

Special Report

# Spin-Offs: Where Value Accrues After Separation



*Identifying where corporate separations can create standalone value and generate post-spin alpha*

# Executive Summary



## Spin-offs Remain a Proven Alpha Pool

- S&P U.S. Spin-Off Index outperformed the S&P 500 by ~15% over three years
- Trailing 1-year spread of ~44% suggests recent investor appetite remains strong
- Performance supports the case for focused standalone businesses and clearer valuation transparency.



## Opportunity Set Is Sector-Specific

- Industrials remain the largest source of spin-off activity due to diversified, asset-heavy, and capital-intensive structures
- Consumer Discretionary and Information Technology show meaningful activity across businesses with distinct growth and valuation profiles
- Health Care offers selective opportunities where R&D intensity, regulation, and capital allocation priorities diverge



## SpinCo Outcomes Are Strong but Uneven

- SpinCos were the top performers in 12 of the 21 analyzed U.S. spin-off transactions over the past three years, versus 3 RemainCo wins and 6 S&P 500 wins on a one-year return basis
- The result supports SpinCo value creation but also shows that the trade is not uniform
- Alpha depends on standalone business quality, valuation, leverage, liquidity, and execution

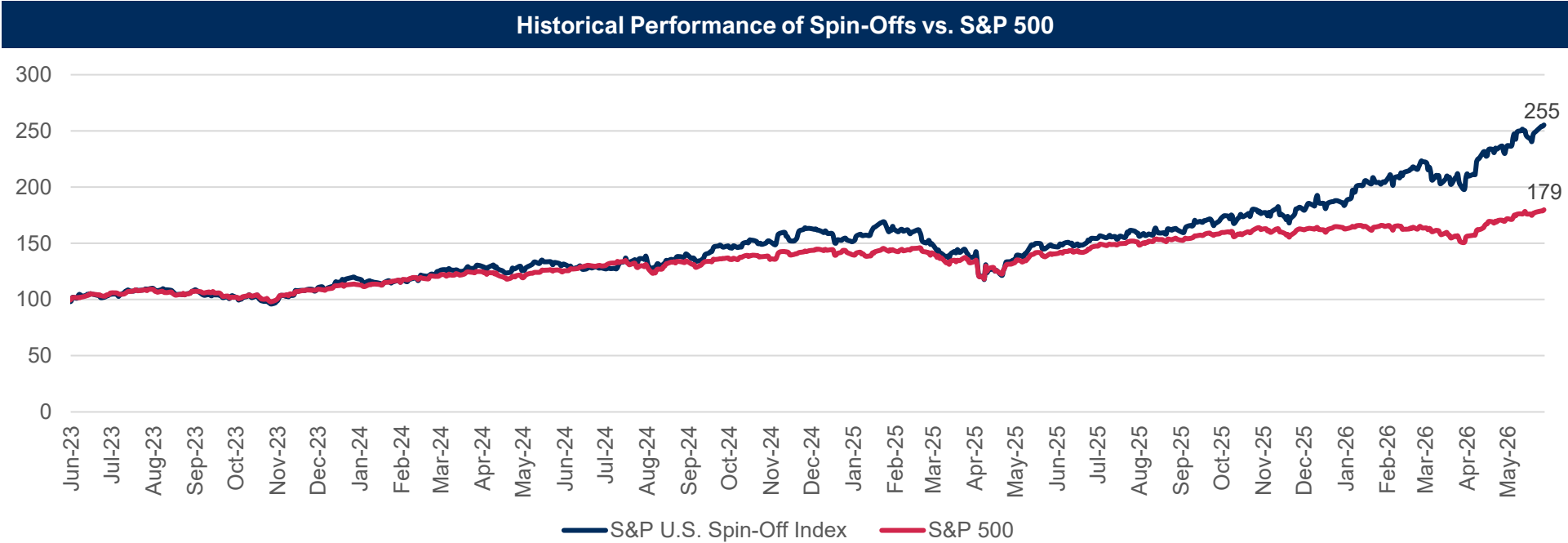


## Identifying Winners Require Pre-Spin Screening Research

- Sandisk was a major outlier at ~1,190%; excluding it, the remaining winners ranged from ~16% to ~126%
- Top performers were tied to identifiable themes: electrification, infrastructure, hard assets, and technology supply chains
- The key is identifying where separation creates a sharper standalone investment case before broader recognition

# SpinCos have outperformed the S&P 500 by ~15% over the past three years

- Spin-offs have historically been an effective mechanism for unlocking shareholder value, as standalone businesses benefit from sharper strategic focus, dedicated management teams, and improved valuation transparency. Over the past three years, the S&P U.S. Spin-Off Index delivered a cumulative return of ~37%, compared with ~22% for the S&P 500.
- After tracking broadly in line with the S&P 500 through 2023–2024, spin-offs materially outperformed from mid-2025 onward as investors increasingly rewarded simplified corporate structures and clearer business models.
- On a trailing one-year basis, the S&P U.S. Spin-Off Index returned ~73% versus ~28% for the S&P 500, suggesting that investor appetite for focused, value-unlocking corporate actions remains robust.

