



2022 Spin-Off Transaction Study

AUGUST 2022

Table of Contents

	Page
1. Study Overview	3
2. Executive Summary	6
3. Analysis	8
Parent Operating Statistics	9
General Characteristics	11
SpinCos Relative to Parents and RemainCos	19
Stock Performance	29
4. Appendix	34
Transaction List	35
Glossary of Defined Terms	39
About Houlihan Lokey	41

	Page
1. Study Overview	3
2. Executive Summary	6
3. Analysis	8
4. Appendix	34

Study Summary

- In this 2022 Spin-Off Transaction Study (the “Study”), we have assessed 38 spin-off transactions that closed between January 2019 and June 2022 (the “Study Period”).
- A spin-off is the distribution (usually on a pro rata basis) by a corporation (the “Parent”) of its ownership interest in a controlled corporation (“SpinCo”) to the stockholders of the Parent. As a result of the spin-off, SpinCo becomes a separate, independent company.
 - Parent, after the completion of the spin-off, is referred to herein as “RemainCo.”
- Specifically, this Study analyzes the following:
 - Certain Transaction Characteristics
 - Transaction rationale
 - Transaction structure
 - Parent’s financial profile
 - Shareholder profile
 - Transaction timing and terms
 - SpinCo and RemainCo financial profile
 - Size, growth, margin, leverage
 - Credit ratings
 - Share price performance of Parent, SpinCo, and RemainCo

Study Summary (Cont.)

- The Study includes spin-off transactions consummated by publicly traded companies during the Study Period.
 - The Study excludes transactions with the following characteristics:
 - Parents that had their primary business operations outside of the U.S.
 - Parents with revenue under \$500 million
 - Transactions for which there was insufficient information regarding terms (generally, smaller transactions)
 - Transactions in which the spin-off was primarily of financial assets
 - Reverse Spin-Offs
 - Reverse Morris Trust transactions
- The Study leveraged widely used transaction databases, including S&P Capital IQ (“Capital IQ”), as well as financial data sources (e.g., Bloomberg).
- A full transaction list can be found in the Appendix.

The Study is authored by Richard De Rose, Jacob Kalatizadeh, and Jake Bernstein of Houlihan Lokey’s New York office. If you have questions or comments, please contact Richard De Rose at (212.497.7867) or RDeRose@HL.com.

	Page
1. Study Overview	3
2. Executive Summary	6
3. Analysis	8
4. Appendix	34

Summary Observations

Public companies have completed approximately 38 spin-off transactions from January 2019 to June 2022.¹

Parent Operating Statistics

- Parent companies had a median EV of approximately \$20.1 billion and median revenues of about \$6.9 billion.
- Parent companies had median revenue and EBITDA growth of about 3.4% and 6.0%, respectively, in the last twelve months leading up to announcement of the spin-off.
 - 57% had positive revenue growth, and 62% had positive EBITDA growth.

General Characteristics

- The median spin-off transaction took 9 months to complete from announcement to effective date. Distribution ratios were set such that the interquartile range of SpinCo share prices were approximately \$20 to \$50 per share.
- About 61% of SpinCo businesses have different GICS industry classifications from their respective Parent companies.
- About 39% had a noted activist investor as a stockholder.

SpinCos Relative to Parents and RemainCos

- When compared to its respective Parent company, the median SpinCo:
 - Made up approximately 20% of its Parent's revenue and 19% of its Parent's EBITDA, in the twelve months leading up to the effective date.
 - Had an EBITDA margin that was 3% lower than its Parent.
 - Made up approximately 20% of its Parent's pre-spin Market Cap 30 days after the effective date.
 - Had a lower credit rating than RemainCo after the spin-off.
- When compared to their respective RemainCos, SpinCos:
 - Typically had lower revenue growth.
 - Typically had lower leverage.

Stock Performance

- The following average Parent stock performance relative to the S&P 500 was observed:
 - Flat performance on announcement date and over 2% underperformance from announcement to just prior to the effective date of the spin-off.
 - Flat performance from 30 days to just prior to the announcement date.

Notes: During the Study Period, four RMT transactions closed (AT&T Inc., Rexnord Corporation, Pfizer Inc., and McKesson Corporation). The RMT transactions are excluded from the above summary statistics. However, we note that on average, such transactions involved Parents which were larger in size by enterprise value and revenue, but which exhibited lower revenue growth and EBITDA growth. During the Study Period, one reverse-spin-off transaction closed (IAC/InterActiveCorp). This transaction is excluded from the above summary statistics but was smaller in size than the median transaction studied. Source: Capital IQ.

1. Consists of all transactions that meet the transaction screening methodology outlined herein.

	Page
1. Study Overview	3
2. Executive Summary	6
3. Analysis	8
Parent Operating Statistics	9
General Characteristics	11
SpinCos Relative to Parents and RemainCos	19
Stock Performance	29
4. Appendix	34

	Page
1. Study Overview	3
2. Executive Summary	6
3. Analysis	8
Parent Operating Statistics	9
General Characteristics	11
SpinCos Relative to Parents and RemainCos	19
Stock Performance	29
4. Appendix	34

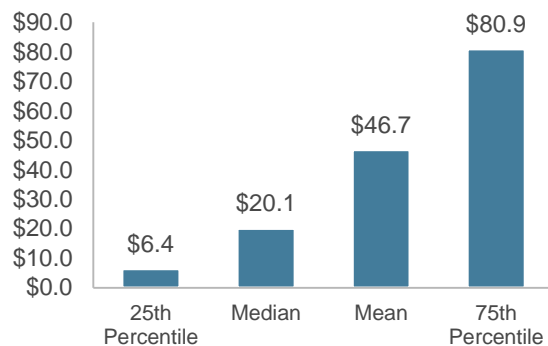
Overview of Parent Companies

The graphs below summarize certain financial characteristics of the Parent companies prior to the spin-off.

- Parent companies tend to be large, with a median EV of \$20.1 billion and median revenues of \$6.9 billion.
- The median Parent exhibited mild growth during the year preceding the announcement date, with revenue and EBITDA growth of 3.4% and 6.0% respectively.

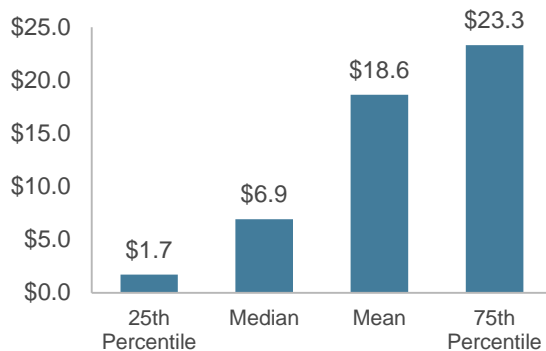
EV

(dollars in billions)



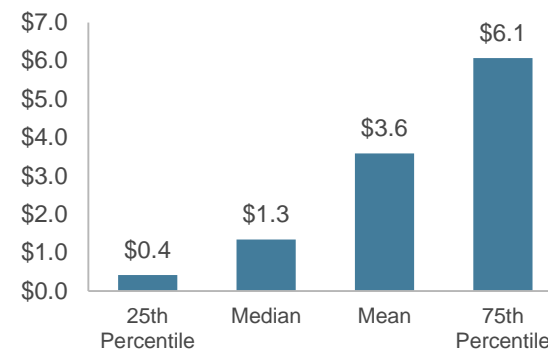
Revenue

(dollars in billions)



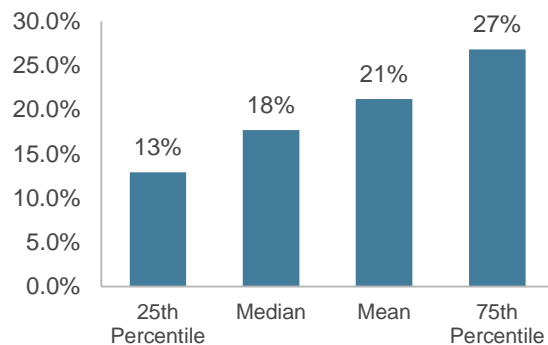
EBITDA

(dollars in billions)



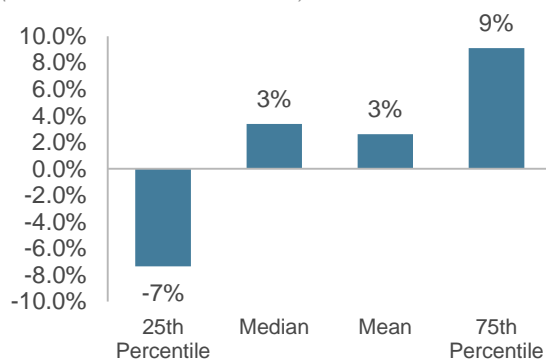
EBITDA Margin

(at announcement date)



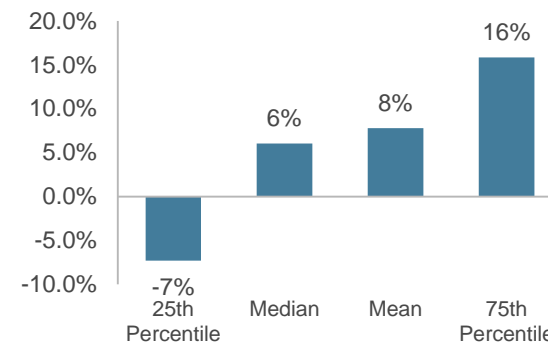
Revenue Growth

(LTM as of announcement date)



EBITDA Growth

(LTM as of announcement date)

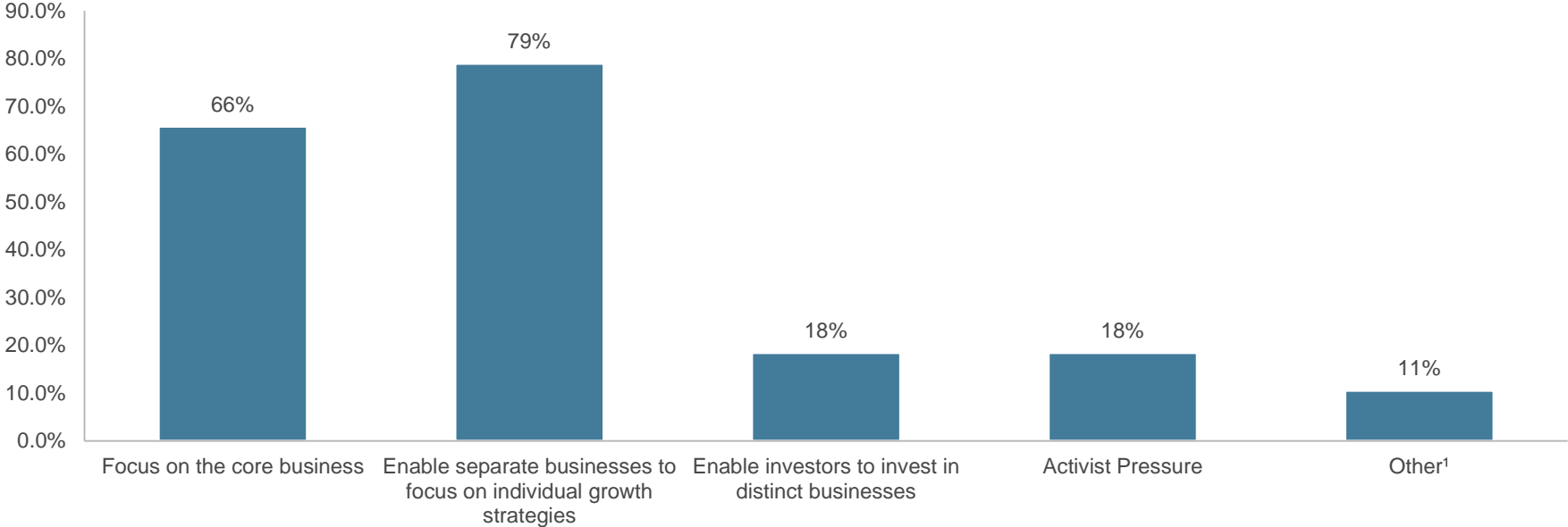


	Page
1. Study Overview	3
2. Executive Summary	6
3. Analysis	8
Parent Operating Statistics	9
General Characteristics	11
SpinCos Relative to Parents and RemainCos	19
Stock Performance	29
4. Appendix	34

Spin-Off Rationale

Parent companies cited a variety of reasons behind their decision to undertake a spin-off transaction, with divergent growth strategies being the most common consideration.

