CARVE-OUTS

CREATING VALUE….

3 April 2025

Prof. dr. Hans Vanoorbeek, Vlerick Business School & INSEAD

PERSONAL BACKGROUND

- Academic:
  - Adjunct Professor Entrepreneurship Vlerick (12 years) & Private Equity INSEAD (8 years)
  - PhD on ETA (entrepreneurship through acquisition)
- Professional/practice
  - +25 year PE experience (IK, BC Partners, Alpha, Chequers, Kulczyk)
  - Entrepreneur & investor: Private holding (BV Capital Partners) (4 majority and 2 minority)
- Looked at many carveouts in professional career.....
  - Just finished one.....and looking at others right now....

CENTRE FOR MERGERS, ACQUISITIONS & BUYOUTS

VLERICK BUSINESS SCHOOL

RESEARCH

- Yearly M&A Monitor (14th May 2025)
- Academic Research

GATHERINGS

- Mergers, Acquisitions & Buyouts conference
- L'acquisition comme levier de croissance pour les PME
- Belgian M&A Awards

EXECUTIVE EDUCATION

- Creating value through M&A*
- Venture capital & private equity
- Buyout academy
- Investing in PE

Bank VanBreda

MOORE

Van Olmen & Wynant

CREATING VALUE THROUGH M&A PROGRAMME – M&A A TO Z – NEXT EDITION NOVEMBER 2025

DAY	DATE	CONTENT	SPEAKERS	LOCATION
1	Monday, 17th November 2025	M&A Strategy M&A Valuation Techniques	Prof Kerstin Fehre Prof Mathieu Luypaert	Brussels
2	Tuesday, 18th November 2025	ABInBev Case – What can we learn from the titans? Due Diligence Steps / Deal Process Testimonial – Hands On M&A experience sharing + Networking Drink	Prof Wouter De Maeseneire Prof Hans Buysse (Partner, Clairfield Intl) TBD	Brussels
3	Monday, 24th November 2025	Financing, structuring and performance Bidding Process and Negotiation Tactics	Prof Mathieu Luypaert Prof Hans Vanoorbeek Luc Wynant	Brussels
4	Tuesday, 25th November 2025	Strategy and Decision Process Wrap-up Integration Approaches & Buy&Build + Closing Drink, Certificates and Networking Reception	Prof Kerstin Fehre Kenneth Bonheure Partner-Emeritus - Mckinsey	Brussels







FIRST DAY ON THE JOB

FINA

SIGMA COATINGS

TotalEnergies

BainCapital

PPG

EXPERIENCE WITH CARVEOUTS

Hillsdown Holdings, PLC

Hillsdown House

32 Hampstead High Street

London NW3 1QD

United Kingdom

Public Company

Incorporated: 1975

Employees: 40,000

Sales: £3 billion (US$5.43 billion)

Stock Index: London

EXPERIENCE WITH CARVEOUTS

HAGEMEYER

Delisted in 2008. Purchased by Rexel (and Sonepar)

polyconcept

The World's Largest Distributor of Customized and Personalized Hardgoods and Apparel

edelman

since 1898

EXPERIENCE WITH CARVEOUTS

ROGERS CORPORATION | Helping power, protect, connect our world®

Global leaders in engineered materials to power, protect and connect our world.

- Advanced Electronics Solutions
- Elastomeric Material Solutions
- Elastomer Components

Skultuna Induflex

Our core business is flexible laminate perfection

EXPERIENCE WITH CARVEOUTS

Thomas Cook

Company type	Public
Traded as	LSE: TCG FWB: TCG OTCMKTS: TCKGY
ISIN	GB00B1VYCH82
Industry	Hospitality, tourism
Predecessors	Thomas Cook & Son Thomas Cook AG MyTravel Group
Founded	5 July 1841; 182 years ago in Leicester, England as Thomas Cook[1]
Founder	Thomas Cook
Defunct	23 September 2019; 4 years ago
Fate	Ceased trading and entered into compulsory liquidation[2]

Pegase

Pegase, your house of luxury travel

Al meer dan 30 jaar passie voor luxe reizen

EXPERIENCE WITH CARVEOUTS

MATCO versatile chemical solutions

MATCO: An Introduction

- MATCO is an all-round service & solutions provider to the chemical industry.
- Activities
  - Sourcing & trading of chemicals
  - Valorization of overdue / off-spec chemicals
  - Tailor-made production of adhesives, compounds, blends (also for 3rd parties)
  - Collection & management of (hazardous) chemical waste
  - Logistic services for chemicals
- Sales revenue 2022: € 27 million
- 100% owned by BV Capital Partners
- Located in Waregem (Belgium)
- 18 full-time employees (of which 8 are chemical engineers or chemists)

synthomer

Project Crown

Crown: A European leader in tailor made latex formulation solutions...

Over 30 years' experience in providing best in class latex compounding services to the industry leaders

- Crown produces tailor made latex formulation solutions for flooring and specialty applications
- Known for market-leading quality, technical expertise and sustainable innovation
- Partner of choice for diversified, loyal customer base of leading industry players
- 3 manufacturing plants, strategically located close to customers & suppliers
- 62 FTEs with average tenure of 12 years at Crown
- Strong financial profile : FY 23: Revenue €56m(1) & EBITDA €5.6m(1); ~20% EBITDA CAGR and ~80% cash conversion (FY22A 27E)

MATCO CHEMICALS versatile chemical solutions

€90 million sales revenue 2023	BV Capital Partners Privately owned	80 full-time employees	4 manufacturing sites

Locations

Waregem (HQ)

Belgium

Textielstraat 26
B-8790 Waregem

Oss

Netherlands

Ijsselstraat 41
5347 KG Oss

Hasselt

Netherlands

Randweg 16
8061 RW Hasselt

Cairo

Egypt

Industrial Zone 1-B
10th of Ramadan City, Sharkiya

EXPERIENCE WITH CARVEOUTS

Project Crown

Project Crown – non-core for Synthomer PlC

- Non-core business of Synthomer Plc.
- Synthomer quoted on UK stock exchange
- Turnover 2.83 bn£ and EBITDA 200m£
- Share price reached an all-time low....
- Too much leverage due to previous acquisitions
- Reduction of factories and simplification of business needed....
- Compounding is low level business in a flat market...and has 3 factories....Divestiture via project Crown !
- Synthomer would remain to be the largest supplier (of latex)

MATCO versatile chemical solutions

Project Crown – Rationale for Matco

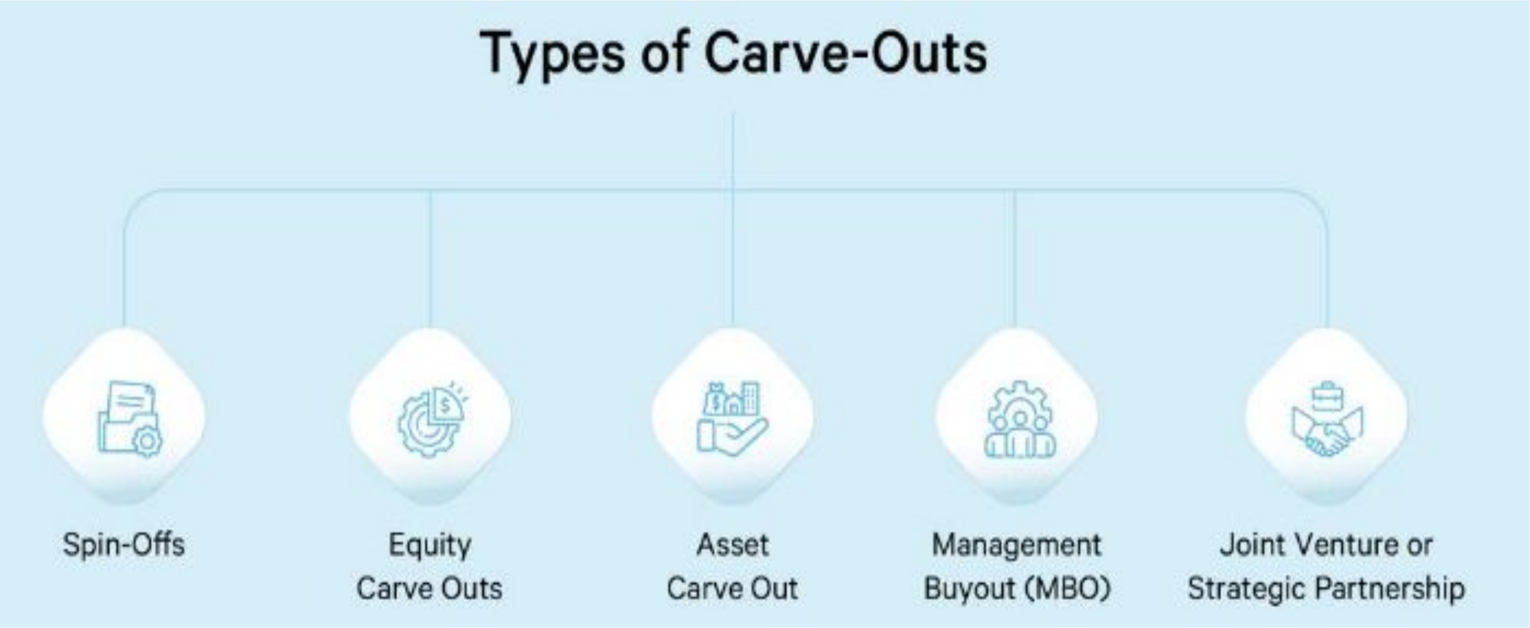
- Crown is a larger copy of Matco and does exactly the same ! There are only 3 sizable players in Europe in this area.
- Synergies:
  - Creating the undisputable market leader in flooring chemicals in Europe and the Middle East
  - Geographic coverage (NL v. F) also footprint in Middle East
    - Saving of transport costs for Matco est. €30k p.a. (1000 x 30)
    - Saving of transport costs for Synthomer est. €300k (10,000 x 30)
  - Exchange of know-how, expertise
    - E.g. Synthomer stronger in specialty products....
    - E.g. Matco stronger in alternatives for latex
  - Cheaper latex prices due to large volumes and privileged relationship with Synthomer
    - E.g. 500ton ...est. additional rebate €100/ton
      - Min €50k but more realistically €150k p.a.
    - A more detailed calculation of synergies is currently being made....an initial rough estimation of hard synergies could be around €500k

MATCO versatile chemical solutions

CARVE-OUTS - DEFINITION

- A carve-out is the process by which a company separates a division or subsidiary as a standalone company for financial or strategic reasons and sells it to outside investors....
  - Equity carve-out: reorganizing a corporation by creating a subsidiary and offering the public (via IPO) a minority of its stock, while the parent company remains in charge of the company
    - E.g. Signify (Philips), Innomotics/Healtineers (Siemens)
  - Spin-off: the parent company transfers shares to existing shareholders as opposed to new ones
    - E.g. GE healthcare, L Brands (Victoria Secret), Imec

