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CARVE-OUTS IN PRIVATE EQUITY:

AN SAP PUBLIC CLOUD PLAYBOOK FOR VALUE CREATION

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in association with

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Executive Summary

Carve-outs are among the most value-critical and risky manoeuvres in Private Equity practice. They combine fragmented systems, TSA deadlines, Tech debt and relentless pressure to deliver synergies at pace. Traditional approaches — brownfield lift-and-shift, tactical ERP splits and fixes, or reliance on legacy IT — consistently erode value and increase future risk. As the roll extends and portfolio
companies are held for longer, value could be realised sooner if operational and technology alignment were achieved earlier and with greater transparency.

The opportunity; to treat carve-outs as a disciplined, repeatable playbook: one that simplifies execution, delivers transparency, and protects valuation and indeed carry. For PE, the stakes are even higher than for smaller corporates: holding periods are shorter, and many carved-out businesses will themselves be subject to secondary investment and re-carved out before or at exit. A smarter approach not only avoids TSA overruns and stranded tech debt, but also compounds operational alpha across the fund lifecycle.

The Problem with Today's Carve-Outs

Carve-outs consistently reveal the fragility of corporate systems, dependencies and processes. Finance landscapes are typically fragmented, with dozens of ERPs, inconsistent charts of accounts, and uneven levels of maturity across business units. Data quality is often poor, with master data that is incomplete, misaligned, or simply unreliable — undermining the credibility of forecasts, management reports, and ultimately valuations. The implicit nature of the timing of events is also subjective and a contributive factor the cause of this challenge.

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Against this backdrop, the two-year Transitional Service Agreement becomes less a bridge and more a trap. Every month of delay adds cost, prolongs dependency on the seller's infrastructure, and raises the risk of stranded IT and resultant tech debt. Under pressure, management teams fall back on tactical workarounds: overlay reports built in spreadsheets, AI pilots that never scale, and consulting fixes that patch symptoms without addressing root causes.

Ultimately, the absence of clean data and consistent processes undermines confidence at all stages of funding especially at exit. Buyers are cautious when faced with complexity, and that caution is reflected in valuations and deal terms.

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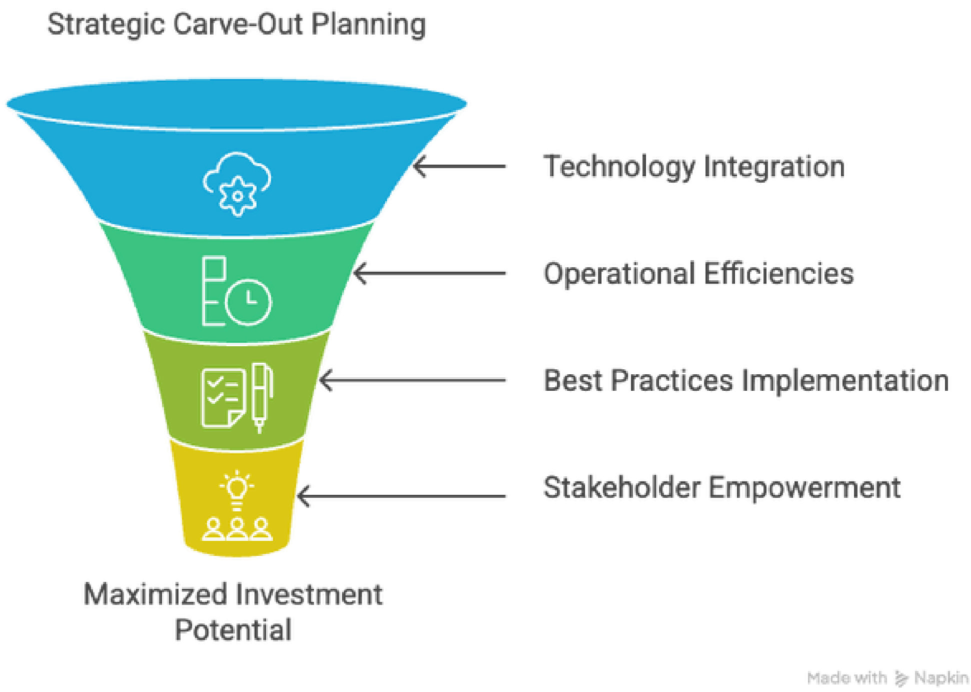
Thesis: Maximising Value at Exit

At exit, buyers — whether strategics, secondary PE funds, or IPO markets — pay a premium for clarity, **control, and separability**. A carve-out that leaves behind fragmented systems, inconsistent reporting, or heavy reliance on a TSA invites scepticism and inevitably valuation discounts. So despite wanting to saying is there a replacement for the TSA, this is a perennial discussion and one that should encourage a PE firm to build their best practice and evolution.

Maximising value therefore requires treating the carve-out as a **designed process rather than a perceived reactive scramble**. Exit readiness means that from Day 1, reporting is transparent, financial controls are consistent, and each Line of Business is structured to stand alone in line with the hypothesis. A clean carve-out is not simply operational relief — it is a direct driver of higher multiples at exit and a far stronger cover.



