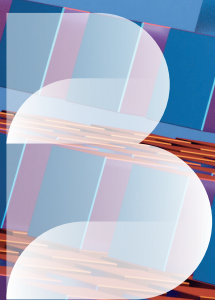


# The true price of carve-outs

From cost traps to value creation:  
What matters in carve-outs



# Management summary

**C**arve-outs have become a boardroom imperative for companies seeking sharper focus, transformation and value creation. Yet the true complexity and cost of carve-out projects is consistently underestimated, posing risks to operational continuity and financial outcomes. This Roland Berger study delivers the transparency leaders need: a clear breakdown of actual carve-out cost types and cost levels, their key drivers, along with proven approaches to control one-off and recurring costs – without jeopardizing business continuity. Drawing on insights from a survey of more than 50 seasoned carve-out practitioners and Roland Berger's extensive advisory experience, this study distills the patterns that matter – giving decision makers clarity they can act on.

**What drives costs.** Functional entanglement is the #1 driver of one-off spend, with IT disentanglement often multiplying both effort and cost. Moreover, timeline pressure and geographical spread add significant complexity and risk, while company size is far less relevant than commonly assumed.

**The price of cutting ties – one-off costs.** In highly entangled carve-outs – such as those requiring physical separation, standalone IT, or significant people changes – total one-off costs can reach around 15% of NewCo revenue. However, not every carve-out triggers all cost categories. While advisor spend is relevant, the primary cost driver is the execution of the separation itself, which accounts for approximately 51% of total one-off costs.

**The ongoing bill of autonomy – recurring costs.** On average, NewCo's recurring costs increase by around 11% versus ParentCo allocation, with the steepest uplifts in IT (+19.8%), F&A (+15.6%) and HR (+12.7%), as shared services are replicated.

**Roland Berger's value-add.** At Roland Berger, we make cost control a core discipline in every carve-out. Our approach is built on the experience of numerous carve-out projects: mapping entanglement early, designing recurring costs for efficiency, and sequencing data and systems to protect business continuity. With benchmarked target operating models and deep cost expertise, we help minimize both one-off and recurring costs – without slowing execution.

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# 1

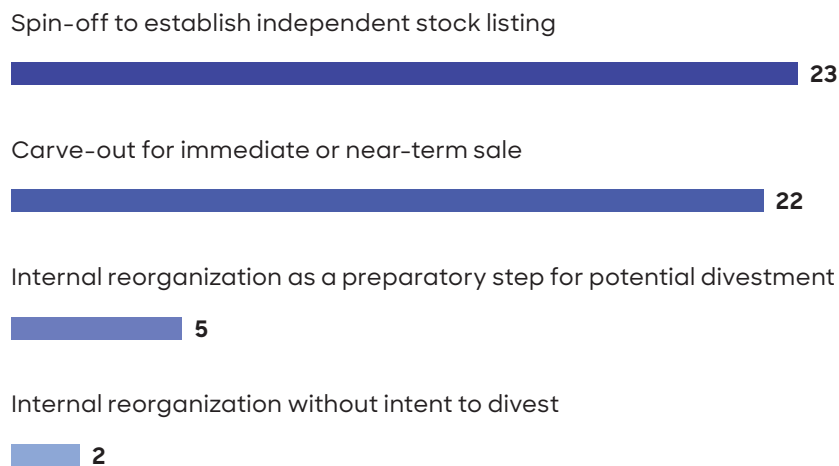
## Introduction: Why carve-outs now?

Carve-outs are no longer a niche tactic. As the volatile economic climate forces companies to sharpen strategic focus, unlock trapped value and redeploy capital, they have become the go-to lever for transformation and only those who act decisively stay ahead. From spin-offs to independent stock listings and internal reorganizations, carve-outs serve a range of strategic objectives.

Our survey reveals a clear trend: value realization and divestment are the dominant motives. Spin-offs and carve-outs for rapid sale set the pace - internal reorganizations without divestment intentions are the exception, not the rule. ▶ [A](#)

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### **A Purpose of carve-out projects** [RB survey, # of responses given]



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Source: Roland Berger carve-out cost survey

These figures underscore the transactional, value-driven nature of today's carve-out strategies, which makes disciplined execution - particularly in cost management and business continuity - the decisive factor for success.