CARVE-OUTS - TYPES



CARVE OUTS IN BELGIUM

Ex-oprichter Omega koopt Solvay-product

Vemedia, het bedrijf van Yvan Vindevogel, koopt het product Valdispert van Solvay. Vindevogel richtte destijds met Marc Coucke Omega Pharma op. Na een meningsverschil gingen de twee uit elkaar. Sinds 2002 probeert Vindevogel grote broer Omega Pharma het vuur aan de schenen te leggen.

umicore

Umicore enters into exclusive negotiations with Fedrus International for the sale of its Building Products activities

23 May 2017 18:00

VMZINC

THE BIGGEST IN EUROPE IN 2024

Telecom Italia completes $24B NetCo sale to KKR

By Anne Morris · Jul 3, 2024 10:50am

- **Italian telco has completed the sale its fixed-line grid to KKR-led consortium**
- **Much-watched transaction will allow TIM to reduce its net debt by $13.8 billion**
- **New TIM service company hopes to be able to better compete in cutthroat Italian market**

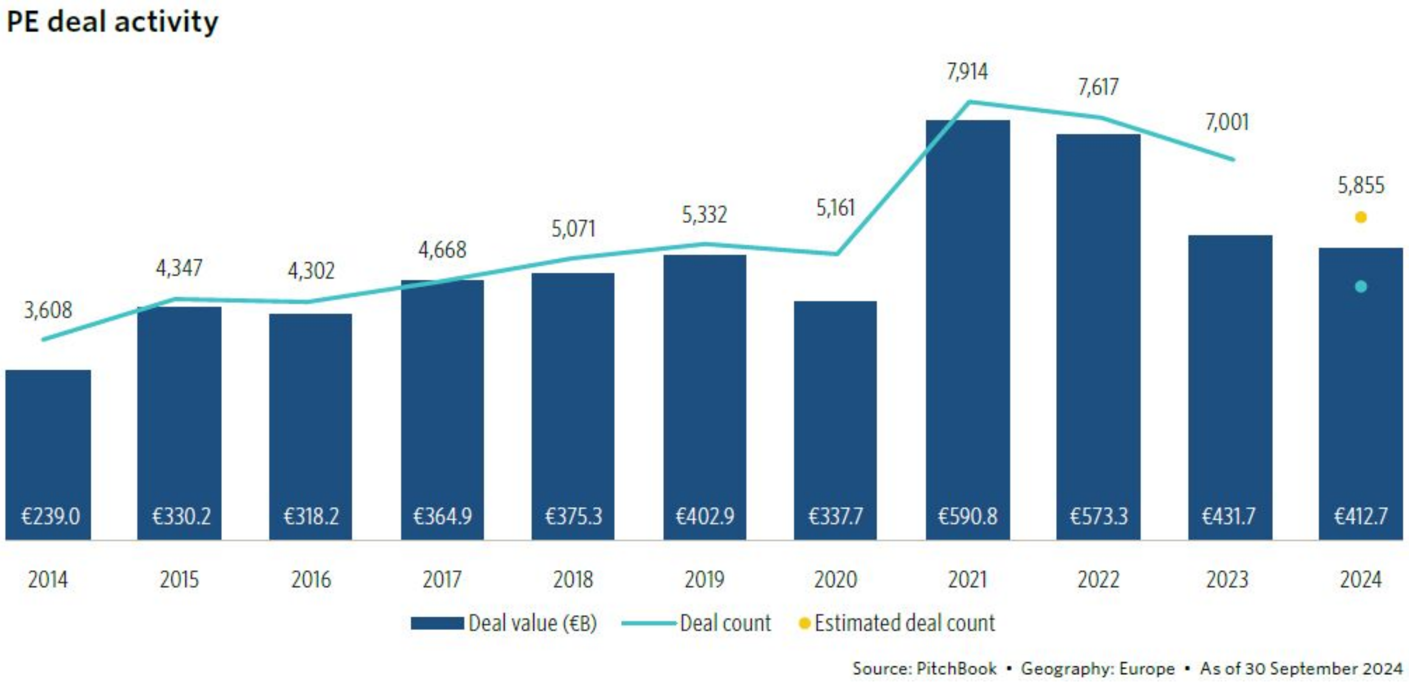
The prosecco corks were no doubt popping at Telecom Italia's (TIM) headquarters in Rome this week after the operator's relieved CEO was able to announce the completion of a long-gestated plan to sell off its fixed-line grid to the Optics BidCo consortium controlled by investment firm KKR.

"The completion of the transaction with KKR and the Italian Ministry of Finance is the result of two and a half years of intense work, during which we have improved the management of TIM and identified industrial and financial solutions that will enable us to meet future challenges," said TIM CEO Pietro Labriola in a statement.

The sale of NetCo for up to €22 billion (U.S. $23.6 billion) also allows TIM to reduce its net financial debt by about $13.8 billion, from an adjusted net financial debt of €26.6 billion at March 31, 2024. After leases, net debt stood at €21.4 billion.

MARKET FOR CARVEOUTS IN 2023-24

- Overall deal volume down



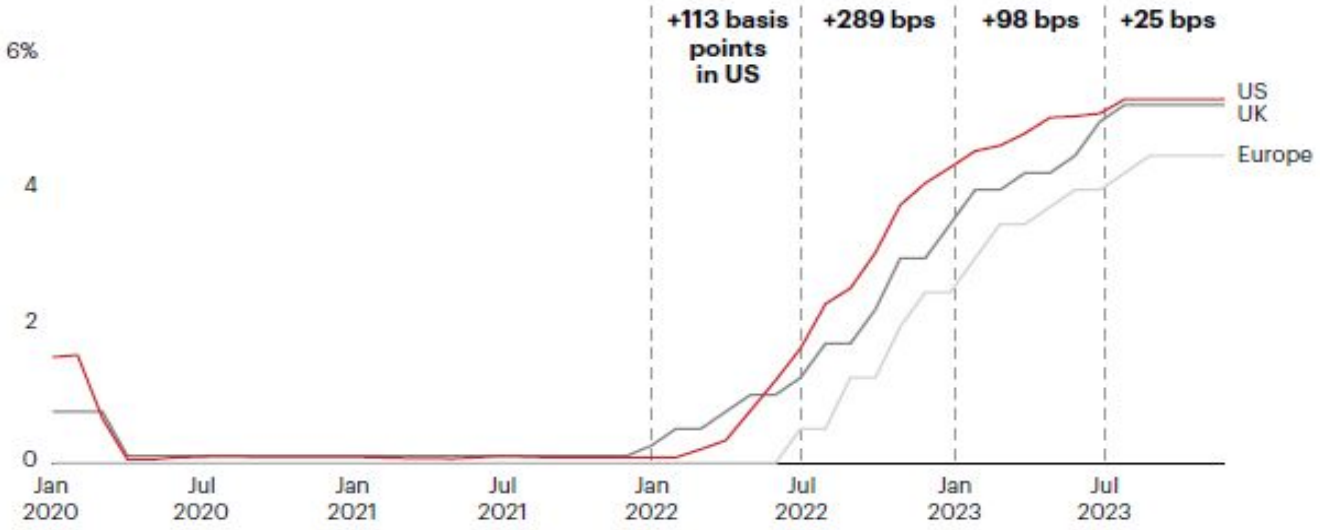
Source: Eight Advisory

MARKET FOR CARVEOUTS IN 2023-24

- Main reason....

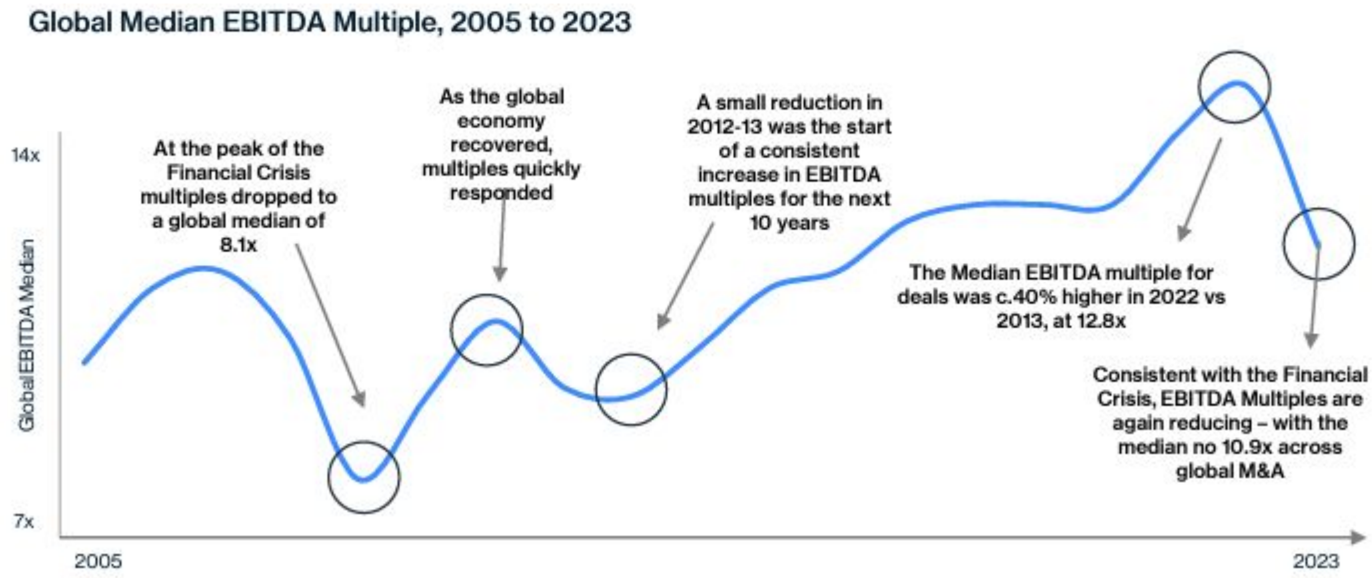
Figure 2: The 525-basis-point rise in interest rates from March 2022 to July 2023 was the sharpest monetary tightening in decades

Central bank interest rates by region (monthly average)



