



Building the value case

Winning the carve-out relay: Getting
off to a good start



Building the value case

In this section we outline what it takes to present credible full-potential CarveCo financials, which get factored into a buyer's valuation. Buyers price a clear structured game plan with activities practiced/underway, not a half-hearted warm-up.

Inherently carve-out transactions produce extreme buyer focus on the credibility of the numbers as there are often no 'audited' accounts to rely on. Before any buyer settles on a multiple, they need three proofs: a clean baseline, a credible upside and a realistic cost to get there.

We set out next how to deliver all three, early, so valuation discussions start on the front foot, and sellers get paid for the full-potential.¹

Insights



Note: ¹Refer to appendix for valuation considerations by lifecycle stage and industry of the business.

01 The end game: Achieving the best price

[Read more](#)

02 Going from a traditional carve-out to the full potential

[Read more](#)

03 Embedding value creation from the start

[Read more](#)

04 Proving a value-optimized CarveCo

[Read more](#)

05 How the carve-out approach impacts costs and upside

[Read more](#)

06 Thinking strategically around exit costs

[Read more](#)

The end-game: Achieving the best price

Choose the lane and field early, then run to a story the market can believe in and pay for. The deal needs to be structured from the outset around building a compelling equity story that maximizes offer price.

The foundation: A credible equity story

A carve-out that commands a premium is built around an equity story the market can believe. That means treating value creation as the organizing principle from the first workshop.

The sequence is critical. First, select the deal structure and buyer universe. Next, set a clean perimeter. But rather than simply mapping the “as-is” operations, leading sellers map the “full potential” baseline, stripping out parent noise to show lean, standalone financials.

The financial lever: Multiple arbitrage

Defining this perimeter is the moment to exercise multiple arbitrage.

Every dollar of recurring cost transferred to CarveCo reduces the sale price by the exit multiple (e.g. 10x-12x). However, retaining that cost in RemainCo, even if it becomes stranded, might only cost 1x-2x to fix via restructuring.

The strategy: Aggressively “clean” the CarveCo EBITDA. Sellers should accept higher one-off costs in RemainCo (e.g. severance or contract breakage) to deliver a higher-margin asset to the buyer. The 8x-10x spread between the cost to fix and the value created is the “arbitrage.”

The proof: From promise to price

Finally, arbitrage and upside must be evidenced. If you factor value creation early, you can package the prioritized levers and generate proof of progress. This provides buyers with a bridge from today’s earnings to tomorrow’s cash flows, ensuring they price the deal on the full potential EBITDA, lifting the final enterprise value.

In the following pages, we outline how value creation can be embedded to take you from a ‘traditional carve-out’ to a ‘full potential carve-out’ and how to think about the trade-offs around matters such as dealing with ‘stranded costs.’

EBITDA

The impact on financial performance derived from either top line, bottom line and other efficiency improvements



Multiple

The impact on your valuation multiple derived from the adoption of a different business model or the improvement in governance model of the asset

