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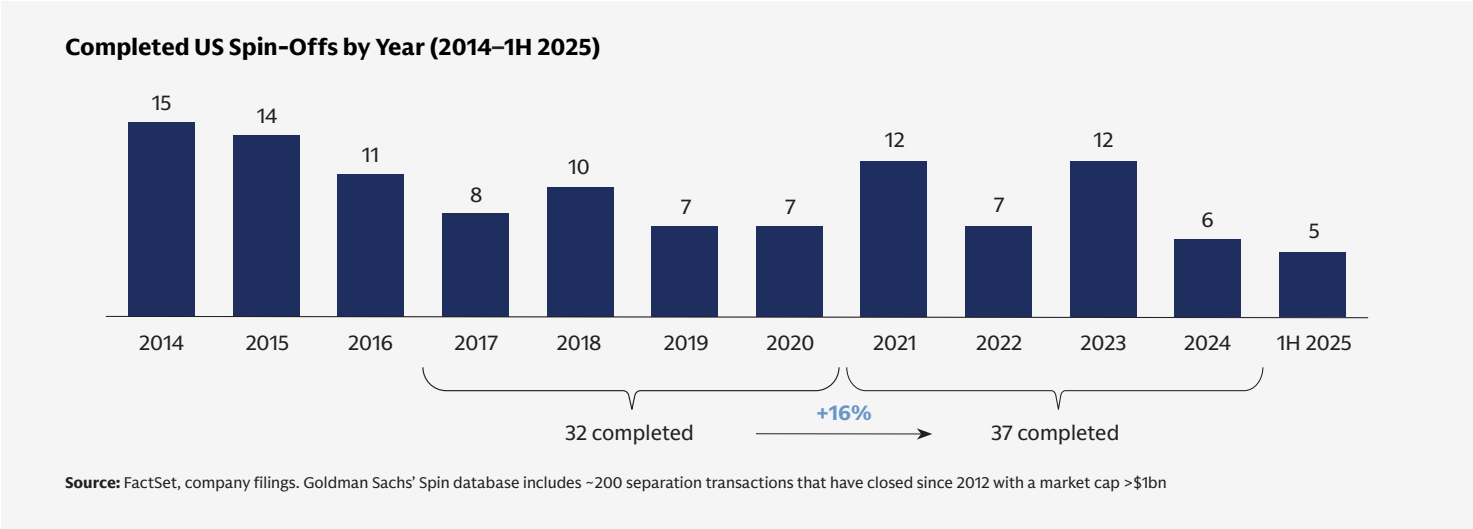


A STRATEGIC PLAYBOOK

Pursuing Separations in an Activist Era

Global corporate separation activity continues to accelerate as companies look to highlight undervalued assets, separate divergent businesses, and sharpen geographic focus.

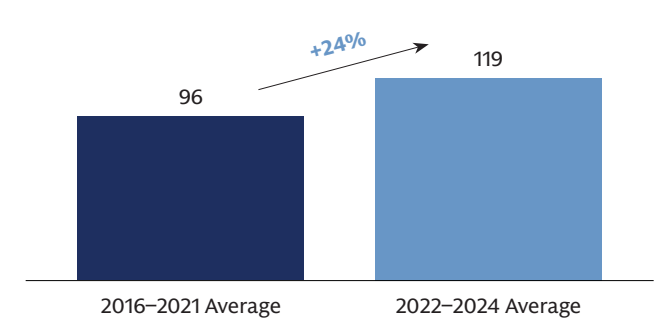
Boards and management teams are increasingly embracing simplification as a strategy to gain focus and unlock long-term value for shareholders. Among investors, activist investors have been particularly vocal, often attempting to catalyze action themselves by pushing for separations or by exerting their influence on the newly created company (“NewCo” or “SpinCo”) post-separation.



