

Corporate Strategy

Week 3: Divestiture

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Examples of Divestiture

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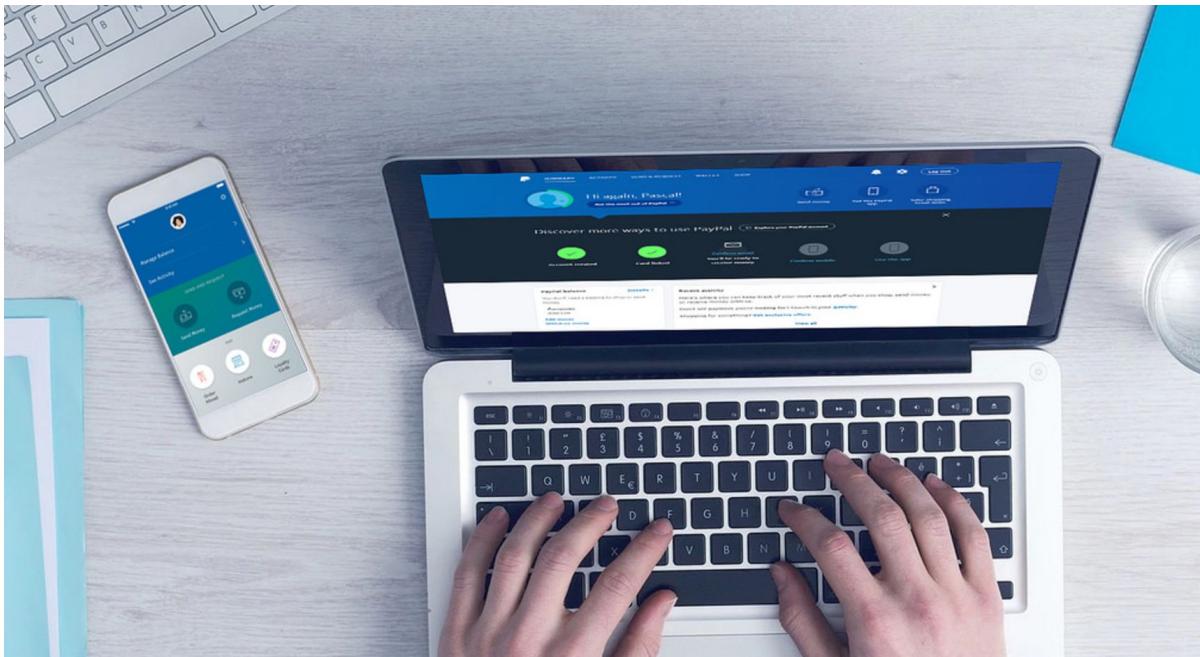
TOSHIBATM

CanonTM



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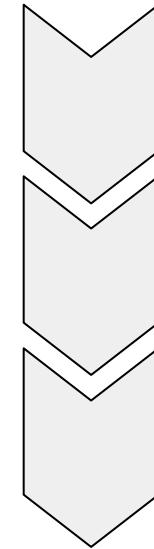
DIVERSIFICATION

