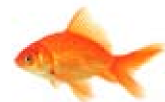


Big Company Divestitures

Understanding the big picture.

Recently, we were approached by a Fortune 500 company looking to divest one of its divisions. They knew that we had advised several other large firms on divestitures — including, Standard & Poor's, a subsidiary of The McGraw-Hill Companies (NYSE:MHP), on the sale of Vista Research and Reed Elsevier's Lexis Nexis unit in its divestiture of Mealey's Conferences.

> Big companies divest divisions to maximize portfolio performance.

The Fortune 500 company knew well that the division in question was not growing, and no longer fit with their core financial or strategic goals. Their questions were: Is this the time to sell? And, can we get it done at a reasonable price? These are not simple questions.

Big companies are not like venture capitalists or private equity funds. They don't buy with the idea of selling in 3-5 years and they are not under pressure to get liquidity because a fund is at "end-of life". Also, corporations are not like entrepreneurs, who may decide to sell simply because they stopped having fun or because the temptation of the cash proceeds is too great to pass up. Corporations are usually "financially rational". Their decision to buy or sell a division can be driven by many factors, including the need to generate cash for operations or to reduce debt. But more often, big companies divest divisions as part of a strategic desire to maximize portfolio performance, over time, within some sense of who they are and where they can best add value.

Initially, we worked with the corporate parent and division management to conduct a disciplined sales process. We helped write a confidential information memorandum and populate a virtual data room with due diligence items. We identified the likely buyers. When these tasks were complete, we began to manage a disciplined 'process'. We generated multiple indications of interest.

But, then came the sub-prime meltdown. In a few short weeks, the lead prospective purchaser was itself acquired in an unexpected rushed transaction. Two other prospective purchasers withdrew as they faced their own mortality. Other prospective partners went into a black hole – as they became focused on their own internal growth. Meanwhile the division's sales pipeline dried up; financial forecasts went out the window. In this new environment, we had to regroup. We halted the process.

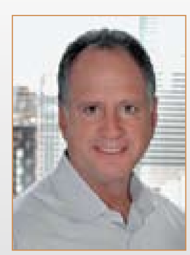
> Two months later, three of four firms submitted indications of interest.

Three months later, with a slightly calmer market environment; revised financial projections; an updated virtual data room; and some evidence that the division's core market (and customer base) was largely intact (and the pipeline not quite so dead), we restarted the process. This time, we targeted the four most likely strategic acquirers and invited them to return to the virtual data room and meet with division management to get a sense of how well the division was coping with a changed world. Two months later, three of the four firms submitted indications of interest to acquire the division.

> Our client was convinced that they had made the best deal possible.

The next few months were not all smooth sailing as one prospective buyer had to withdraw after it became clear that the credit markets were not going to cooperate. Another prospective bidder suddenly reduced their offer due to fears of a future market meltdown. But, four months after restarting the process, nearly a year after we first started the process, despite turbulent financial markets and several setbacks, our client, the Fortune 500 parent, completed the all-cash sale of the Division.

The deal made sense. Our client was convinced that they had made the best deal possible. The buyer was excited at the opportunity to combine two similar businesses. Employees were happy because the new combined company now has the technology, scale, people, offices, geographic presence and resources to compete successfully, globally.



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