GROWTH THROUGH PARTNERING

New markets, shared risk and investment: will a partner fast track your strategy?

In pursuit of growth and diversification, partnering can quickly deliver new markets, a bigger portfolio, a pace of growth, or a strategic step change that is not achievable by either partner on its own. It can also share risks and capital commitment and leverage different skills, products and capability. It is common knowledge that, joint ventures often fail to meet their strategic goals, but a well-visualised approach to planning your partnership will maximise your chances of success.

- There are many **different ways to form a partnership** and to share risk and reward, from full 50:50 JVs, through minority participation, franchising and quasi-equity and cost-sharing arrangements to a commercial agreement with performance incentives: don't prejudge the optimal structure too quickly.
- A typical **partnering agreement** is part M&A (putting the partnership together), part commercial agreement (running the business) and part "pre-nup" (establishing the ground rules for eventual break up): each needs clear visualisation.
- Test the wider **partnership economic picture** – how does each partner benefit, not just through dividends/profit share, but through royalties, margin on providing products/services to the partnership and other indirect benefits to its core business?
- It is critical to **stand in the partner's shoes** (what does it want during the partnership and on break up?) – the earlier any misalignment is identified the better.
- **People with the right experience** (eg secondees) are vital to drive through the inevitable teething problems.

Some key factors during negotiations:

- Build the critical **senior relationships** needed to make the partnership work long term.
- Visualise key **stress points** in the future relationship (particularly underperformance, funding shortfall, deadlock on key matters, exit triggers).
- Will the partnership be part of your group (and have your **identity/brand/policies**) or your partner's group or entirely independent (this is particularly relevant to employees)?
- Create the right level of **independence**, within carefully judged controls.
- Create a **clear, simple governance model** (especially if the partnership depends on material services/products from the partners).
- Remember there may be specific **competition law** and **Listing Rules** considerations (for you and/or your partner).

Not only did they work seamlessly with the in-house team, they levered their knowledge of our business to deliver value and added creativity and pragmatism to the process, both of which were required to get us over the line.

SAINSBURY'S

How we can help

SETTING UP THE PARTNERSHIP	RUNNING THE PARTNERSHIP
► Matching the structure to the goals and risks ► M&A process, contractual protections, clearances etc ► Tax advice on set up/operation/break up ► Devil's advocate testing of different scenarios, especially on deadlock and exit	► Implementing strong, clear governance and codes of conduct ► Clear, robust commercial agreements with partners ► Creating operator manuals: clear and simple guidance for the business on how to operate within the partnership rules

BREAKING UP THE PARTNERSHIP	VALUE AND COST REDUCTION
► Gaming strategy (and avoiding breaches of contract) ► Anticipating and managing any dispute process (and avoiding pitfalls) ► Ensuring business continuity and transition to post-partnership	► Competitive and well scoped fee proposals; fixed fees on clearly scoped workstreams; proactive process and scenario planning ► Combining standard tools and precedents with deal-specific thinking to create a bespoke legal platform ► Sharing industry know-how and market practice

Who we've helped

Our team has helped many clients in the sector to shape and execute important strategic partnerships (and exits) around the world, including: **Associated British Foods** (Frontier Agri with Cargill; Levi Roots, Jordans); **Diageo** (JVs in South Africa (Heineken) and Tanzania (local partner); litigated and negotiated exits); **Royal Mail Group** (with Avenue51 and Alibaba to break into China); **Sainsbury's** (Netto with Dansk, Mobile by Sainsbury's with Vodafone, Nectar and Argos partnering arrangements); **Tate & Lyle** (exit from Europe-wide JV with ADM); **PZ Cussons** (Glanbia and Wilmar JVs in West Africa); and **The Co-operative Group** (travel agency JV with Thomas Cook)

Who to contact

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