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TRIVARIATE RESEARCH

THE SPIN-OFF PLAYBOOK

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BACKGROUND AND RESEARCH SUMMARY

Background: In 2025, the median spin-off reached a 26-year peak transaction size of \$3.3 billion across 11 transactions. So far this year, only one spin-off has been completed (CMCSA), but two have been announced (MSGS and GPC), and several more are rumored. Twenty spin-offs were announced in 2025 that have yet to be completed, and six of these companies are mid-cap or larger. In today's research, we provide context around the spin-off performance, analyze historical market reactions, and supply our playbook for the future.

Cohorts: Most of the remain-cos are mid-cap (33%), 22% are large-cap, and 27% are small-cap. However, 70% of the spin-cos are small- or micro-cap stocks. Growth companies are far less likely to do spin-offs, but the spin-cos themselves have no style difference. High-quality companies are less likely to do a spin, but the quality of the spin-cos is similar to the overall distribution. Over time, the Consumer Discretionary sector has generated the highest number of spin-offs, followed by the Industrials and Healthcare sectors. The Technology sector has a disproportionate amount of spin-cos relative to the percentage of remain-cos that perform a spin-off.

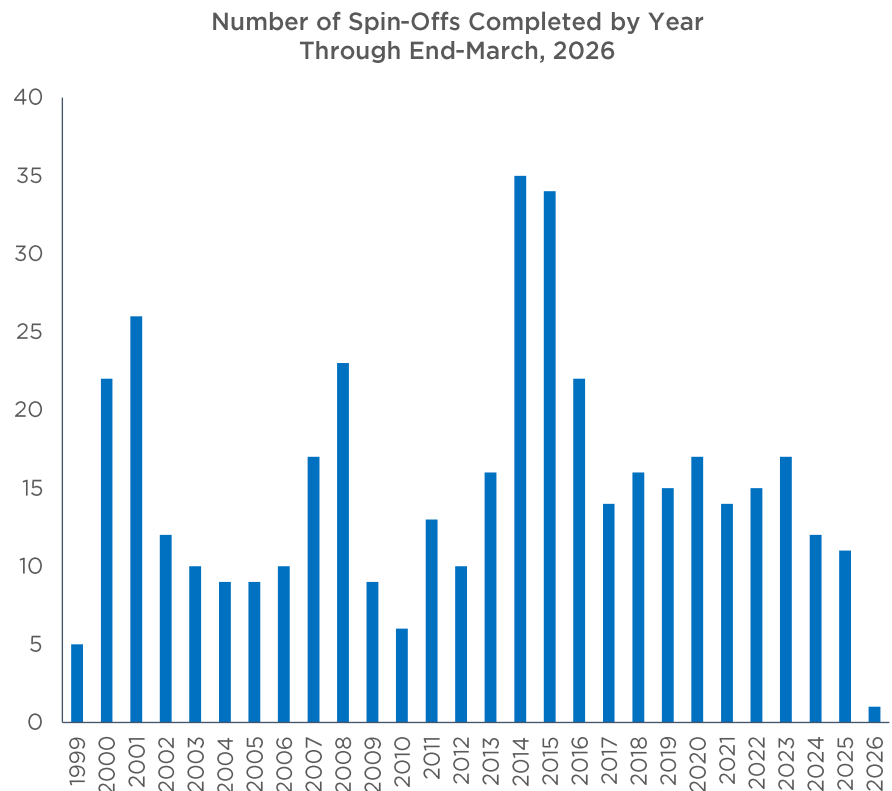
Market Reaction: The market generally rewards spin-offs, with the 1-day return averaging 2.7% above companies' industry group mean. Smaller companies, value, and junk stocks are disproportionately rewarded more. The market reaction is much higher for companies with extreme valuation on EV-to-forecast sales rather than those with average valuation. While spin-offs were not rewarded in a meaningful way between 2016 and 2019, since COVID the reward has generally improved. After the deal closes, remain-cos slightly underperform their industry group average while spin-cos on average outperform by 10% over the following two years.

Playbook: Technology and Industrials are the best performing sectors for remain-cos. Remain-cos with high capital intensity tend to lag and those with forecasted inflecting revenue growth tend to strongly outperform. Both spin-cos and remain-cos outperform when the remain-co is in the cheapest tertile of EV-to-forecast sales. Spin-cos have the best performance when their parent company completed the spin while they were a mid-cap. Both junk and high quality remain-cos underperform after completing the spin-off.

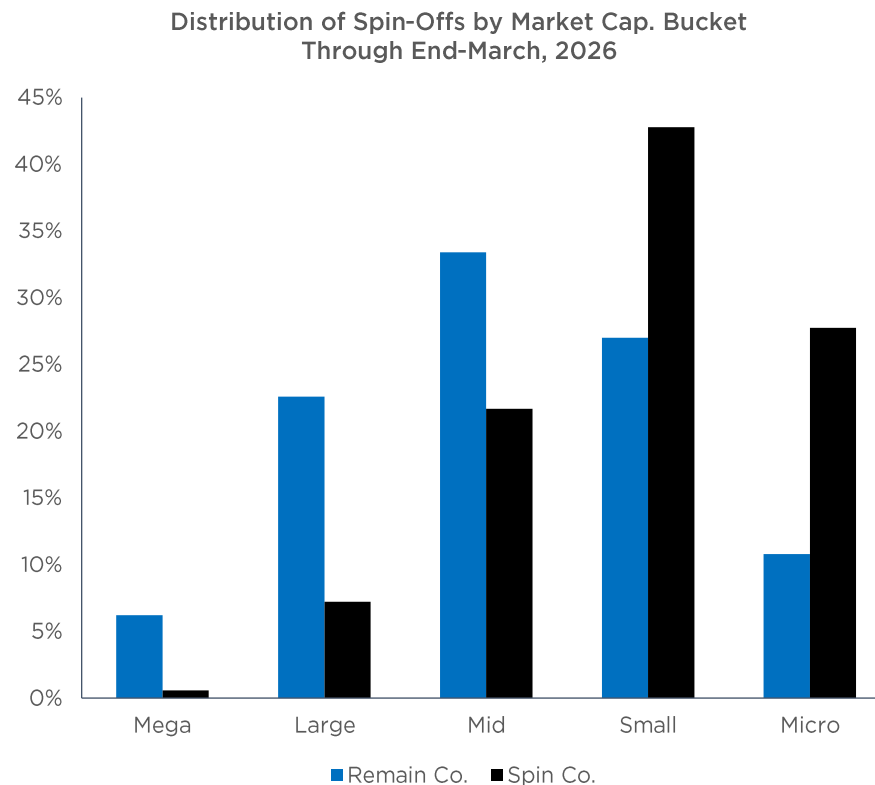
Ideas: Recent spin-off announcements are shown on slide 15 with relevant variables for positioning. Recently closed spin-off transactions are shown on slide 16.

THERE HAVE BEEN FEW SPIN-OFFS SO FAR THIS YEAR

So far this year, only one spin-off has been completed (left), though there are several others rumored to be in the pipeline and two have been announced (MSGs and GPC). Historically, 70% of spin-cos were small- or micro-cap stocks (right). The majority of remain-cos are mid-cap (33%), 22% are large cap. and 27% are small-cap.