MARKET FOR CARVEOUTS IN 2023-24

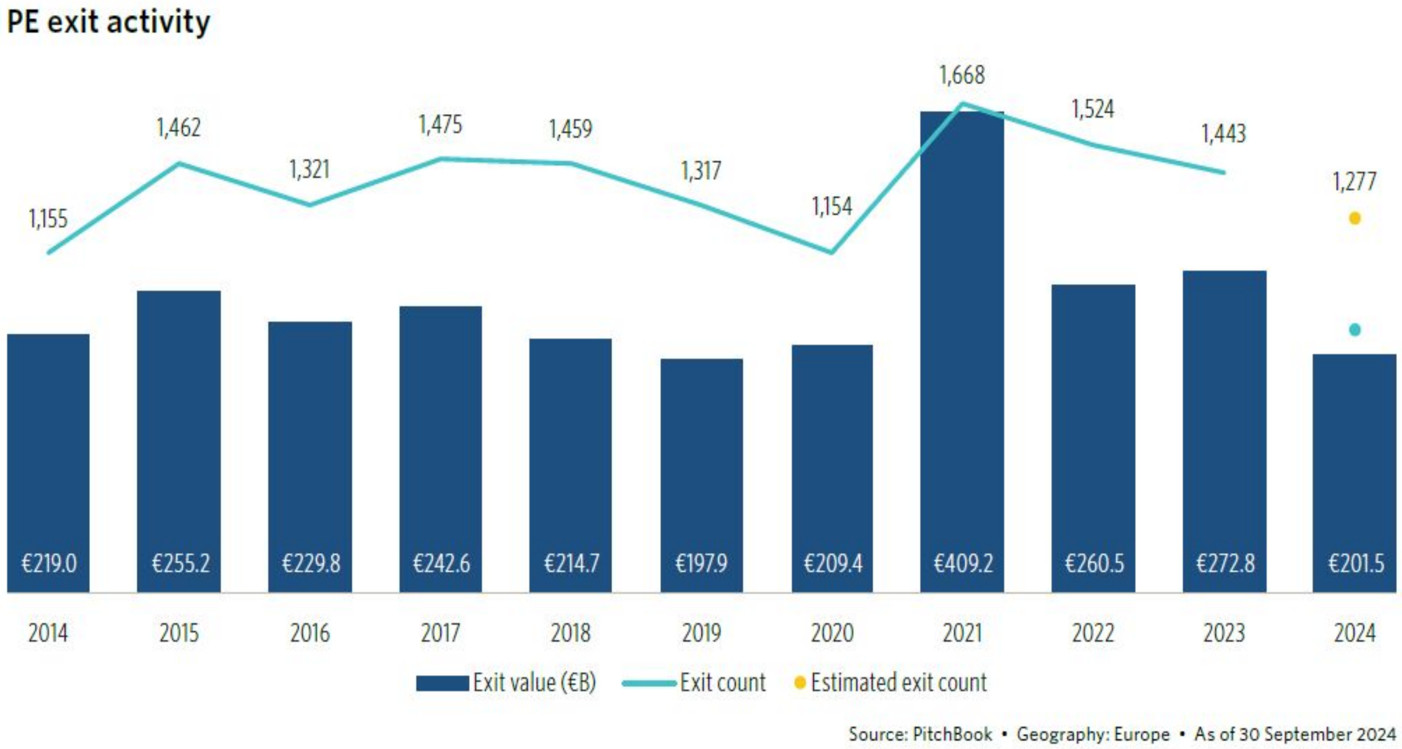
- Overall EBITDA multiple down



Source: Eight Advisory

MARKET FOR CARVEOUTS IN 2023-24

- Overall EXITS down



ADVANTAGES OF CARVEOUTS

- Advantages
  - Improved focus on core activities by divesting non-core
  - Financial proceeds...to reimburse debts or invest in core activities
  - Improving efficiency of mother company (after divestiture of less efficient)
  - Improving valuation of remaining business or by selling independent business
  - Improving flexibility of future strategic decisions (like a sale, merger,JV.....)

DISADVANTAGES OF CARVEOUTS

- Disadvantages
  - Transaction costs (legal, restructuring,...)
  - Operational challenges....being independent form mother company
  - Loss in valuation (maybe loss of synergies, smaller mother)
  - Risk of diversion (less focus on core)
  - Market perception of mother company - communication

MARKET FOR CARVEOUTS IN 2024

- Overall market of exits down (valuations down and cost of debt up) but carve-outs up....
- Industrials (and to a lesser extent PE firms) focus on "optimize existing assets"...
  - Selling off non-core, underperforming or heavily indebted business units
  - To bolster balance sheets or P&L's
- Also PE firms
  - non-core to exit strategy
  - To already return some $$$ to investors
    - E.g. Tencate

PitchBook

MARKET FOR CARVEOUTS IN 2024

- Overall market of exits down (valuations down and cost of debt up)
- Industrials & PE sell non-core assets to:
  - To strategics (have synergies, pay on average 20% more)
  - To PE
    - As stand alone....opportunity to acquire undervalued assets after restructuring and streamlining operations)
    - As part of a buy & build strategy

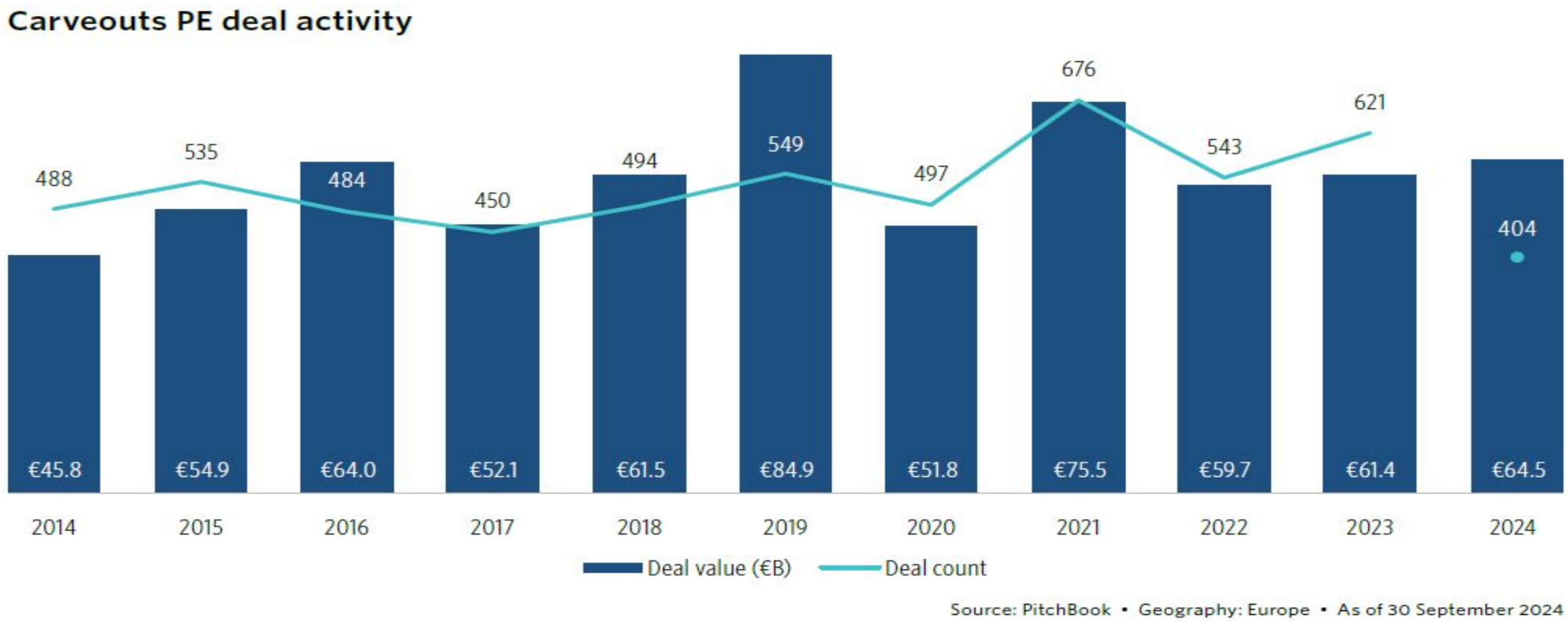
MARKET FOR CARVEOUTS IN 2023-24 – M&A

- Overall market of divestments up (from historically 2% to 25%)

Source: Eight Advisory

MARKET FOR CARVEOUTS IN 2023-24 - PE

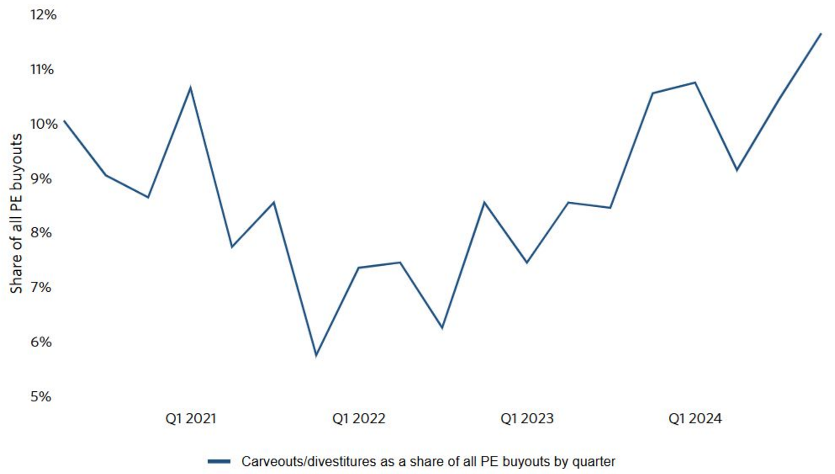
- Overall market of divestments up



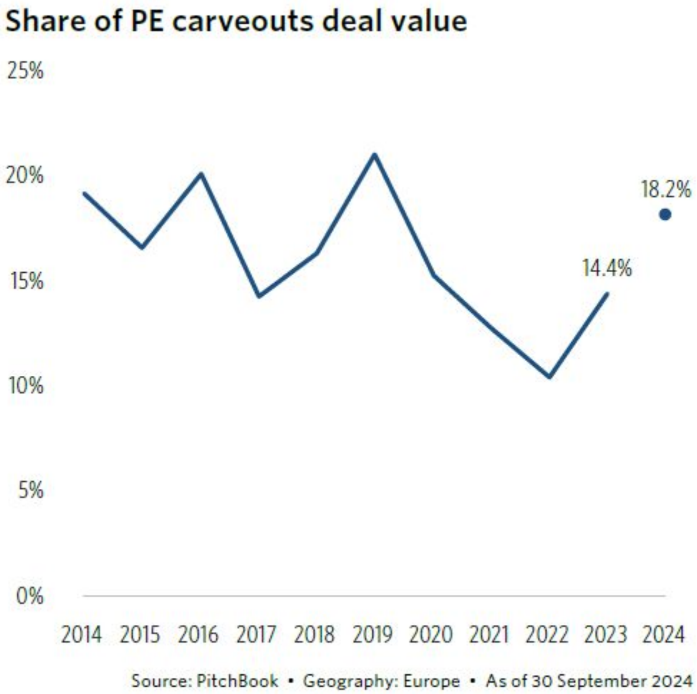
MARKET FOR CARVEOUTS IN 2023-24

- Going to 12% in US and 18% in Europe (as % of total buyouts)