Percent of Companies Citing Each Reason

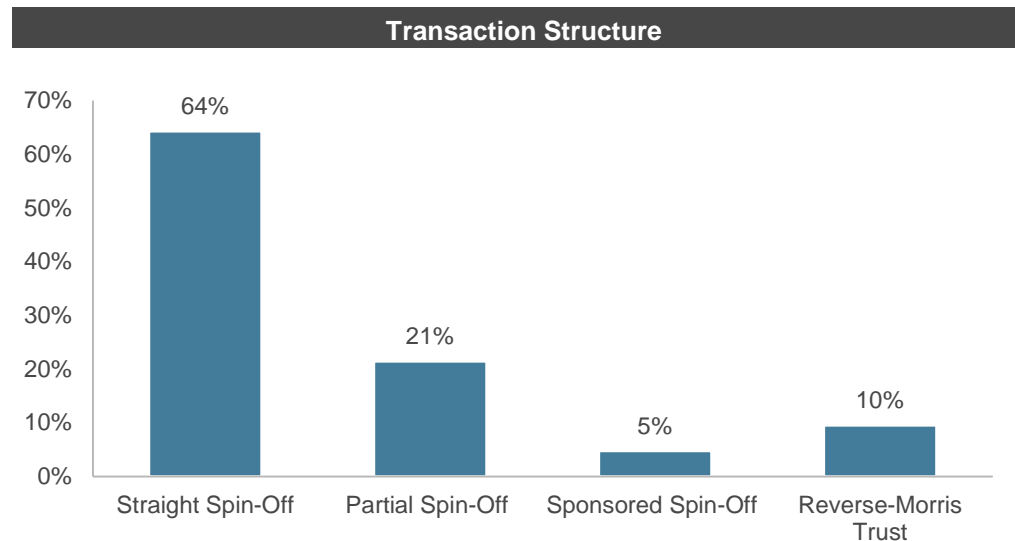


1. Other reasons include, but are not limited to: liquidity needs, to strengthen the balance sheet, to divest from risky assets, tax implications, political pressure, and defense against a takeover threat. Sources: Capital IQ, press release, public filings.

Transaction Structure

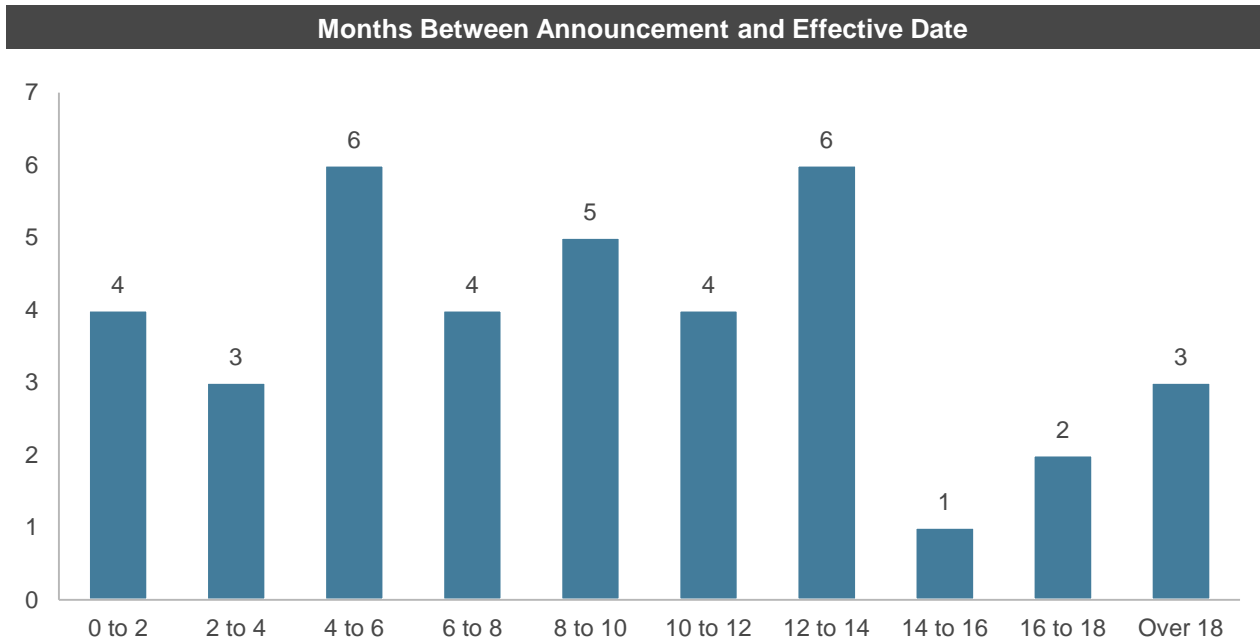
Spin-off transactions were structured in several ways, with a straight spin-off being the most common.

- **Straight Spin-Off** – 100% spin-off of the SpinCo stock.
- **Partial Spin-Off** – Parent retains less than 20% of the SpinCo stock.
- **Sponsored Spin-Off** – An investor, such as a private equity fund, acquires under 20% prior to the spin-off or commits funds after the transaction.
- **Reverse Morris Trust (“RMT”)** – Tax-advantaged transaction structure in which SpinCo merges with a target company following its separation from its Parent.



Transaction Time Frame Analysis

The median time elapsed between the announcement of the spin-off and the effective date was approximately 9 months.



Transaction Distribution by Industry

The following table summarizes the industry classification of the Parent in each transaction.

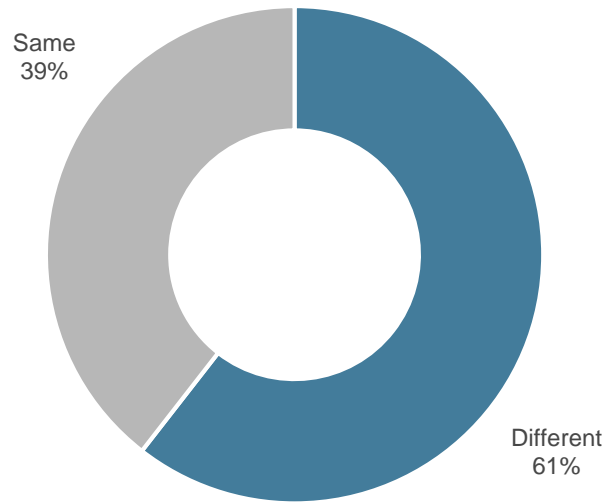
- Healthcare and Information Technology have been the industries with the most spin-off activity over the Study Period.

Number of Spin-Offs Closed by Industry					
	2019	2020	2021	2022	Total
Consumer Discretionary	1	2	1	0	4
Consumer Staples	0	0	1	1	2
Energy	0	0	0	0	0
Financials	0	1	0	0	1
Healthcare	3	0	1	3	7
Industrials	0	4	1	0	5
Information Technology	0	2	5	0	7
Materials	3	0	1	0	4
Communication Services	0	1	2	0	3
Utilities	0	0	1	1	2
Real Estate	1	1	1	0	3
Total	8	11	14	5	38

Industry Classification

The majority of SpinCos analyzed in the Study had a different primary industry classification than their respective Parents.

SpinCo and Parent Industry Classification¹

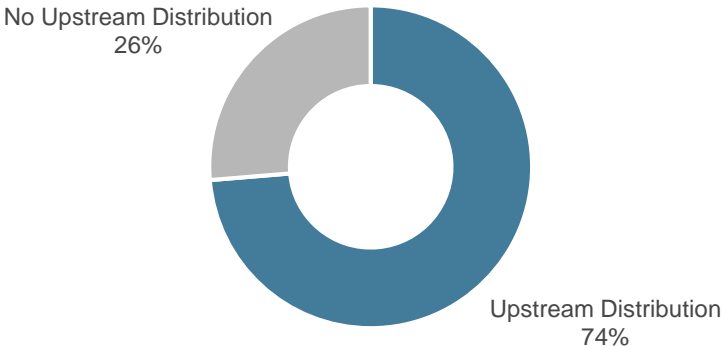


1. Per reported GICS Code; GICS Code refers to Global Industry Classification Standard.
Source: Capital IQ.

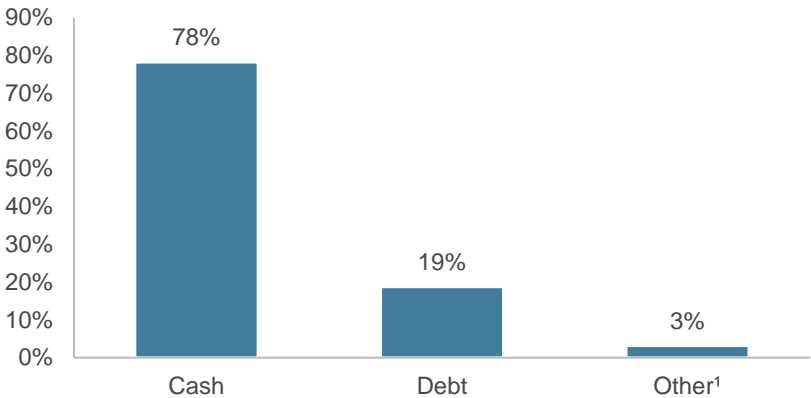
Distribution Analysis

A majority of the SpinCos made an upstream distribution to their respective Parents, most often in the form of cash or debt.

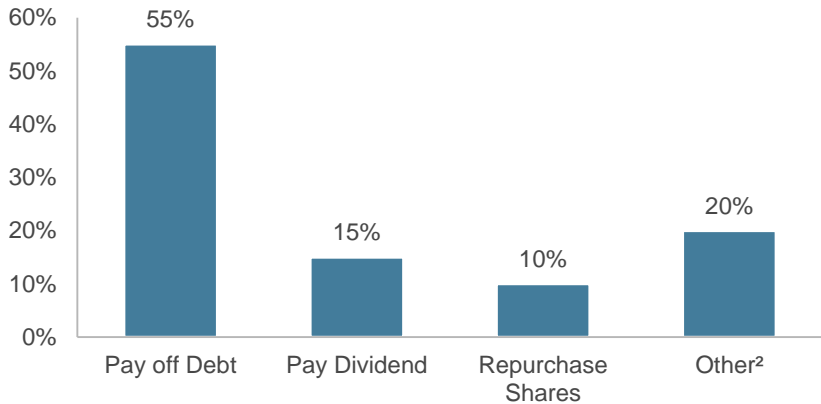
Spin-Offs with an Upstream Distribution



Type of Distribution



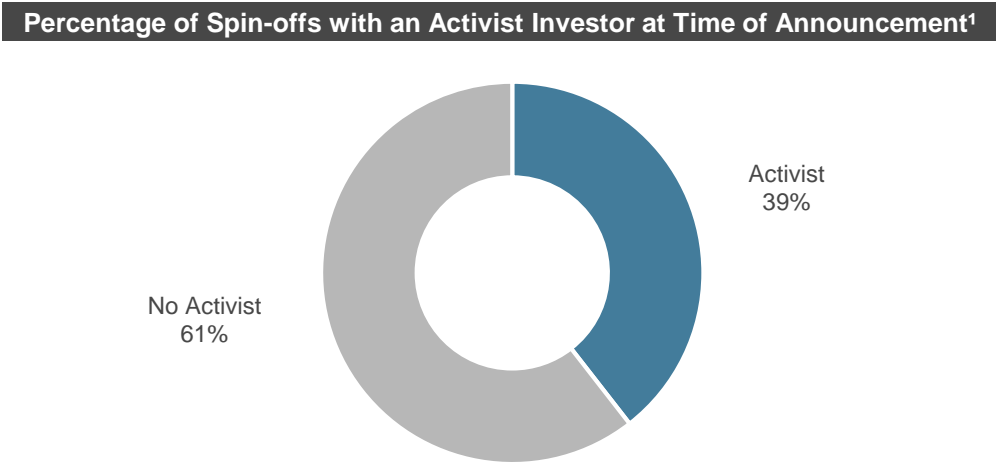
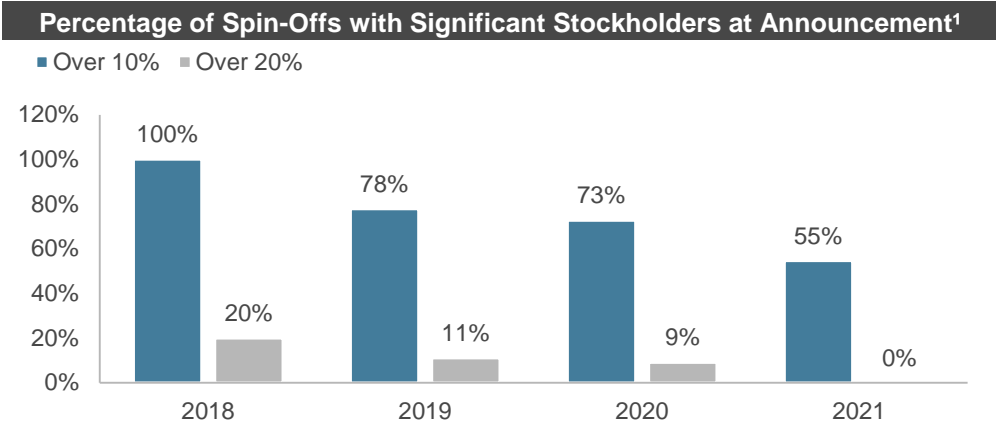
Parent Use of Cash Distribution Proceeds