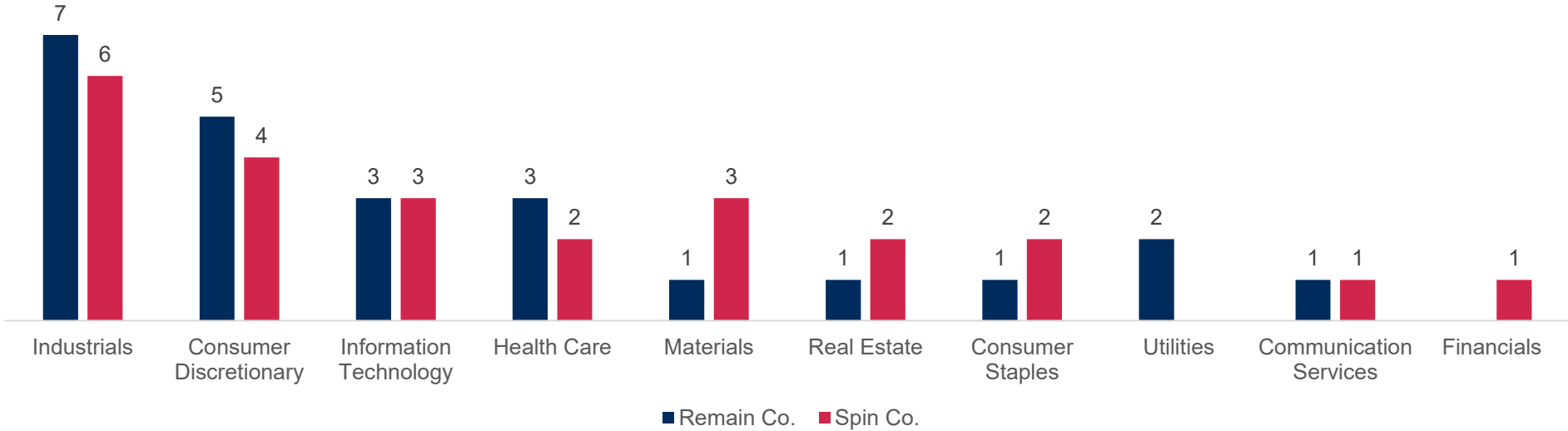


Source: S&P Dow Jones Indices. \*The S&P U.S. Spin-Off Index measures performance of companies within the S&P U.S. BMI that have been spun off from a parent company within the last four years with float-adjusted market cap ≥ USD 1 billion. Data as of May 28, 2026.

# U.S. Spin-Off Activity is Concentrated in Sectors with Diverse Business Models

- **Industrials** remain the largest source of spin-off activity, reflecting the sector’s broad mix of asset-heavy, cyclical, technology-enabled, and service-oriented businesses. These diversified structures often create scope for portfolio simplification where business units have different growth, margin, and capital intensity profiles.
- **Consumer Discretionary** and **Information Technology** also show meaningful activity, as companies separate businesses with distinct growth profiles, valuation frameworks, and investor bases.
- **Health Care** and other sectors offer selective opportunities, where differences in R&D intensity, regulation, capital allocation, or end-market exposure create strategic separation logic.

**Historical Distribution by Industry Group (last 3 years)**



All spin-offs with >1 bn transaction size  
 Source: S&P Capital IQ, Aranca Research

# SpinCos have Outperformed in U.S. Spin-Off Transactions

- SpinCos outperformed in 12 of the 21 analyzed U.S. spin-off transactions completed over the last three years, based on one-year post-spin returns, reinforcing the tendency for standalone entities to benefit from sharper strategic focus and improved valuation transparency.
- RemainCos won in only 3 cases, suggesting that the primary upside from recent separations has often accrued to the newly independent entity rather than the parent.
- The S&P 500 still outperformed in 6 cases, highlighting that spin-offs are not a uniform alpha trade and require disciplined screening around quality, valuation, leverage, and catalyst execution.

