

STATE OF THE CARVE OUT

2025 M&A SURVEY REPORT



Executive Summary

Carve-outs are shifting from tactical divestitures to central strategic tools that reshape corporate portfolios, release capital, and accelerate business transformation. Global momentum is increasing as companies respond to higher interest rates, operational pressures, sustainability demands, and geopolitical uncertainty. These forces are making carve-outs not only more common but also significantly more complex.

Financial sponsors are playing an increasingly important role. Private equity and infrastructure funds bring both capital and operating expertise, positioning them as natural buyers of assets where corporates seek sharper focus. Cross-border activity is also regaining strength, creating opportunities for sophisticated acquirers who can manage regulatory, cultural, and technology challenges.

Execution remains the greatest determinant of value. Common points of failure include unclear scoping of operational dependencies, weak design of transition service agreements, underestimated technology separation, lack of leadership clarity, and unrealistic timelines. Buyers face parallel challenges around Day 1 readiness, integration planning, cultural alignment, and supply chain continuity.

There is, however, a clear pattern of success. High-performing carve-outs are characterized by early perimeter definition, disciplined governance, rigorous planning of transition service agreements, and the use of digital tools and artificial intelligence to accelerate decision-making. Culture and talent retention are increasingly recognized as critical value drivers.

Looking ahead, carve-outs will become faster, more technology-enabled, and more strategically deliberate. Companies that build the internal capabilities to prepare and execute repeatable separation programs will be best positioned to create long-term advantage.

72%

of respondents said **upfront complexity assessment and perimeter clarity** were the single most important drivers of carve-out success

64%

of deal leaders indicated that **talent retention and cultural clarity** were harder to manage than technology or financial issues during carve-outs

58%

of respondents expect **AI-enabled tools** to be actively applied in carve-out planning and execution within the **next two years**

Chapter 1: Market Outlook – Why Carve-Outs Are Accelerating

Across boardrooms and investment committees, carve-outs are no longer seen as tactical cleanups. They've become strategic levers. Whether to sharpen focus, unlock value, or enable faster reinvestment, companies are increasingly using carve-outs to reshape their portfolios. And buyers are prepared to act.

The current uptick in carve-out activity is driven by a convergence of macro and market-specific dynamics. These factors are not temporary. They reflect deeper structural shifts in how corporates manage complexity, how investors pursue platform growth, and how global capital is being deployed in uncertain times.

Portfolio Reshaping Is Now a Priority

The last two years have seen a notable shift in corporate strategy: from growth at all costs to capital discipline and focus. As rising interest rates, supply chain volatility, and investor pressure collide, more large firms are revisiting what is truly “core” to their future.

Divestitures, especially of underperforming or non-core assets, are no longer seen as signs of weakness. They're now interpreted as signals of strategic clarity, particularly in sectors like pharmaceuticals, energy, and industrial technology, where long investment cycles and regulatory pressure demand sharper bets.

“... the current carve-out landscape is increasingly complex due to macroeconomic uncertainty, regulatory scrutiny, and rising operational demands...” Independent Advisor, Pharma & Life Sciences Industries

This push to simplify is also being accelerated by operational strain. Many organizations are managing legacy assets that are expensive to maintain, poorly integrated, or increasingly exposed to ESG and

geopolitical risks. The result: more carve-out decisions are being made *proactively*, not reactively. And that's a significant shift.

Private Equity and Infrastructure Funds Are Positioned to Buy

Despite market headwinds, **private capital remains well-positioned** to pursue carve-outs. Dry powder across global private equity, infrastructure, and sovereign funds is still at elevated levels, and carve-outs offer attractive entry points, especially when public markets remain uncertain.

Carve-outs often come with built-in complexity, but for experienced funds, this is part of the appeal. It creates pricing opportunity and operational upside. Buyers are especially active in sectors where they already have a platform or ecosystem strategy and can carve in with speed.

“Carve-outs are one of the most attractive deal types in this market. They let us acquire high-quality assets that corporates are under pressure to shed, and with the right operational approach, we can unlock value fairly quickly”.
– PE Operating Partner, US Infrastructure

Private equity continues to be a key driver of buy-side activity in carve-out transactions. Based on our survey of deal leaders, the majority of respondents indicate that PE firms are actively pursuing these opportunities, often with greater confidence and speed than strategic buyers. While strategic corporates do participate, they tend to be more selective and cautious, weighing integration complexity and operational readiness more heavily. The insights suggest that PE funds are positioned to capitalize on carve-outs, leveraging both capital availability and operational expertise to step into assets that strategics may approach conservatively.

Importantly, the skillset around buying carved-out businesses has matured. Funds now routinely staff deals with separation and integration experts and leads to manage risk and accelerate value creation.

That’s increasing buyer confidence even in cases where the carve-out perimeter is messy.

Cross-Border Activity Is Rebounding – With New Complexity

Cross-border carve-outs are regaining momentum, particularly in Europe-to-North America and Asia-to-Europe corridors. For multinationals, the complexity of operating in certain jurisdictions, whether due to data regulations, geopolitical tension, or ESG scrutiny, is driving a rethink of geographic footprints.

This shift is especially visible in life sciences, where intellectual property, R&D teams, or product portfolios may be carved out by region. These are not simple transactions. They require coordination across tax, legal, regulatory, and operational boundaries but buyers with the right muscle are stepping in. However, having said that, we haven’t even touch upon culture yet. Just another complexity that is even harder to solve for.