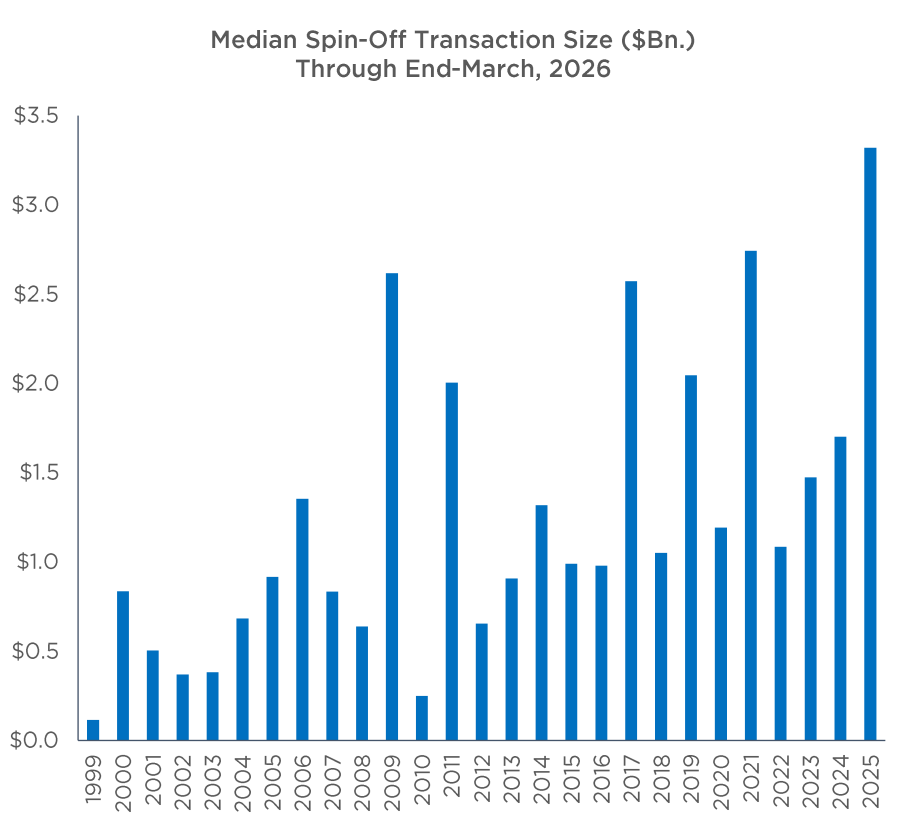
Source: Trivariate Research



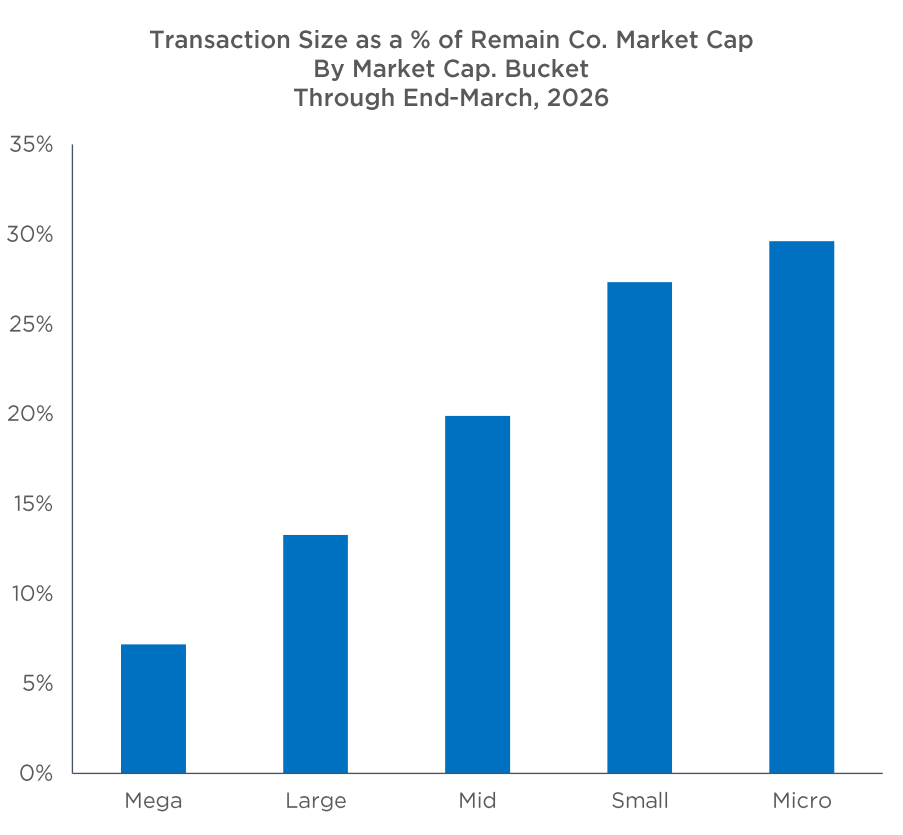
Source: Trivariate Research

SPIN-CO TRANSACTION SIZES WERE UP LAST YEAR

The transaction sizes were the biggest ever last year (left), with the median transaction size at \$3.3 billion. The average spin-off is 13% of the market capitalization for large caps, 20% for mid caps, and over 25% of the market cap. among small- and micro-cap. stocks (right).



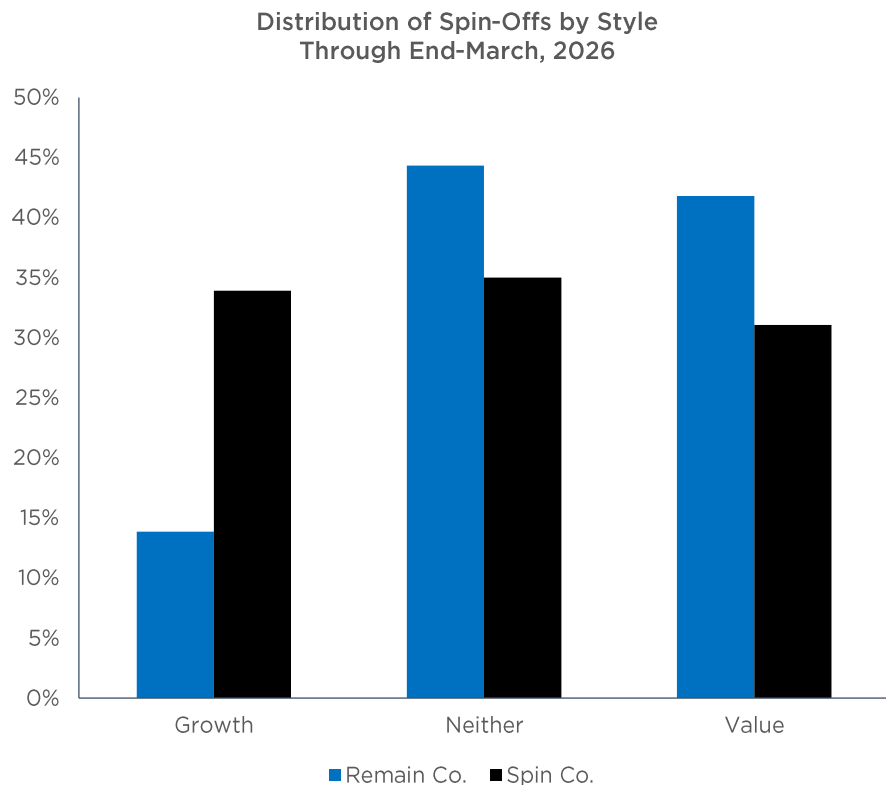
Source: Trivariate Research



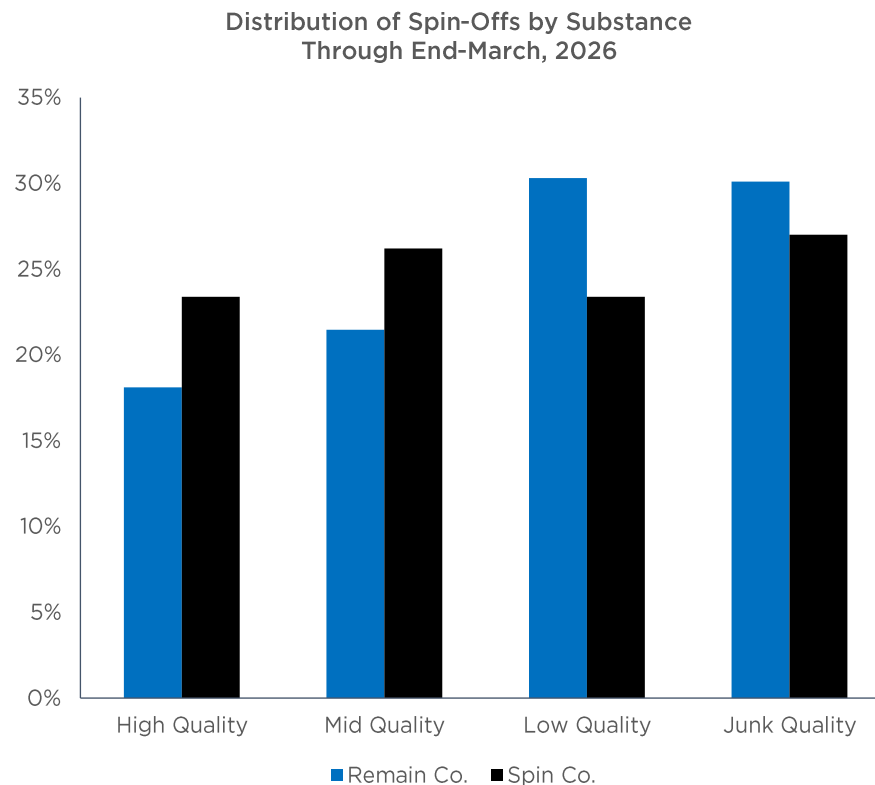
Source: Trivariate Research

GROWTH COMPANIES ARE LESS LIKELY TO DO A SPIN-OFF

Growth companies are far less likely to do spin-offs, but the spin-cos themselves have no style difference (left). High-quality companies are less likely to do a spin-off, but the quality of the spin-cos is-similar to the overall distribution (right).