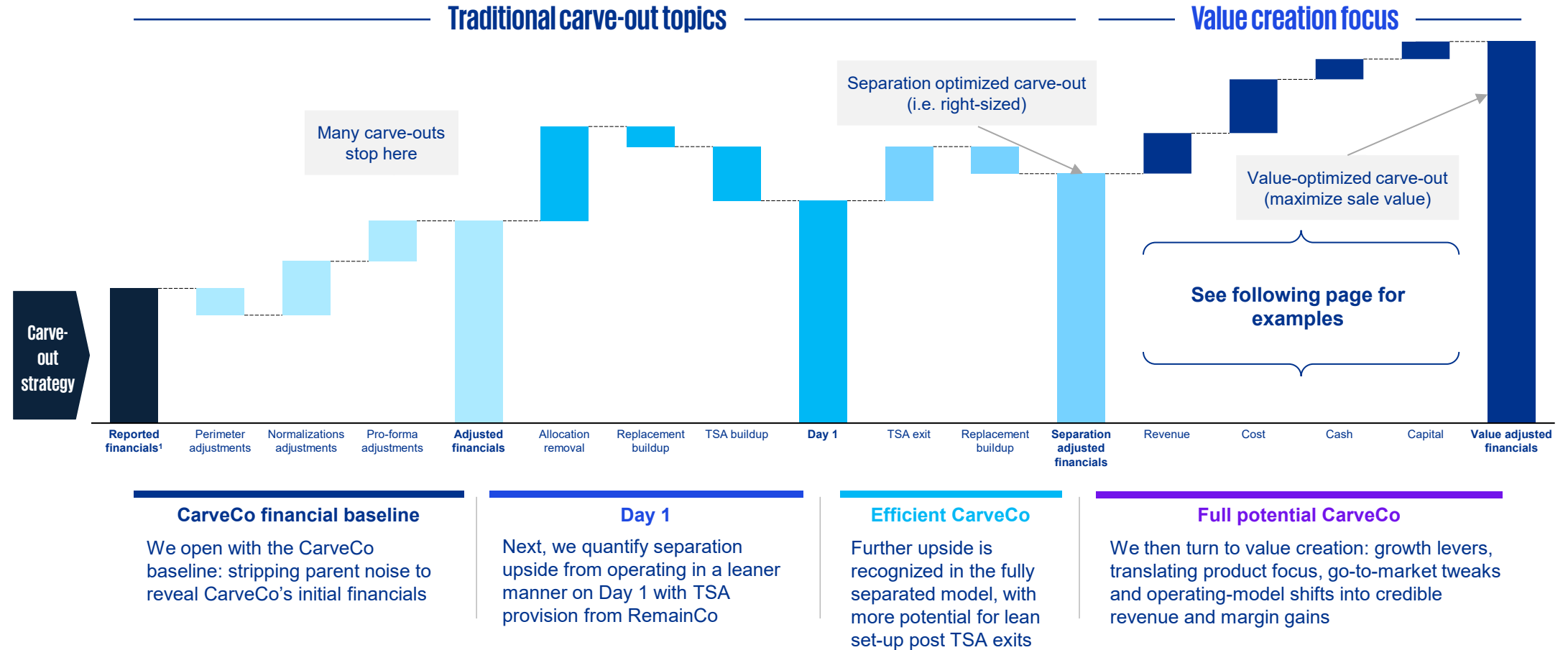


↑ EV

Increase the enterprise value, reflective of your current state and transition to an improved future

Going from a traditional carve-out to the full potential

A value creation mindset needs to be brought in early, so you're not baking in previous inefficiencies to the efficient CarveCo TOM and financials and you're designing with full-potential in mind. Reset the race model so every leg improves.



Note: 'Reported financials and the focus metric for carve-out equity valuation depends on business industry, and company lifecycle stage. Examples include Revenue, EBITDA, Gross Profit, Net Profit, Net Asset Value (NAV), Free Cash Flow (FCF).

Getting to full potential Carve-Co: Example opportunities

Unlocking full potential means driving profitable growth, improving liquidity and deploying capital with the discipline of a well managed company — capital-light, high-ROIC and low-WACC