Before

After

DIVESTITURE

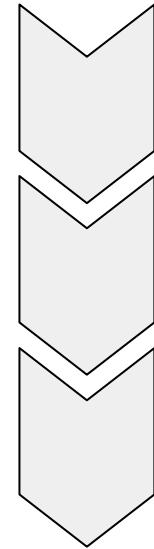
Design



Manufacturing

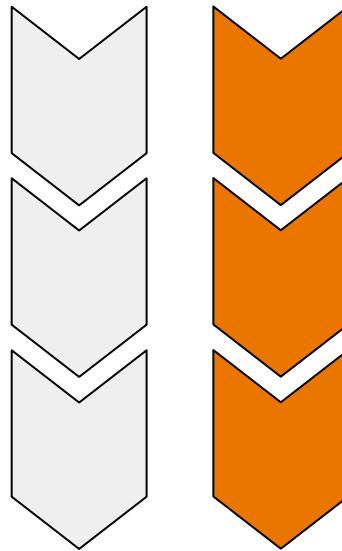


Distribution

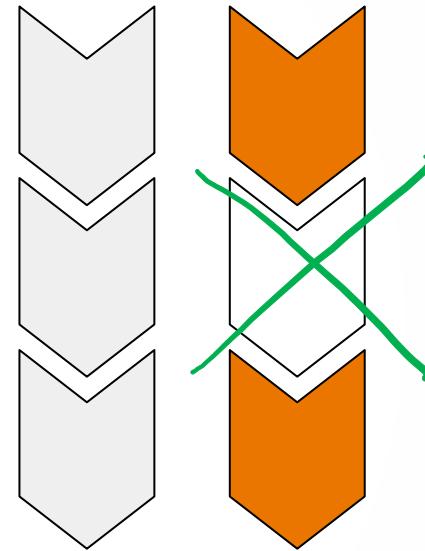


Footballs Footwear Footballs Footwear

Before



After



Design

Manufacturing

Distribution

Footballs Footwear

Footballs Footwear

Understanding the Basic Modes of Divestiture

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SELL-
OFF

TOSHIBA™

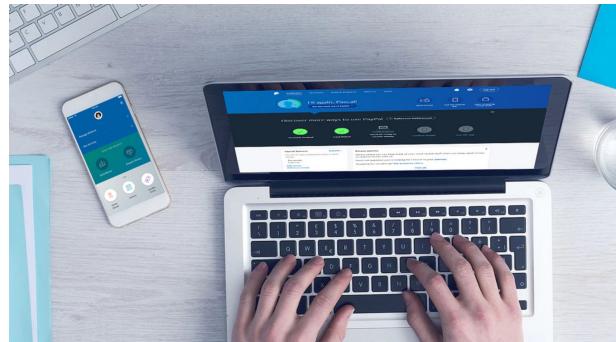
Canon™



SPIN-
OFF

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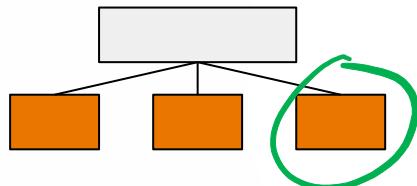


EQUITY
CARVE-OUT

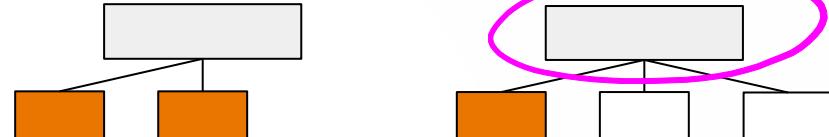
PHILIPS™



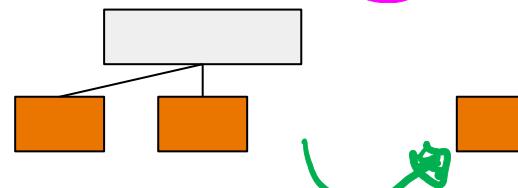
Before



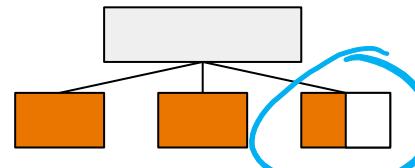
Sell-off



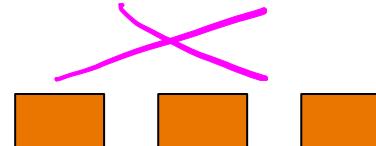
Spin-off



Equity carve-out



Split-up



After

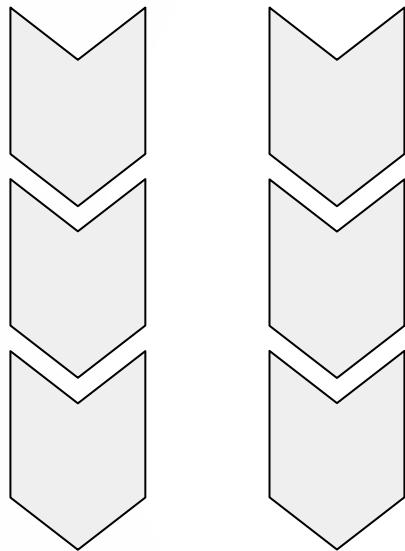
Understanding the Divestiture Test

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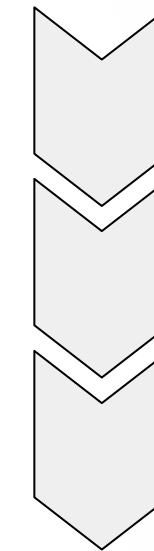
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A

