

CARVE-OUT

# Carve-out to the Gulf.

How a strong business unit becomes an independent, investable entity in the Gulf.

# A strong unit needs room.

Many European companies have units that could grow faster than the group, the home market or the capital base allow. A carve-out to the Gulf gives them this room: with their own structure, their own capital and their own leadership.

At the same time, a carve-out is one of the most demanding projects a company can undertake. It rarely fails because of the idea. It fails because of the separation: contracts, intellectual property rights, employees, systems and the question of who ultimately decides.

This white paper shows when a carve-out to the Gulf pays off, which structures have proven themselves, how the separation succeeds and what investors want to see before they come in.

## At a glance

- 01** A carve-out pays off when the unit has its own business model and finds more growth, capital or customers in the Gulf than within the group.
- 02** The structure determines control, capital and exit. It should be in place before the first investor conversations.
- 03** The separation needs a plan: perimeter, contracts, IP, employees, systems and transitional services.
- 04** Taxes in both countries are not a detail. Since the end of 2021, there has been no double taxation agreement between Germany and the UAE.
- 05** Investors buy an entity that can stand on its own, not a slice of the group.

# When a carve-out pays off.

Not every strong unit is a good carve-out. Six criteria help with the assessment.

| CRITERION                       | GOOD SIGN                                                                       | WARNING SIGN                                                             |
|---------------------------------|---------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| <b>Own business model</b>       | Own customers, own product, own revenue that can be clearly separated           | Revenue depends mainly on group customers or internal charges            |
| <b>Growth in the Gulf</b>       | Demand, customers or projects in the region that are missing in the home market | The Gulf is just an "additional market" without concrete demand          |
| <b>Different capital needs</b>  | The unit needs capital or partners the group will not or cannot provide         | The carve-out serves mainly to improve the balance sheet                 |
| <b>Separability</b>             | Employees, assets, contracts and rights can be allocated                        | Heavy entanglement with the group's shared services, systems and patents |
| <b>Leadership</b>               | A team willing to take responsibility, also on the ground                       | Leadership effectively remains at headquarters                           |
| <b>Backing within the group</b> | Clear mandate from the board and shareholders                                   | Disagreement on goal, valuation or future role                           |

## Our experience

The best candidates are units that are underestimated within the group because they do not fit the core business. In the Gulf, they often meet investors and customers looking for exactly this profile.

# Four models, four logics.

The structure determines who controls, who finances and what a later exit looks like. It should be in place before the first investor conversations begin.

| MODEL                                                     | CONTROL                         | CAPITAL                                      | FITS WHEN                                                |
|-----------------------------------------------------------|---------------------------------|----------------------------------------------|----------------------------------------------------------|
| <b>Spin-off with minority investor</b>                    | Parent retains the majority     | Gulf investor provides growth capital        | the parent wants to remain strategically close           |
| <b>Joint venture with a Gulf partner</b>                  | shared, by contract             | both sides, often with contributions in kind | market access and local value creation are the priority  |
| <b>Majority sale to a strategic or sovereign investor</b> | Investor takes the majority     | Purchase price and growth capital            | the unit no longer belongs to the core but has potential |
| <b>Spin-off with management participation</b>             | Management and investor jointly | Investor plus management contribution        | a strong team wants to run the unit entrepreneurially    |

## What every model must govern

- **Shareholders' agreement.** Consent rights, board composition, information rights.
- **Exit.** Pre-emption rights, tag-along and drag-along rights, put and call options.
- **Competition.** Delimitation of business areas between parent and new entity.
- **Dispute resolution.** Place of jurisdiction or arbitration, for example before the DIFC or ADGM courts.

# What has to be separated.

The separation begins with the perimeter: what will belong to the new entity, what stays with the parent? Every ambiguity here later costs time, money and trust.

| AREA                           | KEY QUESTION                                                  | TYPICAL SOLUTION                                                                                                          |
|--------------------------------|---------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| <b>Customers and contracts</b> | Which contracts transfer, which require consent?              | Assignment, new contract or subcontract for a transitional period                                                         |
| <b>Intellectual property</b>   | Who owns patents, trademarks, software and know-how?          | Transfer or licence, properly documented and on arm's-length terms                                                        |
| <b>Employees</b>               | Who moves, who stays, who relocates to the Gulf?              | Clear allocation, transfer offers; in Germany observe the rules on transfer of undertakings and involve the works council |
| <b>Systems and data</b>        | Which IT, data and processes does the entity need on its own? | Own systems, data migration, transitional access                                                                          |
| <b>Shared services</b>         | What has the group provided so far?                           | Transitional services for a period, then own functions or local providers                                                 |
| <b>Finance</b>                 | What does the entity look like as an independent company?     | Carve-out financial statements, stand-alone costs, own financial planning                                                 |

Stand-alone costs are almost always underestimated. Plan them early and honestly in the financial model.

# Contracts that hold.

After the carve-out, the parent and the new entity often remain closely connected. This relationship must be governed contractually as independent third parties would do.

- **Transitional services (TSA)**. Services from the parent for a period, with scope, prices, service levels and a clear end date.
- **Licences and supply agreements**. Use of IP, sourcing of components or purchase of services on arm's-length terms.
- **Brand**. Use of the group name only for a limited time or under a clear licence; build your own brand early.

