THE EDGE

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SPINOFF REPORT SPECIAL SITUATIONS ACTIVIST IDEAS

SPECIAL SITUATIONS LITE

Edge Special Situations Report Lite®

Worldwide Special Situations Update | August 2022

Partner Update

August 2022 Summary of Changes / Portfolio Digest / Main Highlights:

The Edge® Catalyst Portfolio increased by +6.0% in July.

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Finding The Edge…

Dear Partner,

Sometimes it's more than being able to pick a good stock. You'll be surprised, most can. However, I wanted to give you some insights from my many years that can put a safety net beyond your process, which is also essential if you are going to put the odds in your favor. Also never forget, this is an odds game. You will be rewarded not only by placing the right bets with the signposts pointing in the correct direction, but also by managing losses when things don't go as well as planned. Expect to have periods where you lose. The latter is more important than the former because most people find it hard to accept and take the fact that they are wrong. This leads to losses outstripping many profits. Therefore, most do not stand the test of time.

You must remember that markets are broadly efficient. **The Efficient Market Hypothesis** states that share prices reflect all information and that consistent alpha generation is impossible. How do you feel now reading this and being an investor?

Three Ways to Make Money:

Insider Information

- Knowing something about a future event in the company that no one else does and you choose to invest ahead of it. In 2004, Martha Stewart sold 4,000 shares of ImClone (a biotech firm). Two days later, the stock fell -16% after it was publicly announced that the FDA had not approved its primary pharmaceutical product, Erbitux. She served five months in prison, plus five months of home confinement.

Faster Dissemination of Information

- Execute on information faster than anyone else. Sadly, the internet and technology will always get there faster than you and you have lost before you start. Most people don't have an informational edge. You can have better information than everyone else, but it usually disappears quickly because it tends to be extremely short term in nature. High-speed trading algorithms will beat you every time.

Smarter Analysis

- Be smarter and look where few others are looking. Under-covered corporate company events that are announced but are yet to happen are a true and tested source of returns. This is my edge.

So essentially, to be successful, you have only one way to reliably make money and that's outthinking the market whilst controlling your emotions. Maybe that's two, but they go together.

An analytical edge allows you to see the same information everyone else sees but you see it in a different light. 25 years of looking at Spinoffs and other special situations, managing money, and producing research has enabled me to put a quality value filter on these ideas when I see them. When we are talking with potential clients and asked about our "edge," I often say we use all the public information that's out there. We just have the experience of looking at it in a certain way. Maybe you have more experience with a company or a certain type of business. Maybe you see the risks differently. Your edge allows you to weigh the information more effectively and get to a point where you think there could be a potential move away from price to value, which leads you to a different probability of the investment's outcome. Use as many tools as you can to do this, BUT make sure they contribute to your edge.

The behavioral edge has two parts. The first is knowing that behavioral biases exist and can be exploited in markets. So, you need to know how different biases affect asset prices, where they can be easily found, and when they can be best exploited. This is where the popular phrases come in like "buy when others are selling,". etc. The second part is knowing that you are just as susceptible to these biases as everyone else. That includes overconfidence. Humans tend to overestimate their own abilities on the upside and it's a fact that they are overly pessimistic on the downside, but rarely does this pessimism ever play out as bad as they think. Hence the phrase "this will end in disaster," and of course it very rarely does.

Knowing how you react to asset price changes and extreme market swings is more important than chasing a Holy Grail strategy that doesn't exist. Smart investing is about looking in the right places and simply behaving better than anyone else. We are doing the former for you.

Regarding this month's stocks, we're following up on last month's valuations with the full analysis on the **3M Co. (MMM)** and **Neogen Corp. (NEOG)** exchange offer, expected to complete on September 1, 2022. This will combine MMM's Food Safety business with NEOG in a rare cross-sector transaction that seems to have short-term potential based on how previous situations have played out. However, we see more value in a post-exchange entry into MMM given how overvalued NEOG looks going into the transaction.

Also included this month is a Fallen Spin idea we filtered with an additional catalyst of insider buying – **Continental AG (CON GY)** – which we believe has strong upside with the management buying along similar bear market patterns. A further positive indicator would be if the management buy again as the price recovers. Read on for our thoughts on those insiders and what makes CON GY a compelling idea in this environment.

Kind Regards,
Jim Osman
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I want to urge to keep an eye on your email during the month for entries and exits to the Model Portfolio.
Please refer to Holdings + Portfolio Sector Weights page for specific VWAP prices.

The Edge Catalyst Model Portfolio: 14+ Years (177 Months), +68% Absolute Return

August 9, 2022

Benchmark Performance Summary (%)

Fund vs. Benchmarks	Absolute Performance Inception*	Relative Out-Performance Vs. Benchmark	Total Return 2022	Jun 21	Jul 21	Aug 21	Sept 21	Oct 21	Nov 21	Dec 21	Jan 2022	Feb 22	Mar 22	Apr 22	May 22	Jun 22	Jul 22
The Edge Catalyst MP	68.0%		-32.7%	-1.5%	-4.0%	2.4%	-5.5%	5.2%	-4.3%	2.5%	-5.4%	-1.9%	-2.2%	-10.9%	-9.2%	-13.5%	6.0%
Relevant Index																	
HFRX Special Sits Index	7.9%	55.7%	-6.8%	0.1%	-1.7%	0.6%	0.1%	0.4%	-1.1%	-1.2%	-0.7%	-0.3%	-1.0%	-0.7%	-1.7%	-2.1%	-0.4%
Invesco Spin-Off ETF	6.3%	61.7%	-12.5%	-2.0%	0.7%	3.1%	-6.2%	3.5%	-7.0%	2.8%	-3.5%	-0.9%	3.9%	-7.9%	1.0%	-13.6%	9.6%

Note: The HFRX Special Situations Index is an average of the monthly reported global equity funds investing with this focus. Reported by Hedge Fund Research. The Invesco S&P Spin-Off ETF is reported by Guggenheim.

**** From December 3, 2007, to July 29, 2022***

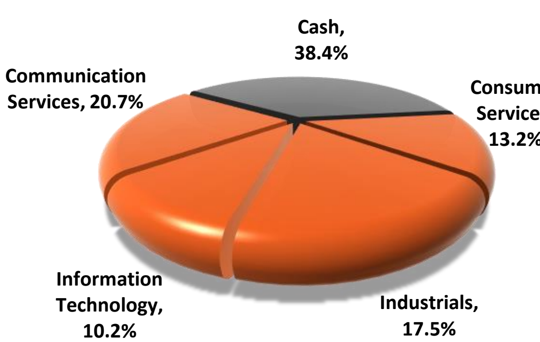
The Edge Catalyst Portfolio increased by +6% in July 2022. Over the 14 years since inception, the MP has an absolute gain of +68%. Most relevant given asset classes, the **HRFX Special Situations Index** has a return of +8% over the same >14-year period, and the **Invesco S&P Spin-Off ETF** has a return of +6% since its inception on November 22, 2017. The Edge Catalyst MP has outperformed these Indices by a relative **+56% and +62% since inception, respectively.**

To communicate our highest-conviction ideas most effectively to clients and maximize overall performance, we have combined the positions of the Spinoff and Special Situations Model Portfolios, creating the unified Catalyst Portfolio. All previous returns and positions have been adjusted accordingly, and future ideas will enter this comprehensive MP.