1. "Other" includes but is not limited to: equity units and reimbursement of early loan redemption.
 2. "Other" includes but is not limited to: settlement of intercompany loans, funding of a cash payment, employer defined-benefit plans, or transfer of other assets.
 Sources: Capital IQ, Bloomberg, public filings, and press releases.

Parent Stockholder Analysis

Over two-thirds of Parents had a stockholder holding at least a 10% equity interest, with just 8% of Parents having a stockholder with an interest greater than 20%. In under half of the Transactions, a noted activist was an investor in the Parent.



1. Significant stockholders hold between 10% and 35% of Parent's shares. There were two Parents with stockholders who held greater than 35% of outstanding shares (SolarWinds Corporation and SunPower Corporation).

Sources: Capital IQ and press releases.

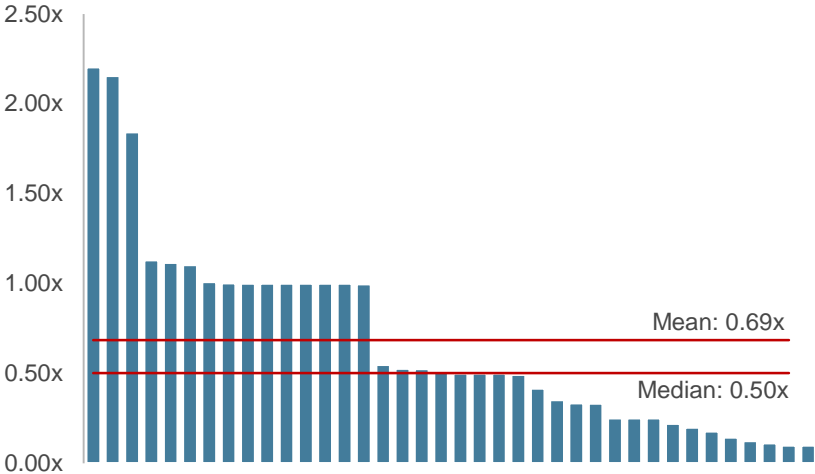
	Page
1. Study Overview	3
2. Executive Summary	6
3. Analysis	8
Parent Operating Statistics	9
General Characteristics	11
SpinCos Relative to Parents and RemainCos	19
Stock Performance	29
4. Appendix	34

SpinCo Day-One Closing Price and Distribution Ratio

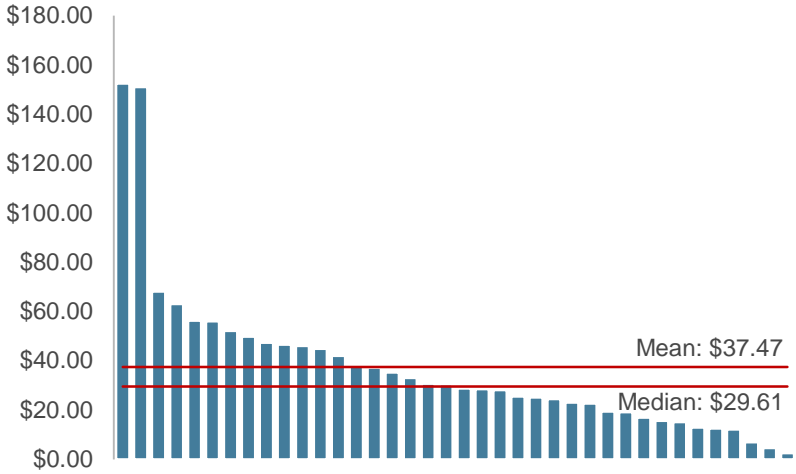
The following charts illustrate the distribution ratio of SpinCo shares to Parent shares, as well as the closing stock price for the SpinCo shares on their respective first days of trading.

- The distribution ratios appear to have been set such that the interquartile range of SpinCo share prices spans approximately \$20 to \$50 per share.
 - More than half of the SpinCos had a day-one closing pricing in this range.

Transaction Distribution Ratio



SpinCo Day-One Closing Stock Price



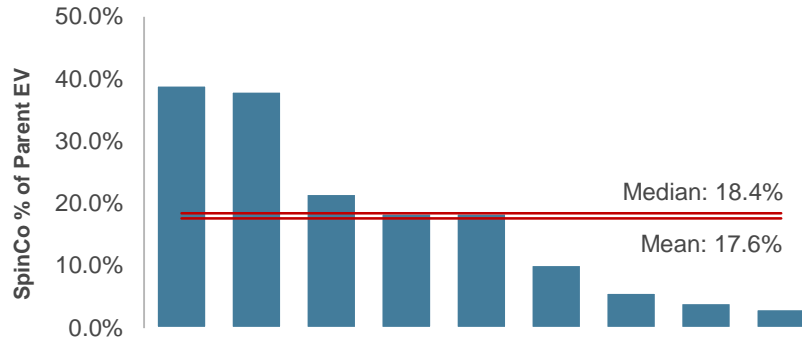
SpinCo Relative Size – Enterprise Value

The following charts illustrate the relative size of SpinCo enterprise values compared to those of their respective Parents.

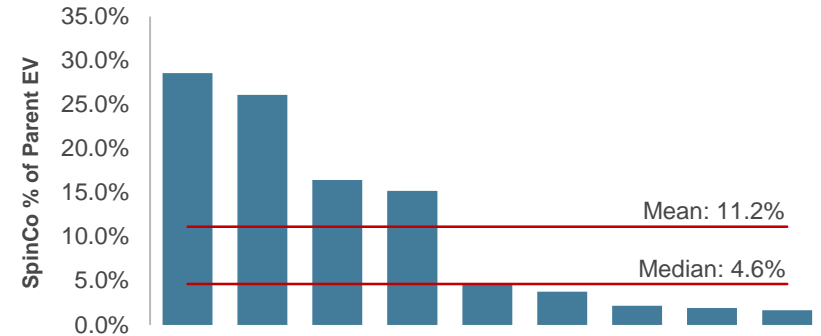
- Measured as the SpinCo's EV 30 days following the effective date compared to the Parent's EV immediately preceding the effective date.
- For the largest companies (Parent EV over \$100 billion), the median SpinCo EV was ~18% of its Parent's EV.
- For the smallest companies (Parent EV under \$10 billion), the median SpinCo EV was ~17% of its Parent's EV.

SpinCo EV (30 Days Following Effective Date) Compared to Parent EV¹

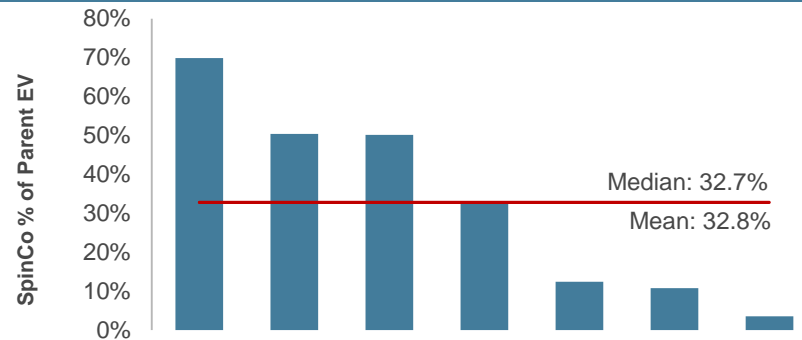
Parent EV Over \$100B



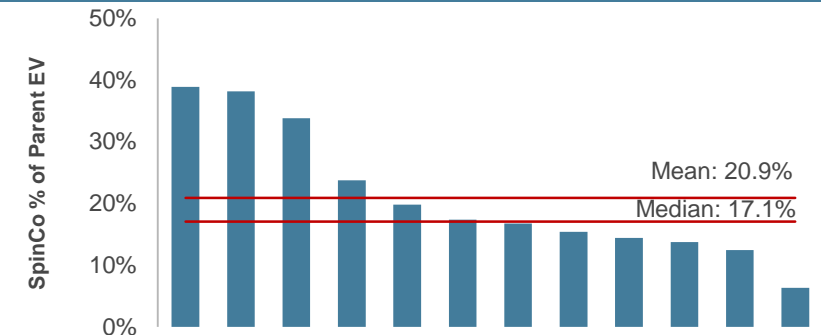
Parent EV Between \$25B and 100B



Parent EV Between \$10B and \$25B



Parent EV Under \$10B



1. Excludes one SpinCo where not available.
Source: Capital IQ.

SpinCo Relative Size – Market Capitalization

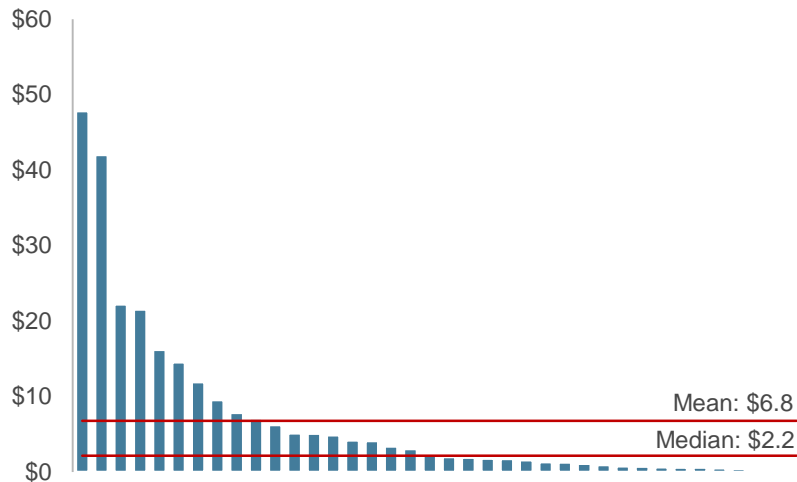
The following charts illustrate the relative size of SpinCo Market Caps compared to those of their respective Parents.

- Measured as SpinCo Market Cap 30 days following the effective date compared to Parent Market Cap immediately preceding the effective date.
- Across all of the companies, SpinCos had a median Market Cap of ~\$2 billion, or ~20% of their respective Parent's Market Cap.