## Winner Distribution Across Transactions (May 2023 – May 2026; based on 1-Year Post-Spin Returns)

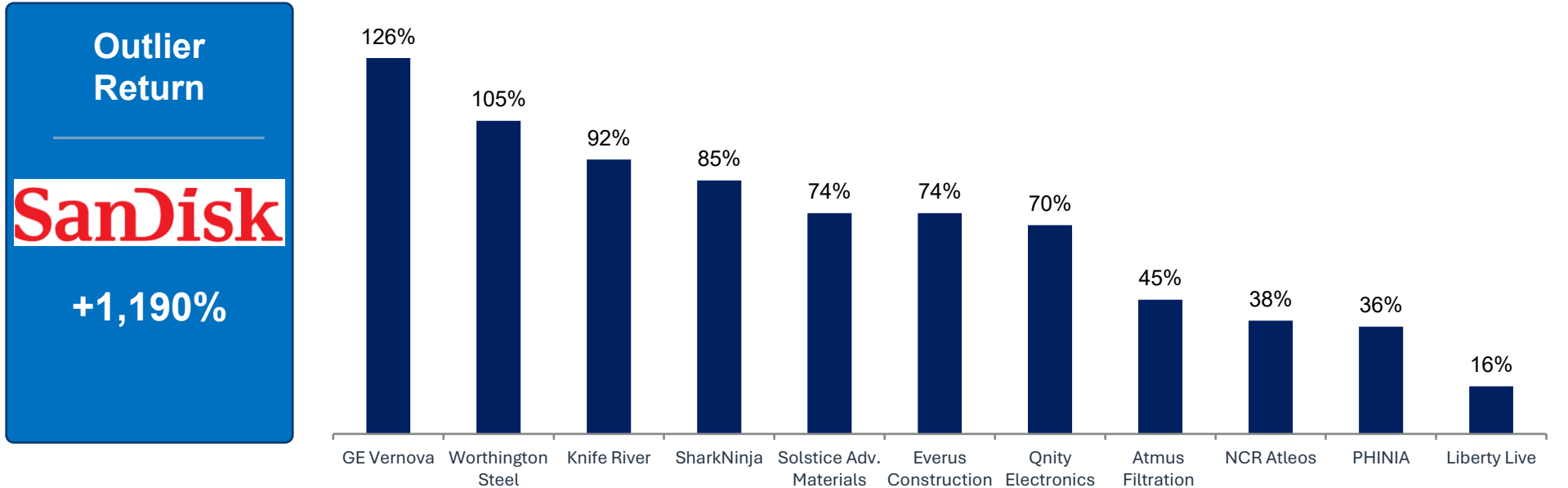


All spin-offs with >1 bn transaction size  
Source: S&P Capital IQ, Aranca Research