B



A



$V[AB]$

<

$D_m[B]$

+

$V[A]$

The divestiture test:

$$V[AB] < D_m[B] + V[A]$$

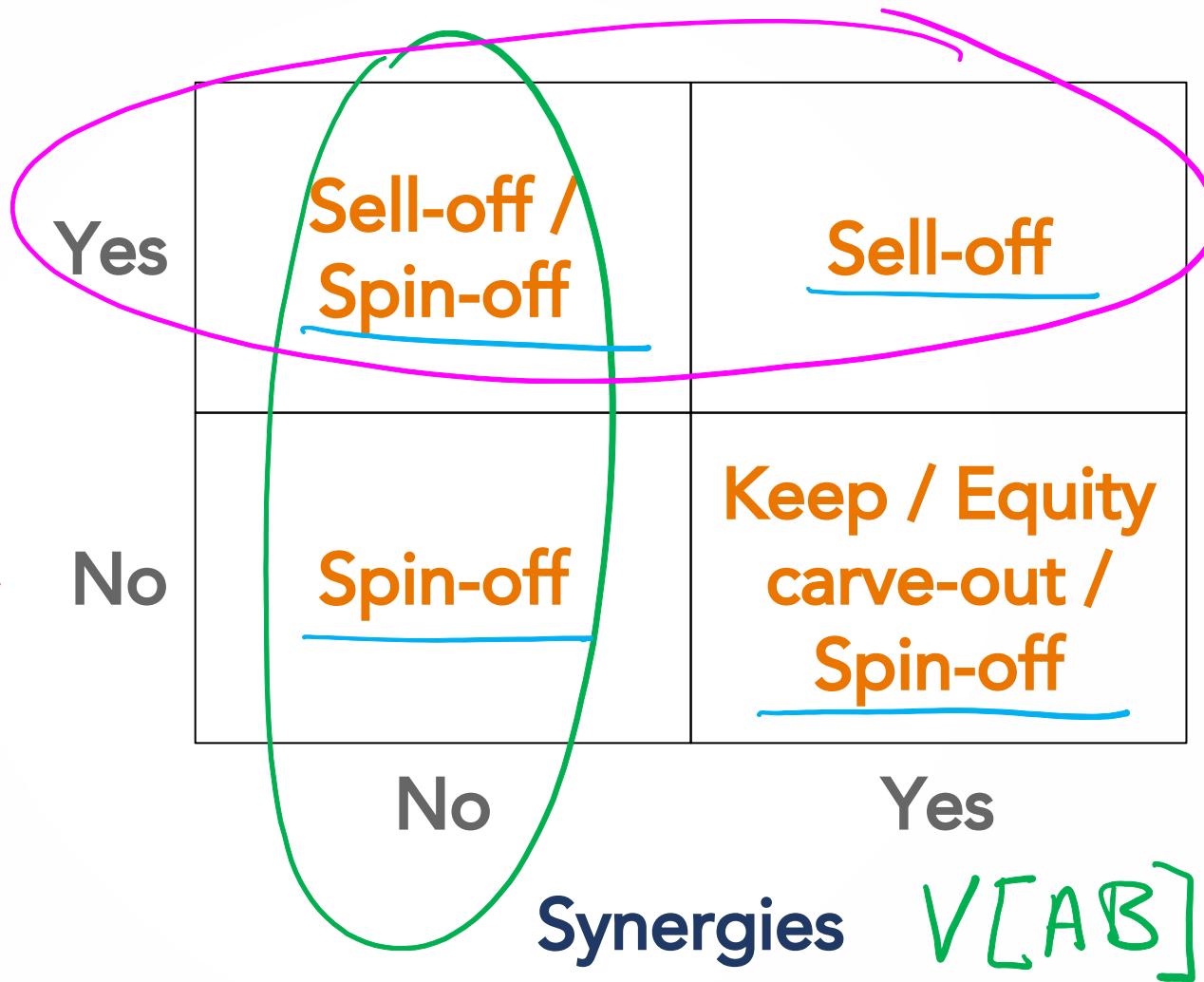
m: divestiture mode

V[AB]: value of A and B if jointly owned

D_m[B]: value from divesting B

V[A]: standalone value of A

Better
Parent
 $D_m [\beta]$



Synergies

$V[A\beta]$

Understanding the Regional Perspective

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Fiduciary duty of the board of an US company:

Towards the corporation as a whole, not uniquely towards the shareholders.