Holdings + Portfolio Sector Weights (July 29, 2022) – Organized by Current Upside

Company	Ticker	Entry Date	Adjusted Buy Price	Current Weighting (%)	Current Price	Target Price (Base Case)	Current Upside (%)	Current Return (%)	MTD % Change	The Edge Action Recommendation
IAC/InterActiveCorp	IAC	27-Jan-21	$126.87	8.98%	$68.50	$156.00	127.7%	-46.0%	-9.7%	Buy <$90
Uber Technologies, Inc.	UBER	6-Dec-21	$36.24	8.13%	$23.45	$53.18	126.8%	-35.3%	14.6%	Buy <$35
MSG Sports Corp.	MSGS	11-Apr-22	$53.78	6.85%	$41.22	$70.89	72.0%	-23.4%	-5.8%	Buy <$160
Kyndryl Holdings, Inc.	KD	06-Jun-22	$11.14	2.04%	$10.47	$17.25	64.8%	-6.0%	7.1%	Buy <$10
ESAB Corp.	ESAB	05-Apr-22	$154.25	8.49%	$110.98	$182.15	64.1%	-28.1%	24.5%	Buy <$50
Warner Bros. Discovery, Inc.	WBD	3-May-22	$19.30	4.71%	$15.00	$22.04	46.9%	-22.3%	11.7%	Buy <15
MSG Entertainment Corp.	MSGE	14-Apr-20	$70.91	8.26%	$58.23	$81.29	39.6%	-17.9%	10.7%	Buy <$90
Airbnb, Inc.	ABNB	16-Feb-22	$172.14	3.45%	$153.78	$213.16	38.6%	-10.7%	1.8%	Buy <$100
Regal Rexnord Corp.	RRX	20-Apr-22	$141.42	7.34%	$134.30	$159.76	19.0%	-5.0%	18.4%	Buy <$130
Verisk Analytics, Inc.	VRSK	27-Apr-22	$209.52	3.34%	$190.25	$212.75	11.8%	-9.2%	10.0%	Buy <$180
				Cash 38.4%						
Total Value	**$369,504,314**			**Net Cash**	**$141,910,326**				**Portfolio Value**	**$227,593,988**

Portfolio Weightings – *July 29, 2022*



Transactions

Additions: *No changes;*

Shorts: *No changes;*

Removed: ***Arconic Corp. (ARNC)*** *exited the MP on July 8 at a VWAP $28.08;* ***Consensus Cloud Solutions, Inc. (CCSI)*** *exited the MP on July 8 at a VWAP $48.87;* ***Encompass Health Corp. (EHC)*** *exited the MP on July 8 at a VWAP $48.00;* ***Enhabit, Inc. (EHAB)*** *exited the MP on July 8 at a VWAP $19.68;* ***PLBY Group, Inc. (PLBY)*** *exited the MP on July 8 at a VWAP $6.81;* ***Rapid7, Inc. (RPD)*** *exited the MP on July 8 at a VWAP $73.73;* ***Ultra Clean Holdings, Inc. (UCTT)*** *exited the MP on July 8 at a VWAP $29.74;*

Spinoffs: ***Enhabit, Inc. (EHAB)*** *entered the MP via distribution (1:2) on July 1 at an adjusted buy price of $26.46.*

Weightings: *No changes;*

Company:	3M Co. (MMM)
Sector:	Industrials (Conglomerate)
Company:	Neogen Corp. (NEOG)
Sector:	Healthcare (Supplies)

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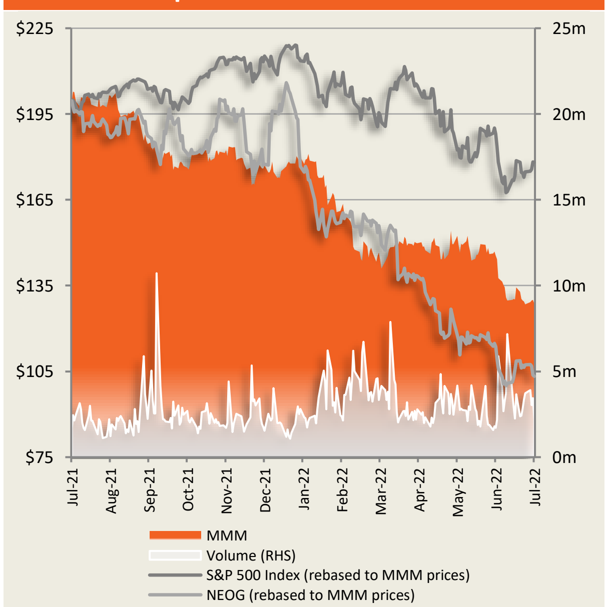
Particulars	Bull	Base	Bear
MMM (Parent ex-Exchange)			
Target Price ($)	**161.29**	**151.07**	**130.63**
Technical Price ($)		128.67	
Potential Upside	**25.4%**	**17.4%**	**1.5%**
NEOG (NewCo ex-Exchange)			
Target Price ($)	**24.26**	**18.51**	**11.93**
Technical Price ($)	22.88	22.88	22.88
Potential Upside	**6.0%**	**-19.1%**	**-47.8%**

MMM Top 5 Shareholders (% Outstanding)	
Vanguard Group, Inc.	8.31%
BlackRock, Inc.	7.56%
State Street Corp.	5.73%
Charles Schwab Investment Management, Inc.	1.99%
Geode Capital Management LLC	1.96%

NEOG Top 5 Shareholders (% Outstanding)	
BlackRock, Inc.	10.85%
Vanguard Group, Inc.	9.71%
Brown Capital Management LLC	9.68%
Wasatch Advisors, Inc.	6.29%
Fred Alger Management LLC	3.87%

Price Graph of MMM & NEOG Vs. Index



Source: *The Edge Research Team, Company filings*

Cross-Sector Exchange Offers Historically Outperform, NEOG Looks Overvalued

The Edge View (MMM, Parent ex-Exchange): Given the exchange offer itself does little to affect MMM's overall share price, we recommend investors to wait for the exchange offer to be completed, then ***enter post-exchange*** for the anticipated value creation and upside to come from the company's narrowed focus on its remaining operations.