Outlook: Not a Temporary Spike

Everything points to continued momentum. While the broader M&A market may remain mixed and while respondents do point to that the acceleration of the carve-out market will look different from industry to industry, carve-outs are proving more

resilient because they’re driven by structural needs and not just market timing. More than half of respondents are pointing out that carve-out activity will continue to grow or keep its current pace in 2026 while less than 10 per cent of respondents are pointing to a decline.

This is a strong signal: carve-outs are here to stay, and they are evolving. They are more strategic, more global, and more operationally intensive than in years past. Both buyers and sellers are recalibrating accordingly.

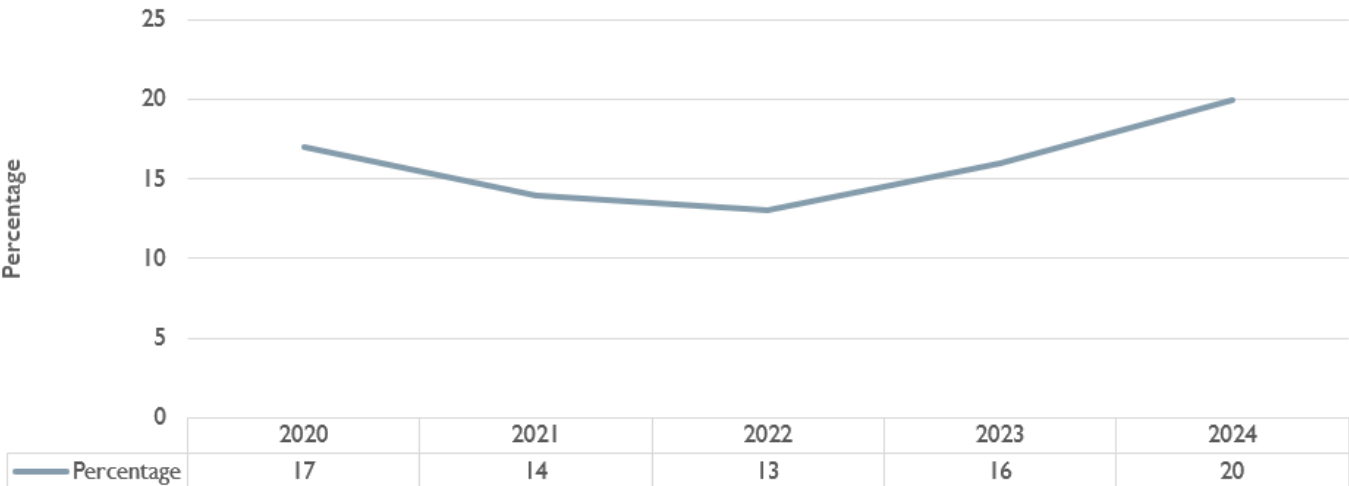
Chapter 2: Top 5 Trends Re-Shaping Carve-Out’s Today

The carve-out landscape has evolved significantly in recent years, with sellers increasingly motivated by a set of converging strategic imperatives. While financial considerations remain central, the rationale for pursuing a carve-out today is broader, more complex, and more tied to long-term repositioning than in prior cycles.

Portfolio Reshaping and Focus on Core

The most consistent driver of carve-out activity today is the desire for companies to double down on their core businesses. Portfolio reshaping has accelerated across industries, particularly in sectors where diversified conglomerates historically held

Divestitures as a Share of Global M&A Volume by Year



Source: Deloitte

positions in unrelated or loosely connected businesses. The shift reflects a recognition that both markets and investors reward companies that present a clear, focused identity rather than sprawling portfolios of assets.

Executives increasingly acknowledge that complexity weighs on valuation. Businesses that are not directly tied to the parent's strategic mission are often seen as a distraction, diluting management bandwidth and underperforming in capital allocation priorities. By carving out non-core assets, companies can demonstrate sharper strategic focus, improve investor confidence, and redeploy resources into areas with higher growth potential.

Divest to Invest

Carve-outs today are not only about cutting away what no longer fits but also about creating capacity for investment elsewhere. This divest-to-invest approach is increasingly visible in both industrial and life sciences sectors. Companies are using proceeds from divestitures to accelerate investment in innovation, digitalization, and to focus on its core as well as to fund acquisitions that better align with their long-term strategic goals.

What differentiates this trend from earlier cycles is the degree of intentionality. Divestitures are no longer reactive, opportunistic decisions made in response to buyer demand, but proactive moves that free capital to support transformation agendas. Sellers are shaping carve-outs around their future state vision rather than their current state burden.

Underperformance Or Non-Strategic Fit

Carve-outs are often the natural outcome when businesses consistently fall short of expectations or no longer align with strategic priorities. These units can weigh down group performance, absorb disproportionate management attention, and blur the story companies want to tell investors. Divesting them is a way to sharpen focus and

redirect capital toward higher-return areas. For buyers, however, what is non-core to one owner may represent a platform for growth, particularly if fresh investment or sharper execution can unlock value. This dynamic ensures that underperforming assets continue to trade hands, moving from corporate portfolios into environments where their potential can be more fully realized.

Cost Reduction and Simplification

Cost pressure remains a major driver of carve-out activity. In an environment of persistent inflation, tightening monetary conditions, and rising operating expenses, companies are under more pressure than ever to simplify organizational structures and remove complexity. Carve-outs are often seen as a path toward cost rationalization by stripping out overhead tied to non-core businesses, reducing duplication, and creating leaner structures that are easier to manage.