# SpinCo Winners Show Wide Return Dispersion and High Selectivity

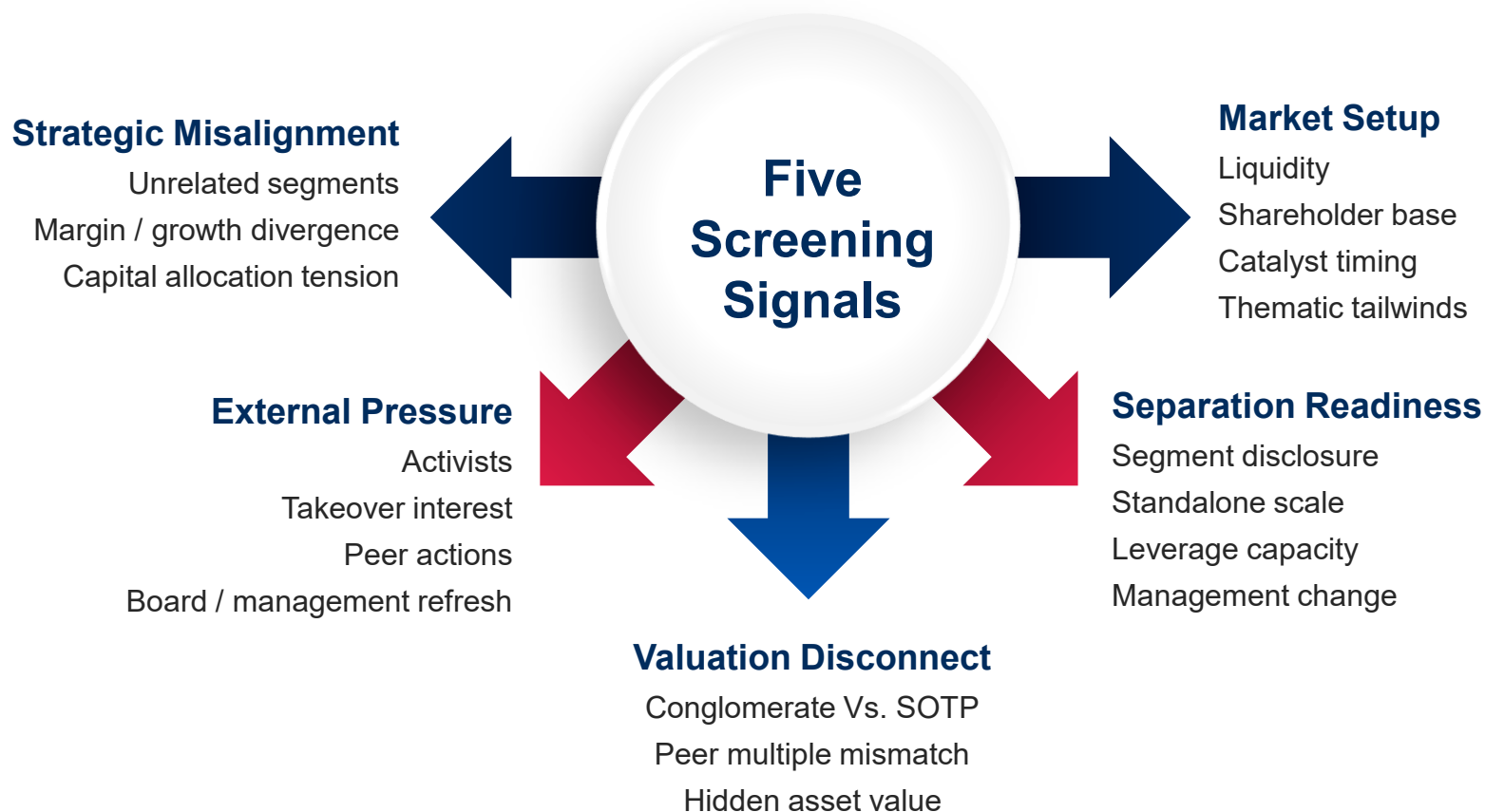
- Sandisk was the clear outlier among SpinCo winners in U.S. spin-off transactions completed between May 2023 and May 2026, delivering a ~1,190% one-year return after separation.
- The strongest performers were tied to identifiable investment themes rather than generic spin-off momentum. GE Vernova and Everus captured electrification/infrastructure exposure; Knife River and Worthington Steel reflected hard-asset and construction-linked demand; SanDisk and Qnity benefited from technology and electronics supply-chain tailwinds.
- Returns were highly concentrated, reinforcing the need for SpinCo-level selectivity. Eight of the 12 winners delivered ~70%+ returns, suggesting that post-spin alpha was strongest where separation created a clearer standalone investment case, rather than from the spin-off event alone.

Top SpinCo Winners by 1-Year Post-Spin Return (May 2023 – May 2026 Transactions)

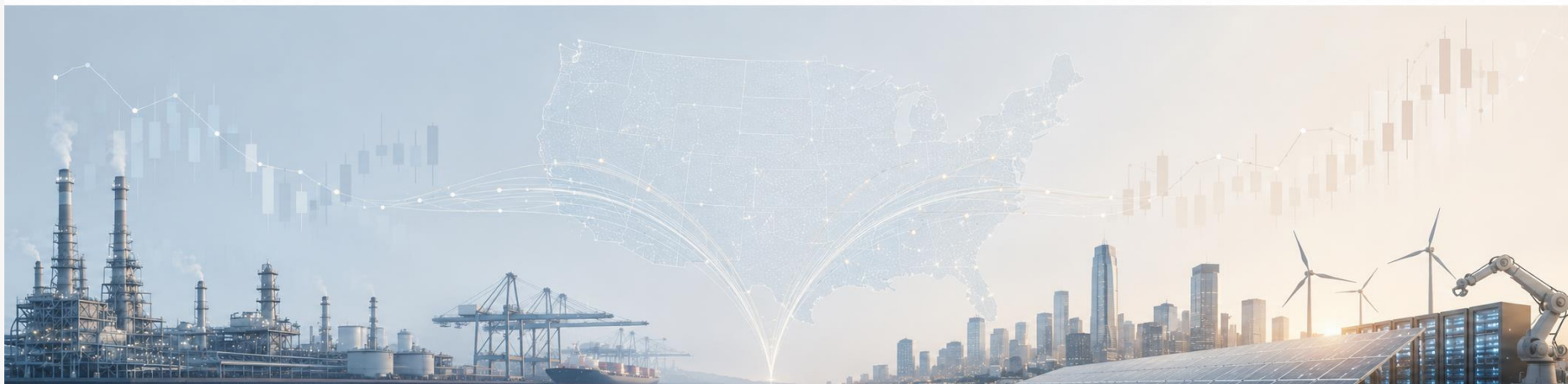


All spin-offs with >1 bn transaction size  
 Source: S&P Capital IQ, Aranca Research

# Pre-Spin Signal Scorecard: Identifying Separation-Led Alpha



**Alpha is not generated by owning every SpinCo; it comes from identifying situations where separation creates a cleaner standalone thesis before broader market recognition**



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