The Edge View (NEOG, NewCo ex-Exchange): NEOG has many non-pure-play listed peers in Europe, though its domestic peers in the food safety space are comprised of private companies. Compared to its European peers, NEOG's pure-play position places it at a significantly higher premium, and as a result we see downside in our Base case valuation, and ***we recommend that even if investors participate in this exchange offer***, ***they should sell their NEOG shares once credited to their account.***

Key Trading Details	Parent	NewCo (Pre-Exchange)
Company Name	3M Co. (MMM)	Neogen Corp. (NEOG)
Sector	Industrials	Healthcare
Current Market Price ($)	128.72	22.88
Market Cap ($m)	73,249	2,467
EV ($m)	86,680	2,424
Adj. EBITDA ($m)	9,284	95
Net Debt / FY22E EBITDA	1.42x	-0.5x
FY22E FCF per share / % Yield	6.6%	NA
Avg. Volume (30 days in m)	3.0	0.7
Avg. Traded Value (30 days) in $ m	386.3	18.0
Index Membership	S&P 500 Index	S&P 400 Index
Most Recent Filing	Amended Form S-4 (filed July 1, 2022)	
Corporate Website	MMM IR	NEOG IR

Key Details	
Announcement Date	December 14, 2021
Exchange Ratio	Assumed 1:1 Exchange Ratio (MMM : NEOG)
Tax Implications	Tax-Free (US)
Completion Date	Guided for Q3 2022

What's Happening? As early as Autumn 2019, **Neogen Corp.'s (NEOG)** management was evaluating strategic options for enhancing the business, including discussions with **3M Co. (MMM)** regarding a combination with the latter's Food Safety business. In December 2021, MMM formally announced an RMT with NEOG, in which a Spin-merger of MMM's Food Safety segment would merge with NEOG and shareholders would end up with a proportional holding in the latter via tax-free distribution of the Spin-merged company.

Management Rationale: The rationale for this transaction was to help MMM focus on its healthcare business (hand sanitizers, surgical items, casting, and patient monitoring), while NEOG saw the benefit in boosting its position as a pure-play food safety company (many of its listed peers are not pure-play but include food safety segments as portions of their overall operations). However, MMM's management changed the transaction structure in March 2022 to a tax-free exchange offer, with a "clean-up Spin" planned in the event the exchange offer was under-subscribed.

Historical Perspective: In examining similar transactions, we have found that short-term performances are stronger for exchange offers that do not leave their respective sectors, but this swings in favor of cross-sector exchanges in the 6-month and one-year periods, indicating potential value for MMM in this transaction over NEOG. Further findings can be found in the below data breakdowns.

Exchange Discount to Determine Dividend Funds' Participation: As per the Merger Agreement, NEOG's (NewCo) board is restricted from declaring or paying any dividends prior to the closing of the transaction. Moreover, the S4 filing's Dividend Policy section states the **management does not "*presently intend to commence paying dividends following the Merger*."**

Currently, around 4.17% of outstanding shares are held by dividend-focused funds (~23m shares of total 569m outstanding shares). MMM has a long 100-year history of paying a dividend and has remained a dividend aristocrat for around 64 consecutive years, making it a valuable dividend payer for investors.

We believe if the discount offered by the management for the exchange is higher than the 4.7% yield of MMM shares, dividend players would subsequently agree to participate in the exchange offer. They would receive the shares post-exchange and sell it in the market to gain more than the dividend yield. If they do not opt for the exchange offer, and they receive Spin-Merged (NEOG) shares via the planned Clean-Up Spin (in the event the exchange offer is under-subscribed), they would receive those shares at market price and must sell at a loss to exit the non-dividend paying stock.

NEOG's $1bn Payment Burden to MMM Unfavorably Levers the Balance Sheet: Pre-transaction, NEOG has a cash positive balance sheet with no leverage. However, as part of the Spinoff/exchange offer and merger deal, NEOG (NewCo) will pay between $1bn to $1.2bn as a cash dividend to 3M; thus, NEOG's pro forma balance sheet provided in the latest S4 filing shows a net debt of around $973m post-transaction, leading to NewCo's leverage to jump from nothing to a significantly unfavorable 3x. Additionally, based on pro forma numbers, MMM can use this cash dividend to reduce its debt from $16.7bn to around $15.7bn, which brings the Parent company's net leverage from 1.42x down to 1.3x.

Food Safety Segment Details: As of FY21, the Food Safety business was part of MMM's Healthcare segment (~24% of total sales). Being a segment of segment, this business represented around 1% of total MMM FY21 sales. Prior to the coming merger, NEOG's business distribution is comprised of 45% revenues from its own Food Safety business and the rest from Animal Safety & Genomics business. With the addition of 3M's food business safety, NEOG's Food Safety segment is boosted to account for 70% of revenues (and the Animal Safety & Genomics segment accounting for the remaining 30%).

Previous Exchange Offer Performances: We examined 18 major exchange offers (varying in structure from pure exchanges, IPO-exchanges, and Spin-exchanges and across all market cap ranges) since 2006, five of which are examples of cross-sectoral transactions like the pending exchange offer between MMM and NEOG (see the following table).

What Investors Can Expect, Based on the Data: Should the MMM / NEOG transaction follow the average performances of previous cross-sector exchange offers, investors would generate the best return potential by selling either stock in the first week at a small profit and subsequently look to re-enter at either the one-month or three-month point and hold up to a year.

Company Name & Ticker	Sector	Market Cap on Exchange Date ($m)	Exchange Offer Date	Total Return to Jul 1
Ecolab, Inc. (ECL)	Basic Materials	63,873	3-Jun-20	-26.88%
ChampionX Corp. (CHX)	Energy	801	3-Jun-20	103.94%
General Electric Co. (GE)	Industrials	294,635	17-Nov-15	-72.97%
Synchrony Financial, Inc. (SYF)	Financials	25,498	17-Nov-15	-5.92%
Weyerhaeuser Co. (WY)	Real Estate	19,868	7-Jul-14	2.69%
Tri Pointe Homes, Inc. (TPH)	Consumer Discretionary	501	7-Jul-14	11.91%
MetLife, Inc. (MET)	Financials	42,410	12-Sep-08	24.82%
Reinsurance Group of America, Inc. (RGA)	Healthcare	3,322	12-Sep-08	136.98%
Halliburton Co. (HAL)	Energy	32,940	5-Apr-07	-3.74%
KBR, Inc. (KBR)	Industrials	3,446	5-Apr-07	138.75%

Source: *The Edge Research Team, Company filings, Sentieo*

Exchange Offer Categorical Examination: While one may expect these cross-sector exchange offers to be under-subscribed due to a potential disinterest in certain investors focused on specific sectors not wishing to own shares in the exchanged business, the data shows that cross-sector exchanges outperform the ones that remain within their respective sectors in the very short- (one week) and medium-term (6-12 months), though beyond the one-year mark the cross-sector names are outdone by the rest of the data set. Additionally, this data set shows all situations were fully subscribed, including cross-sector ones, meaning there were no "clean-up Spins" performed of remaining unsubscribed shares. **We expect this current situation to also be fully subscribed.**

As shown in the below table, those situations that involved cross-sector exchanges resulted in worse returns in the one-month and three-month periods post-exchange offer but began to outperform by the six-month and one-year marks, indicating a potential sweet spot for this current cross-sector situation. However, on an overall basis (meaning from the exchange offer to July 1, 2022), the non-cross-sector and collective average returns have done significantly better compared to the overall returns of solely the cross-sector names (even when accounting for and removing the major +2,246% outlier CMG, which saw its exchange offer completed in October 2006 and is the oldest situation in this data set).

