Building a better working world

How can divesting fuel your future growth?

Global Corporate Divestment Study 2018

Canadian findings

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Active portfolio reviews are moving divestments up Canadian companies' corporate agendas, according to the EY *Global Corporate Divestment Study 2018*.

Last year, the majority (73%) of Canadian executives surveyed indicated plans to conduct more regular portfolio reviews. We're now seeing the result of those reviews reflected in a greater number of divestments expected in the next 12 months. In fact, survey results show the vast majority (84%) of Canadian executives expect to divest in the next 12 months — compared to 72% globally — and that number jumps to 95% over the next two years.

More Canadian companies are starting to consider divestments of non-core assets. Not only are more Canadian companies considering a divestment, nearly a quarter (24%) of respondents say they have divested of more than two businesses in the last three years.

Preparation is key to maximizing value. The majority (68%) of respondents pointed to lack of preparation in dealing with tax risk, and 57% noted that a lack of fully developed diligence materials contributed to value erosion in their last divestment.

Technology is a growing theme in and outside of deals. Survey results show more companies are leveraging digital advances to drive value in the divestment process and beyond. Nearly half (41%) of Canadian executives plan to reinvest funds from a divestment into technology.

Key global sectors show strong appetite to divest. A large majority (87%) of both oil and gas and financial services respondents are considering a divestment over the next two years. In oil and gas, 73% say that the changing technology landscape is influencing their plans. Meanwhile, the majority of financial services companies are looking at innovative opportunities for cost savings, including carve-outs of back- and middle-office assets (69%) and transferring employees to a third party and contracting them back as needed (67%).

About the study

The EY *Global Corporate Divestment Study* focuses on how companies should approach portfolio strategy, improve divestment execution and future-proof their remaining business amid rapid technological change.

The 2018 study results are based on 1,000 interviews with 900 senior corporate executives and 100 private equity executives. The survey was conducted between October and December 2017 by FT Remark, the research and publishing arm of the Financial Times Group.

- Executives are from companies across the Americas, Asia-Pacific, Europe, the Middle East and Africa.
- CEOs, CFOs and other C-suite-level executives make up 85% of executives surveyed.
- Executives have knowledge of or direct hands-on experience with their company's portfolio review process and have been involved in at least one major divestment in the last three years.
- About a quarter of corporate executives represent companies with annual revenues of US$1b-US$5b, and 42% represent companies with revenues that exceed US$5b.

Key findings

84%

of Canadian executives expect to divest in the next 12 months — a dramatic 300% increase over last year.

Why divest?

89%

say their assets' weak competition position in the market was a trigger for their most recent divestment — up significantly from 41% in 2017.

81%

say tax policy changes are a geopolitical driver influencing their plans to divest.

54%

believe they held onto assets too long.

Digital drivers

41%

say the need to fund new technology investments triggered a recent major divestment.

92%

say the changing technology landscape is influencing their divestment plans, compared to 72% in 2017.

92%

say understanding how technology impacts the value of their business is a top challenge associated with portfolio reviews.

Finding new ways to create value

43%

say analytics added value when making the divestment decision to understand the true value of a non-core business and whether to exit.

73%

say they are looking to divest to fund new technology in order to improve operating efficiency.

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