

Effective Carve-outs for Buyers and Sellers

Effective carve-outs should be a positive sum game – aligning deal parties in success. What are the principles buyers and sellers should adopt?

Sell-side



Prepare the asset properly

Preparation is key to achieving a robust valuation and facilitating a smooth sale process. Assemble the relevant materials on supply chain partners and contractual obligations. Clearly delineate IP, including patents or trademarks, that belong to the asset.



Balance deal certainty and price

Consider the regulatory restrictions you might encounter and your ability to get the deal done in a timely and compliant way versus achieving the highest price.



Consider continuity

Ensuring the carved-out business can operate independently without disruption is essential, including customer retention. Consider staying in the asset for a period of time to make the carve-out a success and optimize downstream value.

Buy-side



Establish the rationale

Ask whether you can do what you need to do to realize the value of the asset, understanding that tax, regulatory or compliance issues could erode value.



Don't skimp on due diligence

Comprehensive due diligence can identify potential issues early on and enable informed negotiation. This includes financial, operational, regulatory and compliance fact finding.



Consider continuity

Ensuring the carved-out business can operate independently without disruption is essential, including customer retention. Consider keeping the seller in the asset for a period of time to make the carve-out a success.

Other Resources

- [Life Sciences Transactions](#)
- [FT Due Diligence Series](#)
- [The Year Ahead 2024](#)
- [Pharmaceuticals & Biotech](#)

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