Cross-Sector, Non-Cross Sector & Collective Average Returns

Particulars	1 Week Post-Exchange	1-Month Post-Exchange	3-Months Post-Exchange	6-Months Post-Exchange	1-Year Post-Exchange	% Change from Exchange Offer to Jul 1
Cross-Sector Average	4.10%	-10.49%	-7.26%	4.03%	23.60%	30.96%
Non-Cross-Sector Average	-1.51%	-0.56%	-1.73%	3.18%	18.20%	199.40%
Collective Average	0.05%	-3.39%	-3.31%	3.42%	19.74%	148.36%

Source: *The Edge Research Team, Company filings, Sentieo*

That said, the table below shows that cross-sector Parents tended to underperform the other categories (non-cross-sector and collective) in all time periods barring the first week of trading post-exchange offer. While our valuations see more upside for MMM (Parent post-Exchange Offer) given its narrowed focus and intended debt reduction from NEOG's $1bn payment, the data indicates that Parents in the cross-sector category struggle more so than their non-sector crossing counterparts in nearly all periods.

Parent Category Average Returns

Particulars	1 Week Post-Exchange	1-Month Post-Exchange	3-Months Post-Exchange	6-Months Post-Exchange	1-Year Post-Exchange	% Change from Exchange Offer to Jul 1
Cross-Sector Parent Average	1.59%	-11.97%	-10.97%	-8.39%	-1.92%	-15.22%
Non-Cross-Sector Parent Average	-0.25%	-1.35%	-0.61%	3.54%	15.60%	114.72%
Collective Parent Average	0.26%	-4.30%	-3.49%	0.23%	10.73%	78.63%

Source: *The Edge Research Team, Company filings, Sentieo*

Finally, the NewCo cross-sector category shows the strongest performances in the 6-month and one-year periods, bolstered by KBR's +99% return in six months and CHX's +204% in its first year of trading post-exchange offer. However, the cross-sector names' average outperformance is surpassed by both other categories to date, primarily due to the outlying performances of ZTS (+454% since June 2013), and CMG (+2,246% since October 2006). If those outlying performances are removed, the NewCo cross-sector category outperforms the non-cross-sector NewCo names by +56.2% and the collective NewCo average by +28.4% in overall returns (from exchange offer to July 1, 2022). **We believe NEOG (post-exchange offer) trades at a significant and unjustifiably high premium to its non-pure-play peers, and we expect significant downside in our one-year Base case valuation.**

NewCo Category Average Returns

Particulars	1 Week Post-Exchange	1-Month Post-Exchange	3-Months Post-Exchange	6-Months Post-Exchange	1-Year Post-Exchange	% Change from Exchange Offer to Jul 1
Cross-Sector NewCo Average	6.61%	-9.01%	-3.54%	16.46%	49.12%	77.13%
Non-Cross-Sector NewCo Average	-2.78%	0.31%	-2.95%	2.79%	21.01%	309.48%
Collective NewCo Average	-0.17%	-2.43%	-3.13%	6.81%	29.28%	232.03%

Source: *The Edge Research Team, Company filings, Sentieo*

What We are Waiting On: This analysis is based on some assumptions with respect to the exchange ratio and expected exchange share price discount being offered by MMM. The final exchange ratio determines the outstanding number of shares for MMM to be utilized for the post-exchange target price calculation and the discount offered will finalize investors' interest participating in the exchange offer.

Therefore, we will re-examine our thesis and valuations once the exact exchange dates, ratio and discount are announced. The major factor which will change our thesis is the discount being offered for the exchange, which determines how lucrative the exchange offer is for investors opting to participate.

The next major investor event from either entity is scheduled for July 26, 2022, which is MMM's Q2FY22 earnings update. We may get further details for the transaction at that time. Currently, the transaction will have no effect on either company's management team, with all officers remaining in charge of their respective leadership positions.

Valuation Scenarios & Peer Matrix – 3M Co. (MMM, Parent Post-Exchange)

Our one-year **Base Case target price is $151.07** or **target equity value of $82.9bn** for 3M Co. (MMM, Parent Post-Exchange), which implies a **potential upside of +17.4%** from the CMP of $128.67.

We have valued MMM on a FY23E EV/EBITDA multiple of 10.1x (applying a 15% conglomerate discount to peer multiples) to arrive at an enterprise value of $95.4bn.

Valuation

Relative Valuation of MMM (Parent post-Exchange Offer) (in $m except per share data)	Bull	Base	Bear
FY23E EBITDA **(Bull: 2.5% expansion, Bear: 10% contraction)**	9,463	9,463	9,463
FY23E EV/EBITDA **(Bull: 10% Discount, Base: 15% Discount, Bear: 25% discount)**	10.7x	10.1x	8.9x
Value of business based on EV/EBITDA	**101,056**	**95,442**	**84,213**
Less: Net debt	12,444	12,444	12,444
Total equity value	**88,612**	**82,997**	**71,769**
Shares outstanding (after exchange of assumed 19.7m shares)	549	549	549
Target value per share (in $)	**161.29**	**151.07**	**130.63**
Technical split share price (in $)	128.67	128.67	128.67
Upside/Downside	**25.4%**	**17.4%**	**1.5%**

Peer Comparison Matrix

				EV/EBITDA	
Company	**Ticker**	**MCap $m**	**EV $m**	**FY2022E**	**FY2023E**
Avery Dennison Corp.	AVY	13,479	16,600	11.5x	10.7x
Carlisle Companies, Inc.	CSL	12,889	15,527	10.8x	10.0x
Illinois Tool Works, Inc.	ITW	56,759	63,322	14.8x	13.8x
DuPont de Nemours, Inc.	DD	28,193	38,175	11.5x	10.3x
Amphenol Corp.	APH	39,339	43,050	15.2x	14.4x
3M Co.	**MMM**	**70,688**	**83,132**	**8.9x**	**8.8x**
Peer Avg.				12.8x	11.9x

Source: *The Edge Research Team, Company filings*

Valuation Scenarios & Peer Matrix – Neogen Corp. (NEOG, Post-Exchange)

Our one-year **Base Case target price is $18.51** or **target equity value of $4bn** for Neogen Corp. (NEOG, Post-Exchange Entity), which implies a **potential downside of -19.1%** from the CMP of $22.88.

We have valued NEOG on a FY23E EV/EBITDA multiple of 15.2x (applying a 40% premium to peer multiples) to arrive at an enterprise value of $4.9bn. We have applied this premium as it will be a premium pure-play US-based Food Safety player compared to its European counterparts, with the other US players being in the private domain.