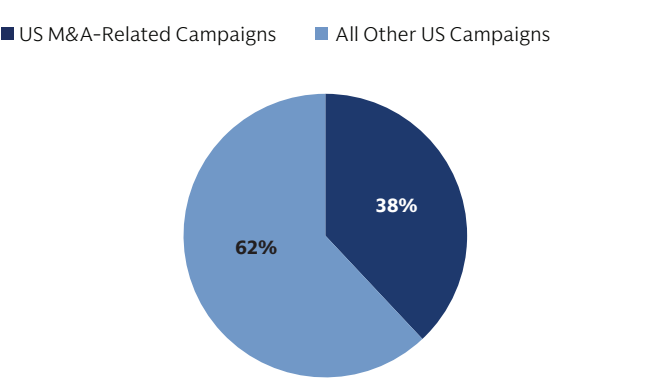
Our #1 M&A franchise is bolstered by the depth of our teams’ experience across Corporate Structuring and Activism Defense. Leveraging the quantitative analysis of 114 completed US spin-offs or separations over the past decade, this report explores why SpinCos can be attractive targets for activists, the tools activists use to reach their objectives, and how corporates can prepare for successfully defending against such campaigns.

The number of activist campaigns has steadily increased as activist tactics utilized by both dedicated activists and everyday investors have become common in US markets. The average number of campaigns targeting US companies has risen ~24% to nearly 120 campaigns annually, with roughly 40% of campaigns focused on a popular tool for value creation: M&A.¹

US Activism Campaign Activity Remains Elevated



Prevalence of M&A Demands Since 2016



Source: FactSet, Diligent Market Intelligence, Bloomberg, public filings
Note: Includes campaigns to maximize shareholder value, enhance corporate governance and Board changes at US companies with market caps >\$500mm

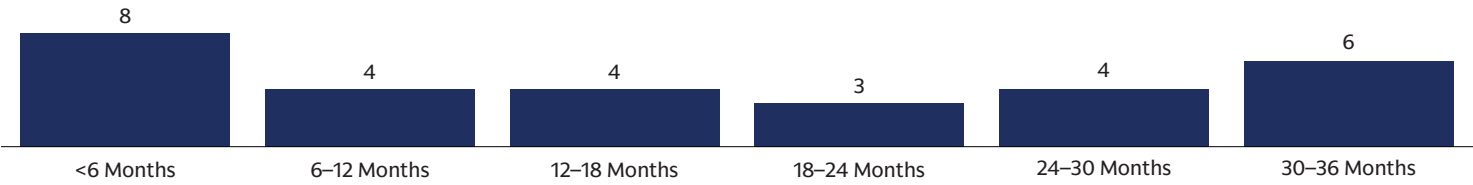
Proactive preparation is essential for defending newly spun companies against activist threats. Both SpinCos and parent companies (“ParentCos”) must develop defense strategies and value creation plans before separation to reduce vulnerability to hostile approaches.

Why Are New SpinCos Attractive Activist Targets?

SpinCos provide new entrants to public markets and can be fertile ground for activists. **Since 2014, one in four US SpinCos with a \$1bn+ market capitalization has faced public activism within three years of going public.**

Out of 110 spins analyzed since 2014, 29 separate SpinCos were subject to one or more hostile campaigns in the first 36 months of SpinCo trading.²

Time from Spin Close to Initial Campaign Announcement



Source: FactSet, Deal Point Data, Diligent Market Intelligence, Goldman Sachs internal analytics, public filings
Note: Chart includes first campaign occurrence at SpinCos > \$1bn in market capitalization at time of spin completion



SpinCos often carry several characteristics that can be attractive to activists: new management teams, slightly higher leverage profiles, nascent capital allocation frameworks, and the opportunity to control the go-forward strategic narrative. Activists have historically leveraged key corporate events—such as CEO transitions, investor days, governance changes (e.g., classified Board / dual-class stock sunsets), and M&A—to exert their influence on corporate decision making.

