



If feedback was anything to go by, this was the conference of the year!

"The Edge is one of only three advisors I actually speak with on The Street."
- NYC \$20bn US Investment Fund

THE INVESTOR'S EDGE

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Here's the Scoop on the Spinoff Conference

The Edge held the very first Spinoff conference in NYC on Wednesday, June 6 at the exclusive Penn Club on 44th St. to a packed room. With almost 100 money managers, The Edge debated where, if any, Spinoffs make money. **The event was non-profit, and all donations went to the Alzheimer's Association.** We are proud that, together, we raised \$5,500. I was nervous, of course. How many times do I stand up in front of some of the smartest brains in the world? It was a great experience, and the thing I liked personally was that everyone was a winner. The charity had gained some much-needed funds, the audience got some great ideas and some fantastic food, and perhaps we can gain some new partners to help.



The room was at capacity...

The event started at 7:30am with a breakfast buffet. The events kicked off with a video about how Alzheimer's affects the brain. It's a cause close to my heart, as my mom recently passed with the disease after suffering for nearly 10 years. You can see this video [here](#). Please take three minutes to watch it. To be honest, it was shocking to learn how many lives have been affected: 1 in 10 people over the age of 65. Many of the audience had loved ones that had the disease. I only hope that what we have raised goes some way to finding a cure.

Professor Paul Johnson of Columbia took over at this point. Paul is a great speaker and author of the book [Pitch the Perfect Investment](#). I suggest you buy it, as it will be an industry standard very soon. It's difficult to articulate in this letter, but he sees an edge in the market in 3 ways: **Analytical, Timing and Informational**. So, which one do you have? Well, he argues that timing doesn't exist. Machines have taken over and are always going to be first. The second way is informational. This is broken down into sub-categories in the book, but basically, do you have information which only you know? It's a fine line between public and privileged information. Lastly, there is the analytical advantage. This is what he said we at The Edge have. We are smarter and experts in the field. His talk was first class, so again, I urge you to buy his book. I tried to get 80/20 commission share (in my favour) but he wasn't having any of it. 😊 I don't get any comp just for the record.



Paul Johnson of Columbia University. He was a great moderator and a fantastic and knowledgeable speaker.

I then introduced the three fund managers we invited to speak. I chose them because they all invest in Spinoffs, but in different ways, and they were invited to present their best idea. [Stephen Errico](#) of \$1.5bn Locust Wood Capital Advisers was first. His pick was **Dover Corp. (DOV)**, and he suggested that DOV has about 30% upside post its separation. The market will come to appreciate the less cyclical and volatile business without Apergy, which should yield a higher multiple. He also said the stock hasn't priced in the margin expansion plan and newly appointed Richard Tobin is likely to spark renewed investor confidence. He said the shares are trading at a 15-20% discount to its peers while still trading around the same multiple. The Edge have a Base case target price of \$99. We like this one. Next up was [David Marcus](#) of \$1.5bn Evermore Global. He said that the **DowDuPont (DWDP)** merger will create powerful new verticals that should lead to new Spinoff opportunities, and could be a major holding for the next 10 years. This is a major phenomenon that is well underway, he said. CEO Ed Breen is an "activist CEO" and was the architect of the Tyco breakup as the company sold about 100 businesses, which have succeeded after leaving both Dow and DuPont. For example, Trinseo SA, Olin Corp., Axalta Coating Systems Ltd., and Chemours Co. We like this situation here and we're in ahead of the three-way split.



Stephen J. Errico, myself, and Professor Paul Johnson...

Last up was [Raman Vardharaj](#) from Oppenheimer Main Street. He serves as Co-Portfolio Manager and leader of quantitative research across all the Main Street Teams strategies. He presented **Perspecta, Inc. (PRSP)**, the Spinoff from **DXC Technology (DXC)**. Perspecta could be a takeout candidate after its separation from DXC Technology, he said. The company has been taking shareholder-friendly actions, like initiating a dividend and authorizing a buyback. DXC CEO Mike Lawrie spun out CSRA when he was CEO of Computer Sciences, and CSRA was later acquired by General Dynamics at a premium with multiple bidders. Perspecta may follow the same route.

All in all, a great day. Please contact me for further information about the conference and insight on the next one. If this one is anything to go by, the future ones are not to be missed.



David Marcus, CIO and Founder of \$1.5bn Evermore Global, and Raman Vardharaj, Co-PM of \$40bn Oppenheimer...

On June 13, we presented a check for \$5,500 to the Alzheimer's Association. This is almost 100% of the donations we received (minus the small EventBrite sign-up fee). The Alzheimer's Association is the leading voluntary health organization in Alzheimer's care, support and research. As someone who has had experience with the disease in my family, I'd like to thank our donators so much. The organization are hugely appreciative too. The money will go towards eliminating Alzheimer's disease through the advancement of research, provide and enhance care and support for all those affected, and reduce the risk of dementia through the promotion of brain health.



Why it was all worth it...

Testimonials from the Conference

I loved every minute of the conference and the speakers were just phenomenal! I really loved the quantitative blend of Jonathan's studies with the bottoms-up work from the speakers.