Revenue



Drive top-line growth

Pricing optimization

Customer segmentation and personalization

Marketing and promotional efficiency

Localization and channel mix

New category and product expansion

Costs



Improve margins

Store/Brand/Facilities and footprint optimization

Customer/Product/SKU profitability

Sales and operational planning

Structured delayering

Fleet utilization and logistics efficiency

Cash



Release trapped working capital and optimize return on liquid assets

Sales and operations planning

Inventory optimization and SKU rationalization

Payables and receivables discipline

Trade-terms harmonisation

Treasury management and cash pooling

Capital



Become capital light and lower WACC through smarter financing

Capex prioritization and hurdle-rate discipline

Asset rationalization/Sale-and — leaseback

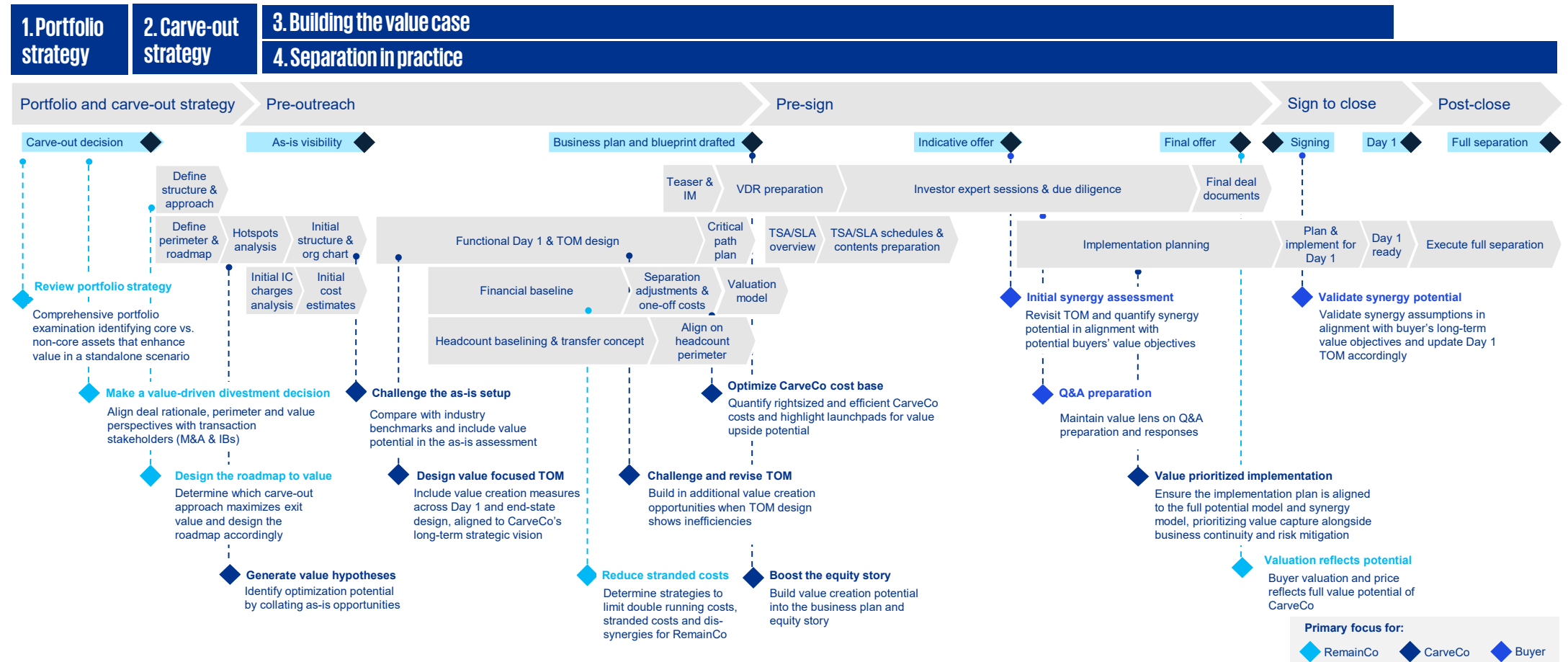
Transition from owned to contract manufacturing

Franchising and partnership-led expansion

Financing optimization (lending terms and rates, etc.)

Embedding value creation from the start

Value creation should be an integral part of the entire carve-out journey across all phases, from portfolio strategy to separation.



Note: This timeline and phasing reflect what we commonly see, i.e. late implementation of value creation actions that should ideally be brought forward. The timing and effort intensity vary by carve-out approach, e.g. 'business-in-a-box' tends to front-load setup, while 'integrated with RemainCo' often defers cost and effort. See chapters 2 and 4 for further discussion.