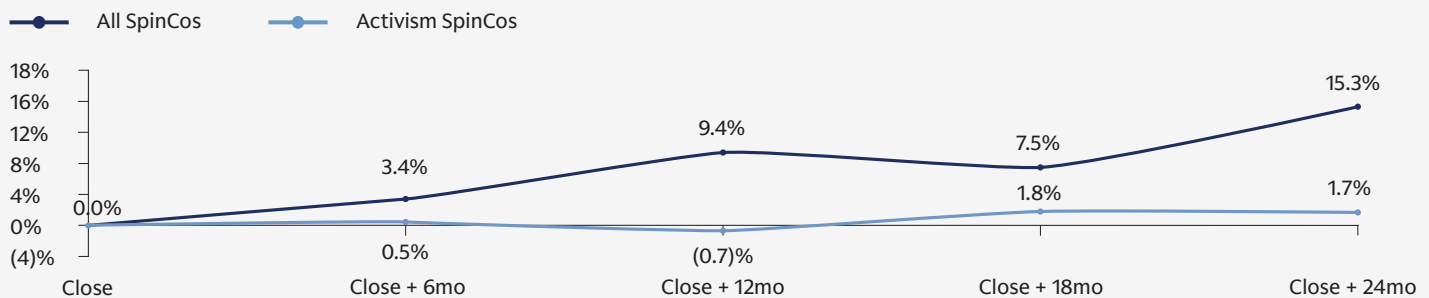
Management and Balance Sheet

The ParentCo must balance a complex set of objectives for itself and the newly created entity. In separations, the ParentCo may desire to extract the maximum cash proceeds available to right-size its own capital structure, which may result in a slightly higher leverage profile for the SpinCo—especially when comparatively smaller in scale—as a stand-alone company. Additionally, over 80% of SpinCo CEOs are promoted internally and consequently may not have experience managing a stand-alone public company.³ If the SpinCo underperforms in the public markets, it may become more vulnerable to activism.

Underperformance

SpinCos typically generate strong returns in the short and long term, but SpinCos that do underperform in their first year as independent companies are more frequently targeted by activists. Of the 29 SpinCos in our dataset, the average sector-indexed excess total shareholder return (TSR) of all SpinCos was 9.4% in the first 12 months, while the average excess TSR of the SpinCos approached by one or more activists or unsolicited bidders was (0.7)% in the first 12 months.⁴ Low or negative TSR is a primary screen utilized by activist investors searching for targets—and is often a leading indicator of activism risk as a result. Such underperformers provide activists a greater opportunity to convince other shareholders that change is warranted.

Average SpinCo Excess TSR over Time



Source: FactSet, Deal Point Data, Diligent Market Intelligence, Goldman Sachs internal analytics, public filings

Note: Chart includes US separation transactions since 2014 and campaigns occurring at SpinCos >\$1bn in market capitalization within 36 months of spin completion since 2014; Past performance does not guarantee future results

Position Building

In a separation, shares of the SpinCo are distributed pro rata to ParentCo shareholders, which can create a shareholder base that is unnatural or not optimal for the SpinCo, causing many shareholders to sell out. In fact, analysis shows the median turnover rate of SpinCos' shareholder register is 50%⁵ in the four quarters post-separation and is primarily concentrated in the first quarter. This period often increases share price volatility, allowing investors to opportunistically acquire new positions or increase existing stakes.

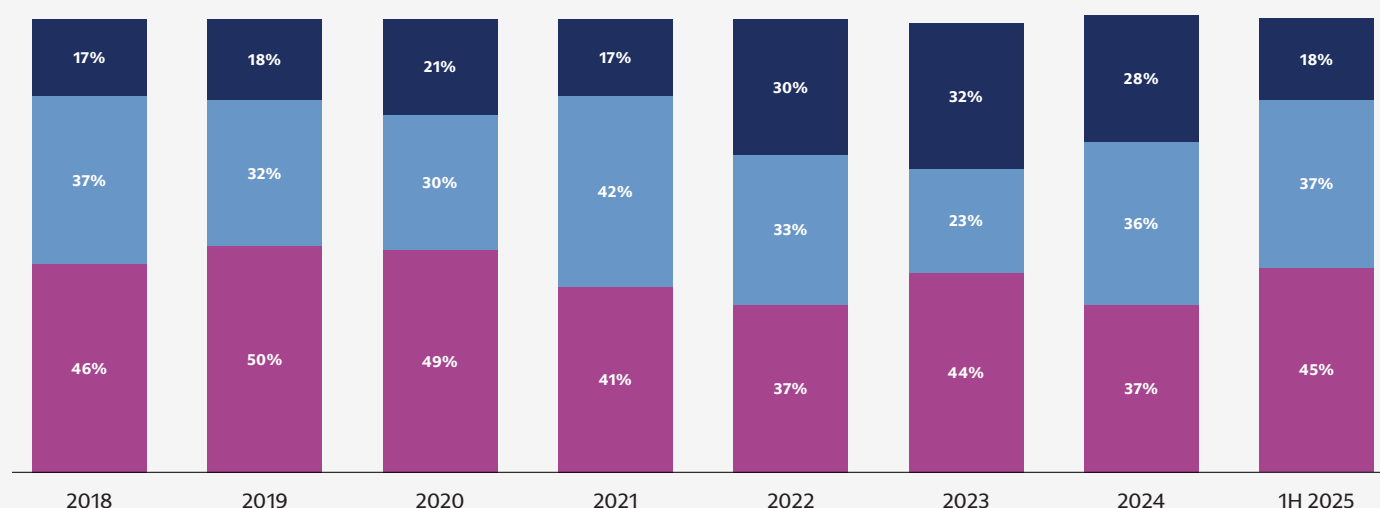
As the S&P 500 and corporate valuations continue to reach all-time highs, SpinCos can create more “bite-sized” companies for investors. While SpinCos have inherently grown in size (average market capitalization of SpinCos from 2024 and 1H 2025 was ~\$10bn compared to ~\$8bn from 2018 to 2023),⁶ they are often being spun out of large or mega-cap companies (\$50bn+ market capitalization). This structure enables activists to achieve greater ownership levels of the SpinCo than they could at the ParentCo and leverage this higher ownership stake to exert greater influence. It can also create more focused, smaller companies and thus more attractive takeover targets for unsolicited M&A.