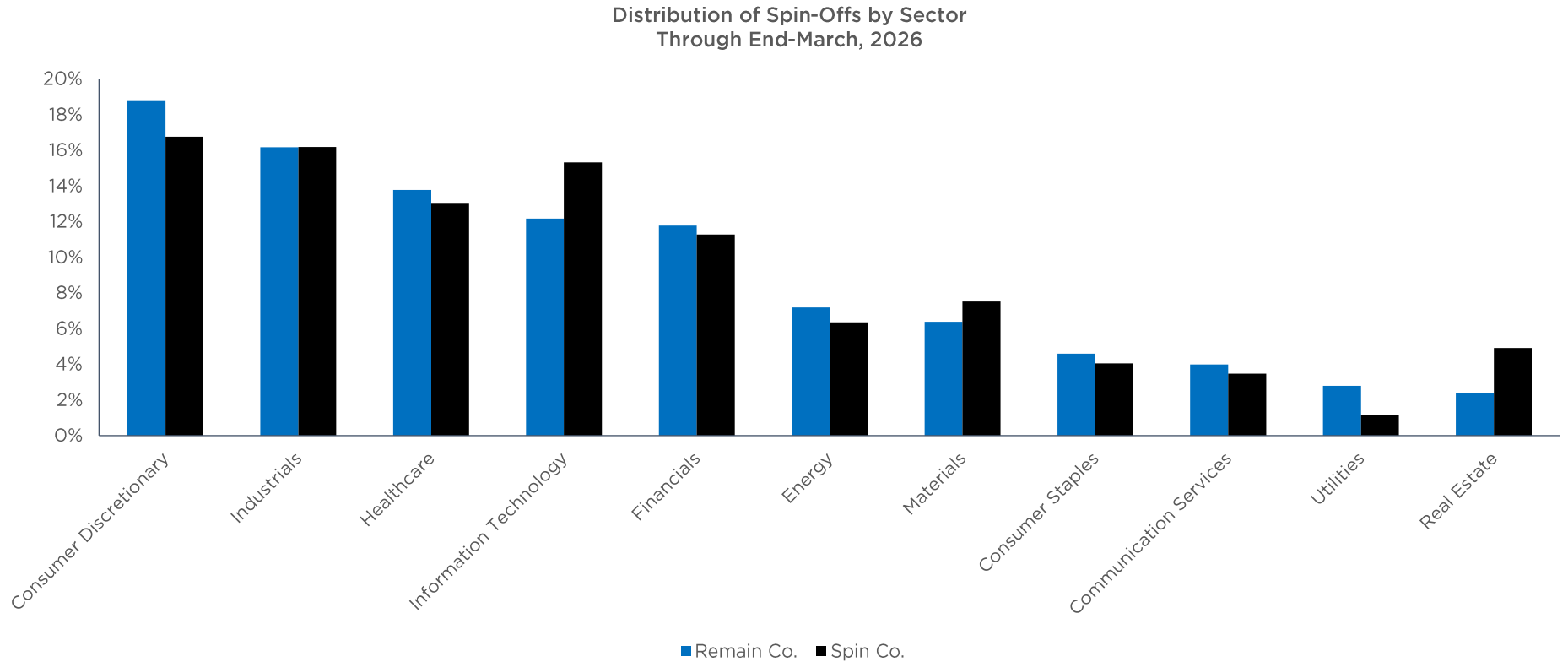
Source: Trivariate Research



Source: Trivariate Research

DISCRETIONARY AND INDUSTRIALS HAVE DONE THE MOST SPINS

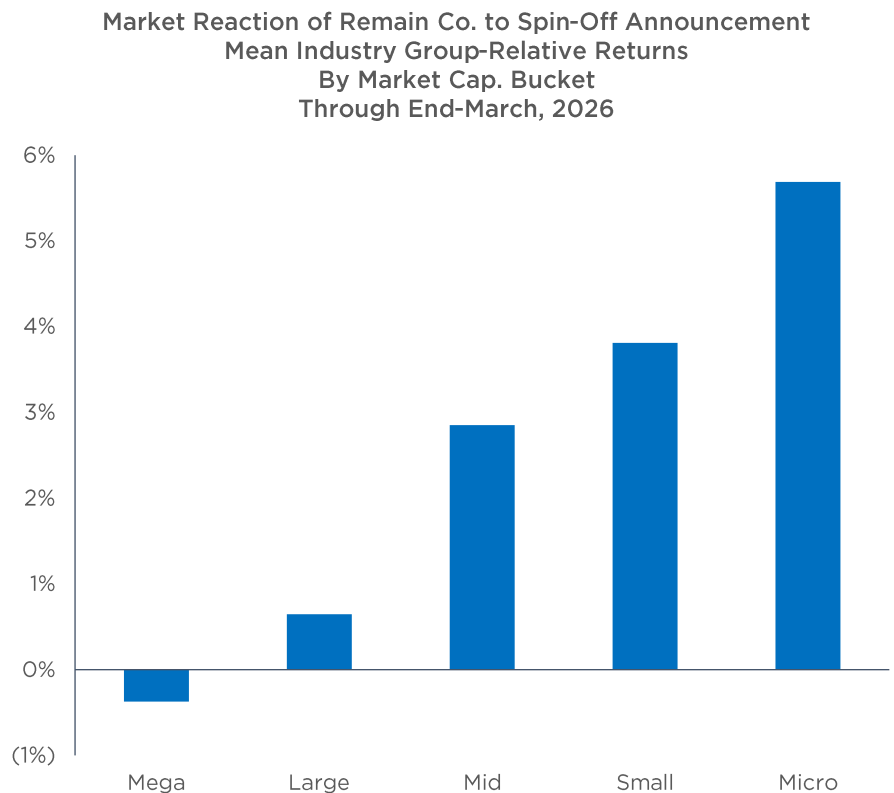
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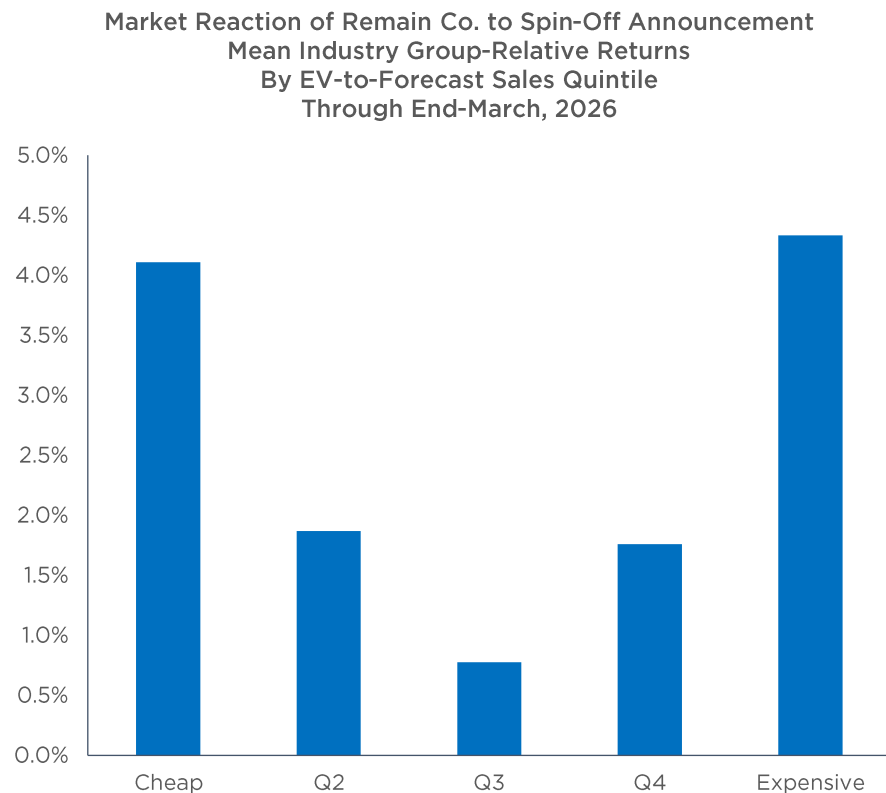
Source: Trivariate Research

THE MARKET REWARDS SMALLER CO'S AND EXTREME VALUATION

Generally, the smaller the remain-co., the more positive the market reaction to the spin-off announcement (left). Remain-cos with extreme valuation (cheap or expensive) tend to get better day 1 treatment for their spin-off announcement than remain-cos with average valuation (right).