Design Principles: Building the PE carve-out Playbook

A disciplined carve-out playbook rests on a small number of design principles that transform complexity into structure:

- **Universal model:** A single chart of accounts and consistent reporting dimensions underpin every entity.
- **Clean master data:** Accurate and standardised data is a non-negotiable foundation for reporting and forecasting.
- **Modular design:** Each Line of Business is structured to stand alone, enabling retention, integration, or divestiture without rework.
- **Wave execution:** Carve-outs are delivered in manageable smaller batches — 5–6 or 12 at a time — sequenced by readiness and value.
- **TSA discipline:** The goal is to shrink dependency, avoid cost traps, and move towards TSA-lite models without increasing risk!
- **Governance cadence:** A single steering and decision-making rhythm ensures consistency across all LoBs.

These principles create the scaffolding and therefore “safe passage” for a separation that is efficient, repeatable, and exit-ready.

Architecture: From Principles to Practice

Design principles are essential, but not sufficient. What matters is how they cascade into a carve-out architecture, modernisation and plan that portfolio leadership and deal teams can actually execute.

At the core is a **universal financial backbone**: a clean chart of accounts, aligned reporting structures, and standardised master data. Around this backbone sit **modular business units** — each configured so that it can be carved in, integrated, or sold with minimal friction. This modularity is the essence of “separability by design”, and having a right to use where applicable.

Execution follows a **wave-based rhythm**. Rather than attempting to separate 50 businesses at once, companies are onboarded in structured batches. Each wave is prioritised based on data readiness, regulatory complexity, or materiality to valuation. This phasing creates progress without overwhelming management or advisors as they transparently are included in the governance.
Overlaying all of this is a **TSA-lite mindset**. Transitional arrangements should be narrow, time-bound, and shrinking with each wave. The discipline of early independence not only controls costs but also builds credibility with future buyers.

Finally, success depends on **governance discipline**. A single steering committee and a repeatable decision cadence avoid fragmentation of authority. This ensures that lessons from early waves are applied to later ones, compounding speed and reducing risk.

Case Study: Accelleron Spin-Off from ABB

The feasibility of this delivery playbook is ALREADY proven. When ABB carved out its turbocharging division as Accelleron, the challenge was immense: a global separation spanning **40 countries and more than 20 ERP systems**, all under the pressure of a **24-month TSA**. (2)

The solution was a **greenfield implementation of SAP S/4HANA Cloud, Public Edition**, supported by SAP's **Business Technology Platform (BTP) Integration Suite**. Within 22 months, Accelleron had stabilised operations, harmonised financial processes, and exited its TSA window — which is a rare achievement at this scale.

The lessons are clear:

- A **clean-core, greenfield approach** is viable, even under tight TSA timelines.
- **Standardisation and modularity** are not theoretical ideals but practical enablers of global carve-outs.
- **Governance discipline** accelerates execution and ensures alignment with best practice.

Further evidence comes from IDC research (1), which found that SAP Public Cloud adoption delivers **+12.1% revenue growth, +11.2% margin expansion, +36% productivity uplift, and 41% fewer finance errors**. These are not projections but realised outcomes of disciplined, platform-enabled carve-outs.

For PE funds, the unique advantage lies in **repeatability**. Once built, the carve-out playbook can be applied across multiple portfolio companies, refined with each iteration, and redeployed to maximise value at every exit.

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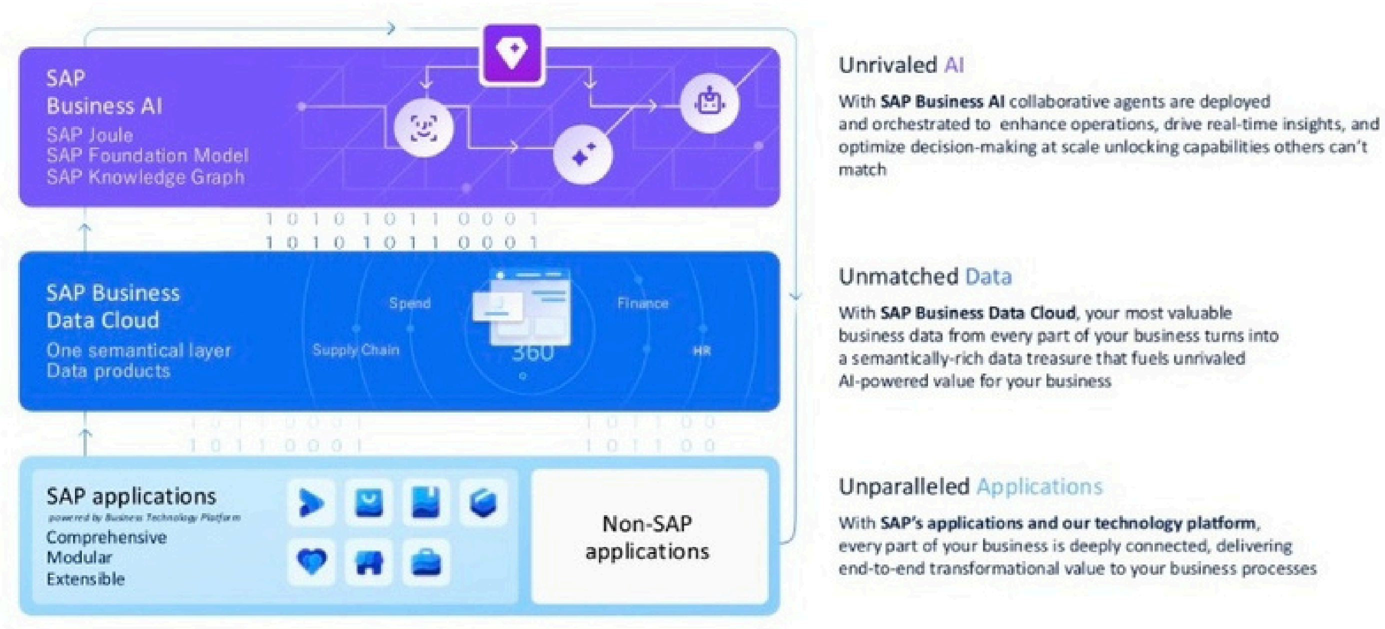
Platform Intelligence: From Data to Value Release