The emphasis on simplification is particularly evident in global organizations where overlapping functions, legacy shared-service models, and sprawling supply chains create inefficiencies. By divesting non-core operations, companies can reduce the burden of coordination across regions and simplify decision-making processes. The cost benefit is not only about the one-time reduction in expenses but also about setting up the parent organization for long-term resilience and competitiveness.

Post-Merger Portfolio Cleanup

Finally, carve-outs are increasingly used as tools of post-merger rationalization. In large mergers, companies often inherit businesses or units that do not fit the combined entity's strategic intent. Carve-outs become the natural mechanism to clean up portfolios after consolidation, ensuring the merged organization can operate with a coherent and aligned set of assets.

This trend reflects the reality that many acquisitions are completed under tight timelines with the initial goal of closing the transaction. It is only post-deal that management has the time and perspective to fully assess what does and does not fit. As a result, carve-outs in the post-merger phase often surface one to two years after a major transaction, when the integration dust has settled and attention shifts toward long-term value.

Chapter 3: Execution Is Key – Most Underestimated Challenges Today

Carve-outs may look straightforward at the headline level. A company trims a division, unlocks capital, and sharpens focus. Yet beneath that strategic clarity lies operational execution that is consistently misjudged, even by experienced deal teams. Our research confirms that sellers and execution leaders continue to underestimate the true scale of complexity in preparing and separating a business and 4 out 5 respondents said they had seen deals stall or lose value due to poor separation planning. Five challenges, in particular, stand out as both the most common and the most consequential.

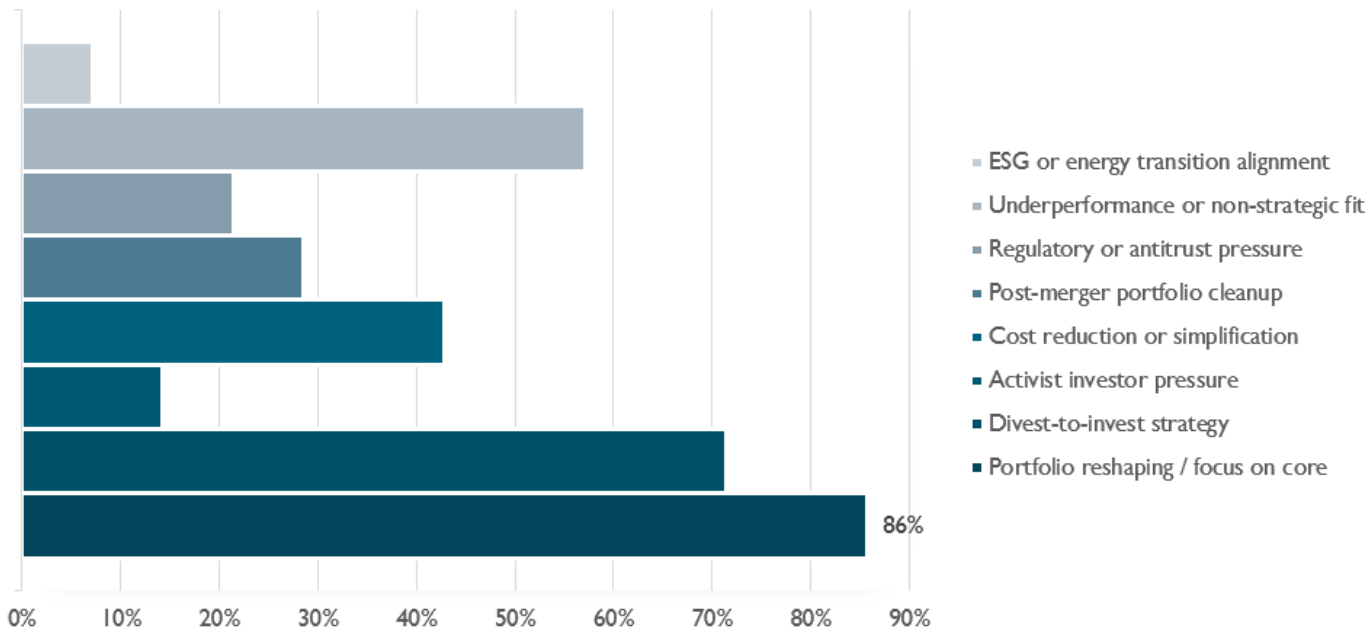
Accurately Scoping Operational Complexity Pre-Sign

The number one blind spot cited by respondents, with 64% highlighting it as their top challenge, is the misjudgment of operational complexity before signing. Sellers too often assume that because the divested business has its own revenue line and identifiable team, it is readily separable. In reality, the business is typically woven deeply into the parent company’s operating model, including people, contracts, IT systems, shared services, procurement, supply chains, and much more.

Failure to scope these interdependencies accurately can lead to underestimated standalone costs, unrealistic synergy targets, and prolonged negotiations with buyers who essentially can’t trust what is coming their way. Execution leaders also note that sellers frequently rely on a small circle of “read-in” leaders during pre-sign diligence. This narrow view creates blind spots, as many of the practical entanglements only emerge once broader functional teams are involved.

Accurate scoping requires both breadth and depth: engaging functional leaders early, mapping critical IT and operational dependencies, and developing a

Primary Strategic Drivers Behind Carve-Out Activity



realistic perimeter that buyers can trust. Without this foundation, every subsequent stage of the carve-out is built on shaky ground.