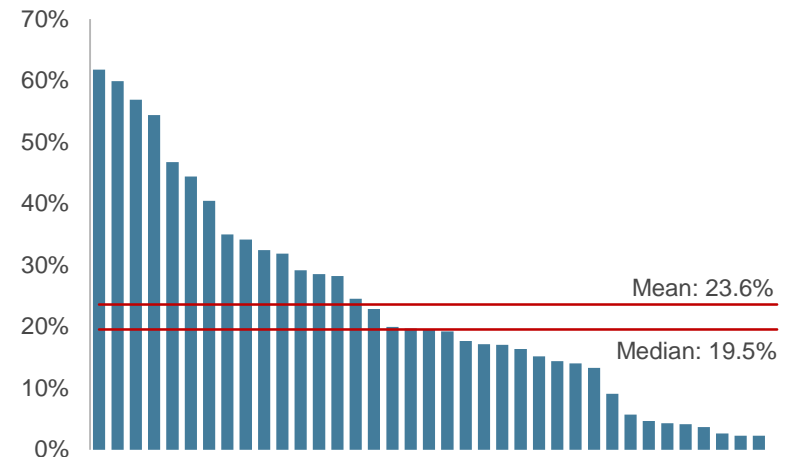
SpinCo Market Cap (30 Days Following Effective Date) Compared to Parent

SpinCo Market Cap

(dollars in billions)



SpinCo Market Cap as % of Parent Market Cap¹



1. Excludes one SpinCo where not available.
Source: Capital IQ.

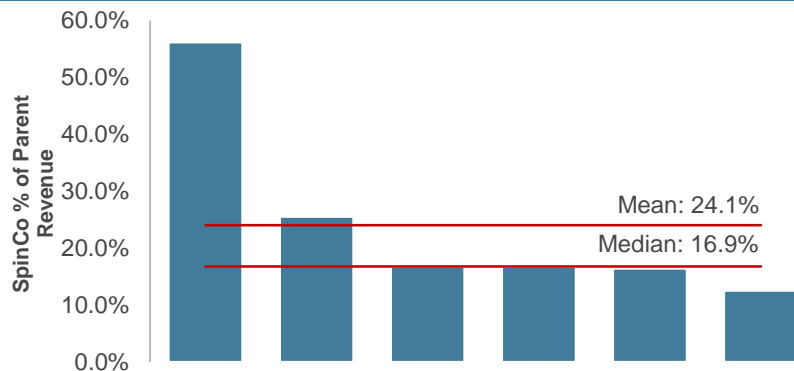
SpinCo Relative Size – Revenue

The following charts illustrate the difference in revenue between SpinCos and their respective Parents.

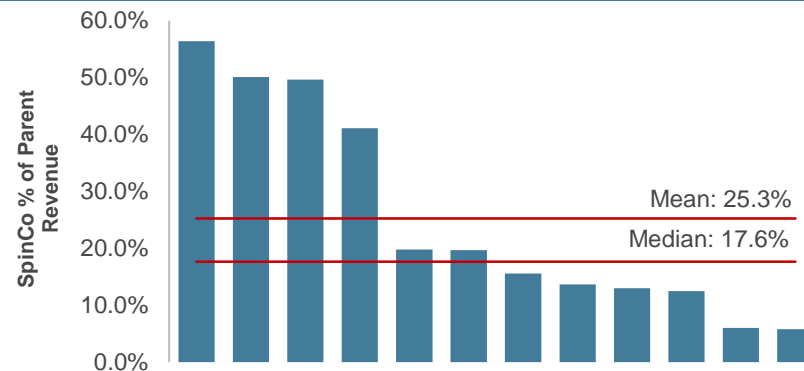
- Measured as SpinCo revenue during the LTM preceding the effective date and as a percentage of Parent revenue during the same period.
- The largest companies spun off a median of ~17% of revenues, while the smallest companies spun off ~30%.

SpinCo Revenue (LTM Preceding Effective Date) Compared to Parent Revenue

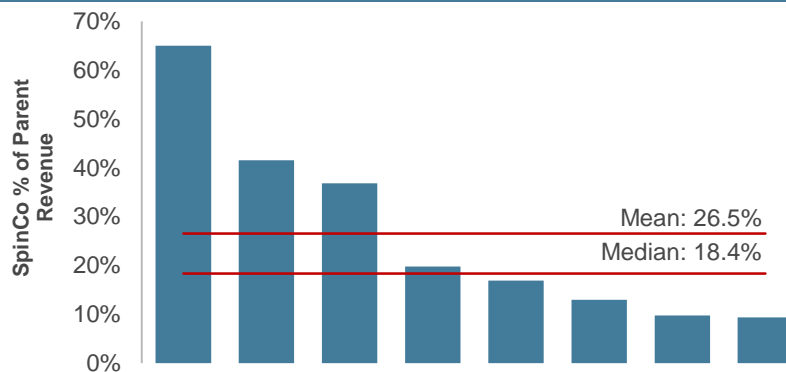
Parent Revenue Over \$50B



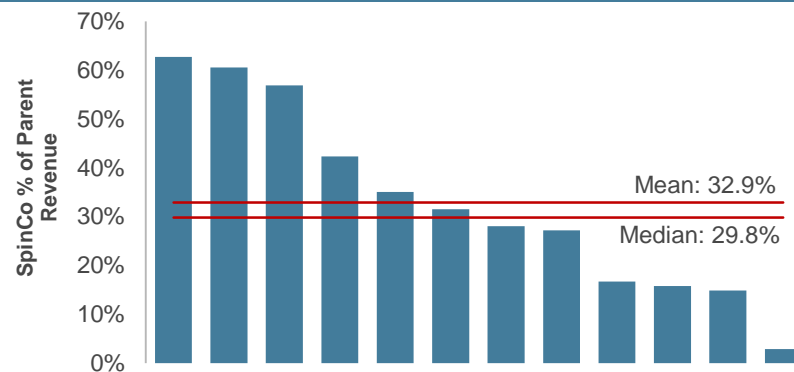
Parent Revenue Between \$10B and \$50B



Parent Revenue Between \$3B and \$10B



Parent Revenue Under \$3B

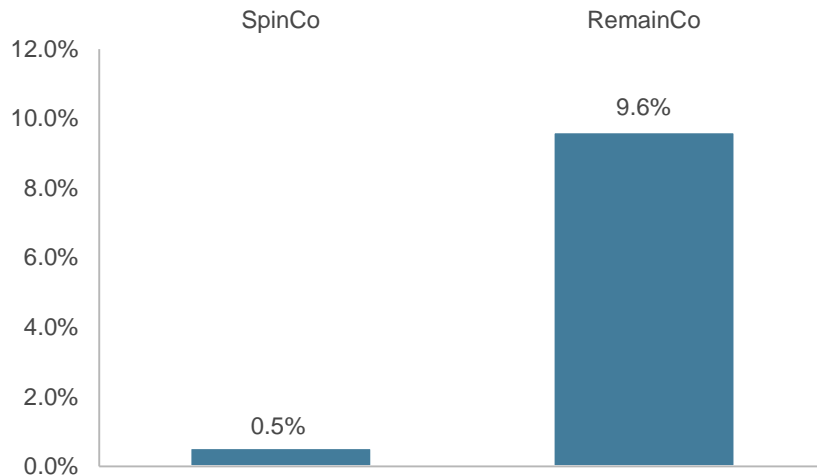


SpinCo vs. RemainCo – Revenue Growth

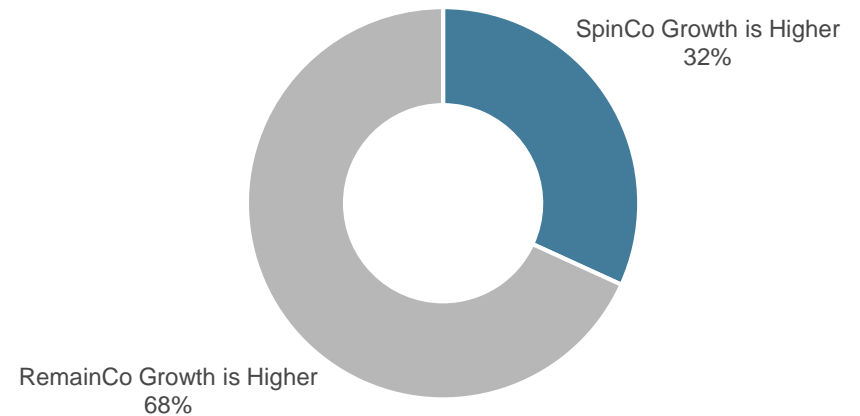
The following charts illustrate relative revenue growth rates between SpinCos and RemainCos.

- Measured as 12-month revenue growth for SpinCos compared to their respective RemainCos following the effective date.
- It appears that, on average, SpinCos experienced mild revenue growth and RemainCos experienced moderate revenue growth in the 12 months following the effective date.
- SpinCos experienced lower growth than their respective RemainCos in 68% of instances post-transaction.

Average One-Year Revenue Growth



% of Transactions In Which SpinCo's Growth Exceeds RemainCo's¹



1. For recent transactions, dates that are one year post-effective are yet to occur as of the time of the Study, and therefore such spin-offs have been excluded.
Source: Capital IQ.

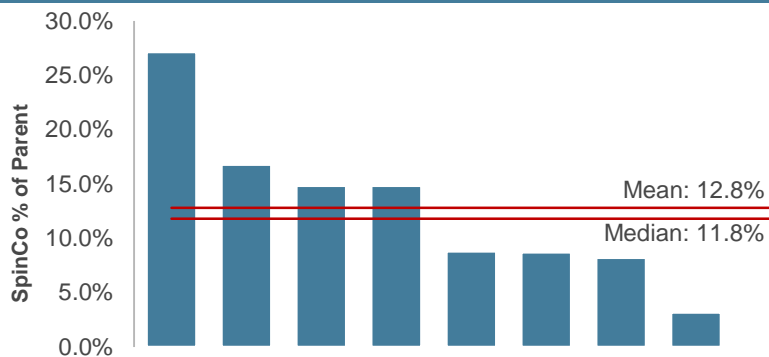
SpinCo Relative Size – EBITDA

The following charts illustrate the difference in EBITDA between SpinCos and their respective Parents.

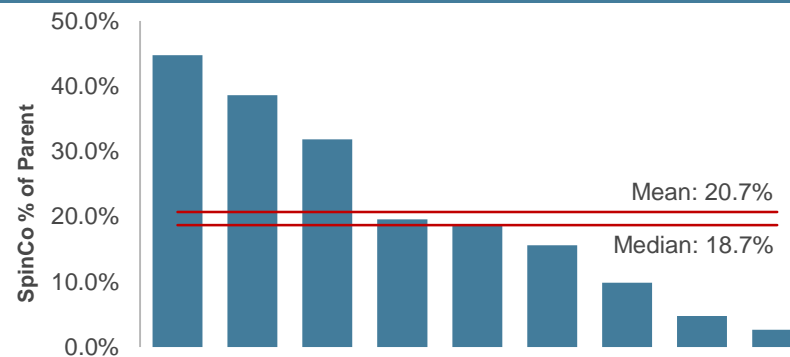
- Measured as SpinCo EBITDA during the LTM preceding the effective date and as a percentage of Parent EBITDA during the same period.
- The largest companies spun off a median of ~12% of EBITDA, while the smallest companies spun off ~26%.

