CASE STUDY

# STRENGTHENING DEAL DISCIPLINE IN A COMPLEX CARVE-OUT TRANSACTION

Kaufman Rossin helped a transportation and logistics company evaluate a complex carve-out acquisition through strategic advisory, financial due diligence, and value-driver analysis.

## COMPANY

**A transportation and logistics company evaluating the carve-out acquisition of a freight business with significant operational complexity, shared services dependencies, and multiple factors affecting transaction structure and purchase price.**

## CHALLENGE

As buyers placed greater scrutiny on carve-outs, standalone costs, working capital, and synergy assumptions, the target presented limited transparency into historical performance, future profitability, and standalone economics. Management projections anticipated significant EBITDA growth despite modest revenue gains, making value creation heavily dependent on cost reductions and synergies.

Leadership engaged Kaufman Rossin to validate key assumptions, identify transaction risks, and provide an independent fact base to support valuation and negotiations.

# WHAT OUR DIAGNOSTIC REVEALED

- EBITDA required further normalization and validation
- Standalone assumptions relied heavily on carve-out cost allocations and future operating structure
- Information gaps remained across revenue support, bad debt, payables, and fixed assets
- Synergy assumptions required additional support before they could be relied upon
- Purchase price considerations needed to reflect target-specific risks
- Projected value creation depended on assumptions that required further diligence

# SOLUTION

Kaufman Rossin combined transaction advisory, financial due diligence, and operational analysis to evaluate the transaction from both value and execution perspectives.

Key elements included:

- Reviewing the **virtual data room** to identify preliminary risks and negotiation considerations
- Assessing **purchase price drivers** through comparable company analysis and target-specific risks
- Performing **Quality of Earnings analysis**, including EBITDA adjustments, insurance normalization, and bad debt assumptions
- Evaluating standalone **business economics**, shared services allocations, intercompany revenue, and post-carve-out SG&A requirements
- Analyzing net working capital, accounting policies, and **financial reporting quality**
- Assessing **operational factors** including capital expenditures, customer profitability, asset utilization, and operating leverage
- Identifying **diligence priorities** related to synergies, restructuring, and business continuity

# IMPACT

Kaufman Rossin provided the client with a clearer, more defensible view of the target's financial performance, carve-out risks, and value drivers, strengthening transaction discipline and negotiation strategy.

Improved transparency into normalized EBITDA and earnings quality

Better visibility into standalone cost structure and carve-out dependencies

Identified key diligence gaps affecting valuation and purchase price

Strengthened evaluation of synergy assumptions and execution risks

Provided a stronger fact base for negotiations, resulting in a lower purchase price based on Quality of Earnings findings

# HIGHLIGHTS

- Assessed normalized pro forma EBITDA at $141.1 million, compared with management-adjusted EBITDA of $152.3 million—a $11.2 million adjustment that informed a reduction in purchase price
- Identified revenue declines after adjusting for certain revenue categories and highlighted key performance trends
- Determined that intercompany revenue represented 16.5% of total revenue
- Evaluated management initiatives projecting approximately $123 million in EBITDA improvements and third-party synergy estimates of $53 million–$106 million, identifying areas requiring further validation

*Client details have been anonymized for confidentiality.*