### **The hidden cost challenge**

Despite their strategic appeal, carve-outs come with a critical, often underestimated threat: cost. While the strategic rationale for carve-outs is frequently discussed at board level, in practice the associated costs are often left out of early decision making altogether, meaning carve-outs are approved based on strategic rationale without incorporating the full cost perspective. As a result, overlooked cost categories and underestimated expenses routinely trigger unwelcomed surprises that can wipe out much of the intended value. From one-off transition expenses to recurring operational outlays, the financial impact of a carve-out can be significant unless proactively managed.

This study aims to close the blind spot. Drawing on the survey findings, we deliver a data-backed, practical guide to understanding and managing carve-out costs, empowering leaders to make informed decisions and capture the full value of separation without risking business continuity. In particular, we address the following key questions:

- Which factors truly drive carve-out complexity and cost? (Chapter 2)
- How do one-off cost categories compare in practice? (Chapter 3.1)
- Where and why do recurring costs rise post-separation? (Chapter 3.2)
- How can leaders actively control both? (Chapter 4)

### **Survey methodology**

We interviewed more than 50 experienced carve-out practitioners across diverse industry sectors in Europe and the USA. Each had led at least one carve-out project in a senior program role within the past three years. We used a structured survey with 38 targeted questions to surface quantitative trends in cost estimation and execution. The findings were enriched by Roland Berger's extensive carve-out advisory experience, ensuring that every recommendation is both data-backed and actionable.

**// Carve-outs can be full of cost surprises, from ballooning one-offs to a heavier recurring cost base eroding valuation. With rigorous planning and a transformative mindset, companies can keep costs under control and unlock far stronger valuations."**

**Patrick Heinemann, Senior Partner**

# 2

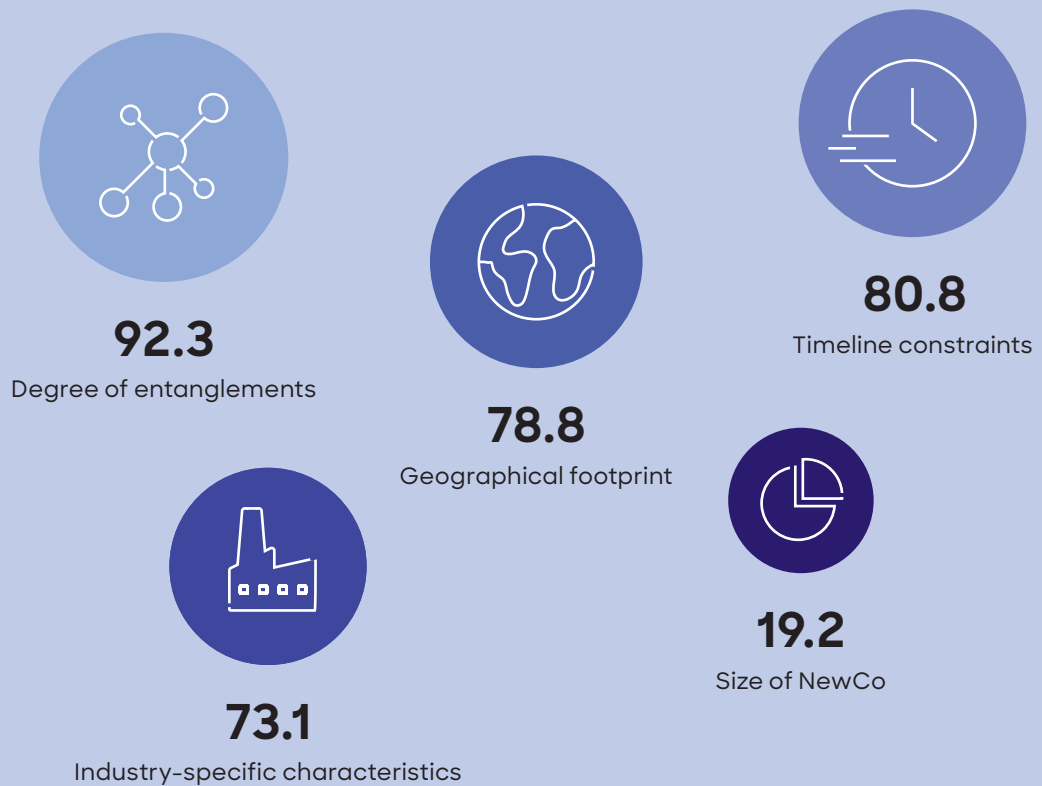
## Carve-out cost drivers: The more complex, the more expensive