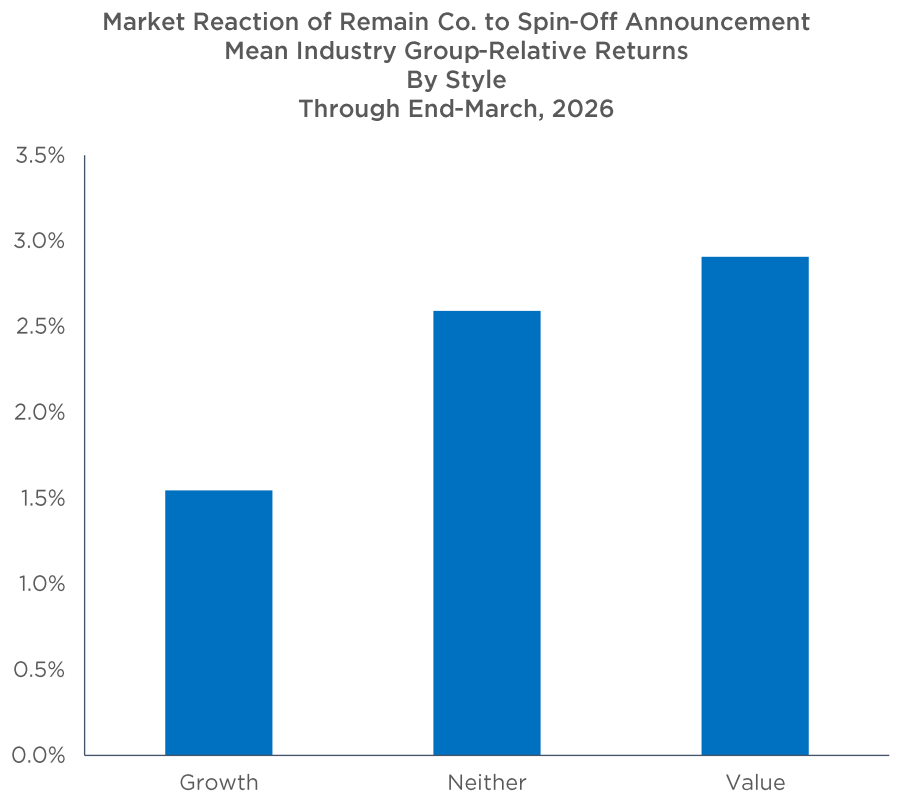
Source: Trivariate Research



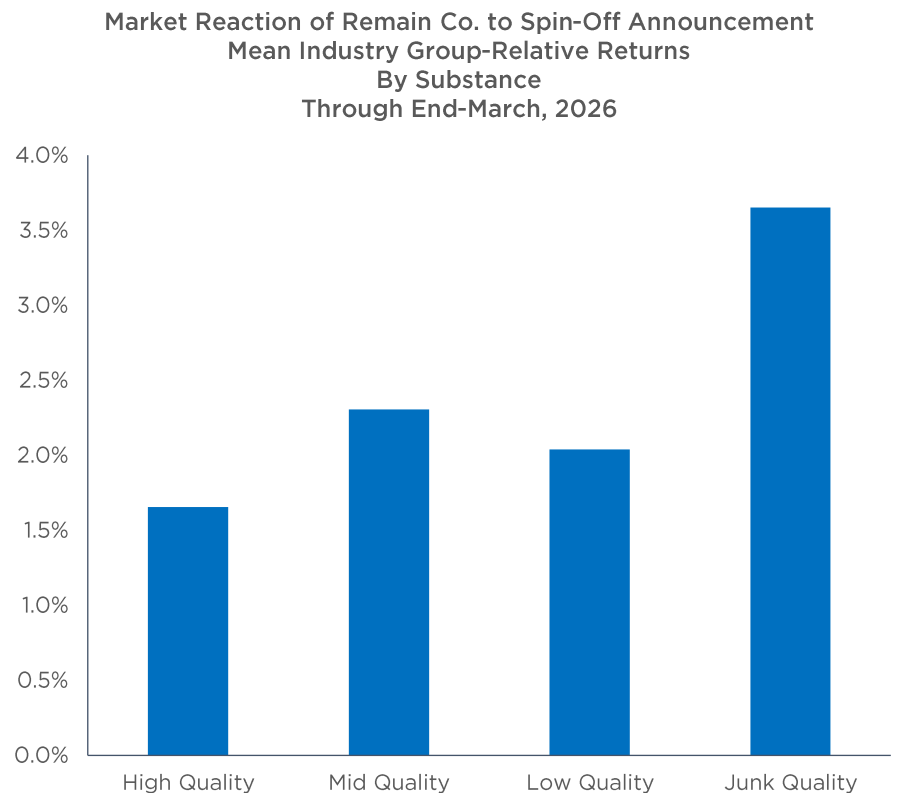
Source: Trivariate Research

VALUE AND JUNK ARE REWARDED MOST FOR SPIN-OFFS

The day of the spin-off announcement, remain-cos that are value stocks (left) and junk stocks (right) tend to have the best performance. High-quality, growth stocks that engage in spin-offs perform relatively worse on the day of the announcements.



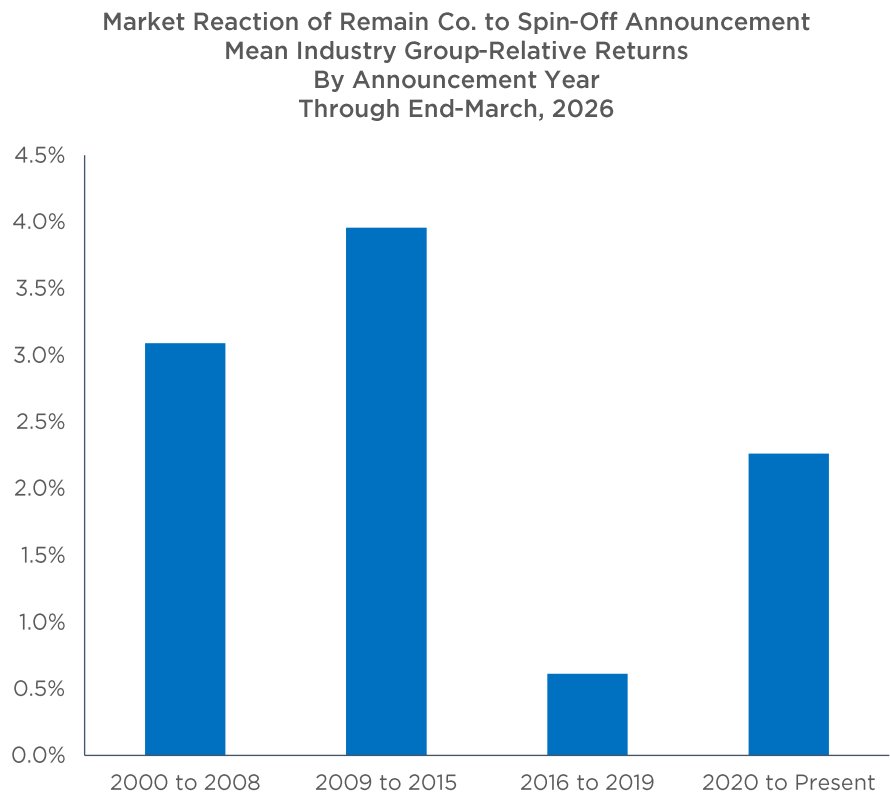
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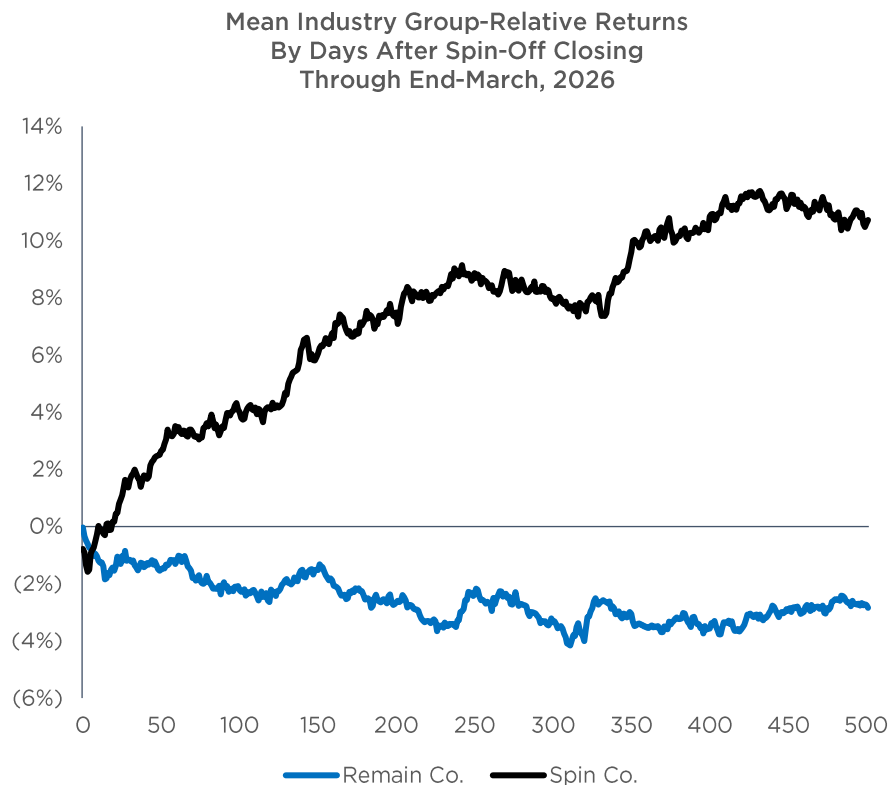
Source: Trivariate Research