Activism Is Shifting Toward Large-Caps (\$10bn+)

Activist fund AUM has steadily grown over the past several years due to a combination of longer track records and fundraising history, broader growth of capital markets, and a general acceptance of activism in the market. In fact, prolific activist Elliott Investment Management, which recently completed an additional round of fundraising, now has \$76.1bn in AUM,⁷ making them one of the largest hedge funds in the world.

Market Cap Distribution of Activism Campaigns (at Announcement)

■ >\$10bn ■ \$2bn–\$10bn ■ \$500mm–\$2bn



Source: FactSet, Diligent Market Intelligence, Bloomberg, public filings

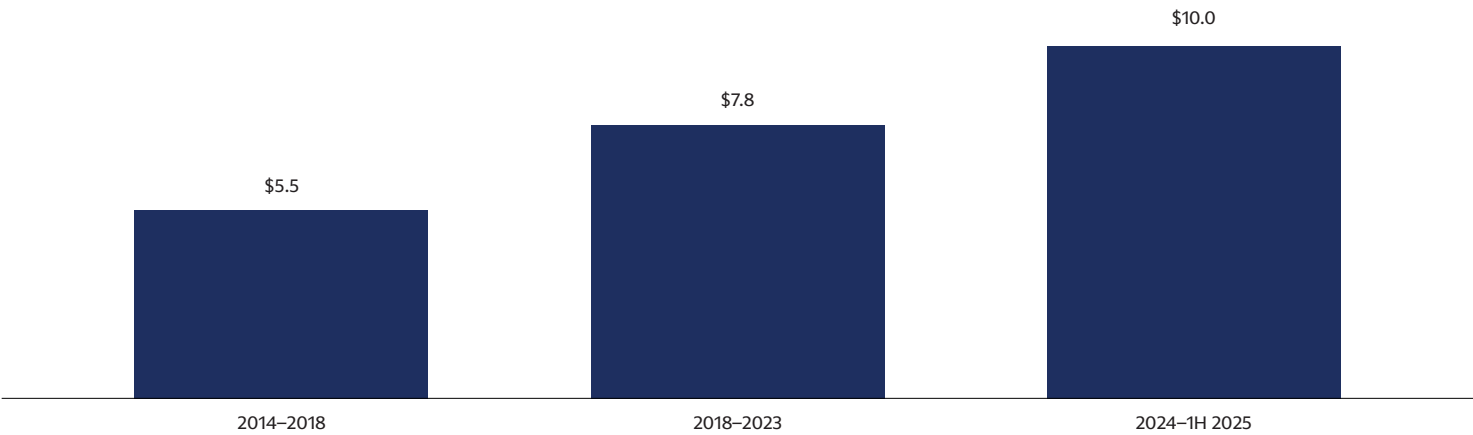
Note: Includes campaigns to maximize shareholder value, enhance corporate governance and Board changes at US companies with market caps >\$500mm. Not all bars sum to 100% due to rounding

Large-cap companies were historically considered off-limits by many activists, but this is no longer the case. As the most prolific activist funds have grown in size, large-cap companies have begun to make up a substantial portion of US activist campaigns—providing the most attractive returns on activists’ sometimes multibillion-dollar investments. Activism is ultimately focused on convincing the other shareholders that their ideas for value creation are better than those of management—and these campaigns have become easier alongside the acceptance of activism in the market.