PE sponsors gives divested assets new life



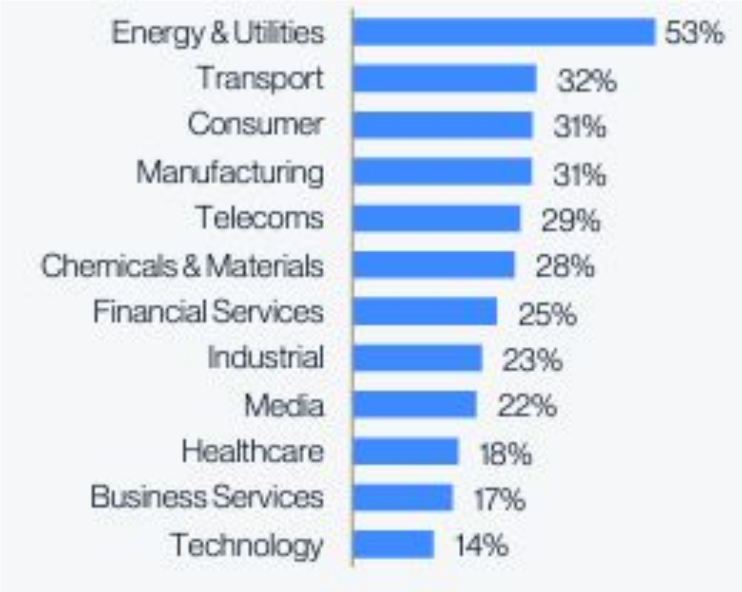
Source: PitchBook's Annual 2024 US PE Breakdown
As of Dec. 31, 2024



MARKET FOR CARVEOUTS IN 2023-24

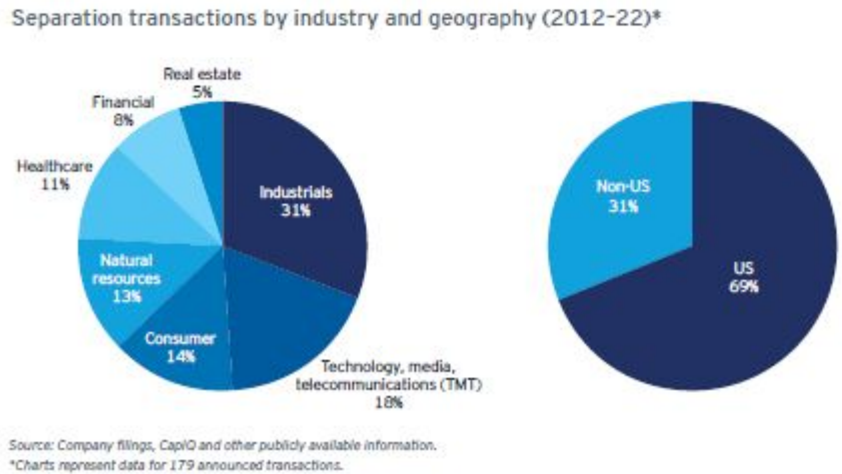
- Differs per sector.....

Divestment deal volume as % of total deal volume (2023)



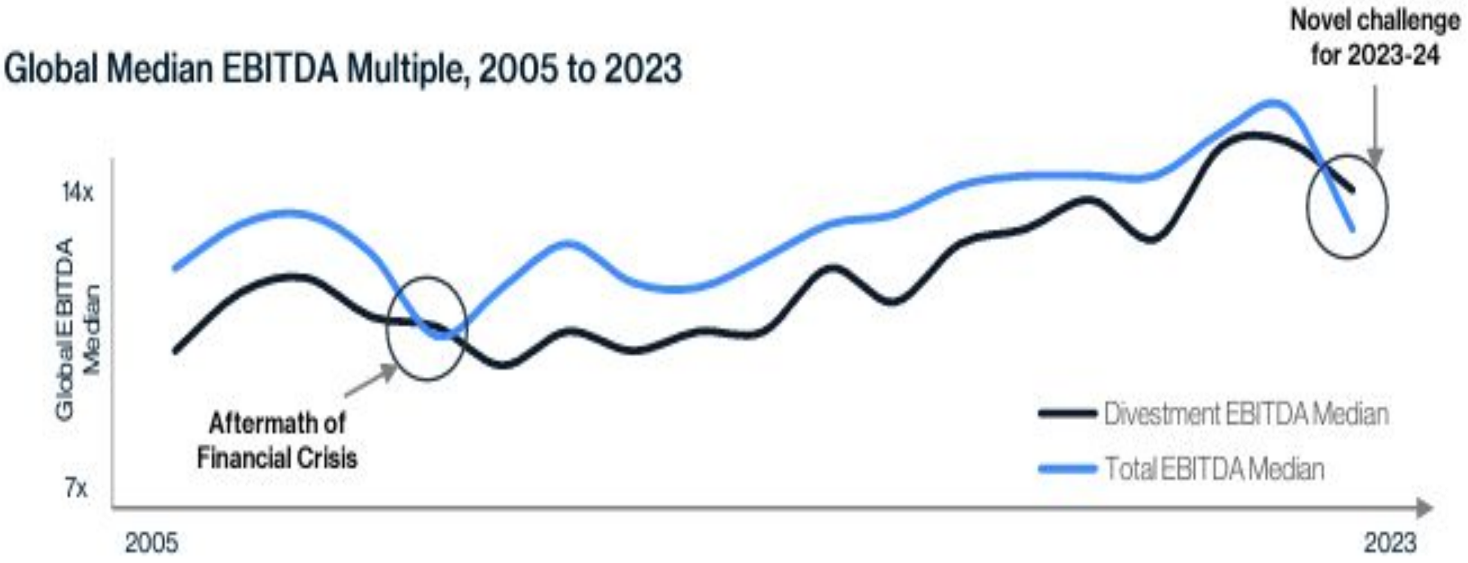
Source: Eight Advisory

- Developed sectors experiencing market volatility
  - E.g. Energy: energy transition & new entrants
- Sectors with growth (or buy & build)...
  more integrating than divesting



MARKET FOR CARVEOUTS IN 2023-24

- Multiples lower in case of carve-outs



Why lower: risk adjustment due to complexity or in downturn need for corporates to firm up their financial position

Source: Eight Advisory

MARKET FOR CARVEOUTS IN 2023-24

- Multiples lower in case of carve-outs due to fact that every euro higher or lower in price does **not directly** benefit the negotiatior (e.g. M&A manager, division head,...) on behalf of the corporate....
- While in the case of family owned companies or PE companies (via carried) every euro higher or lower in price influences **directly** the wallet of the principal at the other side

Source: Eight Advisory

QUESTION ?

If you had the choice to purchase a company from

A. **A family**
B. **A Private Equity firm**
C. **A larger corporate**

Which seller would you prefer ?

DIFFERENCES

Main differences:

- focus on price valuation
- professionalism/due diligence level
- financial structure
- complexity
- legal
- speed
- emotions

PRICE & VALUATION FOCUS

- **Family**
  - Very high: every $ lower/higher is a $ out/in pocket
  - ...even the perks
  - No deadline to sell
- **Private Equity firm**
  - High...carried interest....
  - Needs exit (fund raising ?)
  - Unless is sale of a non-core asset of PE portfolio company (cheaper than platform multiple/multiple diluting asset)
- **Corporate**
  - Headline number (internally communicated)
  - Many other criteria: communication, stakeholders (unions, personnel, shareholders,...)
  - Timing ...depending on the circumstances...but often short

PROFESSIONALISM / DUE DILIGENCE FOCUS

- **Family**
  - Lower....
  - Personal interests, creativity,...more due diligence required !
- **Private Equity firm**
  - Very high
  - Fully prepared for sale....less due diligence needed
- **Corporate**
  - Very high (policies for everything...)
  - But sometimes orphan...neglected....and standalone issues

FINANCIAL STRUCTURE

- **Family**
  - Flexible
  - Earnouts, vendor loans, co-investment...
- **Private Equity firm**
  - Less Flexible
  - No earnouts, no vendor loans, unlikely co-investment
- **Corporate**
  - No flexibility (policies)
  - Cash is king

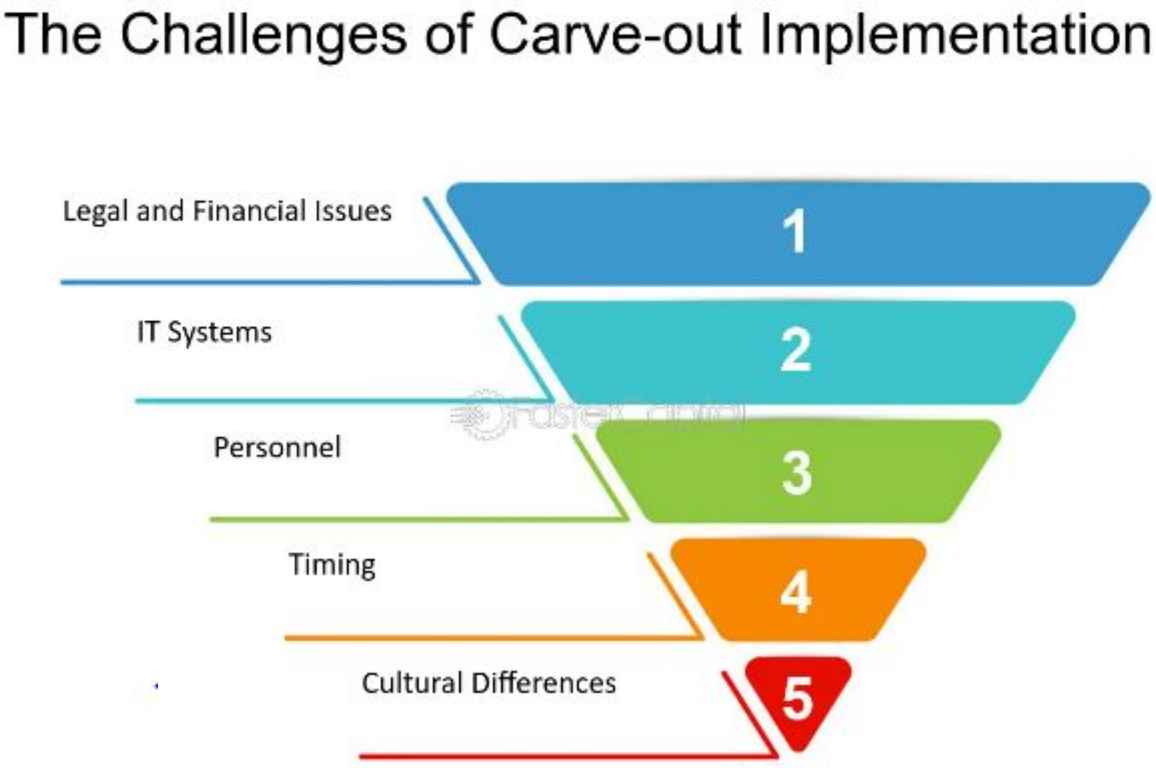
COMPLEXITY & LEGAL

- **Family**
  - Low (standalone)
  - But often underestimated costs due to family nature...
  - Normal Reps & warranties, no W&I insurance, SHA if they stay on
- **Private Equity firm**
  - Low
  - Fully prepared but no reps & warranties, W&I insurance
- **Corporate**
  - High...many decision makers (unless M&A team and even then)....depends on the degree of independence pre-closing
  - Legal nightmare...Transitional agreements (IT, HR, Finance, Tax,...)...banks, people, dealings with parent post-closing....etc....