AFTER A DEAL CLOSES, SPINS GENERALLY OUTPERFORM REMAIN-COS

Before COVID, the market was less rewarding of spin-off announcements, though performance has improved since COVID (left). Spin-cos generally perform better than remain-cos following deal closings (right), outperforming their industry group average by over 10% in the first two years.



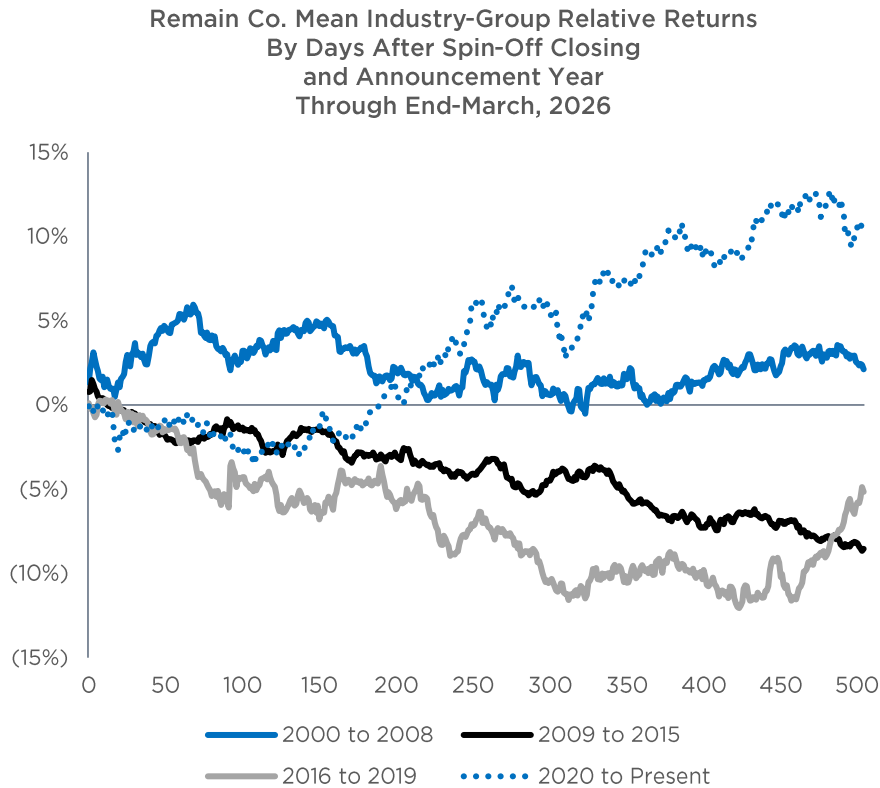
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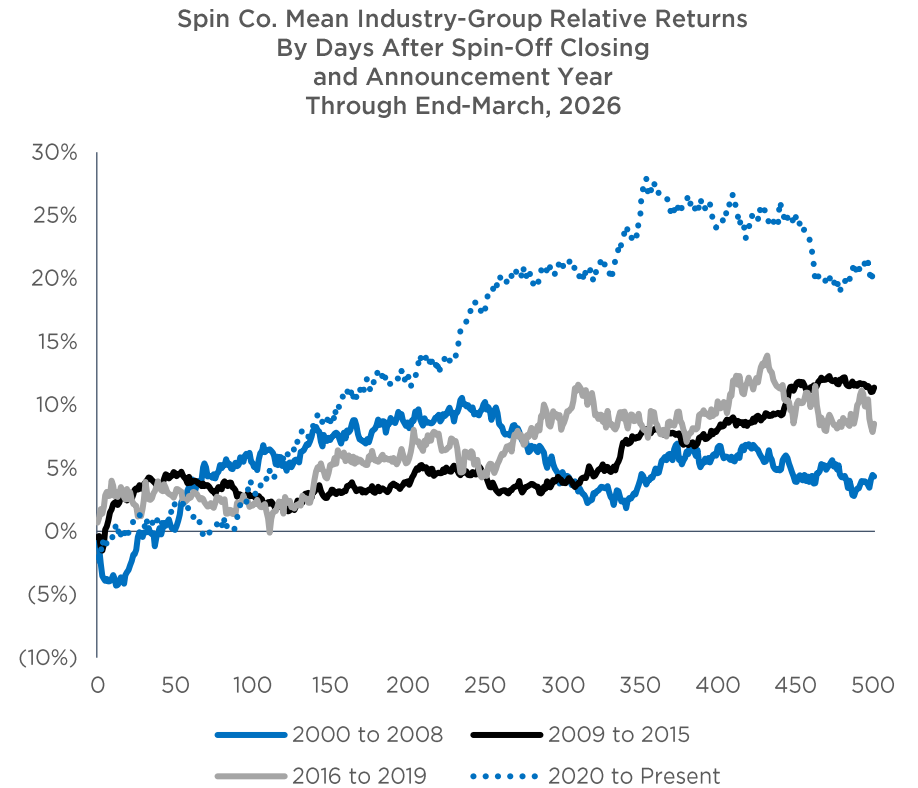
Source: Trivariate Research

THE AVG. SPIN WORKS AFTER 6 MONTHS, FOR REMAIN-COS IT'S A YR

More recently remain-cos have started to perform better than their industry average a year after the spin-off deal closes (left). The market reward for spin-cos looks similar for the first 100 days over all historical regimes, but spin-cos since COVID on average have started outperforming other time periods about six months after the deal closure (right).