## Taxes in both countries

From a tax perspective, a carve-out to the Gulf is demanding. If functions, risks or rights are transferred from Germany to a Gulf company, this can trigger taxes in Germany, for example on the transfer of intellectual property or entire functions. The Gulf has its own rules, in the UAE including corporate tax and substance requirements.

### Important

Since 31 December 2021, there has been no double taxation agreement between Germany and the UAE. A new agreement has been announced but is not yet in force. Involve licensed tax advisers in both countries early. VELA coordinates this process but does not itself provide tax or legal advice.



Two sides, one solid connection. Photo: Sergei Gushev / Unsplash

# What investors want to see.

Investors do not buy a department. They invest in a company that can stand on its own and want to see that the separation is under control.

## 01 An equity story for the entity

### WHAT CONVINCES

Own positioning, own market, own growth plan, with the Gulf as growth engine.

### WARNING SIGN

A story that mainly describes the strength of the group.

## 02 Robust stand-alone figures

### WHAT CONVINCES

Carve-out financial statements, clean separation, stand-alone costs in the model.

### WARNING SIGN

Figures that only work within the group.

## 03 A clear role for the parent

### WHAT CONVINCES

Shareholding, contracts and interests disclosed, conflicts governed.

### WARNING SIGN

Unclear entanglements and reservations that only surface in due diligence.

## 04 A team with responsibility

### WHAT CONVINCES

Leadership that runs the entity entrepreneurially, also on the ground in the Gulf.

### WARNING SIGN

Management that keeps reporting to headquarters and decides there.

# Five phases to a carve-out.

| PHASE                                    | WHAT HAPPENS                                                                          | RESULT                                          |
|------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------|
| <b>1 · Selection and investment case</b> | Check suitability, roughly define the perimeter, outline a growth plan for the Gulf   | Decision paper for board and shareholders       |
| <b>2 · Plan the separation</b>           | Clarify contracts, IP, employees, systems, transitional services and taxes            | Separation plan and stand-alone financial model |
| <b>3 · Structure and location</b>        | Define the structure, incorporate the Gulf company, plan substance and value creation | Company, licence, account, substance concept    |
| <b>4 · Investors and partners</b>        | Equity story, data room, investor outreach, negotiation                               | Term sheet and contracts                        |
| <b>5 · Day one and first 100 days</b>    | Transition, transitional services, building local functions, reporting                | An independently operating entity in the Gulf   |

Depending on size and entanglement, a carve-out usually takes several months to more than a year. Phases 2 to 4 partly run in parallel.

## Rule of thumb

Day one is not decided on day one. What does not work on the first day was not planned in phase 2.

## SELF-CHECK

# How ready is your carve-out?

Rate each question honestly.

| QUESTION                                              | CLEARLY SUPPORTED        | PARTLY                   | NOT YET                  |
|-------------------------------------------------------|--------------------------|--------------------------|--------------------------|
| 01 The unit has an independent business model         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 02 Demand in the Gulf is concretely evidenced         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 03 The perimeter is clearly defined                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 04 Intellectual property rights are clarified         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 05 Employees and leadership are allocated             | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 06 Stand-alone costs are in the financial model       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 07 The structure is agreed with the parent company    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 08 Tax questions have been reviewed in both countries | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

## HOW TO READ THE RESULT

### Ready

Mostly clearly supported:  
ready for conversations with  
investors and partners.

### Almost ready

Some points partly: close the  
gaps before you hold  
conversations.

### Not yet

Several points open: take  
time for the foundations.

# Capital, markets, substance.

VELA Growth Partners accompanies companies on their way to capital and markets in the Gulf, including carve-outs.

We help you select the right unit, plan the separation, set up the entity in the Gulf and find the right investors and partners. If required, a fractional CEO or COO runs the new entity on the ground until your team is in place.



Your own course, your own wind. Photo: Little John / Unsplash

- **Capital & investors.** Introductions to sovereign, institutional and private investors, from the first check to closing.
- **Cultural bridge.** Briefing, meeting preparation and moderation in negotiations.
- **Market access.** Business plan, go-to-market strategy and introductions to the right decision-makers.
- **Execution on the ground.** A structure with substance, together with our local network of legal and tax advisers.
- **Interim management.** A fractional CEO or COO runs your company in the Gulf until your team is in place.

## Let's talk about your growth.

Confidential, non-binding and honest in our assessment.

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# Sources, picture credits and notes.

## Sources

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## Picture credits

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Page 10: sailing yacht on the open sea. Photo: Little John / Unsplash

## Further reading

We describe our principles, relationship before contract, substance before structure and discretion as strategy, in the book "Nach dem Boom. Was vom Dubai-Versprechen bleibt, wenn der Glanz verblasst.", published in German by NZZ Libro on 12 April 2027.

This white paper is intended for general orientation and does not replace legal, tax or investment advice in the individual case. Rules and programmes change; check the current status before making decisions. It constitutes neither an offer nor a solicitation to acquire shareholdings or financial instruments. Information as of October 2026.

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