Designing and Managing Transitional Service Agreements (TSAs)

TSAs are intended as short-term bridges between seller and buyer, but in practice they often become sources of friction, delay, and unanticipated cost. In our survey, 43% of respondents pointed to TSAs as one of the most underestimated challenges. Sellers routinely enter negotiations with vague or overly broad TSA outlines, only to discover that buyers demand more precise commitments around scope, pricing, and duration.

Our deeper dive into TSA dynamics reveals an important shift. While 29% of respondents said TSAs remain largely standardized and transactional, another 29% observed they are evolving into more tailored, creative structures. A smaller group, 7%, described them as increasingly contentious, with negotiations becoming a flashpoint between sellers and buyers. In practice, much depends on the counterparty and the deal type. Where a strategic buyer has overlapping capabilities, TSAs may be minimal. But in private equity carve-outs, where the buyer lacks infrastructure, the scope of services is more expansive and contested as the timeline to expected ROI may be shorter and integration efforts with receiving portfolio company or the stand-up efforts at the standalone carve-out company sits at a higher level.

ClarityNorth Partners' own experience reinforces this. Sellers often underestimate the time and expertise required to design workable TSAs. Poorly scoped agreements trap sellers in extended obligations and frustrate buyers who cannot achieve operational independence. Execution leaders that succeed treat TSAs not as afterthoughts, but as core deal components requiring functional input and operating model alignment, legal expertise, and early planning.

Standing Up Clean, Independent IT and Digital Infrastructure

If TSAs are the most visible friction point, **IT separation is the most underestimated execution challenge**. Respondents consistently ranked it among the top three, with 43% citing IT as a major blind spot. Our additional survey analysis underscores the trend: 79% of respondents said digital and IT-related risks are becoming more critical in carve-out execution, far outpacing regulatory or legal risks.

The challenge is structural. Most businesses slated for divestiture have operated within the parent's IT environment for years. Core platforms such as ERP, HR, CRM, and cybersecurity are deeply entangled and cannot be "lifted and shifted" without significant customization, licensing renegotiations (which are typically also more costly than most would anticipate), and parallel builds. Sellers frequently assume that the carved-out business can continue operating with minimal disruption, only to discover that independence requires months of work and substantial investment.

For buyers, IT separation is not just a cost issue, but a critical path dependency. Until systems are stood up, integration, reporting, and value capture are constrained. From our vantage point, the misjudgment here stems from under-engaging IT leaders early in the process and failing to incorporate digital disentanglement into perimeter setting and TSA planning. Successful carve-outs increasingly hinge on recognizing IT separation as one of the first and most decisive workstreams, dependent on a significant amount of internal cross-functional alignment and external contract management.

Aligning Leadership and Decision-Making Authority

Another underestimated dimension, cited by 43% of respondents, is the alignment of leadership and governance during separation. In many deals,

decision rights remain blurred between the parent company and the carve-out leadership team. This ambiguity slows execution, creates conflicts, and undermines accountability.

Respondents observed that sellers often underestimate the importance of putting a clear decision-making structure in place pre-signing. Without a defined carve-out leadership model, functional teams are left second-guessing who can authorize spend, approve TSA design, or engage with buyers on operational details. In turn, this erodes momentum and can cause critical delays in the run-up to Day 1.

From our perspective, this is not a secondary issue but a fundamental cornerstone of separation readiness. Aligning governance early, including a carve-out steering committee and interim leadership model, provides clarity, accelerates decision-making, and gives buyers confidence in the seller’s ability to execute.

Underestimating Timeline and Resource Needs

Finally, execution leaders report that sellers consistently misjudge the **time and resources** required to complete a carve-out. Forty-three percent of respondents cited this as a major challenge. Deals are often pushed forward on aggressive transaction timetables, but functional

separation activities rarely align with such speed. The result is over-reliance on already stretched internal teams, rushed TSA negotiations, and insufficient planning for Day 1.

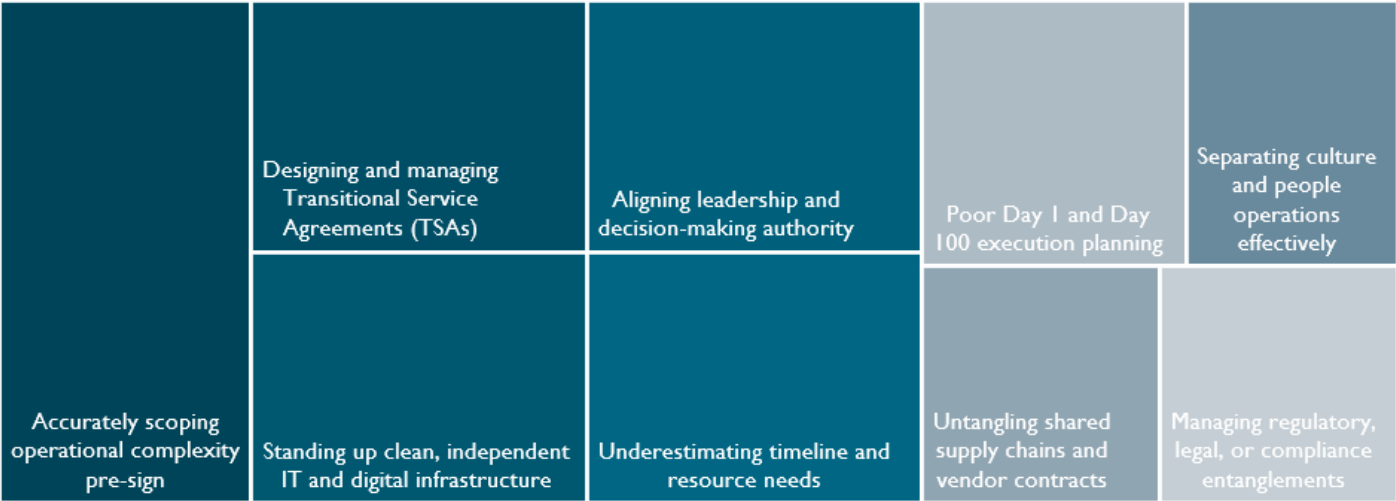
One recurring observation is that sellers underestimate the sheer volume of effort involved across parallel workstreams, from IT buildouts and supply chain renegotiations to HR disentanglement and finance separation. Without dedicated resources and realistic sequencing, teams burn out and critical tasks slip.