Valuation

Valuation of NEOG (Post-Exchange Offer Entity) (in $m except per share data)	Bull	Base	Bear
FY23E EBITDA	327	327	327
FY23E EV/EBITDA **(Bull: 75% premium; Base: 40% Premium, Bear: In-Line with Peers)**	19.0x	15.2x	10.9x
Total Enterprise Value of NEOG	**6,229**	**4,983**	**3,559**
Less: Net debt	973	973	973
Total equity value of NEOG	**5,256**	**4,010**	**2,587**
Shares outstanding	216	216	216
Target value per share (in $)	**24.26**	**18.51**	**11.93**
Technical share price of NEOG	22.88	22.88	22.88
Upside/Downside	**6.0%**	**-19.1%**	**-47.8%**

Peer Comparison Matrix

Company	Ticker	MCap $m	EV $m	EV/EBITDA FY2022E	EV/EBITDA FY2023E
Eurofins Scientific SE	ERF FP	14,931	17,199	11.0x	10.9x
Bureau Veritas SA	BVI FP	11,096	12,735	11.5x	10.9x
Intertek Group Plc	ITRK LN	6,867	7,925	11.1x	10.4x
SGS SA	SGSN SW	16,721	19,133	12.0x	11.4x
Neogen Corp.	**NEOG**	**$5,054**	**6,027**	**19.9x**	**18.4x**
Peer Avg.				11.4x	10.9x

Source: *The Edge Research Team, Company filings*

Pick of the Fallen Spins – Continental AG (CON GY)

We have analysed more than 55 names to shortlist ones with conviction based on pre-determined value-based and catalyst-based screening. Based on these fundamental factors we have shortlisted names like XPO, CON GY, ESAB, and EHAB, which we felt compelling and undervalued, and have re-examined them as investment opportunities at current levels. However, with further refinement based on expected impending catalysts, we have determined CON GY and XPO are the top picks of the Fallen Spins.

CON GY is trading at a discount of 33% to 36% against its peers, which we believe is too deep to justify. Additionally, CON GY is expected to grow its Sales and EBITDA at a CAGR of 4.2% and 6.3%, respectively, for the period FY21-FY23E compared to an average CAGR of 4.8% and 6.1% (if we exclude APTV as an outlier with its ~10% expected CAGR on consensus numbers), respectively, for its peers listed below (*refer the peer metrics table on page 3*). Furthermore, CON GY's expected margin for FY23E is expected to be in the range of 12.5% to 12.9%, nearly in-line with its peer average of 12.3%. CON GY also boasts a net leverage of 1.02x compared to its peer average of 1.57x. Adding to these fundamental factors are key trades by insiders led by the company's Chairman/CEO makes the discount to peers indefensible, making this name a compelling investment idea.

Company Logo	Company Name	Ticker	Mkt Cap ($m)	Industry	Key Criteria
	Continental AG	CON GY	€13.4bn ($13.6bn)	Consumer Discretionary	• Forward 2-year Sales Growth & EBITDA Growth CAGR in-line or greater than peers • Margins in-line or greater than peers • Net debt/EBITDA in-line or better than peers • Any noteworthy, expected catalyst providing positive impetus to stock price movement

Investor Relations Contact Details	Client Portal Company Profile
www.continental-ir.com Bernard Wang, Head of Investor Relations bernard.wang@conti.de +49 511 938-1068	http://www.edgecgroup.com/clientportal/company-profile/CON GY

The Edge View: Considering CON GY is trading at an unjustifiable discount to its European and US peers, coupled with key purchases by insiders, the company is at the top of our ideas watchlist, and we expect value creation through the lowering of its discount compared to peers. We recommend long-term investors to buy CON GY here, and for **near- to mid-term investors to wait for the earnings update scheduled for August 9, 2022**, which may provide further clarity on near-term performance expectations and a better entry point.

Business Description…

Continental AG (CON GY) is a Germany-based company engaged in the automotive sector. The Company's segments include Chassis & Safety, Powertrain, Interior, Tires, ContiTech and Other/consolidation. The Chassis & Safety division develops, produces, and markets intelligent systems. The Chassis & Safety division develops, produces, and markets intelligent systems to improve driving safety and vehicle dynamics. The Powertrain division integrates system solutions for the powertrains in vehicles of all classes. The Interior division provides information management in vehicles, and develops and produces information, communication, and network solutions. The Tires division offers safety through short braking distances and grip, as well as reducing fuel consumption. The ContiTech division develops, manufactures, and markets products for machine and plant engineering, mining, the automotive industry and other important industries.

CON GY: Insiders Recognize Unjustified Valuation Discount & Buy in Market Slump

Company:	**Continental AG (CON GY)**
Sector:	Consumer Discretionary
Jim Osman	jo@edgecgroup.com
Research Dept.	research@edgecgroup.com
Contact:	+1 (973) 867 7760

Key Trading Details

Current Price (€)	70.78
Market Cap (in € m)	13,424
Enterprise Value (in € m)	17,750
Avg. Volume (30 days) in m	0.47
Avg. Traded Value (30 days) in €m	31.8
Spinoff Completed	September 16, 2021
Spin-to-Date Return	-31.6%

Particulars	Bull Case	Base Case	Bear Case
Target Price (€)	104.78	94.92	71.15
Upside (%)	48.04%	34.12%	0.52%

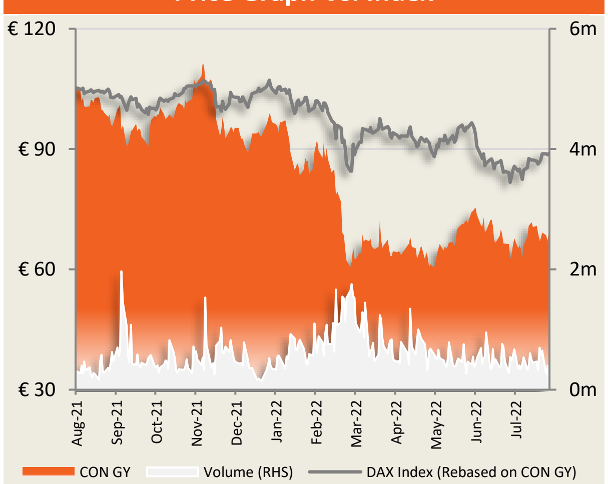
Financial Trend

Particulars	FY20	FY21	FY22E
Revenue (in $m)	31,649	33,765	36,576
Growth %	*-13.1%*	*6.7%*	*8.3%*
Adj. EBITDA (in $m)	2,764	4,104	4,637
Margin %	*8.7%*	*12.2%*	*12.7%*
Growth %	*-42.2%*	*48.5%*	*13.0%*

Top 5 Shareholders

INA-Holding Schaeffler GmbH & Co. KG	46.0%
Harris Associates LP	5.0%
Templeton Global Advisors Ltd	1.8%
Vanguard Group, Inc.	1.4%
Newton Investment Management Ltd	1.2%

Price Graph Vs. Index



Source: *The Edge Research Team, Company filings*

The Edge's Post-Spin View: The separation of **Vitesco Technologies AG (VTSC GY)** on September 16, 2021, saw the listing of CON GY's comparatively laggard Powertrain business and an improvement to the post-Spin Parent's margins from ~15% to 19.4%. Additionally, CON GY has a higher dividend yield compared to its peers (3.05% vs. the peer average of 2.95%), leverage nearly in-line with peers (1.02x vs. the peer average of 1.10x) and two-year forward margins better than peers (13.3% vs. the peer average of 12.6%). Furthermore, CON GY's three-year sales CAGR is 6.1% compared to its peers' 7.5%, highlighting nearly the same external environmental impact or growth expectations as its peers. Therefore, the current valuation discount seems unjustified, coupled with key insiders buying on the open market as an additional catalyst.