Proving a value-optimized CarveCo

Identify, quantify and prioritize all value opportunities across revenue, cost, cash and capital levers, and take demonstrable steps to implement priority initiatives. Evidence beats promise; benchmark, size, assign and track so buyers can credit pace, not just theoretical potential.

Our end-to-end value creation methodology and analytics platforms help rapidly identify, quantify and prioritize opportunities to help get to a full potential CarveCo at deal speed.

To maximize CarveCo's enterprise value, sellers need to look beyond basic efficiency improvements and pinpoint where CarveCo lags best-in-class, providing quantified, prioritized improvement opportunities backed by supporting evidence and implementation plans.

Start by benchmarking revenue, cost, cash and capex to identify where CarveCo trails best-in-class. Quantify each gap with data and stress-test assumptions with experts. Rank the list by value, risk, complexity, and execution speed and cost, then focus on the handful a buyer will pay for that can be evidenced pre-deal.

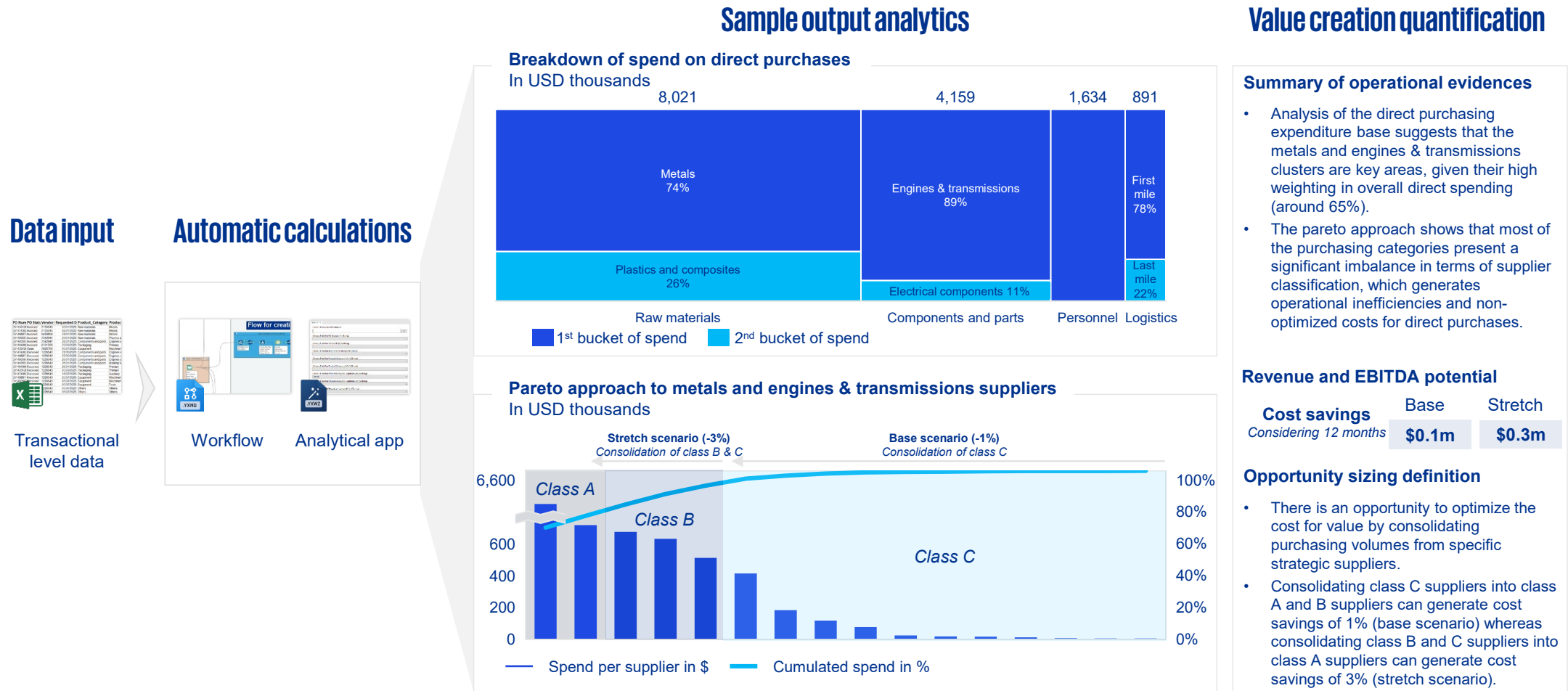
Finally, put the chosen levers on an implementation tracker, including owner, budget, KPI and timeline, and feed the numbers into the equity model. Buyers reward upsides they see progressing; everything else prices in at a discount, especially if not evidenced.