Ritin Patel, Investment Professional

Great Conference, solid speakers.

Fund Manager, Morgan Stanley

Thanks for inviting me to the conference yesterday. I really enjoyed it. I especially liked the presentation on the 15-Year Study on Spinoffs.

Charles Mizrahi, Investment Professional

I really enjoyed the presentations and thought it was a very high-caliber turnout.

Andrew Aziz, Investment Professional

- *Having a half-day conference is in my view a lot better than whole day conferences. Good venue.*
 - *Concrete ideas during the conference.*
 - *Balancing quantitative vs. qualitative and academic vs. practical views is good.*

PM, NYC Fund

Congrats on a great event and turnout!

PM, US Mutual Fund

I very much enjoyed the conference and found it helpful.
Jim Barrett, Independent Professional

Really a great concise and useful conference.
PM, NYC Hedge Fund

I thought the conference was perfectly executed! It was very professional, a perfect venue, and the speakers were all great.
Rich Rossi, Spartan Research

First, thank you for the conference this week, was a nice introduction to your service offering.
PM, London Fund Manager

I found the mix of data, practical and academic ideas very good.
US Hedge Fund Portfolio Manager

I found it well organized, concise and the presenters were excellent.
Bill Keefe, Fund Manager

Nice job on your conference! Very well done!
PM, Boston Fund

Thanks for organizing the conference, Jim. It was great!
PM, NYC Hedge Fund

Congrats on the great event. Some really interesting data points in Jonathan's presentation regarding the joint study with Deloitte.
PM, NYC Hedge Fund

My only suggestion would be to keep doing more of the same.
Toronto Investment Professional

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INVESTMENT IDEAS YOU CAN TRUST

	2014 Q3 AEO	2014 Q4 AMZN	2015 Q1 INDV	2015 Q2 PPL	2015 Q3 ADS	2015 Q4 HPE
Ticker	AEO US Equity	AMZN US Equity	INDV US Equity	PPL US Equity	ADS GT Equity	HPE US Equity
Company Logo						
What Was the Situation?	The arrival of retail turnaround specialist Jay Schottenstein and an accumulation of 22.5% of insider buying gave confidence to a promising redirection of a significantly underperforming company.	The Edge saw hidden value in the potential Spinoff of Amazon Web Services (AWS) when the market was quiet. The segment continued to be the primary driver for consistent revenue growth.	A Spinoff from Hecht's. Benchmark in Dec. 2014, The Edge urged investors to ignore the Parent and focus on INDV for its insider buying ahead of the Spin, strong management, new products, and likelihood of a takeover.	The Edge highlighted the benefits of eBay's move to Spinoff its digital payments arm PayPal in July 2015 to clean its portfolio of services and create a more focused marketplace business.	ADS reshuffled its management, introduced a new product line, performed a strategic review, and had a critical investor backing a strong balance sheet in this multi-catalyst turnaround story.	Following its Spinoff from HP, Inc. in Oct. 2015, HPE went on to perform two Reverse Merger Trust splits of the Software (DXC) and Enterprise (MFGP) segments in 2017.
Portfolio Return (%)	37%	93%	55%	36%	26%	48%
Index Return (%)	-4%	-7%	-5%	-1%	-7%	25%

	2016 Q1 RY	2016 Q2 BRKS	2016 Q3 MET	2016 Q4 ARCONIC	2017 Q1 DATA	2017 Q2 SCAB
Ticker	RY US Equity	BRKS US Equity	MET US Equity	ARCONIC US Equity	DATA US Equity	SCAB SS Equity
Company Logo						
What Was the Situation?	A management restructuring coupled with activist involvement and potential Spinoffs, Rolls Royce already had negatives priced in and a strong position for a turnaround in the European automotive space.	A strong management, led by turnaround specialist and new (as of June 2016) CEO Doug Fertz, is focused on improving operational efficiencies and expanding its high value and technology driven services.	A Special Situation turned Spinoff. The Edge highlighted the potential benefits of separating its US retail unit in April 2016. The Spinoff of BrightHouse Financial was subsequently announced that following July.	The market struggled to follow the split, as Alcoa (Parent) transformed into Arconic while the Spinoff took the Parent's name and ticker. Heavy insider buying coupled with strong fundamentals produced a solid investment.	CEO Adam Selipsky (who grew AWS from scratch) took over the undervalued tech company in Sep. 2016, and set to improving DATA's business model, cloud subscription system, and long term takeover potential.	Europe's largest private forest owner is a strong takeover target due to its high margin profile, diverse timber product range, and wide geographic track. The new management is led by forest segment veteran Ulf Laxson.
Portfolio Return (%)	22%	87%	41%	49%	68%	50%
Index Return (%)	14%	13%	3%	10%	29%	3%

"Being clients for over 5 years and given we've over \$25bn AUM and 20 analysts, [The Edge is] in an extremely rare position of being the only external advisor we trust."
- Portfolio Manager, \$25bn NYC Investment Management Firm

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"The Global Spinoff calendars produced every month are real value add to us – The Edge doesn't miss situations."

- John Showel, CEO, Como Asset Management LLC

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