Insiders Increase Their Stakes: June 1, 2022, saw a batch of buying from key insiders at the post-Spin CON GY, led by Chairman/CEO Nikolai Setzer and including CFO Katja Dürrfeld, two heads of segments (Philip Nelles and Christian Kötz), and the head of Labour Relations (HR) Ariane Reinhart. The below purchases are the first for Mr. Nelles and Ms. Dürrfeld, as they both took their respective offices in June and December 2021. Three of these individuals (Setzer, Kötz and Reinhart) previously bought in a batch on June 1, 2021, at €123.80 (pre-adjustment for the Spin of VTSC GY). They all lost a little value leading up to the Spin, as the closing price just before the separation (September 15, 2021) was €113.20, representing -8.6% in losses.

Recent Insider Buying at CON GY

Insider Name	Role	Date of Purchase	Purchase Price	# of Shares & Value
Nikolai Setzer	Chairman & CEO	Jun 1, 2022	€71.67	27,479 / €1.97m
Katja Dürrfeld	CFO	Jun 1, 2022	€71.67	603 / €43k
Philip Nelles	CEO of ContiTech	Jun 1, 2022	€71.67	3,133 / €225k
Ariane Reinhart	Director of HR	Jun 1, 2022	€71.67	7,441 / €533k
Christian Kötz	Head of Tires	Jun 1, 2022	€71.67	8,831 / €633k

What Do These Purchases Mean? The ideal pattern indicating value buying is for insiders to buy into price strength, or as the stock price improves; however, the purchases by these key insiders as the stock price was dropping (relatively in-line with the market) follows similar bear market insider patterns seen during the 1973-74 and 2008-09 periods, where those who bought at bear lows made spectacular returns. The buys made by CON GY's management in June 2022 is the first step toward establishing a value buy trend, and a further strong catalyst is a potential buy from the same members once the stock price starts to pull back up toward Spin levels.

Management Backgrounds: Mr. Setzer has served in various leadership positions at CON GY since 1999 and took office as CEO on December 1, 2020. As well as being CEO and the Chairman of the Executive Board, he also serves as Chairman of the Automotive Board. Ms. Dürrfeld joined CON GY in 1997 and began her tenure as CFO and head of Group Finance, Controlling & Group IT on December 14, 2021 (the most recent add to the executive team). Mr. Nelles joined CON GY in 2000 and becoming CEO of the ContiTech segment on June 1, 2021. Ms. Reinhart previously served as the Head of HR at carmaker Volkswagen AG (VOW GY) from 1999 to 2014, at which point she took the same office at CON GY and has held since. Lastly, Mr. Kötz has been at CON GY the longest of this group, having first joined in 1996 and held various leadership positions until becoming the Head of the Tires segment on April 1, 2019.

Valuation & Peer Matrix – Continental AG (CON GY)

As an OEM manufacturer, **Continental AG (CON GY)** shows superior margins compared to its European peers, though just short of its US counterparts. With a leverage position significantly better than its European peers (1.1x of CON GY compared to the 2.1x average for European peers), we have valued CON GY at a premium to European peers but at a slight discount to US peers.

Valuation

Relative Valuation of CON GY (in €m except per share data)	Bull Case	Base Case	Bear Case
FY23E EBITDA	5,234	5,234	4,711
FY23E blended peer EV/EBITDA multiple	4.9x	4.6x	4.1x
Enterprise Value based on EV/EBITDA Multiple	**25,467**	**24,127**	**19,301**
FY23E Revenues	39,482	39,482	35,533
FY23E blended peer EV/Revenues multiple	0.7x	0.6x	0.5x
Enterprise Value based on EV/Revenues Multiple	**26,020**	**23,418**	**18,735**
Average of Enterprise Value	**25,744**	**23,772**	**19,018**
Add: Cash and cash equivalents	2,324	2,324	2,324
Less: Debt	6,650	6,650	6,650
Less: Minority Interest	461	461	461
Equity Value of CON GY	**20,956**	**18,985**	**14,231**
Shares outstanding (m)	200	200	200
Target Price Value of CON GY	**104.78**	**94.92**	**71.15**
Current share price (in €)	70.78	70.78	70.78
Upside/Downside	**48.04%**	**34.12%**	**0.52%**

Peer Comparison Matrix

				EV/EBITDA		EV/Revenues	
Company	**Ticker**	**MCap m**	**EV m**	**FY2022E**	**FY2023E**	**FY2022E**	**FY2023E**
Aptiv Plc	APTV	$28,058	$29,923	12.5x	9.7x	1.7x	1.5x
Magna International, Inc.	MGA	$18,804	$20,838	6.0x	4.8x	0.6x	0.5x
Valeo SE	FR FP	€4,878	€9,036	3.9x	3.3x	0.5x	0.4x
ElringKlinger AG	ZIL2 GY	€478	€957	5.1x	4.3x	0.6x	0.5x
Progress-Werk Oberkirch AG	PWO GY	€89	€198	3.7x	3.5x	0.4x	0.4x
Continental AG	**CON GY**	**€13,564**	**€17,890**	**3.9x**	**3.4x**	**0.5x**	**0.5x**
Peer Avg.				**6.3x**	**5.1x**	**0.7x**	**0.7x**

Source: *The Edge Research Team, Company filings*

Special Situations Event Preview

Tags Key: [blue tag] indicates analysis has been released on this name; [green tag] indicates a new entry as of this edition;

Previously Featured Ideas (and Last Month Featured)

Analysis released	Bayerische Motoren Werke AG (BMW GY, BMWYY US – ADR)	Activism Opportunity, Potential Spinoff	June 2022
	Airbnb, Inc. (ABNB US)	Value Catalyst Opportunity	May 2022
	Brookfield Asset Management, Inc. (BAM US)	Potential Spinoff	May 2022
Analysis released	CommScope Holding Co., Inc. (COMM US)	Insider Buying, Upcoming Spinoff	March 2022
	Conduent, Inc. (CNDT US)	Potential Spinoff – Confirmed & Moved to Calendars	April 2022
	Genworth Financial, Inc. (GNW US)	IPO-Spin	April 2022
	Novartis AG (NOVN SW)	Reorganization, Potential Spinoff	July 2022
Analysis released	Owens Corning (OC US)	Activism Opportunity, Potential Spinoff	March 2022
Analysis released	PLBY Group, Inc. (PLBY US)	Long-Term Growth Opportunity	April 2022
Analysis released	Prosus NV (PRX NA)	Index Weighting Forced Catalyst	March 2022
	Three Insider Buys to Watch for Further Catalysts	Insider Buying, Value Opportunities	April 2022
Analysis released	Three Fallen Spins with Value Catalysts	Fallen Spinoffs, Value Opportunities	July 2022
Analysis released	Three High Quality Companies for the Long-Term	Former Spinoffs, Value Opportunities, Insider Buying	July 2022
Analysis released	Three Insider Value Buying Ideas	Insider Buying, Value Opportunities	July 2022
Analysis released	Update – King of the Activists Study	The Edge Thematic Study	June 2022

Current Ideas

Type: Upcoming Exchange Offer & Spinoff

3M Co.

