reintegration of some functions.

By providing a mix of deep expertise in deal structure, valuation advice and extensive experience of JV separation, we closely supported the client throughout the journey to ensure Day 1 readiness.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2023 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

CREATE | CRT151062A | September 2023