SPINOUTS & DIVESTITURES

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Spinouts can take many forms, but the end result is typically the same: A corporation takes a subsidiary, division, or part of its business and separates it from the parent to create a new, independent company. Corporations are finding that spinouts, carve-outs, and divestitures can ultimately boost shareholder value.

Many companies wait too long to divest a business or business unit, waiting until it has either declined in value or until opportunity for the spun-out entity has passed.

Why do a Spinout?

- Unrelated businesses may be separated so the market can better appreciate their value
- The spun-out company can operate without corporate overhead
- A poor or under-performing business is separated so an untarnished parent can shine through to investors
- Non-core assets are spun-out and off the books of the parent company, freeing up resources for core activities
- A newly formed, spun-out entity can get the attention of the capital markets
- Spun-out assets/technology often grow faster when fostered in an entrepreneurial atmosphere

Spun-out companies realize their ability to grow depends significantly on their access to capital and greater flexibility in managing the business, outside of the parent's corporate structure and processes. A parent must be prepared to allow the new entity its independence so it can grow and prosper.

BUT BREAKING UP IS HARD TO DO

There are several ways to spin out a technology or business, and many potential conflicts or pitfalls. Some of the ways in which Gates and Company has helped companies spin-out technologies and/or assets include:

- **Establishing an initial capital structure**
- **Calculating a valuation for the technology/entity**
- **Establishing a new corporate entity**
- **Locating and closing external financing for the new entity**
- **Building out a business plan**
- **Performing gap analysis**
- **Identifying and negotiating for growth capital, including debt and equity**
- **Providing interim management of the new entity**

A Proven Methodology

Gates and Company has proven experience helping companies spinout technologies and/or assets into free-standing, independent businesses.

Although the specific support activities provided to each client may vary, the steps necessary to assess, plan, implement, and grow a spinout are typically divided into five phases:

I. **Business Assessment**

II. **Business Spinout Planning**

- Development of both financial and business plans, including valuation, capital structure, budget and projections, market research, product development roadmap, competitive analysis, sales & marketing plan, organizational structure, and strategic growth plan.

III. **Business Spinout Implementation**

- Including transaction support using a project management approach

IV. **Funding/Financing**

V. **Ongoing Business Support**

An Experienced Team

Gates and Company is unique in the significant operating experience – in both large and small companies – of our Principals and the value derived from the combination of management consulting and investment banking services.

Spinouts – carving a smaller entity out of a larger one – require an uncommon set of skills and expertise, bridging the gap between a large corporation and a smaller, entrepreneurial one.

Gates and Company fully understands the operations and business fundamentals of large companies, while also having direct, hands-on experience launching, funding, and running small companies. Our proven team knows what start-up and early-stage companies need in order to be successful, and has the operations and industry expertise necessary to know what larger companies require to remain competitive and profitable.

Our clients vary across multiple industries, sizes, and geographies. Although we are generally "industry agnostic", most of our clients have some type of technology foundation, platform, or backbone.