Understanding what truly drives complexity - and costs - in carve-out projects is essential for anticipating financial impact and designing effective separation strategies. Contrary to common belief, carve-out costs are not simply a matter of scale. Rather, they are shaped by a combination of structural interdependencies: so-called entanglements; timeline constraints; geographical spread; and industry-specific factors such as regulatory requirements or licensing obligations. These drivers influence not only the magnitude of one-off separation costs, but also the level of effort, coordination and risk throughout the carve-out.

Our survey highlights a clear hierarchy of cost drivers, with functional entanglement standing out as the most widely recognized reason for carve-out complexity. ▶ **B**

### B Main carve-out complexity and cost drivers

[% of respondents; multiple selection possible]



Source: Roland Berger carve-out cost survey

## THE COST DRIVERS EXPLAINED

**The more deeply the new company (NewCo) is woven into ParentCo's operations, the higher the price of separation.** Shared IT systems, joint HR processes and integrated supply chains demand parallel system builds, data migration and legal restructuring. Each adds to separation costs and timelines. Licensing issues, in particular, can represent a significant challenge and cost driver, as disentangling software and technology agreements often proves complex and expensive. Regression analysis leaves no doubt: functional entanglement – especially in IT, HR and Procurement – is the most significant statistical predictor of one-off carve-out costs. Where systems and processes are tightly interwoven, separation costs surge.

Entanglements are fundamentally a function of time and cost. Proactive intervention – via experienced advisors allows organizations to surface and tackle critical interdependencies early, select lower-cost separation pathways and avert later-stage surprises. The earlier the intervention, the greater the impact on both timelines and spend.

**Tight schedules turbocharge complexity.** Short timelines force parallel workstreams, increase the risk of rework and limit the ability to phase transitions. The result is higher costs and greater execution risk, especially when dependencies are not fully understood. In time-constrained situations, organizations often rely on transitional service agreements (TSAs) to bridge service gaps and protect Day 1 readiness; however, TSAs shift complexity into the post-close period and can add cost and coordination pressure if not tightly governed. Ultimately, timeline constraints are not only a cost issue, but also determine whether the carve-out can be completed on schedule – an especially critical factor in time-sensitive transactions.

**Cross-border carve-outs multiply the challenge.** Operating across multiple jurisdictions introduces regulatory, legal and logistical hurdles. For example, a carve-out spanning several countries may require compliance with different data protection laws (such as GDPR in Europe versus local regulations elsewhere), adaptation to varying labor laws and management of cross-border tax implications. Jurisdiction-specific requirements can also drive different timelines, particularly where approvals or registrations vary by country. Each additional country adds layers of complexity, requiring greater coordination and local expertise, and often leading to duplicated efforts in areas like payroll, reporting and supply chain management.

**Industry matters.** Sector-specific factors can significantly shape the carve-out process. For instance, in manufacturing, dependencies on shared production facilities or supplier contracts can complicate the physical and contractual separation. In highly regulated industries like pharmaceuticals, the need to transfer product registrations, licenses and intellectual property can extend timelines and increase costs. In contrast, a software carve-out may face challenges around disentangling shared codebases, customer contracts or cloud infrastructure. Such hurdles must be anticipated and managed.

**Size is overrated – structure is decisive.** While often assumed to be the major factor, size (in employees or revenue) is far less important than operational structure. A small but highly entangled carve-out – such as a business unit deeply integrated into the parent's IT, HR and

sales infrastructure – can be more challenging and costly than a large, standalone division with its own infrastructure. Larger carve-outs may even benefit from more mature processes, dedicated transition teams, better resource availability and stronger standalone reporting capabilities, making the separation smoother despite the scale. Our regression analysis shows: company size is not a statistically significant predictor of one-off carve-out costs. Scale does not explain cost increases – operational complexity is what matters.

### KEY TAKEAWAYS

- **Functional entanglement is the dominant cost driver.** Early, detailed mapping of interdependencies is essential to avoid underestimating effort and budget.
- **Company size does not predict carve-out cost.** Complexity stems from how operations are structured, not how big they are.

