

## Why we like spinoffs so much

We think that spinoffs are the closest thing you can find to a sure thing for two main reasons:

1) The management of a parent company will only hand out shares in a subsidiary to its own investors if it's all but certain that business, and the parent, will be better off after the spinoff.

2) Spinoffs involve a lot of work and legal fees. The parent will only spin off the unwanted subsidiary if it can't sell the stock for what it feels it's worth.

That's why firms have an incentive to do spinoffs under two sets of favourable conditions: When they feel it is not a good time to sell (which often means it's a good time to buy); or, when they feel the assets they plan to spin off will be worth substantially more in the future.

Needless to say, things don't always work out. Spinoffs and their parents do sometimes run into unforeseeable woes. But on the whole, in investing, spinoffs are the closest thing you can find to a sure thing.

## Our Takeover Target Rating (TTR)

Our Takeover Target Rating considers a range of factors to determine the chances of a spinoff company attracting takeover interest in the short to medium term:

We look for a profitable spinoff with low debt and with hidden assets. As well, spinoffs with no major shareholder and facing little regulatory or anti-trust constraints have strong appeal.

Does the spinoff have an affordable market value, meaning it's a manageable purchase for a major industry competitor? Spinoffs with top-quality, but underperforming, assets also attract takeover interest. This includes profit margins that are lower than industry norms. That lets a buyer cut costs and improve profits.

Potential buyers will often look past a spinoff's poor management or its lack of financial resources.

Spinoffs with most of these factors receive our **Highest Takeover Target Rating**. Those with many receive a **Medium** rating, while those with few, **Lowest**.

## Spinoffs featured in this issue

Parent Company	Sym-bol	Price \$	P/E	Div. %	Ad-vice	TTR	Date of Spinoff	New Spinoff	Sym-bol	Price \$	P/E	Div. %	Ad-vice	TTR
L3Harris	LHX	356	30.5	1.4	Hold	Med.	2026	Missile div.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aptiv	APTV	58	9.8	—	Buy	Med.	Apr. 2026	Versigent	VGNT	34	5.0	—	Hold	Med.
Medtronic	MDT	87	15.8	3.3	Buy	Med.	Mar. 2026	MiniMed	MMED	15	40.0	—	Hold	Med.
Maple Leaf	MFI	30	18.9	3.0	Hold	Med.	Oct. 2025	Cda. Pack.	CPKR	19	7.1	4.8	Hold	Med.
DuPont	DD	46	20.3	1.7	Buy	Med.	Apr. 2019	Dow	DOW	39	51.3	3.6	Hold	Med.
Wyn. WW	WYN						June 2018	Wyn. Hotels	WH	88	18.3	2.0	Buy	Med.
								Travel + L.	TNL	78	10.6	3.1	Buy	Med.
Ashland	ASH	56	13.9	3.0	Hold	Med.	Sept. 2017	Valvoline	VVV	33	20.0	—	Buy	Med.
Brookfield	BN	64	12.0	0.6	Hold	Low	June 2017	Trisura	TSU	46	14.2	—	Buy	Med.

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