	Identify	Quantify	Prioritize	Implement
What you do	<ul style="list-style-type: none"> Scan potential revenue, cost, cash and capex levers. Benchmark CarveCo baseline vs. peers 	<ul style="list-style-type: none"> Size each lever with internal and external data Stress-test levers with SMEs and management 	<ul style="list-style-type: none"> Score by value, risk, complexity, time, credibility and cost/resources to implement 	<ul style="list-style-type: none"> Sequence the short list into a road map Assign owners and KPIs
Output	<ul style="list-style-type: none"> Long-list of value ideas and initial hypotheses 	<ul style="list-style-type: none"> Long-list, now costed and sized 	<ul style="list-style-type: none"> Short-list ready for equity story 	<ul style="list-style-type: none"> Evidence of initiatives underway; increased credibility

Decoding value creation

Proving a value-optimized CarveCo

Below is an example illustrating the application of KPMG's value creation analytics to evaluate and quantify the supply chain optimization opportunity identified in an automotive parts supplier business.



What to optimize pre-divestment

The quality of evidence has a huge impact on whether an upside makes it into enterprise value estimates. Identified upsides translate into price only if they are credible: optimize what you can prove. Run what you can now, keep momentum where it's in-flight and signal the rest.

Before you launch value creation initiatives, prioritize where to put your energy and cash:

- 1. Optimize now:** Standalone costs that disappear on Day 1 and any 'ways-of-working' fixes you can implement quickly. The best proof sits in realized numbers and buyers often price these almost dollar-for-dollar.
- 2. Keep the engine running:** Transformation programs already in flight (new systems, footprint shifts, automation sprints) carry momentum and credibility, especially for financial buyers. Maintain funding and timelines; with milestones and KPIs in hand, buyers will credit a good share of the upside.¹
- 3. Signal, don't spend (yet):** Ideas still on the whiteboard that need more evidence. Flag them as post-deal options and avoid burning cash pre-sale.

Use the table to judge the hit-rate: the higher the proof, the higher the valuation credit.

Description	Priced in % ²	Evidence required	Usually included in
Standalone upsides: Operations not required by a standalone business such as reporting to group or specific group requirements	70-100%	Detailed presentation of standalone implications and their quantification in terms of either cost or FTEs. Upsides reflected in proposed TOM for business being sold	Day 1 Efficient CarveCo Full potential
Ways of working upsides: Specific requirements imposed by the group that might not be necessary from the perspective of the buyer	70-100%	Detailed presentation of current seller ways of working implications and quantification in terms of potential upside or organizational structure	Day 1 Efficient CarveCo Full potential
Ongoing initiatives upsides: Currently undergoing transformation initiatives with clear revenue/cost targets for which initial results could be showcased	30-70%	Detailed presentation of current initiatives, including delivery targets, status and implementation plans going forward. Detailed investment case behind capex investments and implementation plans	Day 1 Efficient CarveCo Full potential
Identified/not-delivered upsides: Analyses presented to the buyer on potential areas of improvement for which no implementation has yet been started or no results could be displayed	0-30%	Detailed presentation of analyses leading to identified upsides. If identified upsides in this category are material, possibility to extend timeline and move some of these upsides into the previous category	Day 1 Efficient CarveCo Full potential

Notes: ¹In the case of strategic buyers, consider if in-flight transformation programs overlap potential synergy areas, as more benefit may be realized from halting the program and saving on the implementation cost, e.g. new systems implementation when buyer may choose to transition CarveCo onto own systems. ²KPMG in-house view. Estimate and situation dependent.

