

SUCCESSFUL MANAGEMENT OF A CARVE-OUT INTEGRATION SETS A STRONG FOUNDATION FOR GROWTH

LEARN HOW RSM PREPARED
A NEW AVIATION-HANDLING
PROVIDER TO LAUNCH





Successfully managing carve-out transactions calls for expertise in handling critical integration points and risk factors while laying the foundation for sustainable growth.

Such was the case when a **\$50 billion airline** decided to carve out its ground handling services subsidiary. To do so, the airline joined forces with a private investor whose portfolio included complementary companies in the aviation space to create a **\$500 million joint venture**.

The goal was to develop the service line and a global platform for growth, while continuing to deliver best-in-class performance. Part of the challenge was meeting the condensed timeline of the transition service agreement (TSA), which required the carved-out entity to perform business process optimization and redesign independently within 36 months. The need for a diverse set of skills to help navigate financial, operational and reporting considerations led to an engagement with RSM.

Massive collaboration made it possible to transform the finance, IT and HR functions:



20 WORKSTREAMS



100+ TEAM MEMBERS (US AND CANADA)

Noteworthy outcomes included:



EXITING THE THREE-YEAR TSA AFTER JUST 13 MONTHS



\$10 MILLION IN TSA COST SAVINGS

Here's how they did it.



Speed is essential

Knowing speed was critical, RSM recommended—and the client approved—a rapid assessment to quickly uncover integration requirements before designing an operating model for consideration.

The RSM assessment process involves rapidly gathering and analyzing company data to develop a cost model and plan and establish a baseline of operations. For this client, RSM specifically assessed the following three areas:

- Finance, to ensure that all pertinent areas, including accounting, tax and treasury, were designed to allow for full integration and automation to achieve optimal efficiency
- Human Resources, to determine that the integration would be aligned to the synergy model and optimized for performance
- Technology, to make sure the architecture was designed to support value engineering and was aligned to business requirements

Assessment Timeline



WEEK 1:
Begin discovery
and gather data.



WEEK 2:
Analyze data and
identify options.



WEEK 3:
Develop hypothesis
and cost model.



WEEK 4:
Refine options to
support the final plan.

Unique needs. Customized solutions.

RSM took less than a month to complete the assessment and discovered significant risks and unidentified opportunities across the finance, HR and IT functions.

RSM identified critical projects and efforts necessary to meet client business requirements, mitigate risk and provide oversight on the execution of projects designed to optimize long-term operations. We then presented a road map to transform these key areas.

Through our integration management office, the team oversaw the execution of solutions across finance, HR and IT to resolve issues and prepare for Day One.



"RSM's process allowed our cross-practice, cross-functional subject matter professionals to obtain the deep knowledge needed to build the right approach and teams."

JOE RING
RSM Principal

IMPLEMENTATION

Finance

To help transform the finance function, RSM outlined the key people, processes and technologies needed and provided the requirements for potential solutions and business reporting.



Keys to standing up the finance function of the new organization were:

- Assessing current processes to identify key pain points, dependencies and actionable solutions
- Identifying industry-leading practice gaps and current maturity rating
- Developing future state process flow diagrams, taxonomies and operating model
- Implementing new technologies as required by the TSA, including an ERP system and ancillary application to address month-end close, reporting and asset tracking

The finance transformation was notable because it:



- Increased the accuracy and reduced the time of the month-end financial close to **5 business days**



- Fully automated payables, receivables and direct connection to the airline clearing house for inter-airline business



- Provided an integrated global tax solution for the organization's approximate **150 multinational locations**

IMPLEMENTATION

Technology

Adding to the transaction challenge, the teams had to build a completely new digital enterprise inside of a legacy IT system, requiring a massive collaboration among 14 separate workstreams.

Keys to creating a new IT environment were implementing or supporting the following:

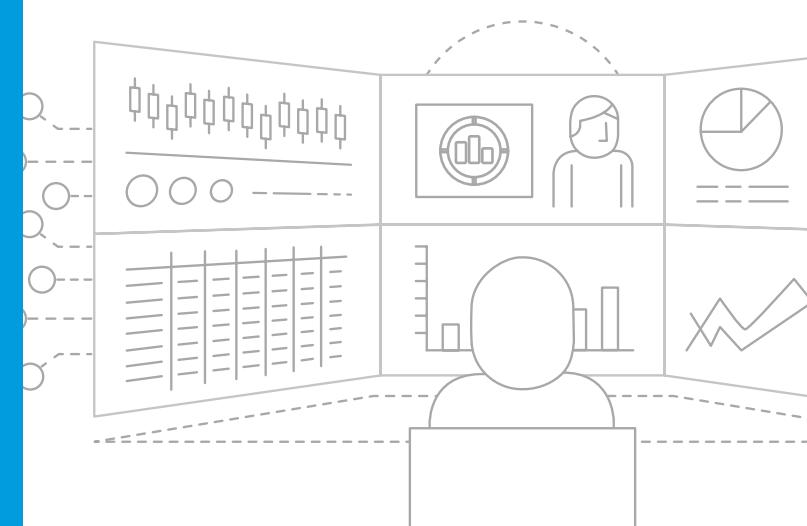
- Enterprise Resource Planning system
- Corporate performance management tool
- Business intelligence applications
- Data analytics capabilities
- Cybersecurity solutions
- Automated processing capabilities
- Integration with third-party systems

From the enterprise network to the phone system, every implemented IT change balanced client needs with costs and savings. The result was a customized, end-to-end solution that modernized the organization's entire IT function. This restructuring has potentially saved the enterprise millions of dollars in annual costs while providing the flexibility it needs to grow and innovate.

"We started with a service-based architecture, which meant that instead of using traditional information technology—servers, storage arrays, etc.—to implement systems that provide services, we opted for cloud-based alternatives to provide the same services with increased efficiency."

DOUG MILLER

RSM Principal



IMPLEMENTATION

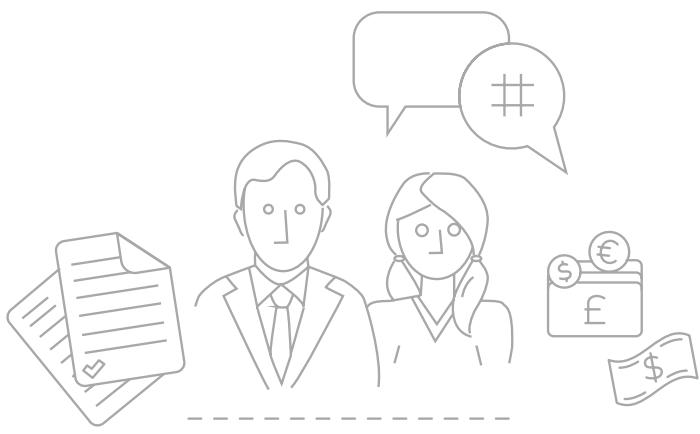
HR

The results from the RSM assessment of the carve-out's HR function revealed:

- › Outdated HR systems
- › A lack of formalized policies and processes
- › A growing need for organizational change management due to leadership transitions

To address these issues, RSM was able to create a fully integrated HR function that possessed deep subject matter experience and expertise, eliminating the need for an outside vendor and creating a tighter integration of systems, processes and people. These experts' cross-functional interaction with the finance and IT workstreams helped ensure the HR transformation happened as efficiently as possible.

The outcome was an optimized HR function that featured increased data integrity, systems interconnectivity and enhanced visibility to aid with strategic decision-making.



The HR function gained:

- › A workforce management solution that allowed employee and management self-service for a business with an annual turnover of up to 10,000 employees
- › An enterprise class solution with direct integration to time and attendance, LMS, ERP and other systems to provide end-to-end people management
- › An HRIS with management dashboards that offered daily visibility into the status of any issues and the ability to quickly resolve them

In today's deal market, there's increased urgency to maximize your ROI with value-creation strategies, while minimizing risk and accelerating speed to completion. Working with the right professional services team can help you capture quick wins and drive long-term optimization.

Experience matters. Learn more about how the RSM team can help you with your next carve-out transaction.

CONTACT US



+1800 274 3978
rsmus.com

This document contains general information, may be based on authorities that are subject to change, and is not a substitute for professional advice or services. This document does not constitute audit, tax, consulting, business, financial, investment, legal or other professional advice, and you should consult a qualified professional advisor before taking any action based on the information herein. RSM US LLP, its affiliates and related entities are not responsible for any loss resulting from or relating to reliance on this document by any person. Internal Revenue Service rules require us to inform you that this communication may be deemed a solicitation to provide tax services. This communication is being sent to individuals who have subscribed to receive it or who we believe would have an interest in the topics discussed. RSM US LLP is a limited liability partnership and the U.S. member firm of RSM International, a global network of independent audit, tax and consulting firms. The member firms of RSM International collaborate to provide services to global clients, but are separate and distinct legal entities that cannot obligate each other. Each member firm is responsible only for its own acts and omissions, and not those of any other party. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International. RSM, the RSM logo and the power of being understood are registered trademarks of RSM International Association.