The most effective sellers acknowledge upfront that carve-outs are resource-intensive. They budget additional capacity, bring in external advisors where necessary, and set timelines that reflect both deal imperatives and operational reality. Underestimating this dimension is not just a planning failure. It is one of the fastest ways to erode deal value. In many instances, this is in reality mostly a matter of company politics, which only underlines how unfortunate these situations can be.

Summary: Bringing It Together

Taken together, these five underestimated challenges paint a clear picture: carve-out execution fails most often not because of poor strategy, but because of misjudged operational realities. Sellers who enter the process with vague scoping, minimal IT planning, underdeveloped

Most underestimated challenges in executing carve-outs today



TSAAs, blurred governance, and overly ambitious timelines set themselves up for downstream disruption.

The lesson is straightforward but critical: carve-outs demand realism. Execution leaders who anticipate these challenges, and plan for them explicitly, are better positioned to deliver clean separations, accelerate value creation, and give buyers the confidence they demand in today's market.

Chapter 4: Buyer Perspective – Integration Blind Spots

Every acquisition is ultimately judged not by the announcement but by the execution that follows. For buyers, the integration phase is the crucible where lofty deal rationales collide with the operational realities of merging organizations. Even the most carefully structured transaction can falter if post-close execution drifts into blind spots that were not fully recognized or addressed. Our survey data reveals that these blind spots remain both common and costly. They cluster around predictable themes – operational readiness, organizational clarity, IT and data integration, financial leakage, cultural alignment, and supply chain continuity – but their impact is amplified by the compressed timelines and heightened expectations that characterize most acquisitions.

The most frequently cited integration blind spot was **overestimating Day 1 readiness**, flagged by half of respondents. The temptation is strong for deal teams to assume that a transaction can flip seamlessly into a new operating rhythm on Day 1, with minimal disruption to customers, employees, and vendors. In practice, the mechanics of separation or integration rarely unfold this smoothly. A buyer who misjudges readiness not only faces operational stumbles but also risks losing credibility with employees and external stakeholders at the exact moment when confidence is most needed.

Nearly as disruptive is the issue of **unclear organizational design and delayed role clarity**, cited by more than a third of respondents.

Integration places extraordinary demands on leaders who are themselves unsettled by questions of reporting lines, responsibilities, and future career paths. Without swift decisions on structure and roles, employees fill the void with speculation, leading to attrition, misalignment, and productivity drag. Communication failures magnify the problem. When internal messaging is inconsistent or poorly sequenced, as one in five respondents noted, even a sound integration strategy can be undermined by confusion on the ground.

Technology remains another recurring fault line. More than a third of respondents pointed to **IT systems and data flows** as a blind spot. Buyers often underestimate the scale and complexity of disentangling or integrating core platforms, particularly ERP, HR, and CRM systems. As one respondent observed, buyers frequently assume that digital infrastructure can be separated with minimal effort, when in reality **“...buyers will typically significantly underestimate the time, effort and investment required to realize acquisition benefits...”** The result is a mismatch between planned timelines and actual execution, which cascades into delays in TSA exit and synergy realization.

Financial leakage and missed cost synergies remain a perennial challenge, with 43 percent of buyers citing this as a blind spot. Integration programs are often designed with a headline synergy number in mind, but without adequate controls to track performance, leakage can quietly erode value. The issue is rarely one of deliberate neglect. More often it reflects the difficulty of translating synergy models into detailed execution plans across functions, business units, and geographies.

Culture is another area where ambition outpaces preparation. Forty-three percent of respondents said **cultural and leadership alignment** was not addressed early enough. It is tempting to relegate culture to the “soft” side of integration, but the reality is harder. Cultural misalignment has real financial consequences when it triggers leadership turnover, slows decision-making, or prevents the merged organization from executing strategy at pace.

As one executive put it succinctly, **“Culture is the one reason why carve-outs and integrations fail.”** The lesson for buyers is clear: without early investment in cultural alignment, the rest of the integration effort risks being built on unstable foundations.

Other integration blind spots are less common but no less significant. Fourteen percent of respondents highlighted gaps in **supply chain, vendor, or operational continuity**. A smaller but notable group cited **weak or unfocused Day 100 planning**, which is striking given how central the first hundred days are to setting the tone for execution. A further 21 percent mentioned **delays in legal entity separation or TSA exit**, reflecting the broader challenge of translating contractual agreements into operational reality. Each of these may appear tactical on the surface, but they can create ripple effects that stall the broader integration effort.