How approach impacts costs and upsides

Pick the race plan with your eyes open to value case implications. The four carve-out approaches each come with distinct financial impacts and trade-offs for both CarveCo and RemainCo, which we have summarized below.

Areas	Considerations	Business-in-a-box	Partial standalone	Synthetic standalone	Integrated with RemainCo
Carve-out financials	1 Confidence in financials/valuations	●	◐	◑	○
	2 Cost allocation removal accuracy	●	◐	◑	○
	3 Standalone efficiency opportunities	●	◐	◑	○
	4 Standalone value creation	●	◐	◑	○
	5 Seller value creation execution	●	◐	◑	○
	6 Ease to buyer synergies	○	◐	●	●
One-off costs	7 Seller-incurred one-off costs	○	◐	◑	●
RemainCo costs implication	8 Seller double running costs	○	◐	◑	●
	9 Seller stranded costs	●	◐	○	○
	10 Seller dis-synergies	◐	◐	○	○

Expect **highest value uplift** in recognition of full potential CarveCo. Seller incurs **highest one-off and double running costs**, but has more control over implementation to manage out/down stranded costs and dis-synergies prior to Day 1

Confidence in and recognition of the carve-out upsides and cost is **highly dependent on the perimeter and degree of pre-deal separation** in the partial standalone scenario

High confidence in CarveCo financials given formal reporting in-place, but limited implementation may reduce buyer recognition of efficiency and optimization potential

Expect **lowest recognition of full potential**, given high degree of assumptions. Can provide **fastest path to synergies** with strategic buyer. Limited capacity to address stranded costs and dis-synergies until post-deal



Thinking strategically around exit costs

Do not win CarveCo and lose RemainCo. In parallel to setting up an optimal CarveCo, sellers need to maintain focus on the RemainCo strategy and the carve-out implications on the remaining business and operating model and cost base.

While optimizing CarveCo to build a compelling equity story is essential, it's equally important to consider the implications for RemainCo as a result of the carve-out.

In addition to the one-off costs associated with a carve-out, RemainCo could face an increase in recurring costs if not effectively managed. Some of these costs are likely to occur during the transition period pre and post-close to full separation (e.g. double running costs), while others may remain with the seller post-close and take longer for the business to address, if at all (e.g. dis-synergies).

Sellers should capture the momentum of the carve-out as a catalyst to reduce stranded costs quickly and re-examine their cost base more broadly. Dis-synergies, which take longer to address, can often be reduced or mitigated through early identification and planning.

RemainCo cost implications



- **Double running costs:** Costs incurred by both RemainCo and CarveCo prior to deal close due to replicated services, roles, technology, contracts or assets



- **Stranded costs:** Costs that cannot be assigned to CarveCo and stay with RemainCo until actively removed through initiatives such as restructuring, wind-down, contract termination or redundancy



- **Dis-synergies:** Costs that will remain for the foreseeable future and cannot be quickly or easily eliminated, such as executive team salaries and shared contracts (losing economies of scale)

It is essential for the seller to keep focus on RemainCo's strategic goals in addition to CarveCo's in order to weigh up the cost and benefits to each of certain perimeter, operating model and allocation decisions.

For example, reducing allocation of headcount to CarveCo may help achieve an efficient model and cost base, but could leave significant stranded resources and costs within the RemainCo business that the seller would have responsibility for addressing through redeployment or redundancy (which could in turn increase seller one-off costs).

