US Equities
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VIDEO - The Spin-Off Playbook

[The Spin-Off Playbook]

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

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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 ~~much~~ 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.

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