## 3 The market's bill for carve-outs: Why transparency matters

Business cases for carve-outs most often collapse due to poor cost transparency – not because of flawed strategy. Leaders need a clear and informed view of what the market actually pays to separate – and what it truly costs to run standalone. This chapter delivers both. ▶ **C**

### **C** The two cost types



Source: Roland Berger

### **Carve-out costs can be broadly categorized into two types:**

1. **One-off costs:** Non-recurring expenses tied to the separation process. They can be further split into external enabler costs, internal enabler costs and separation costs.
2. **Recurring (running) costs:** The ongoing expenditures required to run NewCo independently. These typically include costs for replicating and maintaining services, systems, assets and personnel functions previously provided by ParentCo.

In transaction-driven carve-outs, one-off costs are critical to deal execution - shaping feasibility, timing and net proceeds. Sustained value, however, hinges on the recurring cost base. The level of recurring costs has a direct and significant impact on the valuation of NewCo before signing and on operational performance after close. If business plans underestimate recurring costs, buyers and sellers face mispriced valuation, weaker deal economics and post-transaction target misses. Conversely, disciplined planning and control of one-off spend, coupled with transparency and active management of recurring costs, safeguard deal value and NewCo's performance from Day 1.

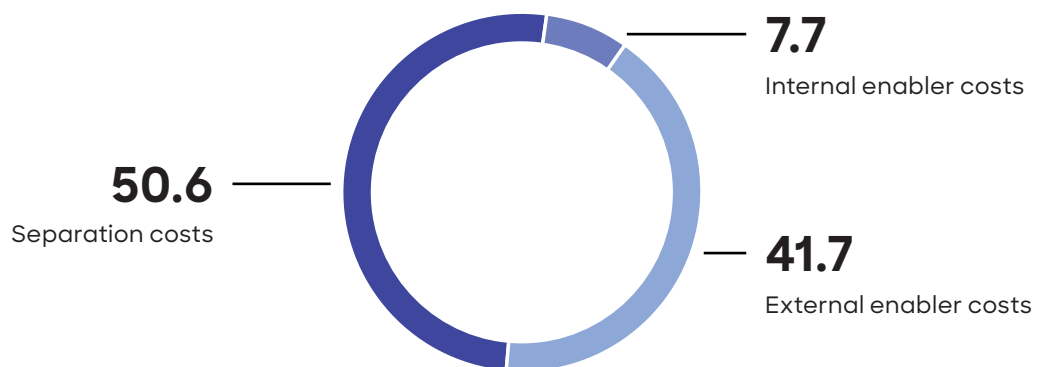
### 3.1/ One-off costs – The price of cutting ties

Carve-out one-off costs can be substantial – in some cases eating up more than 15% of the new company's revenue, according to our survey. So where does the money go? In this section, we break down the market's actual spend on separation, revealing the hidden drivers and the real composition of one-off costs.

#### THE THREE COMPONENTS OF ONE-OFF COSTS

One-off spend falls into three buckets: external enabler costs; internal enabler costs; and separation costs. The latter make up half the bill, while internal enabler costs are the smallest slice - but the most underestimated. Again, our research suggests these shares are consistent, regardless of the carve-out size. ▶ **D**

#### **D** Composition of one-off carve-out costs [%]



Excl. investment banking fees

Source: Roland Berger carve-out cost survey

**External enabler costs** are unavoidable (and expensive in regulated or multi-jurisdictional deals), and represent a significant portion of the carve-out budget. IT and tech advisory alone account for approximately 1.5% of NewCo's revenue, followed closely by financial advisory, which in this context refers to firms preparing carve-out financials, and legal

advisory. These figures underscore the high dependency on external expertise in the early stages of separation. Investment banking fees, typically 1-2% of transaction value, are often incurred as part of the deal but are excluded here, as they count as transaction costs. ► **E**

