

Properly planning for divestments delivers a higher sale price and a quicker sale process. Closely aligning strategic objectives and assets through regular portfolio reviews enables clients to make better informed capital decisions and identify opportunistic divestment opportunities.

Our study showed 88% of companies across all sectors are more likely to receive a higher-than-expected sale price and are twice as likely to achieve a better-than-expected valuation multiple on remaining business when forces affecting the sector and business are understood. However, 67% agreed that shortcomings in the portfolio review process resulted in a failure to achieve intended divestment results.

Companies are struggling to communicate the importance of their portfolio reviews at the highest level. Fifty-seven percent of oil and gas companies say their biggest challenge is making the portfolio review a strategic imperative. Combining this with the third most important challenge of better communication between the board, strategy team and M&A team, it's clear that companies are often getting less for their assets than expected. Given the cost pressures and margins over the last two years, and that companies have favored speed over value, the current outcomes may not be surprising, but are certainly unsustainable.

Fifty-seven percent of oil and gas companies also say they have held on to assets too long, probably due to the uncertainty of the oil price, however, this has backfired and meant better opportunities may have been missed. As the oil price has risen and is expected to stay somewhat

stable, companies should take the time required to undertake strategic portfolio reviews and identify potential divestment opportunities. Analytics is driving the future of portfolio reviews and companies need to understand both their internal and external data sets, to help deliver their sale expectations.

As stated in our *Global oil and gas transactions review 2016*, the M&A market has indeed picked up in early 2017, so the opportunity for divestment is certainly achievable and possibly at the right price.

Companies also need to understand the value of alternative structures to potential buyers – 50% of oil and gas respondents said a lack of flexibility in the structure of the sale is a significant source of value erosion.

Companies also need to consider a broader set of buyers to increase the buyer pool, but specifically target key groups to entice alternative buyers with different goals and synergies; a generic proposal won't get the highest response rate. Twenty percent of oil and gas companies also highlight they are putting divestment proceeds toward investments in digital capabilities, perhaps highlighting the shift in focus toward a more digitally aligned oil and gas company.

60%



of oil and gas executives plan to divest in the next two years

57%



feel their last major divestment created long-term value

63%



more likely to achieve a higher sale price and complete the deal sooner by prioritizing value over speed

## Making more of the portfolio review

**39%**   
say shortcoming in portfolio review process resulted in failure to achieve intended divestment results

**77%**   
agree that advanced analytical tools would help make faster, better divestment decision and improve divestment preparation

**57%**   
say the biggest challenge is making the portfolio review a strategic imperative

## Understanding data delivers value

**53%**   
say they are challenged by access to accurate, comprehensive internal data

**40%**   
do not have access to appropriate external data

**77%**   
cite deficiencies in the ability to analyze and interpret data in a meaningful way

## Delivering flexibility amid disruption

**50%**   
say lack of flexibility in structure of sale is a significant source of value erosion

**57%**   
say that they have held onto assets too long

**73%**   
say understanding the new disruptive forces that impact value is a key portfolio challenge

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