In conjunction with this greater activist focus on larger targets, large- and mega-cap (\$50bn+) companies tend to be leaders in embracing simplification and exercising more active portfolio management, leading to an increase in the size of SpinCos. These larger SpinCos can offer more attractive returns for activists, and activists can opportunistically and quickly build positions due to increased shareholder churn and index rebalancing, particularly elevated in cross-border separations. This phenomenon creates a window where SpinCos’ vulnerability can increase and opens up a larger pool of investors or potential agitators.

The average size of SpinCos approached by activists in 2024 was also ~\$12bn vs. the trailing five-year average of ~\$6bn. We expect this trend to continue.

Average SpinCo Market Value (bn)



Source: FactSet, public company filings
Note: Goldman Sachs' Spin database includes ~200 separation transactions that have closed since 2012 with a market cap >\$1bn

~\$31bn

Aggregate total in SpinCos targeted by activists from 2022 to 2024⁸

vs

~\$58bn

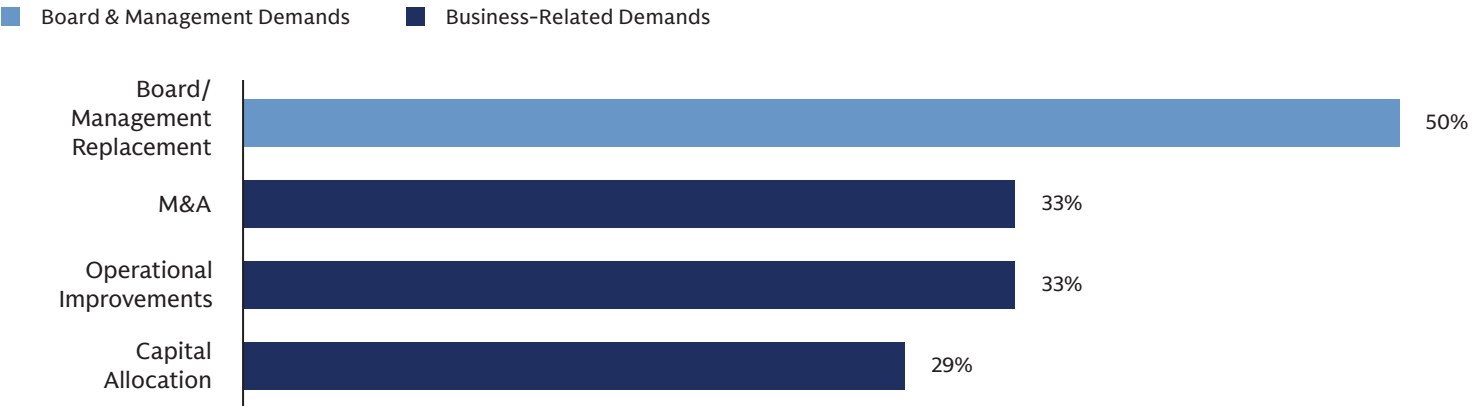
Aggregate total in SpinCos targeted by activists in 2024⁸



What Changes Are Activists Pursuing at SpinCos?

Nearly all activist demands fall into four categories:⁹

Prevalence of Common Demands in US SpinCo Campaigns



Source: FactSet, Deal Point Data, Diligent Market Intelligence, Bloomberg, public filings
Note: Includes campaigns to maximize shareholder value, enhance corporate governance, secure board representation or control, and remove directors or officers at US companies with market caps >\$500mm

Board/Management Replacement

While M&A, operational improvements, and capital allocation strategy comprise the majority of campaigns, activist funds leverage various tactics to achieve their objectives. The primary tactic: board and management changes. Activists often try to influence change from within the boardroom, either by placing an employee of the fund directly on the board or by nominating independent director(s) to the board. There were 56 campaigns at US companies calling for board changes in 2024 alone. Additionally, if activists believe the new management team isn't fit to run the newly formed SpinCo or improve performance, they may also push to remove members of management, as seen in 17% of campaigns at SpinCos dating back to 2014.¹¹