Linking Buyer Blind Spots to Seller Challenges

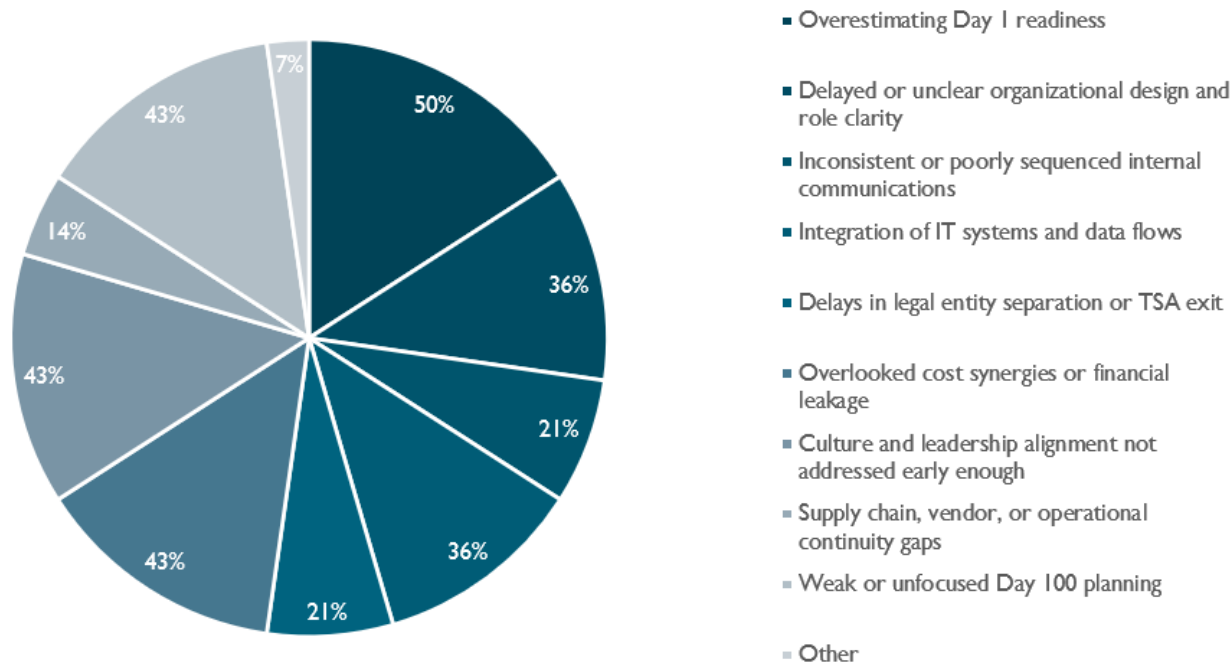
The integration blind spots buyers report do not exist in isolation. They are often the mirror image

of challenges faced by sellers during carve-out preparation. While some of these challenges ranked lower in our survey of sellers, the overlaps are revealing and suggest missed opportunities for alignment across the transaction lifecycle.

One clear example is the **challenge of separating culture and people operations**. Sellers may see this as a second-order issue relative to deal mechanics, yet buyers consistently cite cultural and leadership alignment as a critical blind spot. The disconnect lies in timing. Sellers often defer cultural considerations until later in the process, while buyers inherit an organization where uncertainty and disengagement are already taking root. Closer alignment around people and culture during the pre-signing and pre-close phases could reduce one of the greatest risks to value creation.

A second overlap is found in **untangling shared supply chains and vendor contracts**. Sellers frequently underestimate the complexity of disentangling shared procurement arrangements, facilities, or co-branded agreements. Buyers, for their part, experience the consequences when these entanglements surface post-close as operational continuity gaps.

Most common integration blind spots post-close from buyer’s perspective



Sellers may simply at times assume counterparties will seamlessly transfer, when in fact renegotiations can take months and create customer attrition risk. The lesson is that both sides underestimate the importance of early, transparent engagement with vendors and customers.

Day 1 and Day 100 execution planning represents a third area of convergence. Sellers often struggle with the discipline and detail required for effective Day 1 and Day 100 planning, either because they are focused on closing or because their priority is maintaining business as usual until the handover. Buyers then experience the cost of that under-preparation in the form of weak Day 1 execution and unfocused Day 100 planning. This symmetry is striking in our data, with half of buyers overestimating Day 1 readiness and 43 percent citing weak Day 100 planning as a blind spot. The result is a shaky start that can undermine confidence for months to come.

Finally, there is a shared challenge around **regulatory, legal, and compliance entanglements**. Sellers often delay engagement on these topics or rely heavily on legal advisors without fully mapping the operational implications. Buyers, in turn, face delays in legal entity separation or TSA exit. One respondent explained that **“regulatory and compliance clauses often hold up critical and operational decisions, leading not only to extended timelines but also to financial losses.”** For buyers, these delays can stall the realization of deal value and erode the credibility of the integration program.

The Cumulative Effect of Misjudgments

What emerges from this analysis is that buyer blind spots are not accidental oversights. They are the cumulative effect of misjudgments made upstream during the carve-out process, compounded by the pressure of post-close execution. Sellers underestimate operational complexity, buyers inherit the consequences, and integration efforts absorb the cost. As one experienced practitioner observed, **“Deals happen quickly. As such, there is limited time for operational due diligence.”** Speed and optimism drive transactions forward, but without deeper alignment between sellers and

buyers on these recurring themes, the same blind spots will continue to surface deal after deal.

For buyers, the implication is twofold. *First*, blind spots can be mitigated with greater realism and rigor in pre-close planning, particularly in IT integration, cultural alignment, and Day 1/Day 100 readiness. *Second*, buyers must recognize that the risks they face post-close are often visible, at least in part, during the selling process. A more collaborative approach with sellers, focused on early clarity around culture, supply chains, execution planning, and compliance, can reduce surprises and accelerate value capture. Integration will never be free of friction, but awareness of these blind spots and their upstream causes is the first step toward a more predictable and sustainable post-close outcome.