**E External enabler costs** [as % of NewCo's revenue]



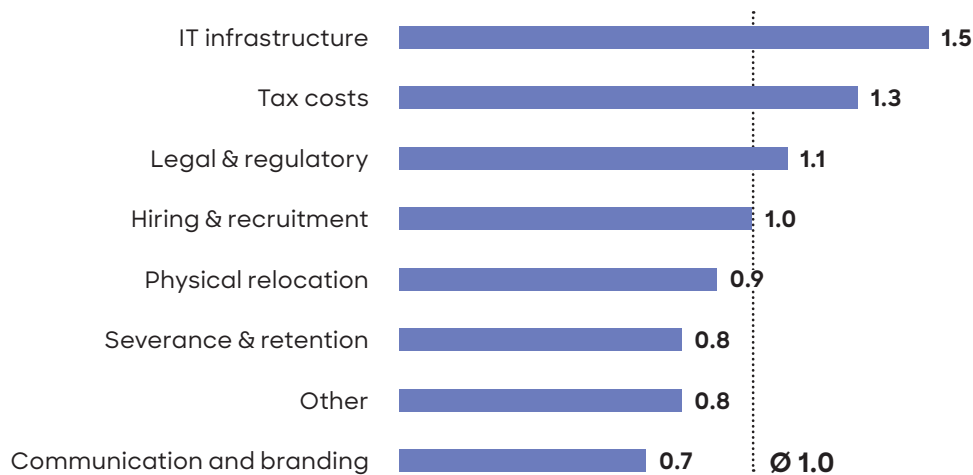
Source: Roland Berger carve-out cost survey

**Internal enabler costs**, driven by fully or partially dedicated project teams, average around 1.2% of NewCo's revenue across industries. Despite their significance, these costs are frequently underestimated – time and opportunity costs rarely get full attention. In many cases, organizations attempt to substitute external advisors with internal resources. However, if there is no dedicated carve-out team in place, this approach can backfire: internal staff often lack the experience and capacity to fully focus on the carve-out, which can result in delays, unforeseen issues and increased strain on day-to-day operations. In our experience, most organizations underestimate the true internal effort required for a carve-out, only realizing the full impact once project teams are deeply engaged and business as usual starts to suffer. While internal resources bring valuable institutional knowledge, the most effective approach combines this with external expertise to ensure both speed and quality of execution.

**Separation costs**, which cover the executional aspects of the carve-out (system builds, relocations, branding, etc.) make up the majority of the overall bill. IT infrastructure is the biggest expense at 1.5% of NewCo's revenues. Tax costs and legal costs – representing the actual costs of tax and legal expenses, not advisory costs (external enabler costs) – follow close behind, underscoring the financial impact of restructuring and compliance activities. Given their magnitude, it is critical to clarify early who pays. ► **F**

One-off carve-out spend is multi-dimensional: advisory, internal and separation. Early, comprehensive cost modeling is crucial to avoid budget overruns and ensure financial transparency throughout the carve-out process. Upfront planning and quality thresholds cut change orders and rework. Organizations that "save small" during design often "pay large" in stabilization and remediation, and risk credibility with investors and buyers.

## F Separation costs [as % of NewCo's revenue]



Source: Roland Berger carve-out cost survey

### 3.2/ Recurring costs – The ongoing bill of autonomy

Carve-outs don't just involve upfront costs – they reshape the long-term cost base. While one-off costs are significant, the more enduring financial impact lies in the recurring cost structure of the standalone entity; the cost of the new normal. For NewCo, independence comes with a structural uplift in operating costs, driven largely by the loss of scale. Previously, fixed costs for functions like IT, HR and Procurement were shared across the larger group, keeping per-unit costs low. After separation, NewCo must replicate these functions independently, often at a premium, fundamentally reshaping the cost architecture of the new entity. Unless offset by targeted value creation or performance programs, this loss of scale is a primary reason why recurring costs rise so sharply after separation.

