

Case Study

Post Office



Overview

Cambridge Management Consulting was appointed by the Post Office Limited (the Post Office) in the UK to support them on a strategic review of their consumer telecommunications (phone and broadband) business. Following a thorough review of strategic options, it was decided to make a divestiture of the business through an auction process with a conclusion that Post Office Telecoms was sold to Shell Energy Retail Limited, SERL, (Shell) in the first quarter of 2021. We were engaged to work with the Post Office and other external advisors to manage the process.

The strategy

- Given Cambridge MC's close understanding of both client and sector, we took a leading role in the sale process. Working closely with the financial and legal advisors, to prepare an information memorandum to be issued to a carefully selected pool of potential buyers.
- We worked collaboratively with the other advisors, providing insight on the sector and likely buyers. This led to a focused and targeted approach to the sale.
- We provided telecoms, commercial and technical expertise in the review and assessment of all purchase bids, inputting recommendations to the client's senior management team. We assisted in negotiations with the bidders and input to short listing and down selection of the preferred bidder.

Interdependencies

The Post Office Telecoms Business Unit was highly outsourced, therefore the relationship with the lead outsourcing partner was key to the success of the sale. A good relationship was established with the outsource partner through regular and structured discussions, resulting in a comprehensive and informative output from the review. Cambridge MC carried out a careful review of the existing outsource arrangements, particularly with respect to exit and transition of services in the event of a change in outsourcing partner.

Cambridge MC also worked collaboratively with other external advisors, for example, Norton Rose Fulbright on legal matters, and the Post Office's other subject matter experts.

Vendor due diligence

Vendor due diligence was carried out in two phases; first with a small group of potential bidders, and secondly with a carefully selected preferred bidder. Cambridge MC populated and assisted with the management of the Virtual Data Room and Q&A process, acting as an interface between the bidders, the Post Office's subject matter experts and the lead outsourcer.

“The Cambridge MC team have been instrumental in delivering a successful sales outcome for the Post Office Telecoms Business Unit”

—Meredith Sharples, Director, Post Office Telecoms

Legal

Cambridge MC worked collaboratively with both the internal legal team and Norton Rose Fulbright (external legal team). We assisted with the timely creation and review of all sale-related legal documentation, including guidance notes for bidders on the existing outsource agreement and the structure of the novation agreement.

Transitional Services Agreement

Cambridge MC led on the design and content of the Transitional Services Agreement (TSA), working collaboratively with the legal, commercial and procurement teams. This involved negotiation of terms with the preferred bidder and development of a robust separation plan with the Post Office’s operations.

Following completion, we executed against the TSA and separation plan. We now sit alongside the Post Office to ensure that the separation tasks are completed —Cambridge MC has provided a complete solution with ongoing accountability for early deliverables.

Exit/transition of services

Cambridge MC quickly established itself as the lead on exit and transition of services. This proved invaluable both in assisting the due diligence of the preferred bidder and in structuring the transaction documents to enable a successful sale.

Governance

Cambridge MC supported the Post Office’s governance processes throughout, including the preparation of board and shareholder approval papers.

Our role as advisor

Cambridge MC provided strategy advice to Post Office executives during the sale process, to ensure that the Post Office maximised its sale price and maintained the probability of delivering an outcome during the tough market conditions of Covid-19.

Results

Post Office Telecoms was sold to Shell in Q1 2021.

Media links:

<https://www.shellenergy.co.uk/blog/post/post-office-broadband-joins-shell-energy>

<https://www.ispreview.co.uk/index.php/2021/02/shell-signs-deal-to-gobble-post-offices-uk-broadband-division.html>