SpinCo EBITDA (LTM Preceding Effective Date) Compared to Parent EBITDA¹

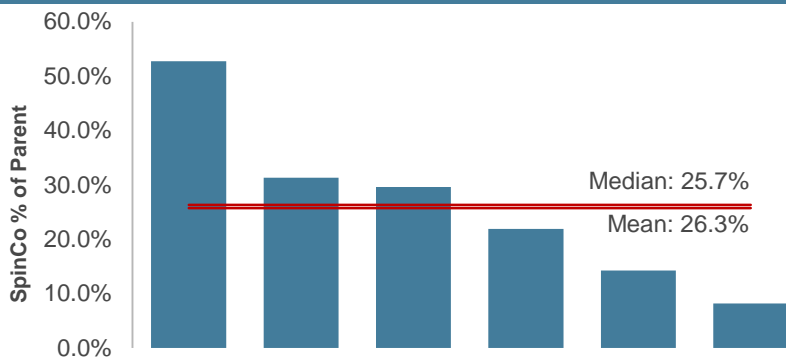
Parent EV Over \$100B



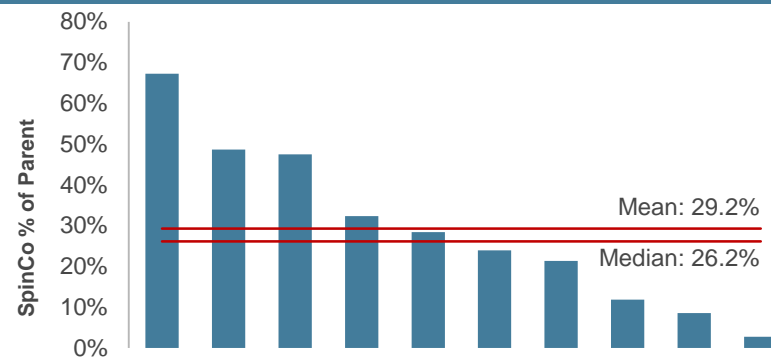
Parent EV Between \$25B and \$100B



Parent EV Between \$10B and \$25B



Parent EV Under \$10B



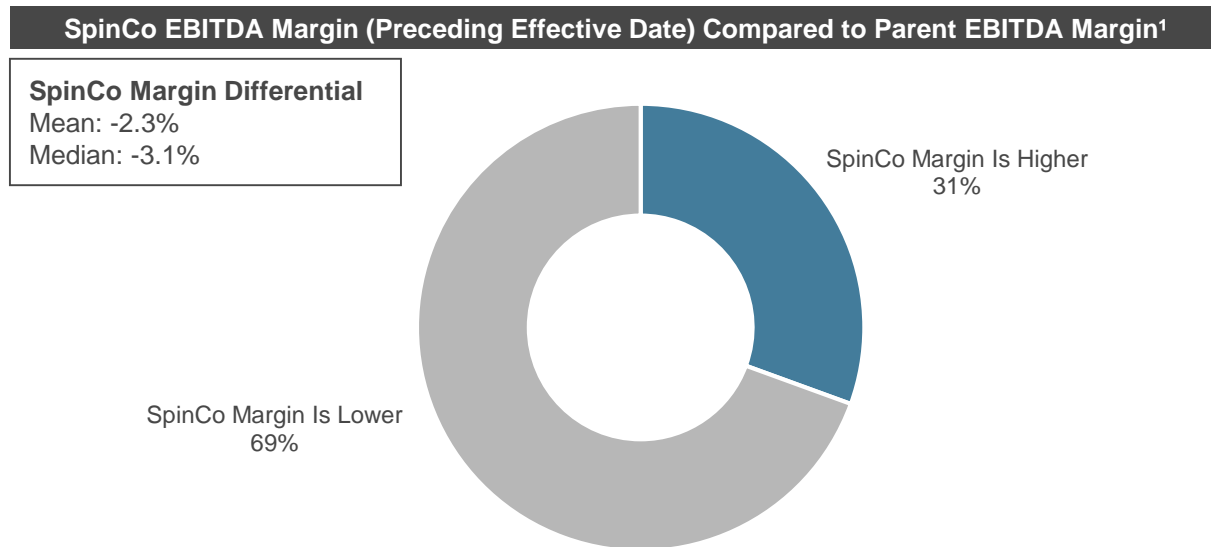
1. Excludes five SpinCos whose EBITDA figures were either negative or not meaningful due to being large outliers.

Source: Capital IQ.

SpinCo Relative Profitability – EBITDA Margin

The following chart illustrates the difference in EBITDA margin between SpinCos and their respective Parents.

- A majority of SpinCos exhibited EBITDA margins below those of their respective Parents, prior to the effective date.
- The median SpinCo had an EBITDA margin 3.1% below that of its respective Parent.
- Margin Differential is measured as the difference between SpinCo EBITDA margin and Parent EBITDA margin the day before the effective date.



1. Excludes two SpinCos whose EBITDA margins were either not available or not meaningful due to being large outliers.
Source: Capital IQ.

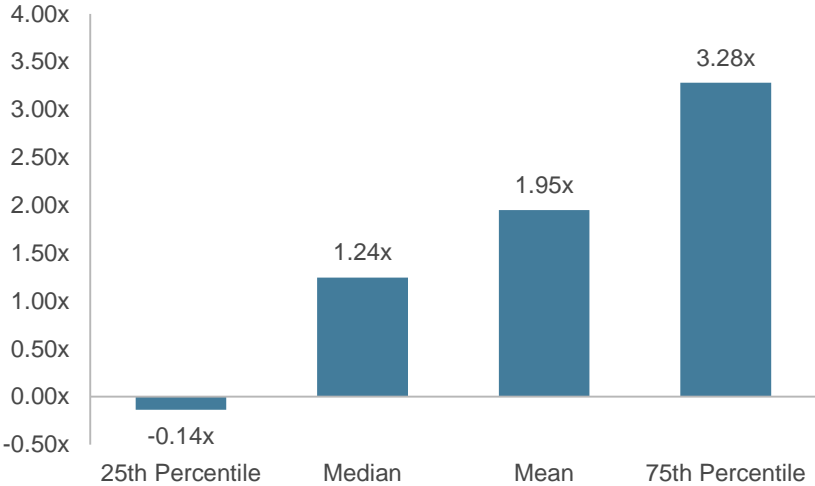
Leverage – Net Debt/EBITDA

The following charts illustrate the Net Debt/EBITDA for both SpinCos and RemainCos 90 days following the effective date.

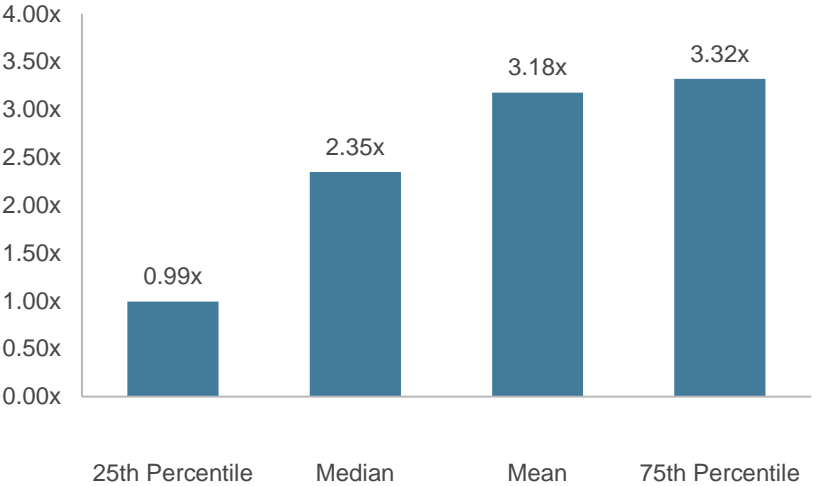
- On average, SpinCos exhibited lower leverage than RemainCos in the months following the effective date.
- Additionally, SpinCos exhibited greater dispersion in leverage than RemainCos.

Net Debt/EBITDA (90 Days Following Effective Date)¹

SpinCo



RemainCo



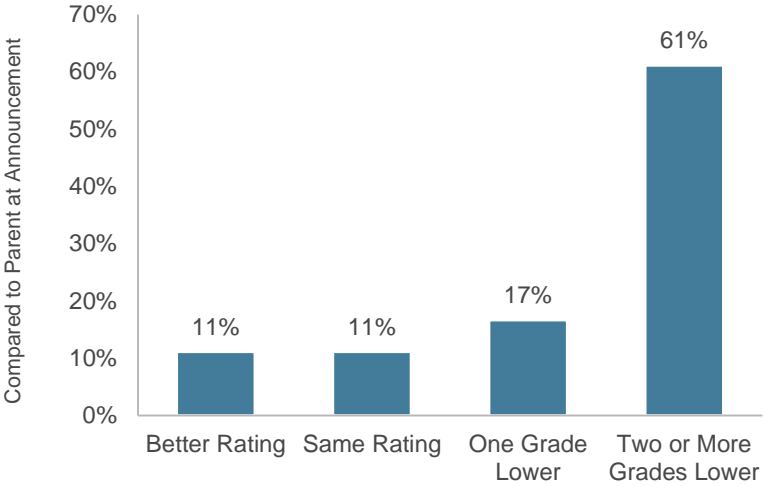
1. Excludes one SpinCo and two RemainCos which were not meaningful due to being large outliers. Source: Capital IQ.

SpinCo Credit Rating Analysis

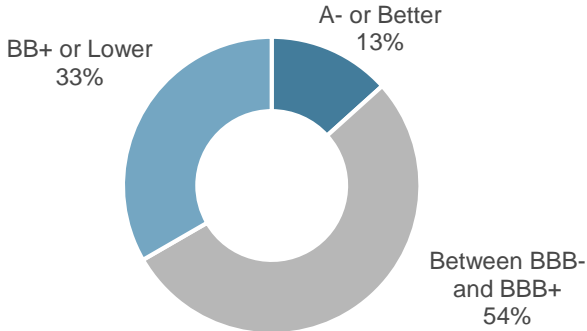
In the majority of transactions in the Study, SpinCos' credit ratings were lower than their respective Parent ratings on the effective date.

- A majority of SpinCos were rated below investment grade at the effective date.
- More than half of SpinCos were two or more grades lower than corresponding Parents after the effective date.

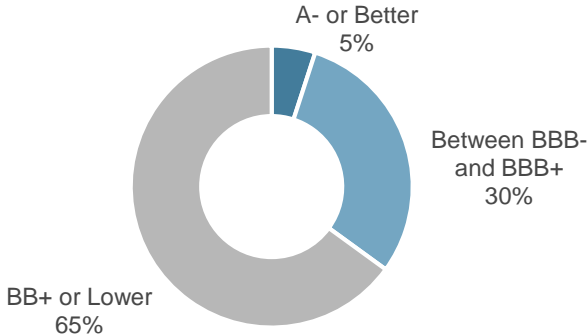
SpinCo vs. Parent Credit Rating at Effective Date¹



Parent Credit Rating at Effective Date¹



SpinCo Credit Rating at Effective Date¹



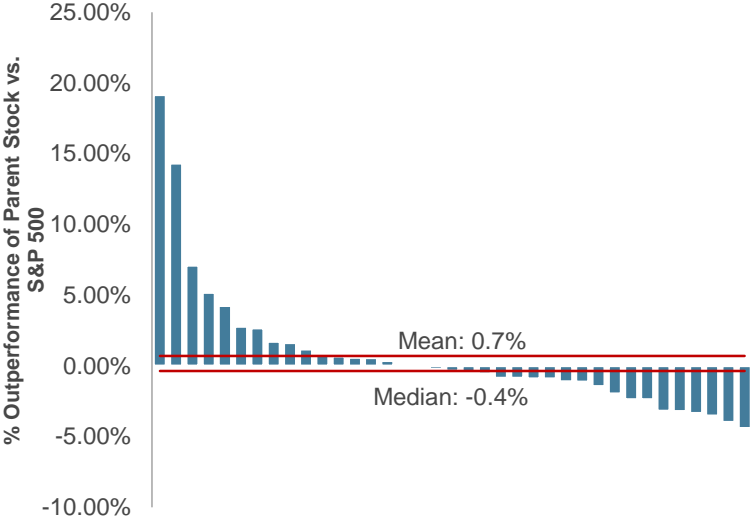
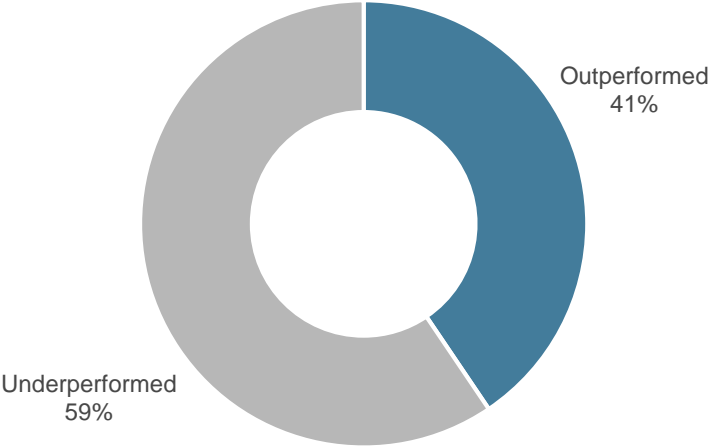
1. Excludes eight Parents and 18 SpinCos where companies were either unrated or ratings were unavailable. Source: Bloomberg.