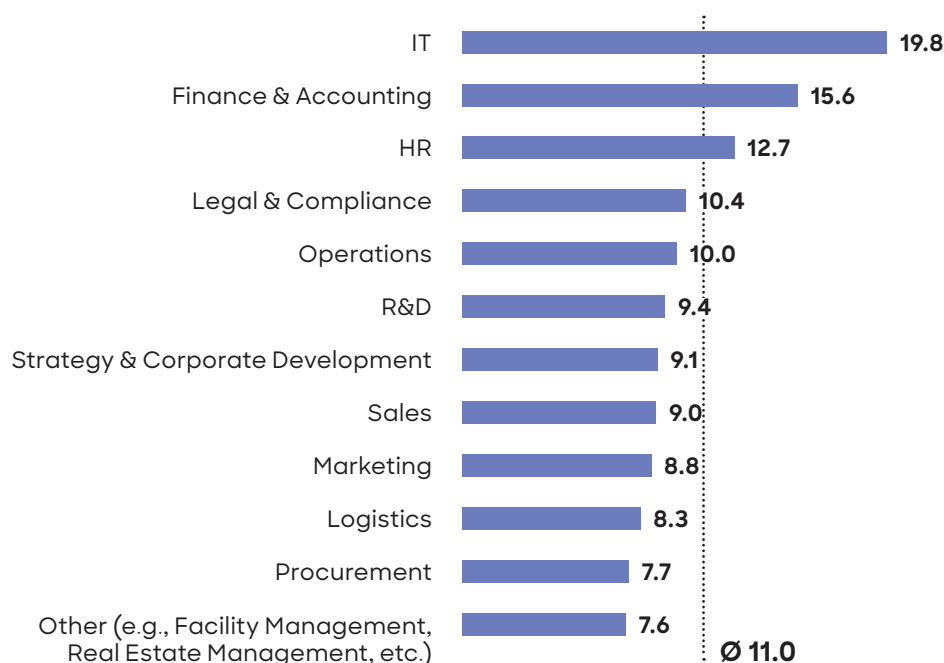
#### The long-term cost base

To assess the recurring cost impact of the carve-out, survey participants benchmarked NewCo's post-separation cost base against historical allocations within ParentCo. The findings are clear: independence hits hardest where scale once delivered efficiency. On average, recurring costs jump by 11% across functions compared to the pre-carve-out cost base – creating a structural uplift that reshapes NewCo's cost base and valuation.

IT leads the pack with a 19.8% surge, as NewCo must now build and maintain its own infrastructure, cybersecurity and support capabilities once absorbed by the parent's backbone. Finance & Accounting (15.6%) and HR (12.7%) follow, reflecting the steep price of replicating core administrative engines from scratch. Legal, Operations and R&D also face double-digit increases as NewCo establishes governance, compliance and innovation capabilities. Even functions with lower relative uplifts (Procurement, Logistics and Marketing) pay the price of autonomy. The message is clear: standing alone means building up entire functions, fast and at full cost, or relying on outsourcing arrangements that often come at a premium. ▶ [G](#)

## G Cost uplift by function following carve-out

[Average % increase relative to pre-carve-out cost base]



Source: Roland Berger carve-out cost survey

The extent of cost uplift is not preordained; it's determined by design choices. Service model selection, sequencing, sourcing strategies, automation levels and ERP/data architecture all shape the final bill. Organizations that take a proactive, data-driven approach to these levers can significantly reduce both one-off and recurring costs - while safeguarding business continuity. Left unchecked, an elevated run rate not only burdens operations from Day 1 but can depress sale price and buyer interest in auction processes.

### KEY TAKEAWAYS

- **Cost transparency - not missing strategy - is the silent killer of carve-out value:** Most carve-out failures stem from leaders underestimating the true cost of separation and standalone operations. Only full visibility into one-off and recurring costs prevents costly surprises.
- **Internal costs are often the blind spot in one-off costs:** Internal enablement - driven by dedicated FTEs - is routinely underestimated, despite averaging 1.2% of NewCo revenue. Miss it, and you miss the real bill.
- **One-off costs can accumulate quickly:** In highly entangled carve-outs such as those requiring physical separation, standalone IT, or significant people changes, total one-off costs can approach around 15% of NewCo revenue. However, not every carve-out triggers all cost categories, and advisor spend, while relevant, is not the primary driver.
- **Running standalone is structurally more expensive:** Independence comes at a premium. Losing scale and replacing critical activities previously provided by ParentCo drive recurring costs up by an average of 11% across all areas.

# 4

## Controlling carve-out costs: The Roland Berger commitment

Carve-outs succeed when they are engineered for value and business continuity is treated as non-negotiable. The earlier planning begins, the greater the ability to keep costs within target and maximize transaction value.

### HOW TO MANAGE COSTS

Controlling one-off costs starts with smart design choices and tight execution discipline. Best-practice carve-outs reduce complexity and therefore costs by: identifying and resolving deep entanglements early; limiting Day 1 scope to what's essential; and engineering transitional service agreements (TSAs) with clear commercial guardrails. Just as critical, robust budgeting and stringent monitoring from Day 1 ensure that separation spend stays within target.