M&A¹⁰

Across 42 activist or unsolicited/hostile M&A campaigns at SpinCos since 2014, one-third featured an M&A-related demand, only slightly below the share of M&A-related activist campaigns in the broader market over the same time period (~39%).¹¹ Six SpinCos since 2014 faced demands for a sale of the entire company, either from an activist push or via an unsolicited/hostile acquisition attempt by a third party. SpinCos with relatively smaller size to the ParentCo and occasional underperformance can become attractive sale candidates, especially if performance does not improve within the two-year window,¹² or "grace period," when a sale might trigger tax implications for the ParentCo. SpinCos can also occasionally comprise a combination of disparate assets, which may encourage activists to push the newly created company to simplify their portfolio and focus on their core business.

Operational Improvements

Operational improvements are prevalent in 33% of the 42 activist campaigns at SpinCos since 2014.¹¹ Operational improvement demands include improving margins, improving (top-line) growth, and other strategic operational demands. Pushing for margin expansion has been a popular demand of activists as SpinCos often prioritize revenue growth over margin expansion in the two years post-spin, while RemainCos tend to be lower-growth, more mature businesses. SpinCo revenue growth has shown an increase of 6.3% in the two years post-spin vs. an increase of 3.8% for RemainCos.¹³

Capital Allocation

Capital allocation demands, prevalent in 29% of activist campaigns at SpinCos dating back to 2014, include reducing debt, returning capital to shareholders (through dividends and/or share repurchases), and reducing capital expenditures.¹¹ As newly formed companies, SpinCos can have nascent capital allocation programs with no share repurchases authorized by the board and no dividend in place, and can sometimes be more highly levered—providing plenty of "low-hanging fruit" for activists.

Preparing for a Successful Spin-Off

The best defense against activism is to be proactive and be prepared. Both SpinCo and ParentCo should consider their defense tactics and plans for value creation both before and after execution of a corporate separation to mitigate activism risks. Advance planning is a potent ally when fighting an activist or hostile approach and can help reduce a company's vulnerability.

Key Focus Areas for Managing the Separation

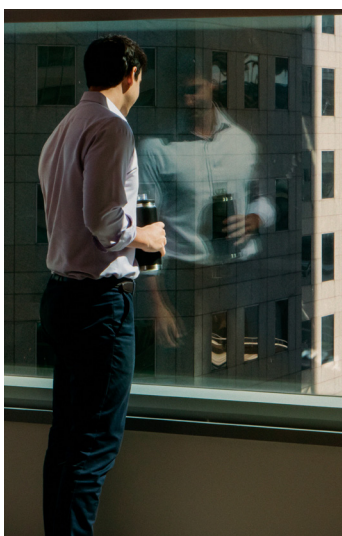
While recently spun companies—particularly those characterized by suboptimal asset perimeters, slightly higher-leverage profiles, contingent liabilities, and/or cumbersome TSA/commercial agreements—can be attractive to activists, our analysis shows that, on average, corporate separations lead to excess blended returns from announcement to two years post-close as compared with the respective company's sector index.¹⁴

A number of key factors contribute to the success of corporate separations, which companies should proactively consider during execution to reduce both negative trading and activism risk:

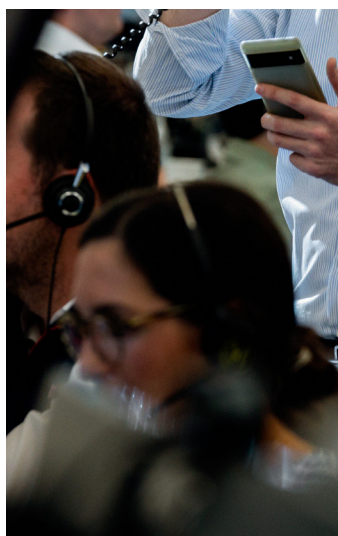
Strategically aligned management team and board, alongside distinct priorities for each SpinCo and ParentCo



Independent access to capital and realigned capital allocation priorities tailored to the respective financial profiles



Pure-play asset exposure for investors



Clear communication with stakeholders on go-forward strategy and the “equity story” of the businesses



Best Practices to Prepare for Activism Defense

Alongside a properly structured separation, both ParentCo and SpinCo should be conducting advanced activism defense planning, as a mark of good corporate hygiene.