	Page
1. Study Overview	3
2. Executive Summary	6
3. Analysis	8
Parent Operating Statistics	9
General Characteristics	11
SpinCos Relative to Parents and RemainCos	19
Stock Performance	29
4. Appendix	34

Parent Stock Performance – Upon Announcement

On the first trading day following the announcement of a spin-off, Parent company stocks tended to slightly underperform the S&P 500 with a median return of -0.4% relative to the index.

Parent Stock Performance Compared to S&P 500 (First Trading Day After Announcement)¹



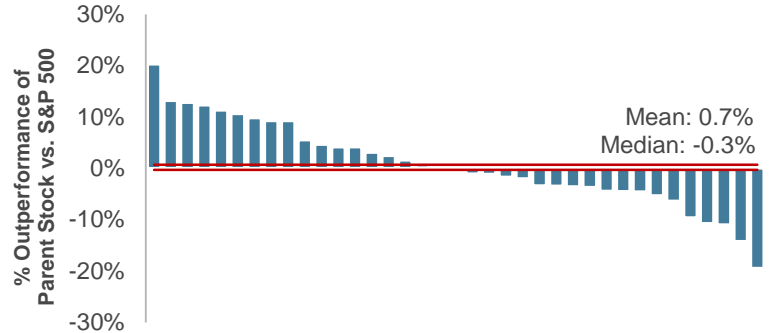
1. Excludes one Parent where not available. Source: Capital IQ.

Parent Stock Performance – Pre-Announcement to Effective Date

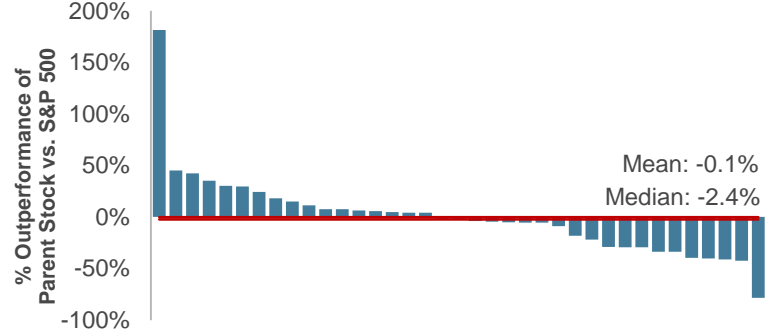
The following charts expand the view of Parent stock performance (relative to the S&P 500) to the 30-day period prior to the spin-off announcement date and the period between the announcement date and the effective date.

- In the 30 days leading up to (but excluding) the announcement date, approximately half of Parent stocks underperformed the S&P 500 while half outperformed, with a median return of -0.3% relative to the index.
- During the period from the day immediately prior to the announcement date to the effective date, a slight majority of Parent companies underperformed the S&P 500, with a median return of -2.4% relative to the index.

Parent Stock Performance Compared to S&P 500 (30 Days Leading up to Announcement Date)¹



Parent Stock Performance Compared to S&P 500 (Day Before Announcement to Day Before Effective)¹



1. Excludes one Parent where not available.
Source: Capital IQ.

Stock Performance – SpinCo (vs. S&P 500)

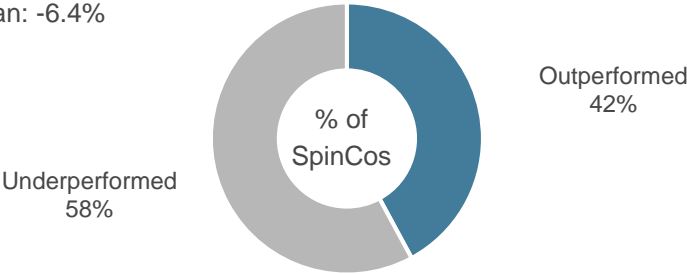
The following analysis tracks the share price performance of the SpinCos following the effective date, relative to the S&P 500.

- More SpinCos underperformed the S&P than overperformed in both the short and long term, following the effective date.
- The median SpinCo underperformed the S&P by ~6% and ~12%, 30 days and 1.5 years after the effective date, respectively.

SpinCo Performance Relative to S&P 500 Performance (Following Effective Date)

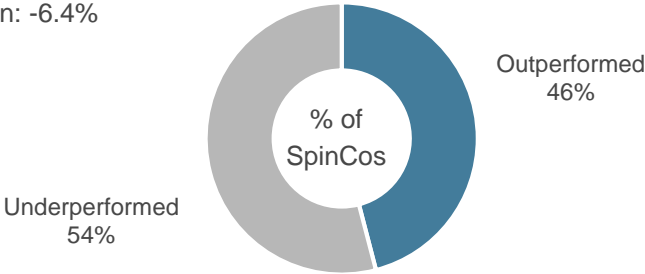
30 Days

Mean: -5.3%
Median: -6.4%



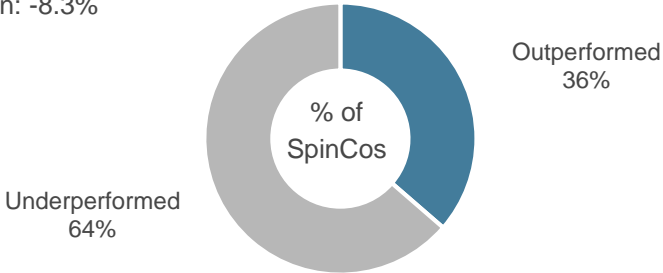
90 Days¹

Mean: -1.7%
Median: -6.4%



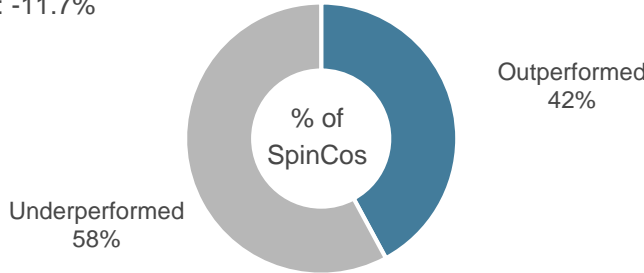
1 Year¹

Mean: 10.0%
Median: -8.3%



1.5 Years¹

Mean: 24.7%
Median: -11.7%



^{1.} For recent transactions, dates that are 90 days, one year, or one-and-a-half years post-effective are yet to occur as of the time of the Study, and therefore such spin-offs have been excluded.
Source: Capital IQ.

Stock Performance – RemainCo (vs. S&P 500)

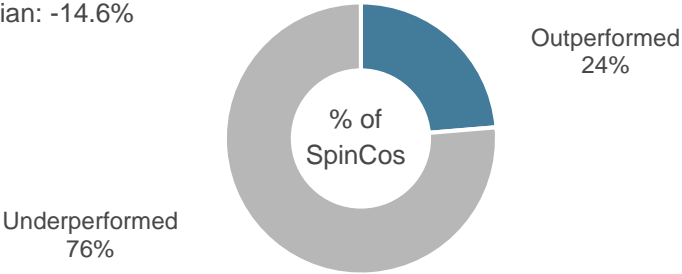
The following analysis tracks the share price performance of the RemainCos following the effective date, relative to the S&P 500.

- More RemainCos underperformed the S&P in the short term and slightly outperformed in the long term, following the effective date.
- The median RemainCo underperformed the S&P by ~15% and outperformed by ~0.1%, 30 days and 1.5 years after the effective date, respectively.

RemainCo Performance Relative to S&P 500 Performance (Following Effective Date)

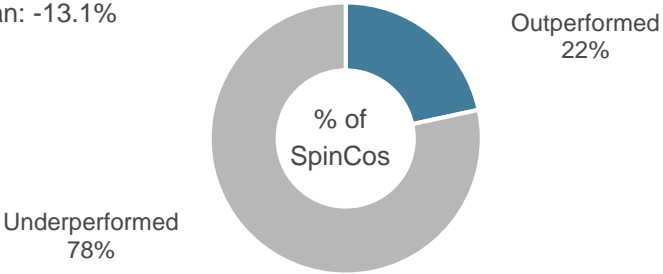
30 Days

Mean: -15.0%
Median: -14.6%



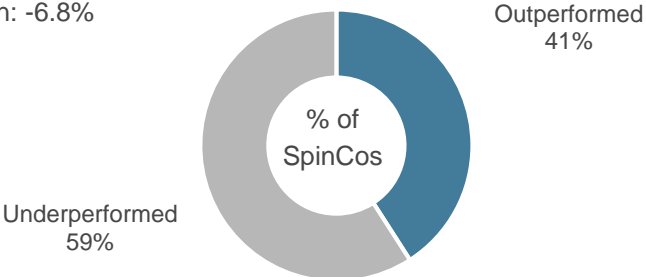
90 Days¹

Mean: -13.7%
Median: -13.1%



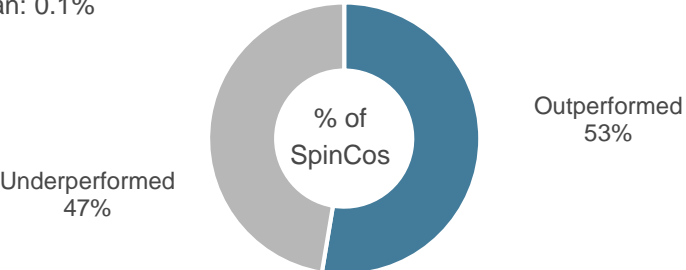
1 Year¹

Mean: -12.4%
Median: -6.8%



1.5 Years¹

Mean: -11.3%
Median: 0.1%



^{1.} For recent transactions, dates that are 90 days, one year, or one-and-a-half years post-effective are yet to occur as of the time of the Study, and therefore such spin-offs have been excluded.
Source: Capital IQ.

	Page
1. Study Overview	3
2. Executive Summary	6
3. Analysis	8
4. Appendix	34
Transaction List	35
Glossary of Defined Terms	39
About Houlihan Lokey	41

	Page
1. Study Overview	3
2. Executive Summary	6
3. Analysis	8
4. Appendix	34
Transaction List	35
Glossary of Defined Terms	39
About Houlihan Lokey	41

Transactions Included in the Study

Announced Date	Effective Date	Parent	RemainCo Market Cap After Effective (\$B)	SpinCo	SpinCo Market Cap After Effective (\$B)
11/8/2021	12/29/2021	Vector Group Ltd.	\$1.7	Douglas Elliman Inc.	\$0.6
8/5/2021	3/10/2022	Post Holdings, Inc.	\$4.5	BellRing Brands, Inc.	\$3.4
5/11/2021	11/5/2021	Alliance Data Systems Corporation (nka:Bread Financial Holdings, Inc.)	\$3.5	Loyalty Ventures Inc.	\$0.7
5/11/2021	8/2/2021	L Brands, Inc. (nka:Bath & Body Works, Inc.)	\$18.2	Victoria's Secret & Co.	\$6.2
5/6/2021	4/1/2022	Becton, Dickinson and Company	\$70.4	Berra Newco, Inc. (nka:Embeckta Corp.)	\$1.7
4/29/2021	11/12/2021	Realty Income Corporation	\$37.9	Certain Office Real Properties (nka:Orion Office REIT Inc.)	\$1.1
4/19/2021	10/7/2021	j2 Global, Inc. (nka:Ziff Davis, Inc.)	\$6.1	Consensus Cloud Solutions, Inc.	\$1.3
4/14/2021	11/1/2021	Dell Technologies Inc.	\$42.6	VMware, Inc.	\$47.8
3/4/2021	4/4/2022	Colfax Corporation (nka:Enovis Corporation)	\$3.7	ESAB Corporation	\$3.1
2/22/2021	2/1/2022	Exelon Corporation	\$42.3	Constellation Energy Corporation	\$16.2
2/5/2021	3/1/2022	Zimmer Biomet Holdings, Inc.	\$26.8	ZimVie Inc.	\$0.6
12/22/2020	5/24/2021	IAC/InterActiveCorp (nka:IAC Inc.)	\$13.7	Vimeo, Inc.	\$7.1
12/3/2020	10/1/2021	International Paper Company	\$19.2	Printing papers segment of International Paper Company (nka:Sylvamo Corporation)	\$1.2
12/2/2020	8/2/2021	XPO Logistics, Inc.	\$9.9	GXO Logistics, Inc.	\$9.5
10/27/2020	7/1/2021	DTE Energy Company	\$22.7	DT Midstream, Inc.	\$4.1
10/8/2020	11/3/2021	International Business Machines Corporation	\$106.6	Kyndryl Holdings, Inc.	\$4.2
9/14/2020	12/15/2020	Apartment Income REIT Corp.	\$5.7	Apartment Investment and Management Company	\$0.7
8/6/2020	7/19/2021	SolarWinds Corporation	\$2.8	N-able, Inc.	\$2.4
7/29/2020	11/30/2020	Aaron's, Inc. (nka:PROG Holdings, Inc.)	\$3.6	The Aaron's Company, Inc.	\$0.6
6/17/2020	9/30/2020	BBX Capital Corporation (nka:Bluegreen Vacations Holding Corporation)	\$0.2	BBX Capital Florida LLC (nka:BBX Capital, Inc.)	\$0.1

Transactions Included in the Study (Cont.)