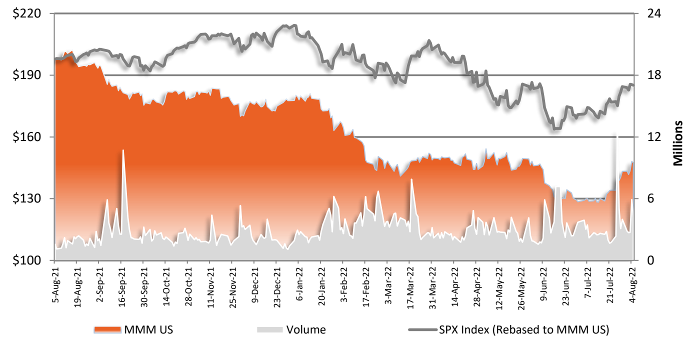
(MMM US)

Earnings – October 24, 2022

New Name | Analysis Released

Ticker (Bloomberg)	Primary Exchange	Mkt Cap in m (Local)	Mkt Cap in USDm	Sector
MMM US	NYSE	83,965	83,965	Industrial Conglomerates
Situation	**ADV (m)**	**Shares Out. (m)**	**52wk High**	**52wk Low**
Upcoming Exchange Offer & Spinoff	447.31	569.60	202.77	125.60

Stock vs Index & Volume



MMM is an industrials technology company focused on four main segments: Safety & Industrial (industrial adhesives, abrasives and tapes), Transportation & Electronics (advanced automotive and aerospace materials, electronic display materials, and other transportation electronics), Health Care (drug delivery, food safety, health information systems, and oral care solutions), and Consumer (consumer healthcare, home care, home improvement, and stationery and office supplies).

The Edge's View…

- ✓ As early as Autumn 2019, Neogen Corp.'s (NEOG) management was evaluating strategic options for enhancing the business, including discussions with 3M Co. (MMM) regarding a combination with the latter's Food Safety business. In December 2021, MMM formally announced an RMT with NEOG, in which a Spin-merger of MMM's Food Safety segment would merge with NEOG and shareholders would end up with a proportional holding in the latter via tax-free distribution of the Spin-merged company. Given the exchange offer itself does little to affect MMM's overall share price, we recommend investors to wait for the exchange offer to be completed, then enter post-exchange for the anticipated value creation and upside to come from the company's narrowed focus on its remaining operations.
- ✓ This is a short-term catalyst, and the company more recently announced a long-term catalyst in the form of a Spinoff of the Healthcare business by the end of 2023. MMM plans to retain a 19.9% stake in the Spinoff business to participate in its value creation and can later be divested or distributed. The company has struggled to create value since CEO Mike Roman took office in July 2018, lagging its peers while they've performed their own Spins (like HON, RTX, and the upcoming three-way split at GE). The management believes the separation of the Healthcare business will help the remaining company to focus on core Safety & Industrial, Transportation & Electronics, and Consumer operations.

Type: Updated Activism Opportunity, Potential Spinoff

Chemed Corp.

(CHE US)

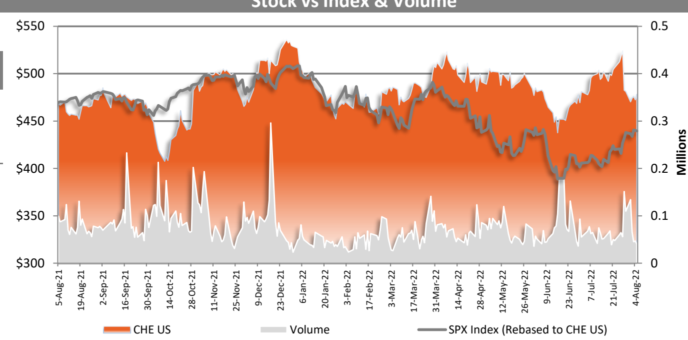
Earnings – October 28, 2022

CHEMED CORPORATION

Analysis Released

Ticker (Bloomberg)	Primary Exchange	Mkt Cap in m (Local)	Mkt Cap in USDm	Sector
CHE US	NYSE	7,128	7,128	Health Care
Situation	**ADV (m)**	**Shares Out. (m)**	**52wk High**	**52wk Low**
Updated Activism Opportunity, Potential Spinoff	33.12	14.84	539.87	403.00

Stock vs Index & Volume



CHE operates in two unrelated businesses: (i) VITAS Healthcare, which is the largest provider of end-of-life care in the United States, and (ii) Roto-Rooter Co., the largest commercial and residential plumbing and drain cleaning services provider in North America. We believe this company is poised to provide a potential activist break-up, and we see value in the two unrelated segments becoming independent.

The Edge's View…

- ✓ In a market environment searching for value, CHE holds one of the best opportunities to create immediate value for shareholders via a Spinoff. With both of CHE's segments (Hospice Care and Plumbing & Drain Service) holding dominant positions in their spaces, both cash cows and unlevered balance sheets, we believe CHE is an excellent Spinoff in the making.
- ✓ Over the last year, this under-covered name has completely cleared its debt, has $500m of cash for share buybacks and future investment opportunities as well as one of its peers Encompass Health (EHC) saw an activist led strategic review with a potential break-up on the cards. The stock has remained relatively flat since our May 2020 release and Chemed Corp. (CHE) offers a rare opportunity for a potential activist break-up.