Chapter 5: What’s Working

For all the headlines about how challenging carve-outs can be, there are also clear examples of sellers and buyers who have managed them exceptionally well. **What stands out in these cases is not luck or one-off circumstance but repeatable patterns of discipline, foresight, and execution.** Those who get carve-outs right tend to share an early clarity of scope, a willingness to invest in the right people and tools, and a pragmatic understanding of what it takes to make a transition truly successful.

Among sellers, the strongest outcomes come from **defining the separation perimeter early and embedding a dedicated carve-out program management office** to orchestrate cross-functional execution and communicate directly with top leadership on progress, risks, and key decisions to be made. That discipline pays dividends not only in smoother separation but also in buyer confidence. Buyers are increasingly looking for evidence that a seller has thought through how assets, contracts, systems, and employees will transfer, and when they see that preparation, it reduces execution risk and helps support valuation.

Buyers who succeed tend to mirror this discipline with their own preparation. The best carve-out buyers begin integration planning during diligence rather than waiting for closing. They build an early understanding of operational expenses, incremental standalone expenses and investments, as well as synergy opportunities. They also push for realism in transition service agreements, scoping them tightly with clear pricing, governance, and exit milestones, while preparing stand-up plans to reduce reliance quickly. Where that discipline is in place, Day 1 readiness is accelerated, cost shocks are avoided, and value realization begins earlier.

Culture, too, is increasingly recognized as a success factor. Several respondents highlighted that buyers who focus on cultural aspects of the transition from the outset see smoother onboarding of talent and less friction in execution. Carve-outs often involve moving employees into new ownership structures, and sellers who take retention and transition planning seriously not only maintain business continuity but also send a strong signal of responsibility to the market. Knowledge sharing and cross-functional collaboration were also cited as differentiators, ensuring that expertise is not lost in the handover and that operational interdependencies are fully addressed.

On the **tools and frameworks** side, adoption is accelerating. Digital carve-out playbooks, TSA cost modeling tools, and real-time dashboards are becoming more common, giving executives the visibility they need to manage interdependencies and timelines. Large deals increasingly rely on AI-assisted dependency mapping and holistic IT separation frameworks to reduce surprises and sharpen decision-making. Cybersecurity is also climbing the agenda, with frameworks such as NIST CSF being applied to carve-out diligence. While some practitioners still favor agile execution using standard tools, the trend is clearly toward more structured and data-driven approaches.

Ultimately, **what good looks like** in carve-outs today is not defined by any single innovation but by the combination of early preparation, disciplined perimeter setting, practical TSA design, cultural integration, and the growing use of digital and data-driven tools. Those who apply these principles consistently not only execute more smoothly but also create value in the process itself. Sellers demonstrate professionalism and foresight, buyers accelerate integration planning and execution and thereby reduce risk, and both sides build trust that extends beyond the transaction, creating a working relationship for the benefit of the carve-out company itself, whether it is to stand alone or integrate.

Chapter 6: Looking Ahead and Getting Tactical

The landscape of corporate carve-outs is evolving rapidly as we move toward 2026. What was once seen primarily as a reactive tool for portfolio clean-up has become a proactive instrument of corporate strategy. Increasingly, companies are approaching carve-outs not just as isolated transactions but as part of a broader agenda to unlock value, fund growth, or adapt to shifting industry structures. The next generation of carve-outs will be defined by a more rigorous mix of strategic foresight, technological readiness, cultural sensitivity, and financial discipline. These elements, when brought together, will determine which companies are able to execute carve-outs cleanly and position the resulting entities for sustainable success.

Strategic Foresight and Upfront Planning

Early-stage planning will continue to distinguish successful carve-outs from those that stumble. The perimeter of the separation must be defined with precision, especially when business lines overlap or when customers, contracts, and supply chains are tightly integrated. A growing number of companies are using complexity assessments to map out these challenges in detail before engaging with buyers. By

the time a deal reaches the market, sellers that have clarified the scope of transitional service agreements, identified potential stranded costs, and put leadership structures in place are in a far stronger negotiating position.

The pressure for speed has only increased. Investors today expect carve-outs to close faster and with less disruption to the ongoing business. The ability to show that a separation can be executed without prolonged reliance on transitional services is becoming a decisive factor in buyer appetite. One senior corporate development leader recently remarked that **“faster and cleaner separation execution, combined with clear scoping and cost control, is what sets the winners apart.”** In practice, this means that preparation often begins long before a decision to divest is formally announced. Forward-looking companies keep a “ready to separate” mindset as part of their portfolio management process, ensuring that when strategic intent shifts, execution is not delayed by lack of preparation.

Technology as a Cornerstone

Technology is no longer a back-office consideration but a central pillar of carve-out planning. Standalone IT environments, scalable enterprise resource planning systems, and clean digital infrastructure are now table stakes. Companies that neglect this dimension risk protracted separations, ballooning TSA costs, and frustrated buyers. The rise of cloud-native solutions has provided more flexibility, but it has also raised buyer expectations: they want to see seamless migration paths, resilient cybersecurity frameworks, and clear data ownership protocols.