SPEED & EMOTIONS

- **Family**
  - Slow...
  - Emotional roller–coaster...not in a hurry
- **Private Equity firm**
  - Fast
  - Fully prepared
  - Very little emotions
- **Corporate**
  - Slow due to complexity and layered (HQ) decision-making process
  - Announcement on time
  - No emotions ...but politics

CHALLENGES


The Challenges of Carve-out Implementation
Legal and Financial Issues
1
IT Systems
2
Personnel
3
Timing
4
Cultural Differences
5

MANY CARVE-OUT EXPERTS

BCG

Our Carve-Out Consulting Experts

Our carve-out consultants take a customized approach with clients to structure and run their operational carve-out.

Jeff Gell
Managing Director & Senior Partner
Chicago

Jens Kengelbach
Managing Director & Senior Partner; Global Leader of Mergers & Acquisitions
Munich

Kim Thomas
Partner and Director
Copenhagen

Georg Keienburg
Managing Director & Partner; Global Leader of Carve-Out
Cologne

Carve-outs as value creators

How to turbocharge your carve-out and ensure its success

TIS@Roland Berger
Transaction & Investor Services

Patrick Heinemann
Senior Partner
Stuttgart Office, Central Europe
+49 16 0744-7321

Milko Teofilov
Partner
Munich Office, Central Europe
+49 89 9230-8170

KPMG

Setting up a carve-out for success

Business in a box: Part 1

pwc

Carve out a company

Designing for the future

Whatever your reason for carving out part of your concern, we cover all aspects of the transaction, helping make the process as efficient as possible and safeguarding value on both sides.

Deloitte.

Roadmap

Carve-Out Financial Statements (September 2024)

- Read the Roadmap.
- Open a PDF version of the Roadmap.

McKinsey & Company

The power of goodbye: How carve-outs can unleash value

February 7, 2023 | Article

BAIN & COMPANY

Our Divestiture Experience & Impact

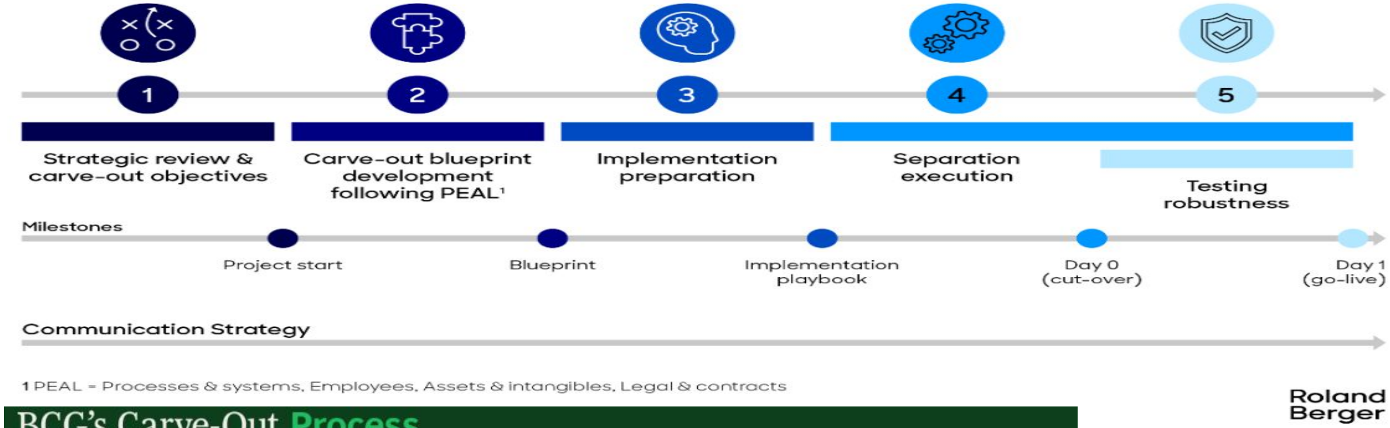
700	50-75%	20%
Divestitures and spin-off projects	Greater sale prices for prepared assets compared with their internal targets	More shareholder value in the first two years post spin-off compared to the average

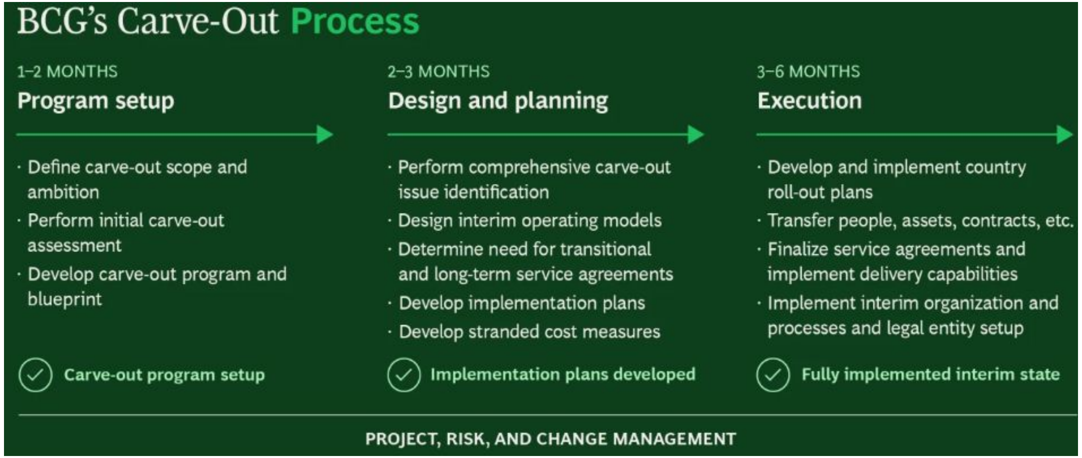
EY

How to navigate completion of a carve-out sale once the deal is signed

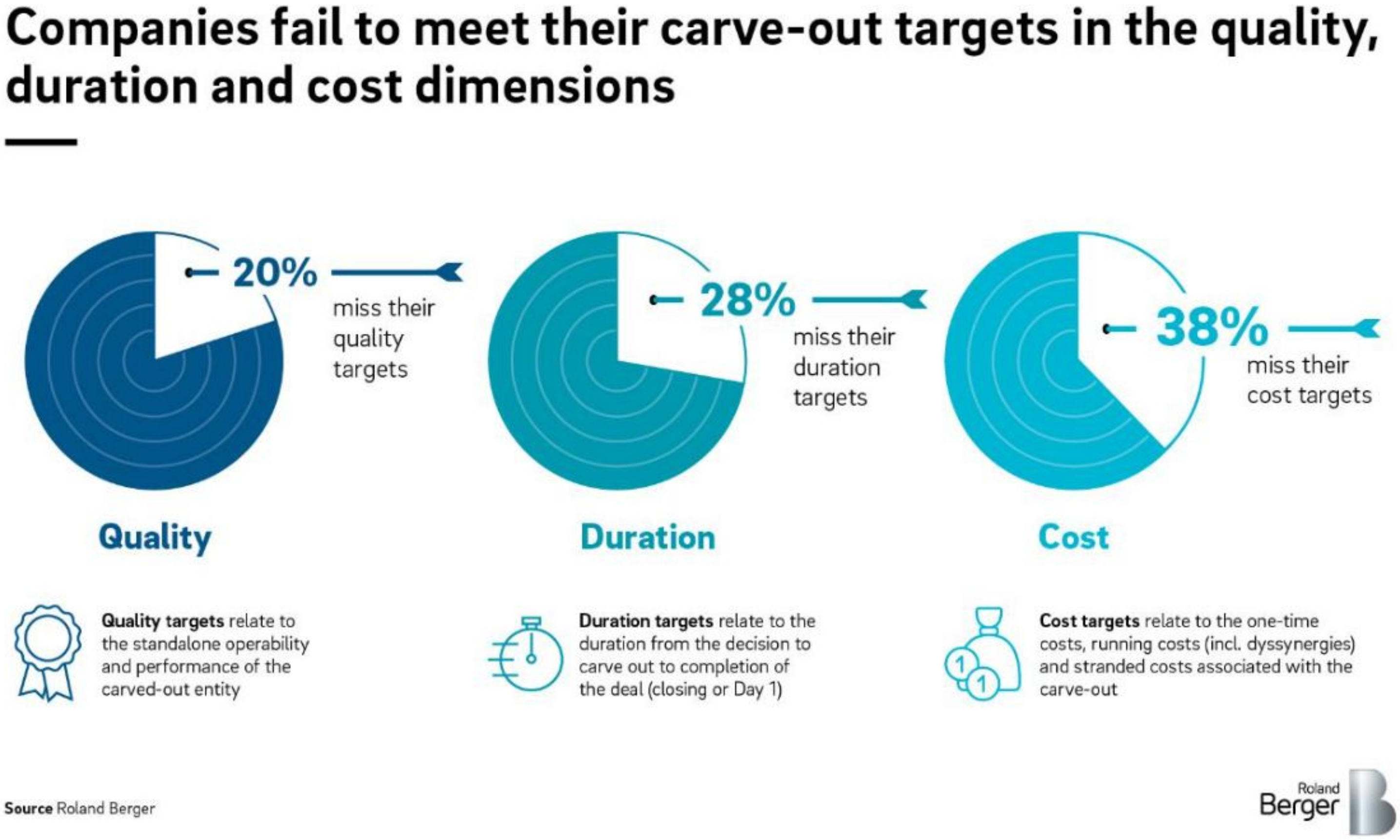
PHASES TO SUCCESSFULLY MANAGING CARVEOUTS