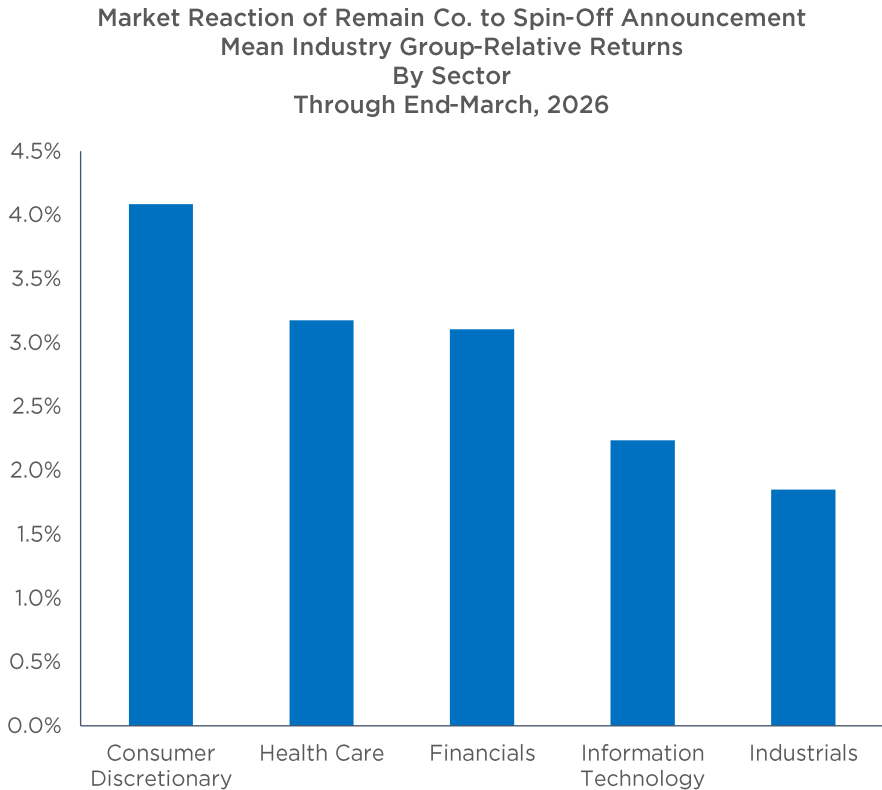
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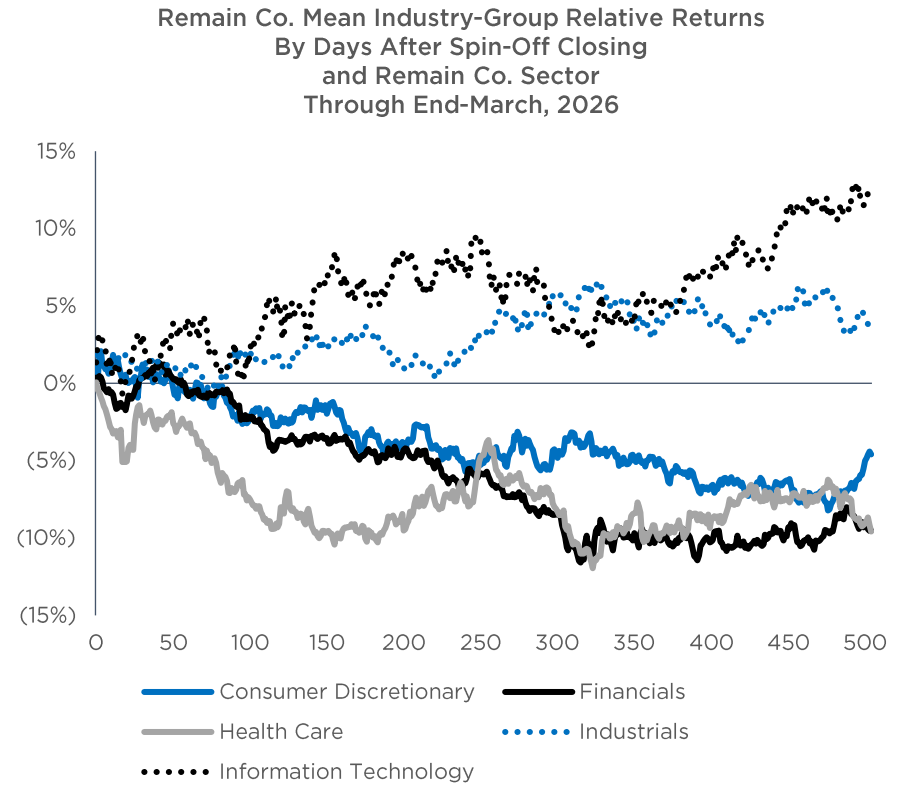
Source: Trivariate Research

TECH AND INDUSTRIALS REWARDED AFTER DEAL, NOT ON REACTION

The market reaction is different than the performance after the deal closing. Remain-cos in Consumer Discretionary typically react well to spin-off announcements, better than Industrials (left). However, after the deal closes, Consumer Discretionary, Healthcare, and Financials remain-cos typically continue to underperform. On average, selling remain-cos that pop on a spin announcement is prudent, and buying an Industrials or Technology company on the announcement is prudent (right).



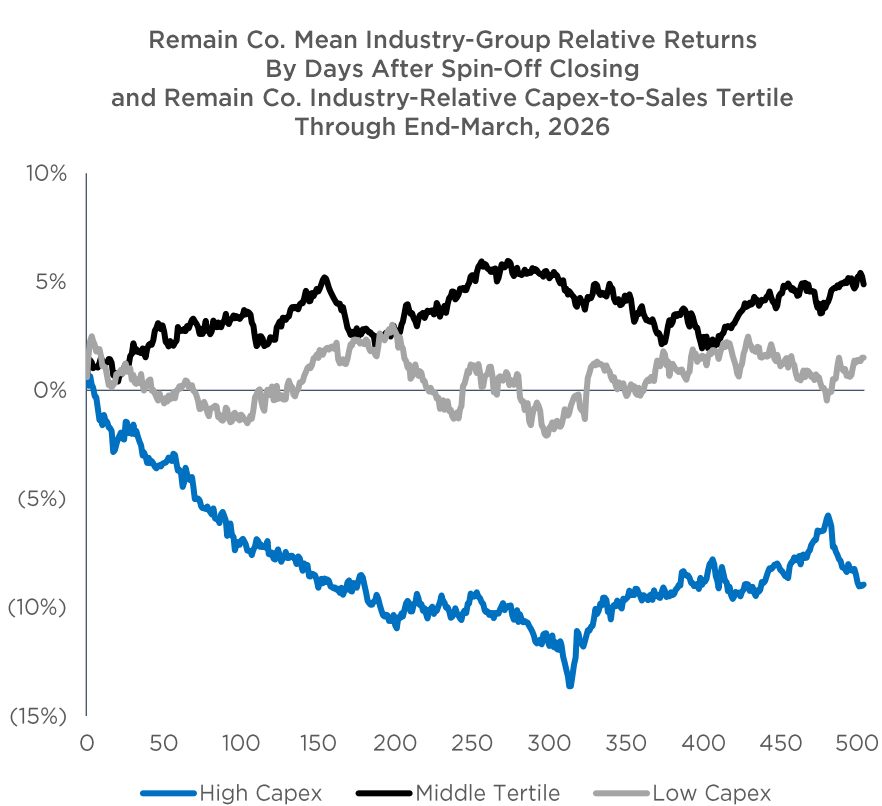
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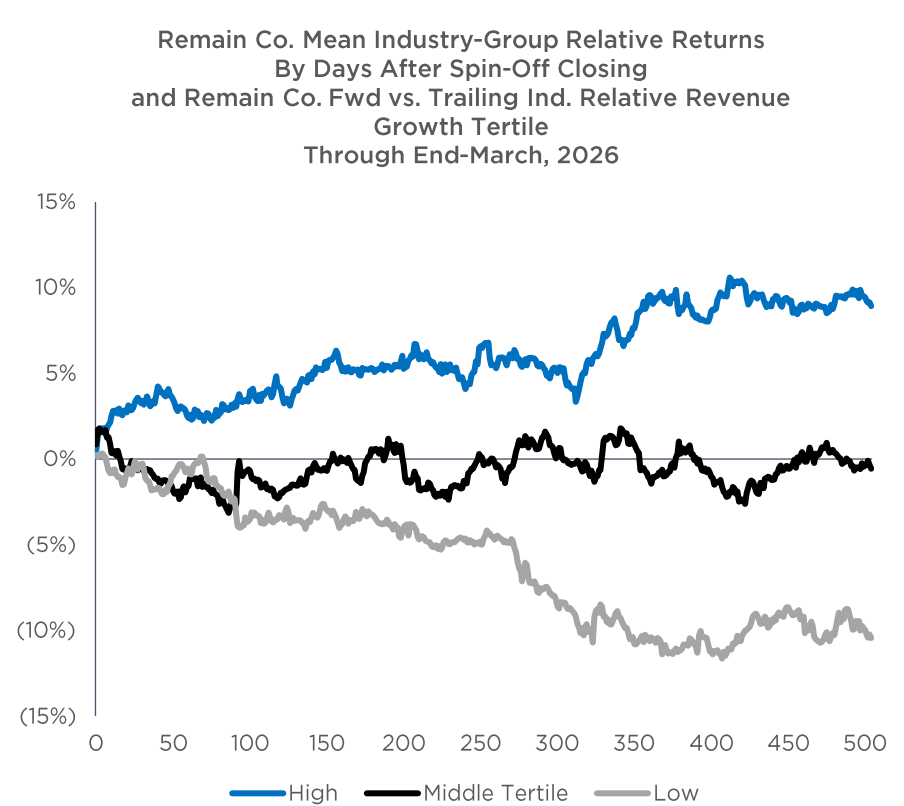
Source: Trivariate Research

REMAIN COS WITH LOW GROWTH, HIGH CAPITAL INTENSITY LAG

Remain-cos with high capital intensity (left) tend to lag. Remain-cos with forecasted inflecting revenue growth tend to strongly outperform slow growing remain-cos (right).



