

Expert Q&A with Ed Kleinguetl of Grant Thornton

How does Grant Thornton partner for success with private equity investors in carve-out opportunities?

Kleinguetl: Because a carve-out is a complex transaction, we need some structure and mindset around it. First, we think through all the interdependencies, which isn't just a financial number—it's everything where that entity to be carved out is tied to a parent or part of a control group. We figure that out and determine the implications on the financial statements—what it means in terms of transition services agreements, in terms of separation, in terms of moving intellectual capital or people or other assets from the seller to the business to be spun out and transitioned. We need a whole structure on that process. All these activities are fairly well interconnected, which is key for a service provider to deliver that structure and framework. Also, to make sure the interconnections are maintained, which leads to a successful transition from a controlled entity to a stand-alone entity.

What is unique about Grant Thornton's approach to carve-outs?

Kleinguetl: Grant Thornton's advantage is having people who can do the financial due diligence and quality of earnings. Plus, many of our people have solid operational backgrounds and can look at a business in multi dimensions. That is critical, particularly in carve-out transactions, because it's not just the numbers, it's ultimately how this business needs to operate on a freestanding basis, to identify the risks and the needs. That's where the depth of the Grant Thornton organization is significant. For example, IT is a major issue in many cases; it's important to have domain expertise there. The HR and cultural components are where the bench strength is deeper within Grant Thornton, in addition to the quality of earnings and financial due diligence.