The winning formula: Well-thought-out preparation and rigorous execution





CARVEOUTS…NOT ALWAYS EASY

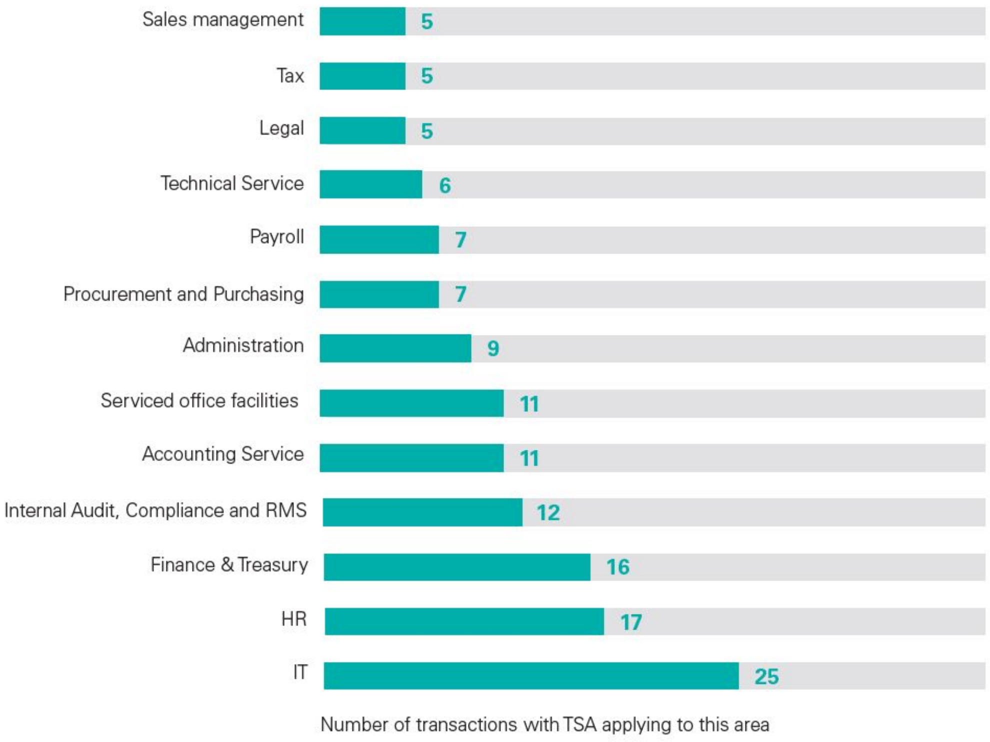


CHALLENGES OF CARVE-OUTS

- Seller is not be as focused on supporting the sale. Vendor's attention (resources, cash, people,) is on their core business.
- Seller's own financial position may cause them to rush the sale. Transfer of proceeds is main priority. Seller fails to adequately prepare or accomodate a smooth separation process. This puts the burden onto the buyer.
- Separation documentation is often incomplete and not as comprehensive as it should. Buyer needs to make more assumptions during due diligence.
- Sellers often assume a corporate buyer. They do not adequately prepare the asset for sale to a financial sponsor who need to develop his own views from an outside-in perspective.
- Transitional services delivery is variable. Buyers have less confidence.
- Deal leads and programme leads are stressed - comes on top of normal job. People not always to collaborative. And takes time of focus on core business.

CHALLENGES OF CARVE-OUTS - TSA'S

Most frequent areas of usage of Transitional Service Agreements (TSAs)



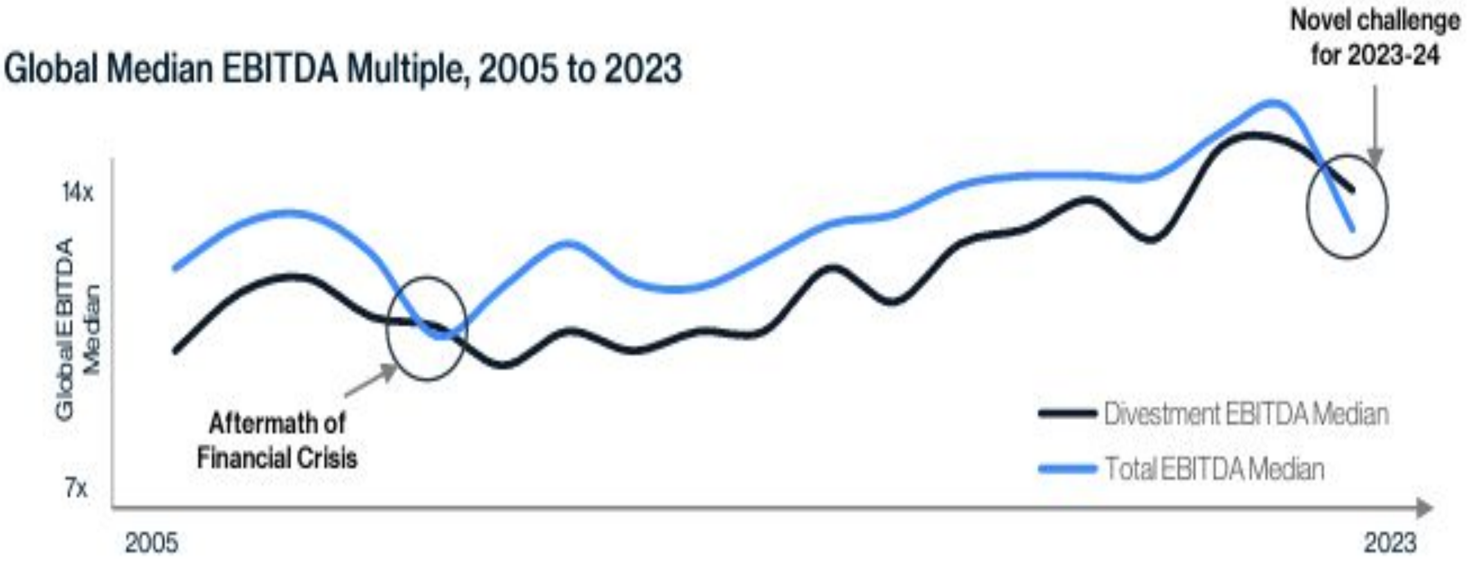
Source: Dissecting public carve-outs, KPMG International, October 2020

TIPS WHILE NEGOTIATING A CARVE-OUT

- Put focus on the integration and value creation plan early...should be part of the deal logic
- Consider a broader more operationally focused set of due diligence (operations, IT, assets...) - often underinvested !!
- Get the TSA's (Transitional Service Agreements) right
- Technology is key (IT systems, cyber security, systems,...). Outsourcing to third party provider/advisor ....
- Get as soon as possible stand alone (and get rid of the TSA's and technology of the seller)...define path
- Make thorough analysis of the stand-alone costs (start from clean sheet) – beware of shared services...
- Work with vendor

MARKET FOR CARVEOUTS IN 2023-24

- Multiples lower in case of carve-outs



Why lower: risk adjustment due to complexity or in downturn need for corporates to firm up their financial position

Source: Eight Advisory

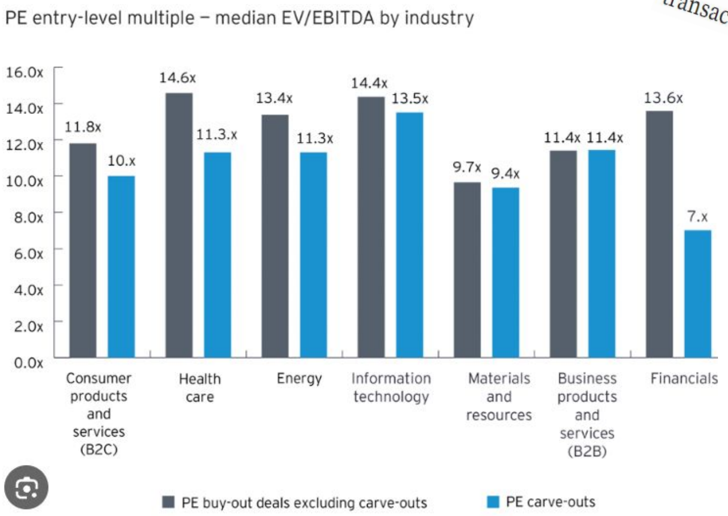
QUESTION ?

Do the returns of corporate carve-outs outperform these of the PE industry in general ?

RETURNS

- No supporting academic data - except Bain, EY studies...
  - Except equity carveouts outperform IPOs and stock market
  - Except positive influence on stock price of the parent
- My gut feeling....higher than other deals

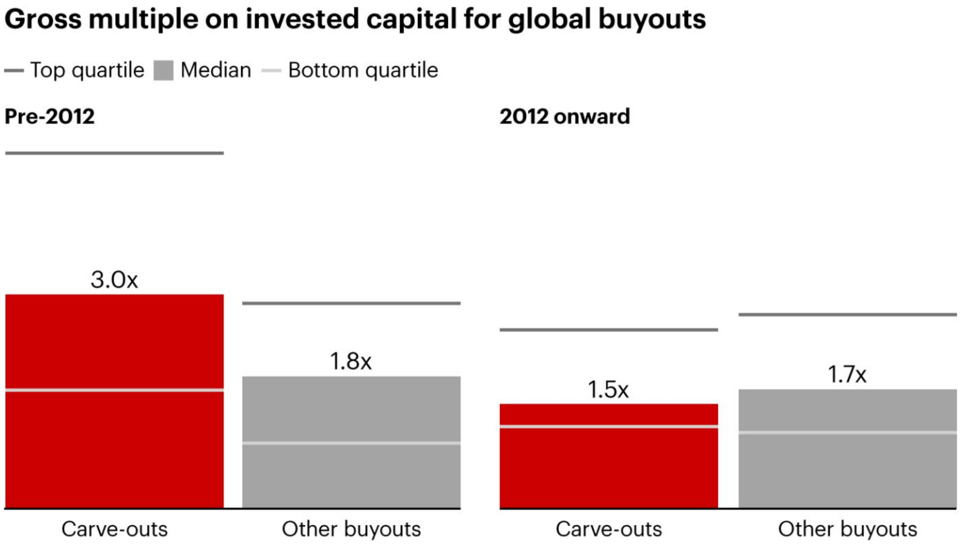
One of the biggest advantages of a carve out for an acquirer is that these assets are available at a much cheaper cost compared to a normal M&A transactions where valuations are at premium.



Source: Bocconi

RETURNS...OUTPERFORMANCE ?

- Before 2012...a clear yes: MM of 3x v. 1.8x



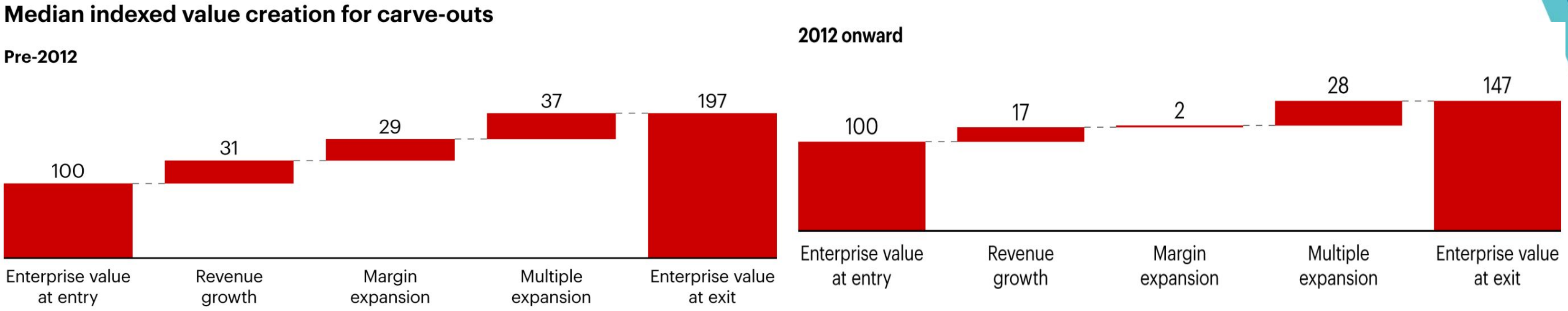
Notes: All calculations in US dollars; includes fully and partially realized global buyout deals with equity check sizes greater than $100 million

Source: DealEdge

- After 2012....mixed answer: top quartile and median MM of carveouts slightly below top quartile and median of overall market

RETURNS...OUTPERFORMANCE ?