Minimizing recurring costs requires intentional design, not default replication. Lean NewCos are built from the ground up, using benchmark-calibrated target operating models, zero-based orgs and automation-first processes. Smart sourcing strategies and tight working capital management further compress the steady-state cost base, all without compromising operational continuity.

### WHAT SETS OUR APPROACH APART

At Roland Berger, we don't just have a mastery of the process, we know how to control one-off and recurring costs – by combining proven content with sharp commercial design and execution discipline. Our approach is grounded in a holistic, state-of-the-art methodology, enriched by deep performance benchmarking, and executed by a senior, high-impact team. We consistently maintain a shareholder-focused perspective while prioritizing operational stability and business continuity, and not chasing illusions. Our USPs are clear:

**We don't start from scratch – we build on experience:** Our method is confirmatory, not exploratory: backed by years of carve-out delivery, we go straight to the entanglements that move the needle. We bring pre-built as-is assumptions and benchmarked target operating models from best-practice carve-outs, enabling us to anticipate challenges, accelerate execution and minimize one-off and recurring costs from the outset. In close collaboration with industry experts, we anticipate typical cost structures and industry-specific challenges early in the process, ensuring rapid redress.

**We don't just replicate – we redesign:** Our approach is transformative, not lift-and-shift. We build for efficiency and scalability, anchored in benchmark data and tested through industry-specific plausibility checks leveraging our broad expert network. The result is a lean cost base, free from overdesign and legacy drag, and optimized to maximize enterprise value.

**We don't gamble with continuity:** Our teams operate with a continuity-first mindset, defining what's essential to keep the business running from Day 1. TSAs can be a critical tool to safeguard operational stability during the transition phase. We have deep expertise in designing, negotiating and implementing TSAs – including TSA exits that are both pragmatic and robust – ensuring seamless handovers and avoiding business disruption. We stage migrations, data cutovers and organizational changes with precision, ensuring that critical roles and responsibilities remain fully covered throughout the transition.

## From cost drag to value boost

A global industrial player was preparing to divest a multi-country business unit. The initial carve-out plan largely replicated legacy structures and projected significant recurring build-up costs to establish standalone capabilities. This was driving up the cost base and triggering concerns around competitiveness and valuation. Roland Berger was asked to reset the trajectory.

### What we did

We challenged these assumptions and re-engineered the carve-out model. Through a targeted assessment of the recurring build-up costs, we identified substantial cost savings across SG&A.

### The result

We achieved an approximate 20% reduction in budgeted recurring standalone build-up costs thanks to executable efficiency

measures fully committed by the carved-out entity's management. On top of that, we identified an additional ~17% of realistic savings potential. By optimizing build-up costs, we created a lean yet investor-credible cost base, which translated directly into a substantial enterprise value boost during the divestment process.

### Why it worked

The reset was a success because we have deep expertise in where costs typically hide in carve-outs, and the discipline to remove what's not essential. From assumption validation to design and stakeholder commitment, we safeguarded Day 1 continuity while unlocking structural improvements. This was only possible through credible cost-improvement know-how and targeted stakeholder management by our experienced team during an exceptionally intense phase for all parties.

## YOUR CARVE-OUT NEEDS TO BE DONE RIGHT - LET'S TALK!

Whether you're planning, executing or optimizing a carve-out, we can guide you through the entire journey, unlocking value, safeguarding costs and minimizing operational risk. Partner with Roland Berger to tap into proven levers and ensure seamless execution and measurable impact across every carve-out dimension. We also support buy-side carve-out due diligence as part of our offering, providing clarity on the separation concept and its assumptions without losing sight of the broader value agenda. For clients seeking an even more integrated solution, our fully combined carve-out M&A advisory product enables us to align separation and transaction objectives from the very beginning, maximizing value and smoothing the transaction process from strategy to execution.

Feel free to contact us for more information and let's start shaping your successful separation project!

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## Further reading

- [JOINT VENTURES \(JV\): THE STRATEGIC EDGE FOR TRANSFORMATIVE TRANSACTIONS](#)
- [CULTURAL SYMPHONY IN PMIS - VALUE MAXIMIZATION THROUGH CULTURE-CENTRIC INTEGRATION](#)
- [CARVE-OUT](#)



04.2026

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