Announced Date	Effective Date	Parent	RemainCo Market Cap After Effective (\$B)	SpinCo	SpinCo Market Cap After Effective (\$B)
2/5/2020	6/2/2021	Merck & Co., Inc.	\$199.0	Organon & Co.	\$7.8
1/9/2020	12/01/2020	SYNNEX Corporation (nka:TD SYNNEX Corporation)	\$4.2	Concentrix Corporation	\$5.1
12/4/2019	2/1/2021	Verint Systems Inc.	\$3.2	Cognyte Software Ltd.	\$2.0
11/15/2019	12/18/2019	Danaher Corporation	\$117.4	Envista Holdings Corporation	\$5.1
11/13/2019	8/24/2020	American Outdoor Brands Corporation (nka:Smith & Wesson Brands, Inc.)	\$0.9	American Outdoor Brands, Inc.	\$0.2
11/8/2019	8/26/2020	SunPower Corporation	\$1.8	Maxeon Solar Technologies, Ltd.	\$0.4
10/21/2019	11/5/2019	Ashford Hospitality Trust, Inc.	\$0.3	Ashford Inc.	\$0.1
9/3/2019	10/9/2020	Fortive Corporation	\$23.1	Vontier Corporation	\$4.9
5/6/2019	10/1/2019	The Ensign Group, Inc.	\$2.3	The Pennant Group, Inc.	\$0.5
2/8/2019	4/1/2020	Arconic Inc. (nka:Howmet Aerospace Inc.)	\$5.5	Arconic Rolled Products Corporation (nka:Arconic Corporation)	\$0.9
2/8/2019	3/11/2019	Eli Lilly and Company	\$123.5	Elanco Animal Health Incorporated	\$11.9
11/26/2018	4/3/2020	United Technologies Corporation (nka:Raytheon Technologies Corporation)	\$92.2	Otis Worldwide Corporation	\$21.5
11/26/2018	4/3/2020	United Technologies Corporation (nka:Raytheon Technologies Corporation)	\$92.2	Carrier Global Corporation	\$14.5
10/15/2018	3/1/2019	FMC Corporation	\$10.1	Livent Corporation	\$1.8
8/13/2018	5/22/2019	V.F. Corporation	\$35.1	Kontoor Brands, Inc.	\$1.6
6/27/2018	4/17/2020	The Madison Square Garden Company (nka:Madison Square Garden Sports Corp.)	\$3.7	Madison Square Garden Entertainment Corp.	\$1.9
12/11/2015	04/01/2019	The Dow Chemical Company (nka:DuPont de Nemours, Inc.)	\$83.8	Dow Inc.	\$42.0
12/11/2015	06/01/2019	The Dow Chemical Company (nka:DuPont de Nemours, Inc.)	\$55.9	Corteva, Inc.	\$22.2

Illustrative RMT Transactions During the Study Period

Announced Date	Effective Date	Parent	RemainCo Market Cap After Effective (\$B)	SpinCo	SpinCo Market Cap After Effective (\$B)
5/17/2021	4/8/2022	AT&T Inc.	\$143.4	Warner Bros. Discovery, Inc.	\$43.1
2/16/2021	10/4/2021	Rexnord Corporation (nka:Zurn Elkay Water Solutions Corporation)	\$4.3	Process & Motion Control Segment of Rexnord Corporation	\$11.0
7/29/2019	11/16/2020	Pfizer Inc.	\$210.3	Upjohn Inc.	\$21.4
6/28/2016	3/10/2020	McKesson Corporation	\$23.6	HCIT Holdings, Inc. (nka:Change Healthcare Inc.)	\$3.2

Note: These transactions were excluded from all of the analyses in this study except for the "Transaction Structure" analysis on page 12.

NA refers to Not Available.

Source: Capital IQ.

	Page
1. Study Overview	3
2. Executive Summary	6
3. Analysis	8
4. Appendix	34
Transaction List	35
Glossary of Defined Terms	39
About Houlihan Lokey	41

Glossary of Defined Terms

Definition	Description
Parent	Company prior to the spin-off transaction
SpinCo	Entity that is spun off (the majority or all of the stock of which is distributed to Parent's stockholders)
RemainCo	Parent company following the completion of the spin-off
Announcement Date¹	Date that the company issued a press release announcing the intended spin-off
Effective Date	Date in which SpinCo's shares began trading on the applicable exchange
Enterprise Value ("EV")	Represents the value of all common equity, preferred equity, and convertible securities (on an as-converted basis), plus the face value of all outstanding debt, less cash, and marketable securities
EBITDA	Earnings before interest, taxes, depreciation, and amortization, is calculated as revenue less expenses, excluding tax, interest, depreciation, and amortization, and non-recurring adjustments
Last Twelve Months ("LTM")	Represents the latest twelve-month period
Market Cap	Represents the market value of all the common equity based on observed trading prices
Distribution Ratio	Represents the number of shares of SpinCo received by shareholders of the Parent for each share of Parent common stock held prior to the spin-off
Valuation Multiples	Include the ratios EV/Revenue and EV/EBITDA
Leverage	Represents the net debt level (total debt less cash) of a company and is calculated by dividing net debt by LTM EBITDA
Reverse Morris Trust ("RMT")	Tax-advantaged transaction structure in which SpinCo merges with a target company following its separation from its Parent
Reverse Spin-Off	A type of spin-off transaction in which SpinCo, rather than RemainCo, is the continuing entity and may be treated as such for accounting and legal purposes

1. In some cases, rumors of a possible spin-off may have preceded such announcement.

	Page
1. Study Overview	3
2. Executive Summary	6
3. Analysis	8
4. Appendix	34
Transaction List	35
Glossary of Defined Terms	39
About Houlihan Lokey	41



Houlihan Lokey is the trusted advisor to more top decision-makers than any other independent global investment bank.

Corporate Finance

2021 M&A Advisory Rankings All U.S. Transactions

	Advisor	Deals
1	Houlihan Lokey	301
2	Goldman Sachs	285
3	JP Morgan	282
4	Jefferies	199
5	Morgan Stanley	185

Source: Refinitiv.

No. 1 U.S. M&A Advisor

Top 5 Global M&A Advisor

Leading Capital Markets Advisor

Financial Restructuring

2021 U.S. Distressed Debt & Bankruptcy Restructuring Rankings

	Advisor	Deals
1	Houlihan Lokey	33
2	Moelis	19
3	AlixPartners	15
4	Evercore Partners	14
5	PJT Partners	13

Source: Refinitiv

No. 1 Global Restructuring Advisor

1,500+ Transactions Completed
Valued at More Than \$3.0 Trillion
Collectively

Financial and Valuation Advisory

2002 to 2021 Global M&A Fairness Advisory Rankings

	Advisor	Deals
1	HoulihanLokey	952
2	JP Morgan	890
3	Duff & Phelps, A Kroll Business	882
4	Morgan Stanley	602
5	BofA Securities	531

Source: Refinitiv. Announces of completed transactions.

No. 1 Global M&A Fairness Opinion
Advisor Over the Past 20 Years

1,000+ Annual Valuation
Engagements

Our product knowledge, industry expertise, and global reach deliver superior results.

Product Expertise

Mergers and Acquisitions

Capital Markets

Financial Restructuring

**Financial and Valuation
Advisory**

Private Funds Advisory

Dedicated Industry Groups

Business Services

Consumer, Food, and Retail

Energy

Financial Services

Healthcare

Industrials

Real Estate, Lodging, and Leisure

Technology

Financial Sponsors

Active Dialogue With a Diverse
Group of More Than 1,000 Sponsors

Private Equity Firms

Hedge Funds

Capital Alliances

Our clients benefit from our local presence and global reach.

North America

Atlanta
Boston
Chicago
Dallas
Houston
Los Angeles
Miami
Minneapolis
New York
San Francisco
Washington, D.C.

Europe and Middle East









Amsterdam
Dubai
Frankfurt
London
Madrid
Manchester
Milan
Munich
Paris
Stockholm
Tel Aviv
Zurich

Asia-Pacific

Beijing
Fukuoka
Ho Chi Minh City
Hong Kong SAR
Mumbai
Nagoya
New Delhi
Osaka
Shanghai
Singapore
Sydney
Tokyo

Premier Solvency Opinion Provider for High-Profile Spin-Offs

- Houlihan Lokey is the premier provider of solvency opinions with strong experience in complex situations such as Reverse Morris Trust transactions

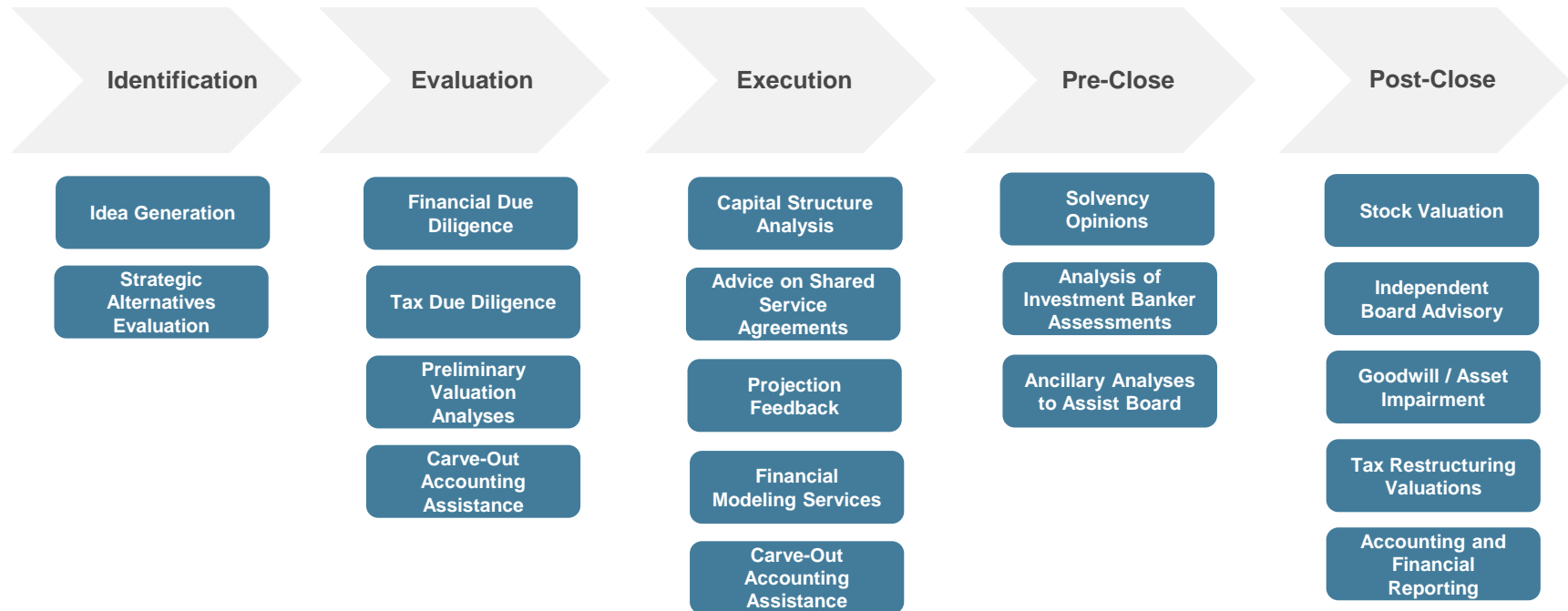
 <p>has completed the spin-off of</p>  <p>Financial Opinion</p>	 <p>has completed the spin-off of</p>  <p>Financial Opinion</p>	<p>REALTY INCOME</p> <p>has completed the spin-off of substantially all of its office assets into</p>  <p>Sellside Advisor</p>	 <p>has completed the spin-off of</p>  <p>Financial Opinions</p>	<p>DELL Technologies</p> <p>has completed the spin-off of</p>  <p>Financial Opinion</p>	<p>J2 GLOBAL</p> <p>has changed its name to</p>  <p>and has completed the spin-off of</p>  <p>Financial Opinion</p>	 <p>has completed the spin-off of</p>  <p>Financial Opinion</p>
 <p>has completed the spin-off of</p>  <p>Financial Opinion</p>	 <p>has completed the separation of</p>  <p>Financial Opinion</p>	 <p>has completed the spin-off of</p>  <p>which subsequently merged with</p>  <p>to form</p>  <p>Financial Opinion</p>	 <p>has completed the spin-off of</p>  <p>Financial Opinions</p>	 <p>has successfully completed the spin-off of</p>  <p>Houlihan Lokey provided financial opinions to the Board of Directors of both Twenty-First Century Fox and Fox Corporation.</p> <p>Financial Opinion</p>	 <p>has completed the spin-off of</p>  <p>which subsequently merged with</p>  <p>to form</p>  <p>Financial Opinion</p>	 <p>has completed the spin-off of its U.S. Public Sector business and merger with</p>  <p>to form</p>  <p>Financial Opinion</p>
 <p>has completed a spin-off of</p>  <p>Financial Opinion</p>	 <p>has completed the spin-off of</p>  <p>Financial Advisory Services</p>	<p>VARIAN medical systems</p> <p>has completed the spin-off of</p>  <p>Financial Opinion</p>	 <p>has completed the spin-off of</p>  <p>Financial Opinion</p>	<p>LOCKHEED MARTIN</p> <p>has completed the split-off of Abacus Innovations Corporation and the subsequent merger of Abacus Innovations Corporation and</p>  <p>Financial Opinion</p>	 <p>has completed the spinoff of</p>  <p>which was formed upon the merger with</p>  <p>Financial Opinion</p>	 <p>has completed the spin-off of</p>  <p>Financial Opinion</p>