- What changed ? Sources of value creation - in particular revenue and margin improvement - have changed/decreased !



Notes: All calculations in US dollars; includes fully and partially realized global buyout deals with equity check sizes greater than $100 million

Source: DealEdge

- Main reason: increased competition has reduced the carve-out discount
  - More competitors and smarter corporate sellers...have pushed up prices..more difficult to realixze added value for the sponsor !
  - But caveat: Bain is larger part of the midmarket....

RETURNS - IMPROVEMENT POTENTIAL

- Newco is often benefiting....

Change in profit and loss (P&L) metrics between close and 2-years post-close

P&L metric (as % of revenue)	RemainCo	NewCo
Revenue growth	+0.4%	+4.7%
Change in cost of goods sold	(0.6)%	+0.3%
Change in SG&A	(0.4)%	+0.7%

Source: Company filings, CapIQ and other publicly available information.
**(P&L metrics reflect median change two years post-close).*

RETURNS - SCATTERED (CONFIRMATORY) DATA

- EY study confirms: higher IRR's but also higher variance

According to a study by accounting firm EY, investments in carve-outs offer lower entry multiples for private equity firms when compared to other buyouts, which in turn leads to higher returns on exit. EY analysed the performance of around 700 private equity-backed carve-out deals done between 2015 and 2019 and found that returns from carve-out deals exceeded the average internal rate of return (IRR) of 14.1% delivered by the private equity industry as a whole.

Carve-out deals, however, are not a one-way ticket and do require specific experience on the part of a financial sponsor to execute successfully. Indeed, in its analysis EY noted 'huge variance' in returns across its sample. While most of the deals it looked at delivered IRRs in the 30% to 50% range, some carve-outs did result in in negative returns.

RETURNS

Execution is key

Exhibit 1 - Carve-Outs Offer Significant Value, but Performance Varies Widely

Sources: S&P Capital IQ; Refinitiv Datastream; BCG analysis.

Note: The Bloomberg Spin-Off Index tracks US spinoffs for the first three years of their independent operation. For the TSR chart, N = 195 spinoffs completed from 2010 through 2020. TSR = total shareholder return; p.p. = percentage points.

WHAT DO TOP-TIER CARVEOUTS?

- Bain study of 25 carveouts between 2013-2024
- Common denominator: **“Winning sponsors ensure that there is an unbreakable link between the core value creation thesis and how the new company is set up to achieve it !**
- No two step process. Standing up a new company is only half the battle.
  - Underwrite a bulletproof value creation plan (VCP)
  - Marry it to a separation plan, a talent strategy (game-ready executives asap....different environment !) and an execution plan for the VCP’s unique requirements
- E.g. CVC acquired Syntegon (packaging machines) from Bosch...creating a Mittelstand” culture (nimble, entrepreneurship, pride,...)

CARVE OUTS IN AN SME CONTEXT

- Relatively few due to size
  - Do not hesitate to contact PE firm in that case
- Requires more research (not in Annual Report)
- Requires often proactive approach
- Requires more valuation work (shared services, synergies, stand alone costs..)
- Requires ideally access to management

E.g. subsidiary JV from oil giants

E.g. non-core product from petfood giant

e.g. non-core activity from a PE owned chemical company

THE PEGASE CASE

Pegase

Your house of luxury travel

2023 - 2024

CORPORATE CARVE OUTS IN TRAVEL

PRIVATE EQUITY INVESTMENT IN THE UK TRAVEL SECTOR

TTC
THE TRAVEL TRADE CONSULTANCY

PRIMARY

- loveholidays
- www.cruise.co.uk
- ITC LUXURY TRAVEL ESTD 1974
- Scott Dunn — ANYTHING ELSE IS JUST A HOLIDAY
- Great Rail Journeys
- travel counsellors

CORPORATE CARVE OUTS

- Travelopia
- James Villa Holidays — By Wyndham Vacation Rentals
- Neilson
- Hoseasons — By Wyndham Vacation Rentals
- travelsphere
- Stewart Travel — A World of Experience

SECONDARY

- Riviera Travel — The world. Within reach.
- Neilson
- Audley
- Great Rail Journeys
- IGLU.COM
- travel counsellors

THE DEAL - PROJECT DELVAUX

Teaser

ACQUISITION OPPORTUNITY

Project « Delvaux »

Strictly Confidential

THE COMPANY

- The transaction concerns transferring the full ownership of the operating activities of the best known luxury travel brand in Belgium, including the brand, the customer base and the employees.
- As the company is currently still incorporated in a larger entity, the seller is open to discuss several scenario's to structure the sale and is even open to remain a minority shareholder.
- The business unit has revenues of ~18 MEUR in FY17, with an EBIT before allocations of ~1,5 MEUR for the same period. Forecast 2018 shows a significant increase in revenues and EBIT of which, due to the seasonality of the sales cycle, a large part is already secured.

ACTIVITIES

- As a tour operator, the entity purchases airplane seats, local transport and hotel accommodation from suppliers, combines the above in a package and sells the products under its own heritage brand and with its services through different retail channels to the end customers.
- The entity is able to maintain and increase its profitability through:
  - It's heritage brand name, loyal customers and specialized dedicated team of 10 FTE's.
- The seller remains open to discuss a variety of long term operational and commercial service level agreements, such as airplane & hotel contract benefits, IT and back office support.

REAL ESTATE

- Real estate will not be sold however it is possible to remain at the current location.

INVESTMENT RATIONALE

- The seller intends to divest the entity due to the distinct mission and strategy of the entity as compared to the overall strategy of the seller.
- On a standalone base, the entity will be able to focus 100% on its core business, providing opportunities to increase sales and operational efficiency.
- The entity's strategic focus on even more luxury holiday offerings will further fuel its profitability

FINANCIAL

P&L €000	FY16	FY17	FC18
Revenue	20 994	17 876	22 250
Direct costs (Hotel, flight..)	(17 487)	(14 276)	(17 707)
Direct contribution margin	**3 507**	**3 599**	**4 543**
Direct contribution margin %	*17%*	*20%*	*20%*
Other revenue	1 066	882	968
Other variable costs	(2 194)	(1 913)	(2 358)
Gross margin	**2 380**	**2 569**	**3 153**
Gross margin % turnover	*11%*	*14%*	*14%*
Pers. Exp.	(667)	(662)	(688)
Mkt. Exp.	(485)	(413)	(520)
IC	-	-	-
Other	-	(17)	(34)
EBIT Before allocations	**1 228**	**1 476**	**1 911**
Own retail result (online+offline)	568	594	771
EBIT after alloc. & elim. own retail	**1 795**	**2 071**	**2 682**
EBIT % turnover	*9%*	*12%*	*12%*

- 2017 was partially affected by the commercial effects of the Brussels Airport bomb attacks.
- According to the reduction of early booking- and last minute discounts and the focus on more luxurious holidays, we observe *an increase of the overall margins.*

CONTACT

If you wish to receive more information about this project, please contact:

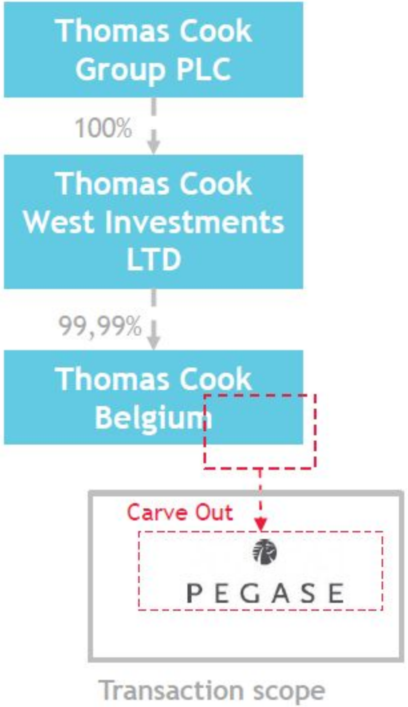
Geert Costers
Geert.costers@bdo.be
0032 475 68 62 10
Partner BDO Corporate Finance

Alexi Vangerven
alexi.vangerven@bdo.be
0032 479 40 84 90
Manager BDO Corporate Finance

THOMAS COOK PLC – THE SELLER = A GIANT

- Founded in 1841 by Thomas Cook
- Nationalized after WWII, listed on LSE in 2007 (after merger with MyTravel)
- Turnover 17/18 = £ 9584m
- Employing 21,000 people
- Yearly 22 million customers
- 100 aircrafts, 180 hotels, 560 shops
- In Belgium 91 retail shops Neckermann, 600 FTE

THE DEAL - PROJECT DELVAUX - IM



TIMELINE

- Vlerick bar (2x) 
- Teaser 23/2/2018
- NDA 6/3/2018
- IM & process letter 6/3/2018
- First Bid 1/6/2018
- Revised Bid 20/7/2018
- Second revised Bid 16/8/2018
- Signing APA 28/09/2019
- Closing APA (postponed 4x) 14/6/2019

Almost 9 months !!

THE CARVE-OUT - THE ISSUES

- The carve-out balance sheet
  - Assets: intellectual rights (brand), customers, agreements with customers, agreements with suppliers, members of personnel
  - Procedure: expert verification....
- The IT carve-out (system, master data,...)
  - Milestone plan
- The distribution agreement (via Neckermann shops)
- The trade marks
- The employees (transferred) (CAO 32 bis...all rights remain!)