A Three-step Approach to the Divestiture Decision

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1. Finding synergies
2. Identifying better parents
3. Choosing divestiture mode

Step 1: Finding Synergies

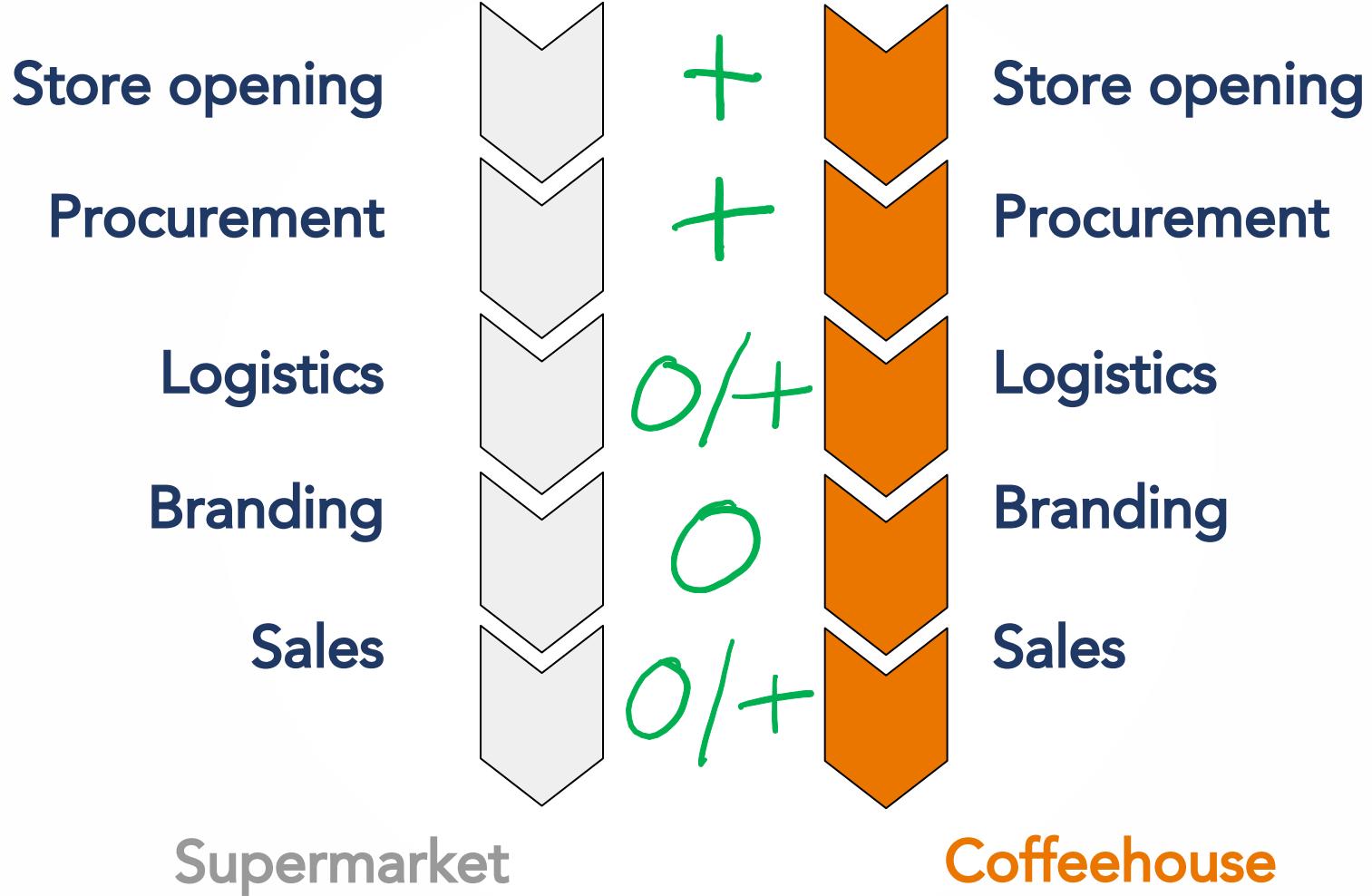
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1. Finding synergies
2. Identifying better parents
3. Choosing divestiture mode