Mitigation strategies

- In the business-in-a-box playbook, some double running costs are unavoidable: 1) ensure CarveCo Target Business & Operating Model (TBOM) optimally designed to reduce cost build up; and 2) aim to execute the transaction quickly to limit the period of double running. In other approaches, target clean cutovers to avoid service duplication periods and incentivize quick exits from TSAs if required

- Throughout the carve-out process consider opportunities to optimize RemainCo in parallel, to limit stranded costs in the transition and post-close phases. Implement rigorous stranded cost controls with assigned accountability within RemainCo. Where feasible rapidly reassign stranded people and services to growth driving business units within RemainCo

- Identify potential dis-synergies during the carve-out process and assign accountability within RemainCo to assess opportunities to reduce or eliminate in-line with the separation roadmap or as early as possible thereafter. E.g. once there is certainty of the transaction, commence renegotiation of shared contracts, consider reassignment of resource capacity to growth/priority business areas within RemainCo

Your questions answered

We've set out below some of the most common questions we get asked on building the value case, together with our perspective and related guidance in this series.

Is it worth spending money to launch initiatives just before sale if the buyer gains the upside?

Yes, provided you can show tangible progress. Buyers typically ascribe value to in-flight initiatives with clear evidence, but almost none to "PowerPoint upside". In our experience, buyers credit 50–70% of proven run-rate initiatives if supported by KPI data and credible NPV. Short payback projects that demonstrate pricing discipline, mix improvement or cost productivity almost always return multiples of the investment.

Does a "full-potential" equity case really lift price vs. a baseline set of carve-out financials?

Yes. Where sellers substantiate a quantified value-creation story, e.g. brand repricing, footprint optimization, procurement leverage, we typically see a 0.5-1.5x EBITDA multiple uplift. The analytics cost to develop proof points is usually less than 1% of deal value and carries a high ROI.

What are typical areas of stranded costs within a Consumer & Retail transaction?

We commonly see stranded costs in shared service centers, procurement and logistics, Tech, facilities and corporate overheads (e.g. HR, insurance, finance, audit and legal). The TSA design should enable partial cost recovery while transition plans focus on reallocation, outsourcing or removal of residual cost.

How do we quantify and eliminate stranded costs in RemainCo?

Build a synthetic RemainCo P&L early, isolate functions without a revenue anchor, then execute a three-step plan: 1) reallocate costs to revenue-generating units, 2) outsource to shared services or third parties, 3) remove obsolete capacity or overhead. Clear owners, timelines and KPIs protect RemainCo profitability and give bidders transparency.

What functional activities tend to best position the target company for a carve-out and enhance deal value?

Front-load moves that shorten buyer time-to-operate include systems separation design and data cleanse, legal-entity and contract roadmaps, supply-chain independence (co-man/3PL), Day 1 organization and retention, SKU rationalization, brand and IP readiness, and trade-terms mapping by key accounts. These raise buyer confidence and often shorten the deal cycle.

What factors should be considered when building the value case for a carve-out in the Consumer & Retail industry?

Prove three things: a clean efficient stand-alone baseline, a quantified and evidenced upside, and a realistic cost and timeline for delivery of the upside.

Quantify all value levers across revenue (e.g. pricing, assortment, channel mix), cost (e.g. procurement, footprint, SG&A), cash (e.g. inventory, receivables, payables) and capital/WACC (sale-and-leaseback, co-man/3PL, franchising). Apply buyer evidence credits (e.g. 70-100% for Day 1/ways-of-working, 30-70% for in-flight, 0-30% if only identified) and pick the initiatives to invest in pre-outreach based on buyer evidence credit adjusted value, costs and speed to deliver, and time to evidence.

We struggle to see how we will have time in a divestment process to also focus on value creation.

Value creation is a muscle that responds well to training in advance. Thinking through likely value levers that could be explored for divestment candidates as well as the organizational skills and information that will be required to develop and articulate these as part of the equity story are all no-regrets moves. The valuation upside is clear but requires proper planning and execution to unlock.

Preview:

Separation in practice

4

Separation in practice: Turning plans into value

Carve-outs are complex and require dedicated focus from the get-go. Managed effectively they provide an opportunity for significant value uplift in both the CarveCo and RemainCo businesses.