Source: Trivariate Research

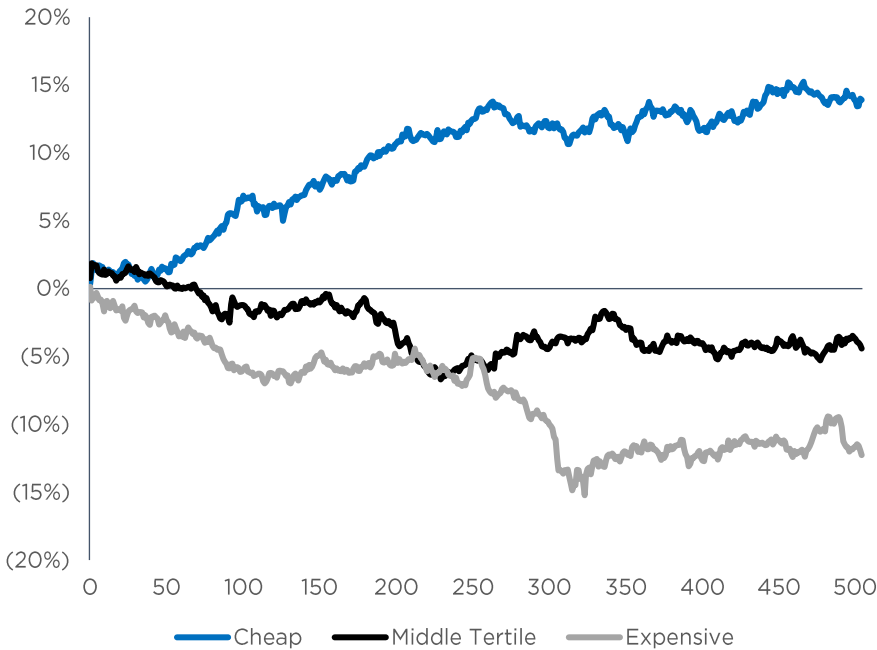


Source: Trivariate Research

CHEAP STOCKS THAT DO SPIN-OFFS OUTPERFORM

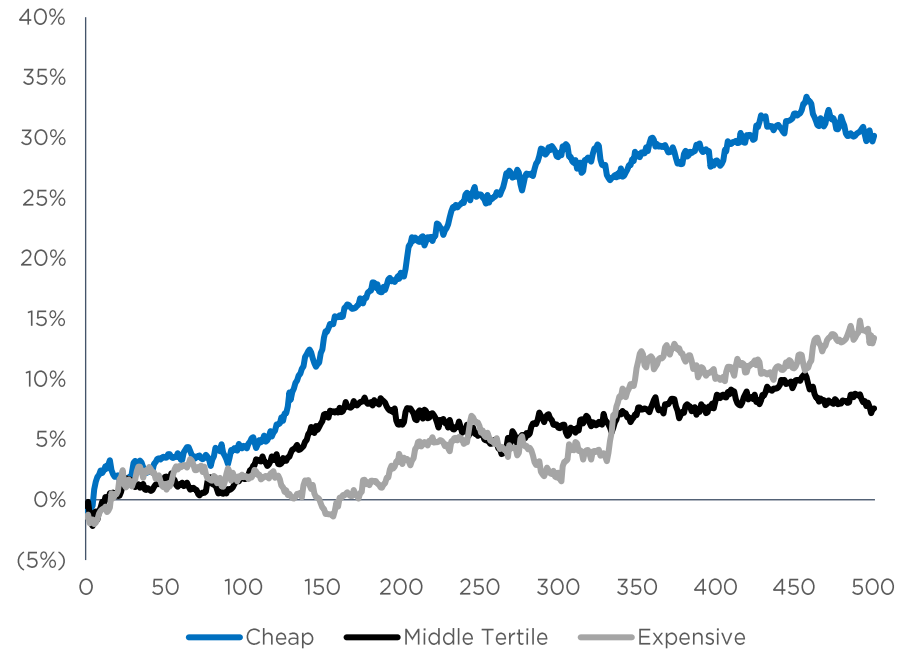
Cheap stocks that engage in spins tend to result in better outcomes for both the remain-cos (left) and spins (right). While valuation has not worked in every area of the market as of late, spin-offs are one area where it seems effective. Of the 32 variables we studied, only remain-cos with high revenue acceleration and cheap on EV-to-forecast sales significantly outperformed their industry group average.

Remain Co. Mean Industry-Group Relative Returns
By Days After Spin-Off Closing
and Remain Co. EV-to-Fwd. Sales Tertile
Through End-March, 2026



Source: Trivariate Research

Spin Co. Mean Industry-Group Relative Returns
By Days After Spin-Off Closing
and Remain Co. EV-to-Fwd. Sales Tertile
Through End-March, 2026

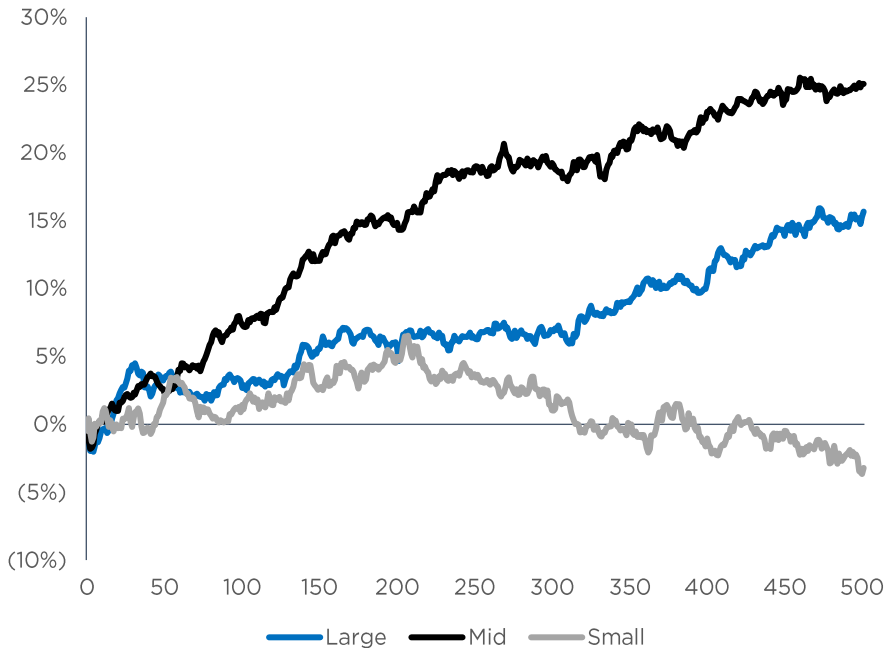


Source: Trivariate Research

MID-CAP AND MID-/LOW-QUAL. REMAIN COS CAUSE BEST OUTCOMES

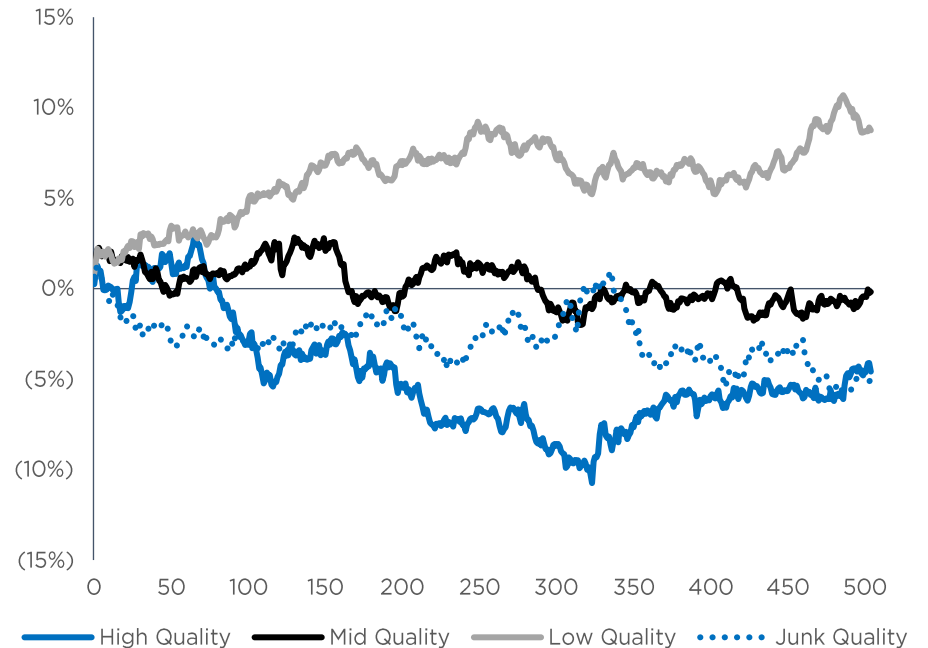
We studied the effect of the remain-cos size to see if there was an optimal business size where spin-offs worked best. Mid-cap companies spinning off companies tend to result in the best outcome for spins, better than large- or small-cap. remain cos (left). Mid-quality or low-quality remain-cos tend to outperform high-quality or junk. High-quality companies are the least rewarded on the spin-off announcement and in the subsequent 1-2 years after the spin-off closes.