We recommend taking the following steps well in advance of any potential activist approach:

- | | |
|---|---|
| 1 | Identify your core defense team. |
| 2 | Regularly monitor shareholder base and option activity, especially in the 6–12 months following listing of the SpinCo. |
| 3 | Carefully consider and review structural defenses (e.g., charter and bylaws) and corporate governance/board composition at both ParentCo and SpinCo. |
| 4 | Proactively identify and evaluate potential disconnects with shareholders and points of criticism—and develop a thoughtful response strategy. |
| 5 | Review shareholder sentiment around the separation, and regularly assess shareholder communications and engagement strategy, including with index funds. |
| 6 | Conduct investor targeting efforts in association with the separation to achieve the optimal shareholder base for the SpinCo. |
| 7 | Prepare a robust communications plan across channels and including internal stakeholders, shareholders, and media relations to proactively respond to a public approach by an activist or other key stakeholders. |
| 8 | Develop a comprehensive financial plan, and perform a preliminary view of valuation for both ParentCo and SpinCo to be prepared in the event of an unsolicited takeover approach. |
| 9 | Maintain consistent communication with the board of directors to ensure unity and appropriate record of review. |

A structured, well-thought-out separation at both ParentCo and SpinCo, implementation of activism defense best practices, and the right team of advisors are critical for a successful transaction and enduring success.

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Global M&A Advisor¹⁵

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Corporate Structuring and Activism Defense Franchise¹⁶

M&A Leadership

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Endnotes

- 1 FactSet, Diligent Market Intelligence, Bloomberg, public filings. Note: Includes campaigns to maximize shareholder value, enhance corporate governance and board changes at US companies with market caps >\$500mm from 2016–H1 2025.
- 2 42 total activist campaigns or unsolicited acquisition attempts at 29 separate SpinCos from 2014–H1 2025.
- 3 “Strategies for Successful Corporate Separations” Goldman Sachs and EY, May 2023.
- 4 Data informed by Goldman Sachs proprietary database, which includes ~120 US separation transactions with a market cap >\$1bn that have either (i) closed on 01-Jan-2014 or later or (ii) faced a public activism campaign on 01-Jan-2014 or later and closed within the prior 36 months. For transactions that haven’t completed two years post-spin (i.e., don’t have two years of trading data), 01-Mar-2025 (or the relevant acquisition/delisting) is the extent of the performance shown. Companies are indexed against relevant S&P sector benchmarks.
- 5 LSEG (Refinitiv), GS Internal. Analysis includes completed US Spins from 2012–H1 2025.
- 6 FactSet, Deal Point Data, Diligent Market Intelligence, public filings, Goldman Sachs proprietary database as referenced in Endnote 4.
- 7 Per Elliott Investment Management corporate website as of 30–Jun–2025.
- 8 FactSet, Diligent Market Intelligence, Bloomberg, public filings, Goldman Sachs proprietary database as referenced in Endnote 4. Note: Includes campaigns to maximize shareholder value, enhance corporate governance and board changes at US companies with market caps >\$500mm.
- 9 FactSet, Diligent Market Intelligence, Bloomberg, public filings, Goldman Sachs proprietary database as referenced in Endnote 4. Note: Includes campaigns to maximize shareholder value, enhance corporate governance and board changes at US companies with market caps >\$500mm from 2014–H1 2025. Figures represent percent of 42 activist campaigns at SpinCos that faced each demand. Total does not add to 100% as some SpinCos faced multiple demands.
- 10 Includes activist campaigns pushing for M&A and unsolicited/hostile M&A.
- 11 FactSet, Diligent Market Intelligence, Bloomberg, public filings. Note: Includes campaigns to maximize shareholder value, enhance corporate governance and board changes at US companies with market caps >\$500mm.
- 12 US tax law prohibits a prearranged change-of-control of either SpinCo or RemainCo in the two years following a tax-free spin-off).
- 13 “Strategies for Successful Corporate Separations” Goldman Sachs and EY, May 2023.
- 14 “Strategies for Successful Corporate Separations” Goldman Sachs and EY, May 2023.
- 15 Dealogic. Cumulative announced M&A deal volume and associated market share 2000–2025 Q2.
- 16 Bloomberg Activism Defense League Tables.

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