Comprehensive Suite of Transaction, Valuation and Advisory Solutions Available to Companies Contemplating a Spin-off

Our diversified suite of valuation and advisory services provides our clients with multiple tools necessary during a potential spin-off transaction

- We offer an integrated suite of services throughout the lifecycle of a transaction, investment or business decision
- When contemplating a spin-off transaction, there are numerous advisory services that may be required by public companies. From providing strategic alternatives advice to post-close accounting analyses, Houlihan Lokey can be your trusted partner each step of the way.
- In addition to being the preeminent provider for solvency opinions, we have specialists in other “high-touch” processes that require creativity and analytical rigor.

Houlihan Lokey’s Selected Transaction Based Service Offerings



Why Houlihan Lokey?

Leading Solvency Opinion Franchise	✓ <ul style="list-style-type: none">■ Premier provider of solvency opinions with strong experience in complex situations such as Reverse Morris Trust transactions■ Since pioneering the use of solvency opinions in the mid-1980s, we have rendered hundreds of solvency opinions on behalf of boards of directors, lenders, equity sponsors and investors■ Significant experience in navigating complex issues on behalf of our clients, including synergies, underfunded pension obligations, environmental liabilities, product-related liabilities, employee claims, regulatory investigations, and other contingent liabilities
Industry & Product Expertise	✓ <ul style="list-style-type: none">■ Houlihan Lokey has extensive M&A, financing and valuation experience across numerous industries, which allows us to bring a “real-world” approach to valuation and solvency analyses■ Our multi-disciplinary team will include industry specialists alongside dedicated transaction opinion specialists who focus on rendering opinions and have significant experience in managing litigation risk
Track Record with Opinions Upheld in Courts	✓ <ul style="list-style-type: none">■ On the few occasions when our solvency opinion clients have been subject to subsequent litigation, our opinions have been upheld in the courts. Examples of our solvency opinions being upheld in the courts include:<ul style="list-style-type: none">➢ <i>Klang v. Smith’s Food & Drug Ctrs.</i> (Delaware Supreme Court)➢ <i>Envirodyne Industries, Inc. bankruptcy petition</i> (United States Bankruptcy Court, Northern District of Illinois)➢ <i>U.S. Bank v. Verizon Communications</i> (U.S. District Court, Northern District of Texas)
Ample Resources Dedicated to Each Engagement	✓ <ul style="list-style-type: none">■ With over 2,500 employees in 38 offices worldwide, Houlihan Lokey has an investment banking culture and infrastructure to dedicate resources to each of our engagements, manage the process effectively, and efficiently and deliver optimal results for our clients■ Houlihan Lokey provides significant senior attention and employs a hands-on approach to each and every engagement
Intellectual Rigor and Stringent Procedure	✓ <ul style="list-style-type: none">■ Houlihan Lokey’s advisory engagements are subject to rigorous and well-documented review by an internal Solvency Opinion Committee consisting of three senior Houlihan Lokey financial professionals who are not affiliated with the engagement. This committee oversees the work of the engagement team and provides significant procedural and substantive weight to the strength of our advice and opinion that can withstand external scrutiny
Independence	✓ <ul style="list-style-type: none">■ Houlihan Lokey has a reputation for objectivity and proven integrity – we are an independent advisory firm with no research, sales and trading, or equity positions■ We charge a fixed fee for solvency opinions and our fees are not dependent on the conclusions



Richard De Rose

Managing Director
New York

Mr. De Rose is a member of Houlihan Lokey's Financial and Valuation Advisory business, where his primary responsibilities include providing investment banking, valuation, and transactional opinion services. He is a member of the firm's Fairness, Solvency, and Technical Standards committees. With over three decades of investment banking experience, Mr. De Rose has extensive expertise in successfully managing complex transactions across a broad spectrum of industries.

Before joining Houlihan Lokey, Mr. De Rose served as Managing Director in the M&A Group of Bear, Stearns & Co. Inc. In that capacity, he advised clients in negotiated M&A, divestitures, leveraged buyouts, contested takeovers, and proxy fights—completing more than 200 M&A transactions. In addition, he was a Managing Director in Bear Stearns' Financial Restructuring Group, advising debtors, senior lenders, bondholders, and prospective acquirers of Chapter 11 debtors and other financially distressed companies. He also served as a member of Bear Stearns' Valuation Committee.

Mr. De Rose began his career as a corporate attorney at Wachtell, Lipton, Rosen & Katz. His responsibilities there included providing counsel to clients in M&A transactions and public and private securities offerings, as well as advising banks and institutional investors in connection with debt financings and troubled loan workouts.

Mr. De Rose earned a B.A. in Philosophy from the University of Pennsylvania, a Ph.D. in Philosophy from Brown University, and a J.D. from the New York University School of Law. He is currently a member of the Mergers & Acquisitions Committee of the American Bar Association and the American Bankruptcy Institute. Mr. De Rose is a member of the Corporation Law Committee and a former member of the M&A Committee of the New York City Bar Association. He is also the past Chairman of the Corporation Law Committee of the New York State Bar Association (NYSBA) and a member of the Executive Committee of the Business Law Section of the NYSBA. Mr. De Rose has been qualified as an expert in valuation by the Delaware Chancery Court.

Qualifications

B.A.	University of Pennsylvania
Ph.D.	Brown University
J.D.	New York University
PAST	Bear, Stearns & Co. Wachtell, Lipton, Rosen & Katz



Jacob Kalatizadeh

Vice President
New York

Mr. Kalatizadeh is a member of Houlihan Lokey's Financial and Valuation Advisory business. He is experienced in providing advisory services to public and private clients in connection with mergers, acquisitions, divestitures, spin-offs, SPACs, recapitalizations, restructurings, and activist shareholder situations.

Mr. Kalatizadeh is also active in the firm's Transaction Opinions practice, rendering fairness, solvency, and other transaction-based valuation opinions to boards of directors, special committees, and other fiduciaries.

Before joining Houlihan Lokey, Mr. Kalatizadeh was an Analyst at Mizuho.

Mr. Kalatizadeh holds a B.A. in Finance from Baruch College.

Qualifications

B.A. Baruch College

PAST Mizuho



Jake Bernstein

Financial Analyst
New York

Mr. Bernstein is a member of Houlihan Lokey's Transaction Opinions practice.

Prior to joining Houlihan Lokey, Mr. Bernstein was a Valuation Associate at KPMG, where he valued private equity and hedge fund investments for alternative asset managers.

Mr. Bernstein holds a B.S. in Integrated Business and Engineering from Lehigh University.

Qualifications

B.S. Lehigh University

PAST KPMG

Disclaimer

© 2022 Houlihan Lokey. All rights reserved. This material may not be reproduced in any format by any means or redistributed without the prior written consent of Houlihan Lokey.

Houlihan Lokey is a trade name for Houlihan Lokey, Inc., and its subsidiaries and affiliates, which include the following licensed (or, in the case of Singapore, exempt) entities: in (i) the United States: Houlihan Lokey Capital, Inc., and Houlihan Lokey Advisors, LLC, each an SEC registered broker-dealer and member of FINRA (www.finra.org) and SIPC (www.sipc.org) (investment banking services); (ii) Europe: Houlihan Lokey EMEA, LLP, Houlihan Lokey (Corporate Finance) Limited, and Houlihan Lokey UK Limited, authorized and regulated by the U.K. Financial Conduct Authority; Houlihan Lokey (Europe) GmbH, authorized and regulated by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht); (iii) the United Arab Emirates, Dubai International Financial Centre (Dubai): Houlihan Lokey (MEA Financial Advisory) Limited, regulated by the Dubai Financial Services Authority for the provision of advising on financial products, arranging deals in investments, and arranging credit and advising on credit to professional clients only; (iv) Singapore: Houlihan Lokey (Singapore) Private Limited and Houlihan Lokey Advisers Singapore Private Limited, each an “exempt corporate finance adviser” able to provide exempt corporate finance advisory services to accredited investors only; (v) Hong Kong SAR: Houlihan Lokey (China) Limited, licensed in Hong Kong by the Securities and Futures Commission to conduct Type 1, 4, and 6 regulated activities to professional investors only; (vi) India: Houlihan Lokey Advisory (India) Private Limited, registered as an investment adviser with the Securities and Exchange Board of India (registration number INA000001217); and (vii) Australia: Houlihan Lokey (Australia) Pty Limited (ABN 74 601 825 227), a company incorporated in Australia and licensed by the [Australian Securities and Investments Commission](#) (AFSL number 474953) in respect of financial services provided to wholesale clients only. In the United Kingdom, European Economic Area (EEA), Dubai, Singapore, Hong Kong, India, and Australia, this communication is directed to intended recipients, including actual or potential professional clients (UK, EEA, and Dubai), accredited investors (Singapore), professional investors (Hong Kong), and wholesale clients (Australia), respectively. Other persons, such as retail clients, are NOT the intended recipients of our communications or services and should not act upon this communication.

Houlihan Lokey gathers its data from sources it considers reliable; however, it does not guarantee the accuracy or completeness of the information provided within this presentation. The material presented reflects information known to the authors at the time this presentation was written, and this information is subject to change. Houlihan Lokey makes no representations or warranties, expressed or implied, regarding the accuracy of this material. The views expressed in this material accurately reflect the personal views of the authors regarding the subject securities and issuers and do not necessarily coincide with those of Houlihan Lokey. Officers, directors, and partners in the Houlihan Lokey group of companies may have positions in the securities of the companies discussed. This presentation does not constitute advice or a recommendation, offer, or solicitation with respect to the securities of any company discussed herein, is not intended to provide information upon which to base an investment decision, and should not be construed as such. Houlihan Lokey or its affiliates may from time to time provide investment banking or related services to these companies. Like all Houlihan Lokey employees, the authors of this presentation receive compensation that is affected by overall firm profitability.

CORPORATE FINANCE
FINANCIAL RESTRUCTURING
FINANCIAL AND VALUATION ADVISORY

[HL.com](https://www.hl.com)