When executed effectively, carve-outs have the potential to refine strategic focus, release financial capital and act as a catalyst for wider transformation, strengthening both the RemainCo and carved-out entities. The complexity of carve-outs demands a meticulous approach, beginning with stakeholder alignment on a set of clearly defined guiding principles and continuing throughout the entire deal process until full separation is achieved.

In our Separation in Practice section, we delve into the essential considerations for analyzing, planning and executing separations with the aim of minimizing risks while maintaining a steadfast commitment to realizing value not only in transaction proceeds, but also in positioning the RemainCo for long-term strength by addressing stranded costs and ensuring it emerges more resilient post-close.

Separation hotspots in Consumer & Industrials carve-outs typically include:

- 1. Technology and data:** E.g. ERP/POS, CRM/Loyalty, PIM/DAM separation
- 2. Supply chain and operations:** E.g. Supplier novation, co-man/co-pack, 3PL
- 3. Commercial and route-to-market (RTM):** Key accounts, split of sales force, trade-terms, pricing/promo

In Consumer & Industrials, technology and data usually represents the dominant separation challenge with effort back-loaded in synthetic and integrated with Remain Co carve-out approaches.

In this chapter, we provide targeted insights into functional sub-theme focuses, including data separation, people incentivization and synthetic carve-outs and TSAs.

By addressing all functional areas with precision, organizations can navigate the complexities of carve-outs effectively, ensuring that the transition not only mitigates risks but also capitalizes on opportunities for growth and improved operational efficiency.

Pre-outreach functional separation complexity

	Commercial and RTM	Supply chain and operations	Finance	Technology and data	People and culture	Legal and compliance
Business-in-a-box	Dark Blue	Dark Blue	Dark Blue	Dark Blue	Dark Blue	Dark Blue
Partial standalone	Light Blue	Light Blue	Dark Blue	Dark Blue	Dark Blue	Light Blue
Synthetic standalone	Light Blue	Light Blue	Dark Blue	Light Blue	Light Blue	Light Blue
Integrated with RemainCo	Light Blue	Light Blue	Dark Blue	Light Blue	Light Blue	Light Blue

Carve-out risk and complexity: Low High

Refer to the Separation in practice section for more

Authors



Javier Rodriguez
Global Head of Strategy
KPMG International



Joshua Martin
Global Head of
Transaction Services
KPMG International



Barnaby Robson
Partner, Head of Value Creation, China
Head of Deal Strategy, Hong Kong
KPMG in China

Contributors

Steve Sapletal

Global Head of
Integration and Separation
KPMG in the US

Frank N. Petraglia

Global and US Head of Deal
Advisory & Strategy, Consumer,
Retail & Hospitality
KPMG in the US

Andy Leslie

Partner, Technology CoE
Deals and Strategy
KPMG in the UK

Chau Woeste

Partner, Deal Advisory
People in M&A
KPMG in the UK

Ines Omri

Partner, Head of Deal Strategy
KPMG in France

Marc Summers

Partner, Sell-Side Lead
KPMG in the UK

Jesco Willms

Partner, Head of Integration and
Separation, Performance and Strategy
KPMG in Germany

Gareth Jones

Partner
TSG COE
KPMG in the UK

Ankur Jain

Managing Director
KPMG in the US

Benjamin J. Tiemann

Director, Strategy
KPMG in the US

John Rumbelow

Director, Strategy
KPMG in the US

Sophie Chapman

Director
KPMG in China

Audrey Menard

Partner
KPMG in China



Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

[kpmg.com](https://www.kpmg.com)



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 endeavor 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.

© 2026 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

KPMG refers to the global organization or to one or more of the member firms of KPMG International Limited (“KPMG International”), each of which is a separate legal entity.

KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more details about our structure please visit [kpmg.com/governance](https://www.kpmg.com/governance).

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

Throughout this document, “we”, “KPMG”, “us” and “our” refers to the KPMG global organization, to KPMG International Limited (“KPMG International”), and/or to one or more of the member firms of KPMG International, each of which is a separate legal entity.