Spin Co. Mean Industry-Group Relative Returns
By Days After Spin-Off Closing
and Remain Co's Market Cap.
Through End-March, 2026



Source: Trivariate Research

Remain Co. Mean Industry-Group Relative Returns
By Days After Spin-Off Closing
and Remain Co's Quality
Through End-March, 2026



Source: Trivariate Research

RECENT SPIN-OFFS ANNOUNCEMENTS INCLUDE MSGS, GPC, AND JNJ

Below we show the 20 most recent spin-off announcements and relevant variables in our spin-off playbook for when the transactions are completed. High and junk quality spin-offs tend to underperform (MSGS, JNJ, CTVA, SPGI, EXP). When there is a remain-co that is cheap on EV-to-forecast sales, both the remain-co and spin-co outperform on average (GPC, REZI, WBD, FDX, LEN, and HDS). It is best to avoid a remain-co with high capex (RNA, EXP). Remain-cos with high forecast revenue growth acceleration outperform (KHC, WBD, TFX, MIDD, HONN, and EXP).

20 Most Recent Spin-Off Announcements, Remain-Co Mid-Cap or Larger
As of End-March, 2026

Remain Co. Ticker	Remain Company	Spin Company	Market Cap. (US \$Bn.)	Announcement Date	Quality	EV-to-Fwd. Sales Tertile	Capex-to-Sales Ind.-Relative Tertile	Fwd. Revenue Growth Acceleration Tertile
MSGS	Madison Square Garden	New York Knicks, LLC	7.74	2/18/2026	Junk	Expensive	Low	Middle
GPC	Genuine Parts Company	Global Industrial businesses	14.71	2/17/2026	Low	Cheap	Middle	Middle
RNA	Avidity Biosciences, Inc.	Atrium Therapeutics, Inc.	11.30	10/25/2025	N/A	Expensive	High	Middle
JNJ	Johnson & Johnson	Orthopaedics business	588.76	10/14/2025	High	Expensive	Middle	Middle
CTVA	Corteva, Inc.	Crop Protection Business of Corteva	56.20	10/1/2025	High	Middle	Low	Middle
CTVA	Corteva, Inc.	Seed business of Corteva	56.20	10/1/2025	High	Middle	Low	Middle
KHC	The Kraft Heinz Company	North American Grocery Co	26.62	9/2/2025	Low	Middle	Middle	High
KDP	Keurig Dr Pepper Inc.	Global Coffee Co., LLC	35.77	8/25/2025	Mid	Middle	Middle	Low
REZI	Resideo Technologies, Inc.	ADI Global Distribution	5.10	7/30/2025	Low	Cheap	Low	Low
WBD	Warner Bros. Discovery, Inc.	WBD Global Networks Business	68.13	6/9/2025	Low	Cheap	Middle	High
SPGI	S&P Global Inc.	S&P Global Mobility Division	125.89	4/29/2025	High	Expensive	Middle	Middle
TFX	Teleflex Incorporated	Urology, Acute Care, and OEM businesses	5.29	2/27/2025	Mid	Middle	Middle	High
MIDD	The Middleby Corporation	Food processing business	6.26	2/25/2025	Low	Middle	Low	High
HON	Honeywell International Inc.	Honeywell Aerospace Inc.	143.68	2/6/2025	Mid	Middle	Middle	High
HON	Honeywell International Inc.	Automation business of Honeywell	143.68	2/6/2025	Mid	Middle	Middle	High
FDX	FedEx Corporation	FedEx Freight, Inc.	84.99	12/19/2024	Low	Cheap	Low	Middle
LEN	Lennar Corporation	Quarterra Group, Inc.	21.42	11/30/2021	Low	Cheap	Low	High
EXC	Exelon Corporation	Gas and Electric Utilities Business	50.16	2/21/2021	Low	Middle	Low	Low
HDS	HD Supply Holdings, Inc.	White Cap Supply Holdings, LLC	8.65	9/24/2019	Mid	Cheap	Low	Low
EXP	Eagle Materials Inc.	Heavy materials business	5.95	5/30/2019	Junk	Middle	High	High

Source: Trivariate Research

RECENT SPIN-OFFS INCLUDE CMCSA, LEN, MMM, AND CMI

Below we show the 20 most recent spin-off closures, which include remain-cos such as CMCSA, LEN, LBRDK, FTV, J, WDC, and others. Of the 20 most recent spin-offs, 11 spin-cos have outperformed their industry group mean by >10% within the first year.

20 Most Recent Spin-Off Closures, Remain-Co Mid-Cap or Larger
As of End-March, 2026

Remain Co. Ticker	Remain Company	Spin Co. Ticker	Spin Company	Spin-Off Closing Date	Remain Co. Market Cap. (US \$Bn.)	Spin Co. Market Cap. (US \$Bn.)	Remain Co. 1yr Ind.-Relative Return	Spin Co. 1yr Ind.-Relative Return
CMCSA	Comcast Corporation	VSNT	Versant Media Group, Inc.	1/02/2026	103.29	5.34	(0.0%)	(4.3%)
LEN	Lennar Corporation	MRP	Millrose Properties, Inc.	11/21/2025	21.42	4.65	(31.8%)	(4.1%)
LBRDK	Liberty Broadband	GLIB.K	GCI Liberty, Inc.	7/14/2025	7.22	1.48	(36.0%)	(2.4%)
FTV	Fortive Corporation	RAL	Ralliant Corporation	6/28/2025	17.02	4.65	(16.8%)	(23.1%)
J	Jacobs Solutions Inc.	AMTM	Amentum Holdings, Inc.	5/30/2025	14.95	6.36	7.9%	36.6%
WDC	Western Digital Corp.	SNDK	Sandisk Corporation	2/21/2025	91.71	93.78	277.2%	826.3%
LEN	Lennar Corporation	MRP	Millrose Properties, Inc.	2/7/2025	21.42	4.65	(4.1%)	44.3%
ILMN	Illumina, Inc.	GRAL	GRAIL, Inc.	6/24/2024	18.85	2.12	(1.2%)	222.0%
GE	General Electric Company	GEV	GE Vernova Inc.	4/2/2024	296.49	235.27	43.1%	170.6%
MMM	3M Company	SOLV	Solventum Corporation	4/1/2024	75.87	11.32	66.1%	(0.8%)
CMI	Cummins Inc.	ATMU	Atmus Filtration Technologies	3/13/2024	74.34	4.67	15.8%	47.0%
FLEX	Flex Ltd.	NXT	Nextpower Inc.	1/2/2024	24.07	12.93	40.7%	(20.2%)
WPC	W. P. Carey Inc.	NLOP	Net Lease Office Properties	11/1/2023	14.90	0.43	(19.1%)	58.3%
K	Kellanova	KLG	WK Kellogg Co	10/2/2023	29.10	1.99	28.4%	31.2%
ARMK	Aramark	VSTS	Vestis Corporation	9/30/2023	10.66	0.64	21.3%	3.9%
DHR	Danaher Corporation	VLTO	Veralto Corporation	9/30/2023	134.18	26.42	(5.9%)	17.4%
JNJ	Johnson & Johnson	KVUE	Kenvue Inc.	8/23/2023	588.76	39.90	(17.2%)	(1.3%)
BWA	BorgWarner Inc.	PHIN	PHINIA Inc.	7/3/2023	11.18	1.90	4.9%	73.4%
LH	Labcorp Holdings Inc.	FTRE	Fortrea Holdings Inc.	6/30/2023	21.99	0.47	12.5%	(38.6%)
MDU	MDU Resources Group	KNF	Knife River Corporation	5/31/2023	4.23	5.40	(0.0%)	47.9%

Source: Trivariate Research

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