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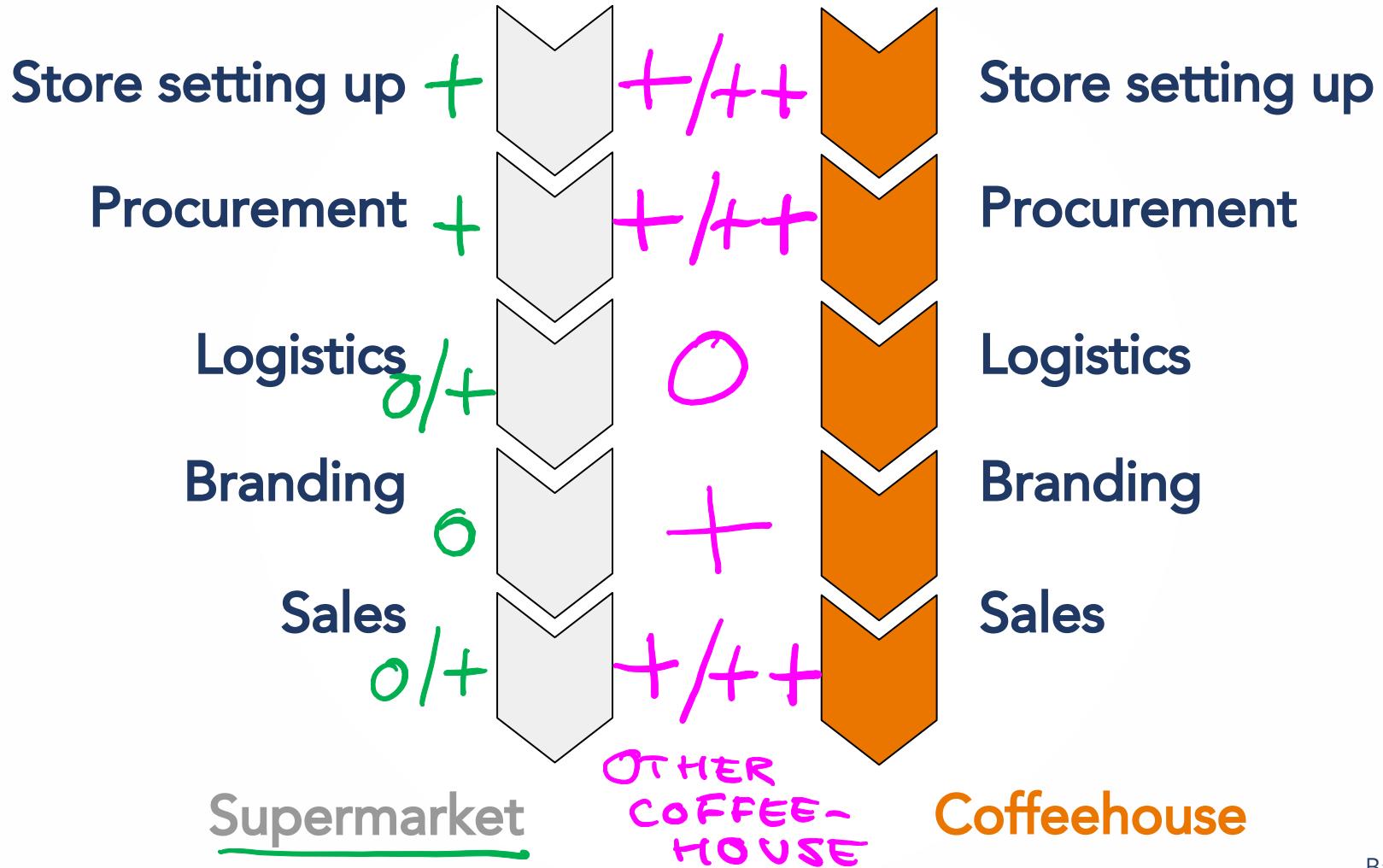


Step 2: Identifying Better Parents

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1. Finding synergies
2. Identifying better parents
3. Choosing divestiture mode



Step 3: Choosing Divestiture Mode

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1. Finding synergies
2. Identifying better parents
3. **Choosing divestiture mode**

Better
Parent

Yes

Sell-off /
Spin-off

Sell-off

No

Spin-off

Keep / Equity
carve-out /
Spin-off

No

Yes

Synergies

Concluding the Three-step Approach to the Divestiture Decision

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1. Finding synergies
2. Identifying better parents
3. Choosing divestiture mode

Credits

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Original by [Joerg Engelbrecht](#), derivative by [HBMEQ](#)

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