At the same time, technology is increasingly a value lever rather than simply a separation hurdle. In industries undergoing digital transformation, a carve-out may be an opportunity to reset legacy systems and invest in modern, fit-for-purpose platforms. Sellers who frame the carve-out as not

just a divestiture but a digital renewal story can often achieve better outcomes. The next wave of carve-outs will therefore be shaped by technology roadmaps that are built into the transaction from the outset, not bolted on as an afterthought.

Cultural Integration and Talent Retention

Even the cleanest perimeter definition or the best technology migration plan will fail if the people dimension is ignored. Culture and talent remain among the most underestimated risks in carve-outs. Employees in divested units often face uncertainty about their future, while those who remain with the parent can experience disruption and declining morale. A successful carve-out addresses these challenges openly and early.

Future carve-outs will need sharper focus on leadership transition and organizational design. Defining who will lead the new standalone business, and how that leadership team will be supported during the first year post-separation, is critical. Equally important is setting cultural clarity: articulating what the new company stands for, how it will operate, and why employees should commit to its future. Retention packages, communication strategies, and integration of new cultural markers will all play a role. In a competitive labor market, carve-outs that fail to secure key talent risk losing more value than they create.

Financial Discipline and Synergy Realization

Financial rigor has always been central to carve-outs, but the stakes are rising. Buyers are increasingly skeptical of overly optimistic standalone cost baselines, and diligence processes are designed to test the credibility of stranded cost mitigation. Sellers who can present a realistic view of cost structures, supported by clear plans for overhead allocation and service disentanglement, enjoy stronger valuations.

Equally, the emphasis on synergy capture is intensifying. For private equity buyers in particular, demonstrating how synergies can be realized quickly is a prerequisite for underwriting aggressive deal multiples. Sellers that align their narratives with this reality by highlighting where synergies are most likely to emerge and ensuring operational data supports those claims stand to benefit. Going forward, carve-outs will be judged less on the promise of value creation and more on the speed with which that value can be captured.

The Role of Artificial Intelligence

Artificial intelligence is poised to reshape carve-out execution in profound ways. Already, AI tools are being used in diligence to analyze data rooms more efficiently, identify hidden dependencies, and model potential separation scenarios. Over time, AI will be applied across the full carve-out lifecycle: generating predictive analytics for TSA costs, suggesting optimal organizational structures, or flagging regulatory and compliance risks in real time.

The promise of AI lies not only in speed but also in accuracy. Where traditional carve-out execution relies heavily on manual judgment and historical precedent, AI can bring data-driven precision to decisions that have historically been guesswork. This does not eliminate the need for human expertise, but it does shift the role of advisors and management teams toward higher-level decision-making, guided by insights that were previously unavailable.

Conclusion

The carve-outs of the future will not look like those of the past. They will be faster, more technologically enabled, more culturally attuned, and more financially disciplined. Companies that treat carve-outs as episodic, one-off events will struggle. Those that view them as part of an ongoing strategic toolkit, supported by readiness

planning, investment in technology, and cultural resilience, will thrive.

As one seasoned operating partner put it, the next generation of carve-outs will be defined by ***“discipline at the front end, agility in execution, and clarity in long-term vision.”*** That combination will separate those who merely divest from those who create lasting value through the art of separation.

Chapter 7: Methodology & Contributors

This report draws on direct insights from dealmakers who have led or supported carve-outs in some of the most complex sectors and regions worldwide. Over four months, ClarityNorth Partners engaged with senior M&A leaders, corporate development executives, operating partners, and execution specialists involved in more than 50 unique carve-out transactions. Interviews were conducted confidentially to encourage candor, allowing this report to capture the patterns and pain points rarely visible in public announcements.

Respondents spanned across ClarityNorth Partners' core industries where carve-outs are particularly intricate, including life sciences, pharmaceuticals, energy, technology, as well as professional services. They represented both global conglomerates and mid-sized firms divesting non-core assets, as well as private equity sponsors and infrastructure funds executing carve-outs across multiple geographies. While the transactions themselves stretched across North America, Europe, Asia-Pacific, and select emerging markets, most participants were based in the United States and Europe.

Insights were gathered through a structured survey and followed by in-depth interviews, which combined quantitative trend data with richer perspectives from those closest to execution. Several respondents also contributed anonymized commentary from internal deal reflections and toolkits, supplemented by ClarityNorth Partners' proprietary benchmarks. Together, these inputs move beyond generic market commentary to surface the real-world trade-offs, decisions, and friction points that shape carve-outs today.



Chapter 8: About ClarityNorth Partners

At ClarityNorth Partners, we believe M&A and transformation success doesn't stop at the signing table. It's earned through disciplined execution, strategic clarity, and cultural alignment. We're an independent advisory firm built for buyers, sellers, and investors who understand that real value comes from how well you execute after the deal is signed.

Founded in New York City with global experience behind us, we work shoulder-to-shoulder with private equity teams, corporate M&A leaders, and founders who are navigating complex transitions in industries where execution is mission-critical including logistics, infrastructure, industrials, energy, chemicals, life sciences, and manufacturing.

Our model is senior-led and impact-driven. Every engagement is delivered by experienced professionals who've stood inside the deal, managed the day-to-day, and delivered results.

From carve-outs to integrations, governance redesign to cultural alignment, we help our clients go beyond signing and closing and move with purpose toward realization. We don't just advise. We help you get it done.

Whether you're exploring a transaction, preparing for Day One, or navigating a complex transformation, we're here to help.



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Transition Service Agreements in Carve-Out's: A Sell-Side Guide to Getting It Right



Ready to Pressure-Test Your Carve-Out Plan?



Thank You

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Execution, Delivered

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