“A well-organized carve-out establishes the foundations: clean data, modular system design, and consistent governance. Beyond the structure, however, the real value comes from turning data into actionable intelligence — enabling operational leadership to manage operations with confidence from Day 1.

The starting point is a business data foundation for services, delivered through SAP Business Data Cloud. Then using Datasphere this provides governed access to all data from multiple sources — SAP and non-SAP — and creates a unified semantic layer. In carve-outs, this is critical: legacy data is often fragmented and inconsistent, and without a trusted foundation, financial forecasts and valuations are unreliable. With Datasphere, every Line of Business entering the new platform works from the same, clean, and governed dataset semantically representing the overall business.



Below this foundation sit SAP's business applications (such as S/4HANA, SAP Analytics Cloud, and Integrated Business Planning) as well as other non-SAP (some even competitive) that roll up their data as one version of the truth. These applications embed analytics, automation, and scenario modelling directly into core processes:

- Finance can run integrated planning, forecasting, and consolidation.
- Supply Chain teams can run and simulate demand and supply scenarios.
- Commercial teams can track margin and optimise pricing.

This transforms ERP from being just the "system of record" into a system of insight and execution, where decision-making and process execution are seamlessly linked in a continuum.

The SAP Business Technology Platform (BTP) underpins this architecture. BTP provides integration, analytics, data management, and extensibility services that:

- Connect disparate systems and data sources.
- Scale the unified data fabric.
- Enable custom applications and automations to run consistently across the portfolio.

BTP is the technical backbone that makes a carve-out platform not only operational from Day 1, but also scalable and adaptable for future growth.

Finally, **Joule**, SAP's AI copilot, brings these layers to life for the end-user. By enabling natural-language queries and contextual insights, Joule reduces the distance between question and decision. A CFO can ask: "What impact will a 5% rise in input costs have on cash flow across the portfolio?" and receive a data-driven, contextual response. For PE funds, this is a repeatable advantage: every carve-out is not only stabilised quickly, but also **AI-ready** from the outset.

For Private Equity, the implication is clear: platform intelligence elevates carve-outs from a structural hygiene task to having an immediate strategic differentiation. Clean data, intelligent applications, BTP, and Joule together create carve-outs that are not only separable, but also **smart, scalable, and exit-ready supporting the roll that so many portfolio firms are running** in this current marketplace.

Conclusion: The PE Carve-Out Playbook

Carve-outs will remain Private Equity's toughest operational challenge. The risks are well known: fragmented ERPs, fragile data, bloated TSAs, and valuation erosion. Too often, separations are treated as one-off fire drills, solved through tactical workarounds that mask fragility but never resolve it, therefore having a common playbook for each PE firm, continually learning to standardise this stage of the process is and will be a game changer!

But there is now a proven alternative. By adopting a disciplined carve-out playbook — grounded in clear design principles, modular architecture, wave execution, platform intelligence, and repeatability — funds can simplify delivery, protect valuations, and maximise exit outcomes.

The anchor is SAP Public Cloud Edition. It provides the clean core, the universal data model, and the scalability that makes the playbook repeatable across multiple portfolio companies. Without this anchor, the risks of delay, inconsistency, and valuation erosion remain high. With it, carve-outs can be executed systematically, de-risked, and made exit-ready.

This is more than operational relief. It is a **repeatable Private Equity playbook for operational alpha**, turning carve-outs from a burden and a cost of doing business into a systematic lever of value creation. For investment committees, boards, and LPs, the message is clear: **carve-outs anchored on SAP Public Cloud Edition are no longer optional — they are best practice.**

Footnotes: [1]
(1) International Data Corporation (IDC): The Business Value of SAP Cloud ERP Solutions for Scaleup and VC/PE-Backed Companies. Business Value White Paper, sponsored by SAP I September 2023
(2) Accelleron: Turbocharging a divestiture and resolving data fragmentation challenges with advanced ERP in the cloud I Accelleron SAP Case Study