THE CARVE-OUT - IT

Schedule 3 – The Milestone Plan

For information purposes only

Assumpties en principes:

- Er is 1 **ontwikkelingspartner** in het project: de *te bepalen* vendor. Daarnaast zijn er nog **verschillende integratiepartners** (Thomas Cook (cfr slide 4), Amadeus, beddenbanken, hotelier, DMC, payment provider)
- Technische **requirements** naar Thomas Cook (flight/hotel allotment) te finaliseren tijdens eerste twee fases
- **Project manager** nodig voor overall project management vanuit business
- **Finance manager** nodig voor finance aspecten
- Timings gebaseerd op feedback van een implementatie zoals **Qite** dit zou doen
- **Cut-over planning** te bekijken tijdens requirements fases (bv. parallel met uitdoof of volledige overzet)
- **Exit** uit TC systemen dient voor eind sept '21 plaats te vinden
- Thomas Cook vluchten via **SN** zijn beschikbaar tot sept '22

ERP Dossierbeheer Facturatie Betalingen Offertes (inc maatwerk) Request Handling met leveranciers Reisdocumenten Queues …	CMS Beheer teksten Beheer media (foto/video) Beheer website(s) Beheer brochure(s) … Omnichannel, meertalig, multiversie	CRM Beheer Adressen (Accounts) Beheer personen Segmentatie Tagging
PM Productcatalogus Prijsregels Wisselkoersen Marges XML verbindingen Beheer allotments …	Website Eenvoudige website Eenvoudige Bookingsmodule	Email, kalender Dossieropvolging Taken per team, medewerker Communicatie
Boekhoudsoftware		

THE DEAL – THE MAIN DOCS

- Asset Sales & Purchase Agreement (3-5x EBIT)
  - Sale of Pegase business as a division (“branche d’activité”)(no VAT due)
  - License Agreement for a license fee (upfront & maintenance) (€2m upfront & after 3 years)
  - Earnout (commissions of TC on profit)
- A subscription <u>and shareholders’ agreement</u>, between the Seller and the shareholder of the Purchaser relating to the shares in Pegase Travel

THE DEAL - THE ANCILLARY DOCS

- SLA’s ...service level agreements or TSA’s (Transitional Service Agreements)
  - (i) A service level agreement relating to the commercial support and sales services to be provided by Thomas Cook to Pegase Travel,
    - Entering flights, contracting hotels, transport services, allotments on plane, destination management, back office, pricing/yield management….[annual variable fee 3years]
  - (ii) A service level agreement relating to the services to be provided by Thomas Cook to Pegase Travel among others for the maintenance of the licenses,
    - Accounting services (everything !), tax services (VAT filings,…), IT services, HR support, website, marketing and media services, content management, crisis management,…
  - (iii) A license agreement relating to the use of the calculation and reservation system by Pegase Travel,
  - (iv) The IT and Customer Services Agreement
    - Migrations services , IT consulting [daily rate fees]
  - (v) The Commodate Agreement: lease lend (Bruikleen) - use of offices in TC building (2 years)

THE DEAL - THE DOCS

- Other Transitional documents
  - Transfer of brands
  - Distribution agreement (with TC Retail)
  - A data processing agreement (personal data of Pegase by TC)

500 pages ?

We create luxury travel in the most unique and exclusive hotels in the most stunning destinations in the world.

Key Figures

44

COUNTRIES

across the Mediterranean, Middle East and Exotic destinations

750

HOTEL
S

An exclusive selection of the best luxury hotels over the world — with a minimum of a 5 *qualification

30-50

YEAR
OLD

Target group 1: active working people who work hard and want to enjoy holidays without compromises.

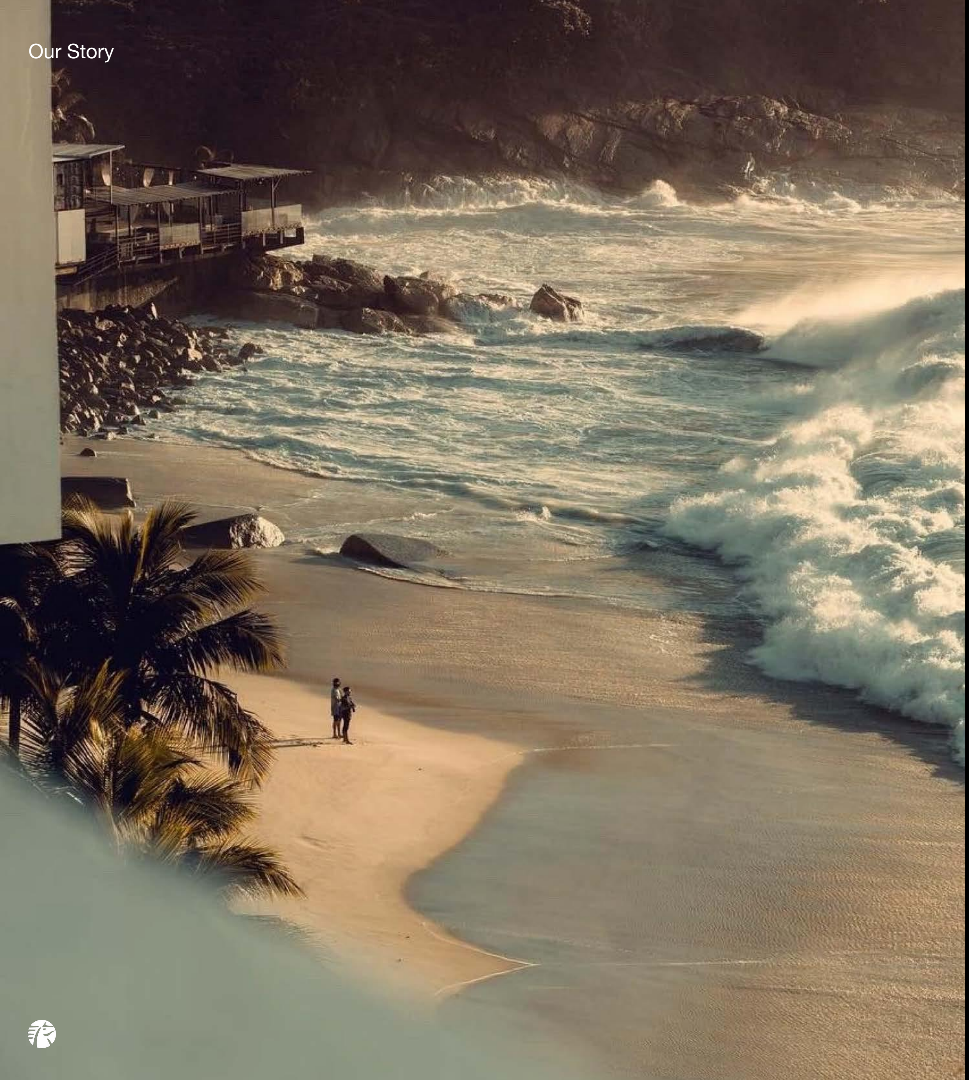
50-75

YEAR
OLD

Target group 2: settled in life and looking for an impeccable holiday experience, we match their way of traveling

We believe that true luxury is about freedom and trust.

We take you from dream to reality.



More than 30 years of passion for luxury travel.

We have been pioneering in the world of exclusive travel since 1989. A lot has changed now, but just as much has stayed the same. The philosophy and vision on which Pegase was founded thirty years ago, remain the essence of our services to this day. Over the years we have built our reputation as an undisputed source for luxury vacations. In 2024 we can proudly announce that we're the only luxury tour operator in Belgium that has been around for more than thirty years.

Freedom is in our genes

Pegase follows in the footsteps of Pegasus, the majestic winged horse in Greek mythology, who is on an endless exploration for freedom.
Just as Pegasus embodies endless freedom, Pegase stands for the freedom to choose and define what luxury means to you.

Carefree trust.

Pegase as house of luxury travel is a house of trust, and has been a house for more than 30 years.

One brand,
Three labels

The house of luxury travel

Pegase

What travel experience do you want?

Pegase

Experience Pegase

In our selected Pegase hotels, your client can fully relax. In the wellness, in the spacious room or on a lounger by the infinity pool. Each Pegase hotel was critically selected by a team of experts and offers luxury, quality and relief. Your customer completes his luxury travel experience with privileges that meet his wishes. Just enjoy.

Pegase Exclusive

Experience Pegase Exclusive

The best of the best. With Pegase Exclusive, your client chooses personalised service and the most exclusive hotels, where luxury knows no limits. The cream of the crop. We design your client's holiday according to their wishes and accompany the customer in his travel experience from booking to return home. This way you experience freedom in complete confidence.

Pegase Tailored

Experience Pegase Tailored

From dream to reality. That unique holiday that has been floating around in your client's mind for quite some time? A travel experience your client would love to cross off their list? From exclusive roundtrips and once-in-a-lifetime experiences to multigeneration family trips and bucket list activities... With Pegase Tailored, we turn it into reality according to the client's individual wishes. The client passes on their dreams, we make them come true.

What to expect

Personal

At Pegase, luxury is personal. Our team of Luxury Travel Advisors is always there for our customers and creates a personal total experience from dream to reality.

Privileged

The Pegase privileges allow our customers
to complete their luxury travel experience. They choose what luxury means to them
and create their package according to their individual wishes.

Partners

Thanks to our sustainable long-term relationships with our travel agents, hoteliers, airlines and local agents, we have all the expertise to plan the customer's dream trip down to the last detail.

Protection

Pegase as a house of luxury travel is a house of trust. In uncertain times, we provide peace of mind and the customer can always count on us no matter what.

Private

We always respect the customer's wishes and look for unique accommodations where they can enjoy VIP treatment in peace and quiet.

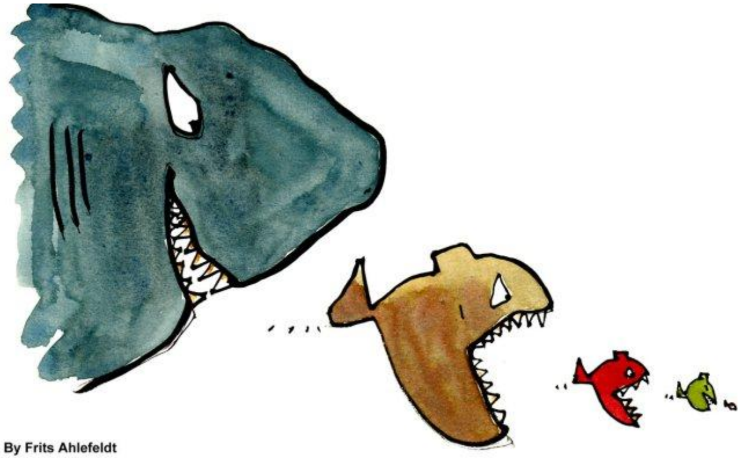
The Pegase guarantee

- Always a personal service thanks to our Luxury Travel Advisors
- Including private airport transfer or parking
- Hand and hold luggage always included
- Faster through security via the Fast Lane at Brussels Airport
- Travel worry-free thanks to our Pegase Protection
- The reliability of a licensed Belgian tour operator
- Choose between Luxury and Premium Luxury flights

CONCLUSIONS

- Carve-outs is a growing source of deals for private equity (25% of M&A exits, 10-20% of buyouts).....
- You have to find them....Not always (full) auctioned.
- More difficult to analyse (stand-alone, normalizations) and often more complex (legal, HR, TSA's,....)

- But mostly cheaper
- And (most likely) leading to higher IRR's....



TO CARVE-OUT OR NOT TO CARVE-OUT…
NO GUTS NO GLORY