



TRANSACTION SERVICES

Getting under the bonnet

The Jaguar Land Rover sale

ADVISORY



KPMG supporting the Jaguar Land Rover sale

Ford manufactures and distributes cars to 200 markets across six continents. With more than 280,000 employees and over 100 plants worldwide, the company's core and affiliated brands include Ford, Jaguar, Land Rover, Lincoln, Mercury, Volvo and Mazda.



Naturally, Ford have a detailed and intricate knowledge of their complex and interlinked global business. But when it came to carving out Jaguar and Land Rover, KPMG's assistance helped to highlight over 350 separation issues that had to be addressed by their management team. By working in a collaborative fashion with Ford, these were addressed and managed in such a way as to appreciably increase the value of the sale.

The challenge – to protect and maximise value in a complex separation

To pursue a disposal, the challenge was to carve out and make ready for sale a complex global business that was highly integrated with other parts of Ford. Further, the work to determine the viability of a sale had to be done under conditions of the highest confidentiality.



Creating value

Preparing the business for sale

Preparing the business for sale we helped:

- Establish project governance and define the separation principles
- Support Ford to prepare complex and innovative 'straw man' deal structures for the sale all supported by robust scenario analysis
- Identify the different information and deal structure requirements of prospective private equity and trade buyers
- Identify the separation issues and their resolution through the preparation of a separation plan
- Identify stranded costs and mitigating actions to minimise
- Prepare robust, consistent 'stand alone' financial statements which aligned with key strategic messages
- Develop, test and substantiate the Business Plan

Simplifying complexity



Containing value

Positioning the business for maximum impact

Positioning for impact we helped:

- Prepare robust supporting information for the Vendor Due Diligence (VDD) team and the data room
- Resolve complex outstanding issues with the tax authorities to provide confidence to bidders over JLR's tax position, thereby minimising value erosion through the sale process.
- Complete extensive VDD in 8 weeks, including Financial, Operations, Separation, Tax and Pensions, using a separate KPMG team
- De-risk the separation issues: providing support on detailed separation planning and implementation
- Prepare detailed Transitional Service and Long Term Supply Agreements

Testing the prototype

Capturing value

Supporting a leading competitive process

During transaction execution, coping with the terrain, we helped:

- Provide input to the Share Purchase Agreement (SPA) and review the impact of bidder mark-ups
- Consider pension covenants and facilitate transfer of pension schemes
- Support on vendor tax structuring and planning
- Meet with bidders to answer VDD questions
- Support Ford in preparation, advice and thought process for key meetings and areas of value
- Plan for the completion accounts process

Taking concept to reality

Complexity

It was a complicated deal. Operations, back office and finance were all affected by the intricate carve out from the Ford group.

We applied thought leadership by way of complex and innovative deal structures, all supported by robust scenario analysis.

Approach

KPMG's experienced operational carve-out team supported senior management charged with de-risking value leakage related to the separation of the business.

The detailed and structured approach to this complex separation helped minimise stranded costs.

We challenged the business plan to identify, quantify and substantiate cost reduction opportunities and buyer synergy opportunities and helped articulate a robust upside investment case.

Result – JLR sold and the XF launched!

The resulting comprehensive separation plan and the robust information sets enabled a range of bidders to take an informed, in-depth look at the JLR business.

With a clear view of the post deal scenario, potential investors had confidence in their valuations. This fuelled competitive tension and created additional value for the Ford group.

All the while JLR management delivered strong financial results and successfully launched the award winning Jaguar XF on time.

Thought Leadership

KPMG LLP recently produced the 'Increasing value from disposals' survey. Please contact us if you would like to discuss the findings in relation to your business.

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