Source: The Edge Special Situations (ESS) Research, Company filings, Bloomberg

Type: Fallen Spinoff, Insider Buying

Continental AG

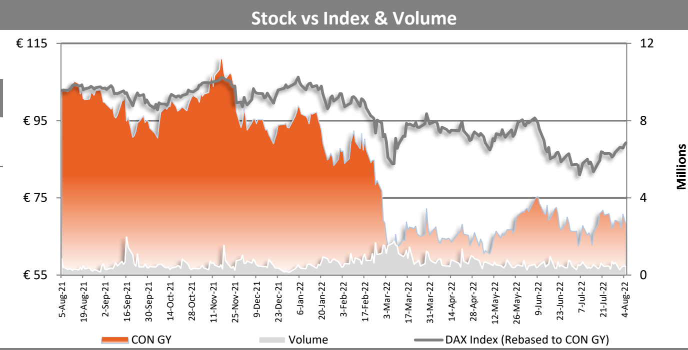
(CON GY)

Earnings – August 9, 2022

New Name | Analysis Released

Ticker (Bloomberg)	Primary Exchange	Mkt Cap in m (Local)	Mkt Cap in USDm	Sector
CON GY	Xetra Germany	13,616	13,947	Auto Parts & Equipment
Situation	**ADV (m)**	**Shares Out. (m)**	**52wk High**	**52wk Low**
Fallen Spinoff, Insider Buying	37.49	200.01	111.96	56.78

CON GY, founded in Germany in 1871, is the fourth largest rubber tire manufacturer in the world and has since expanded into many other areas of the automotive manufacturing space. The company is currently organized into five segments (Chassis & Safety, Powertrain, Interior, Tires, and ContiTech), and has been investigating ways of improving its slipping market position through an internal reorganization and strategic review of its assets.



The Edge's View…

- ✓ The separation of VTSC GY on Sept 16, 2021, saw the listing of CON GY's laggard Powertrain business and an improvement to CON GY's post-Spin margins from ~15% to 19.4%. Additionally, CON GY has a higher dividend yield compared to peers (3.05% vs. the peer average of 2.95%), leverage nearly in-line with peers (1.02x vs. the peer average of 1.10x) and two-year forward margins above peers (13.3% vs. the peer average of 12.6%).
- ✓ Furthermore, CON GY's three-year sales CAGR is 6.1% compared to its peers' 7.5%, highlighting nearly the same external environmental impact or growth expectations as its peers. Therefore, the current valuation discount seems unjustified, coupled with key insiders buying on the open market as an additional catalyst. June 1, 2022, saw a batch of buying from key insiders at the post-Spin CON GY, led by Chairman/CEO Nikolai Setzer and including CFO Katja Dürrfeld, two heads of segments (Philip Nelles and Christian Kötz), and the head of Labour Relations (HR) Ariane Reinhart.
- ✓ The ideal pattern indicating value buying is for insiders to buy into price strength, or as the stock price improves; however, the purchases by these key insiders as the stock price was dropping (relatively in-line with the market) follows similar bear market insider patterns seen during the 1973-74 and 2008-09 periods, where those who bought at bear lows made spectacular returns. The buys made by CON GY's management in June 2022 is the first step toward establishing a value buy trend, and a further strong catalyst is a potential buy from the same members once the stock price starts to pull back up toward Spin levels.

Type: Activism Opportunity, Potential Spinoff

Dentsply Sirona, Inc.

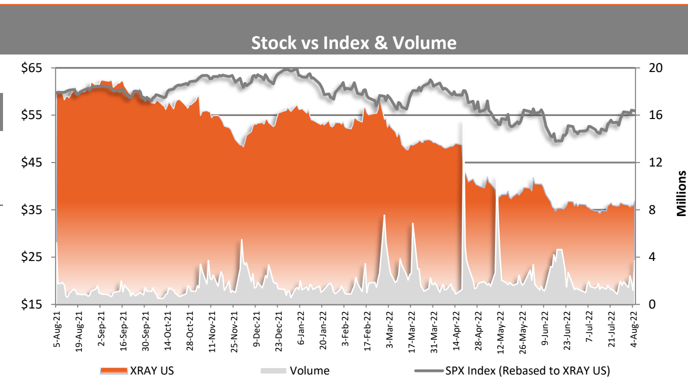
(XRAY US)

Earnings – August 11, 2022

Analysis Released

Ticker (Bloomberg)	Primary Exchange	Mkt Cap in m (Local)	Mkt Cap in USDm	Sector
XRAY US	NASDAQ	7,937	7,937	Health Care
Situation	**ADV (m)**	**Shares Out. (m)**	**52wk High**	**52wk Low**
Activism Opportunity, Potential Spinoff	82.60	215.45	63.10	33.77

XRAY is a manufacturer of professional dental products and technologies and operates in two segments (Dental & Healthcare Consumables and Technologies). The company develops, manufactures, and markets dental consumable products, dental laboratory products, dental specialty products, and dental equipment, as well as consumable medical devices used in urology and surgical applications.



The Edge's View…

- ✓ XRAY has been unfairly undervalued as a leading US dental equipment and consumables maker. With CEO Don Casey coming in to right the ship (2 years into his 3-year restructuring plan), we believe XRAY is setting up for a separation. As Health Care companies announce pure-play splits to take advantage of the tech driven market (CFX, ZBH and others), we see this as an opportunity for an activist investor to create a profitable Spinoff.
- ✓ We believe, being pioneers and a century-old manufacturer of consumable products catering to the dental industry and generating better margins of XRAY's two divisions, a separation will help to unlock value for its high-margin generating capabilities of the Consumables segment.
- ✓ We agree with the management that streamlining business operations, making meaningful additions, and curbing operational costs will work wonders for XRAY. This now perfectly paves the way for further premium valuation via a tax-free spilt of the Technologies & Equipment and Consumables segments due to the inherent strategic focus for individual divisions once they become pure-play entities post-Spin.

Source: The Edge Special Situations (ESS) Research, Company filings, Bloomberg

Type: Potential Spinoff

The Gap, Inc.

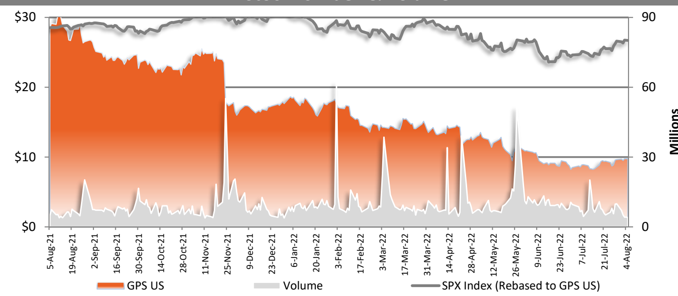
(GPS US)

Earnings – August 25, 2022

Ticker (Bloomberg)	Primary Exchange	Mkt Cap in m (Local)	Mkt Cap in USDm	Sector
GPS US	NYSE	3,584	3,584	Apparel Retail
Situation	**ADV (m)**	**Shares Out. (m)**	**52wk High**	**52wk Low**
Potential Spinoff	97.87	369.00	31.04	7.79

GPS is a US-based international clothing and accessories retailer and is the largest domestic specialty retailer. The company contains six segments: Gap (the flagship brand), Banana Republic, Old Navy, Intermix, Hill City, and Athleta. Originally a major US seller of Levi Strauss & Co. brand denim jeans, GPS eventually began making their own jeans to compete, with the resulting Old Navy brand comprising approximately +38% of total revenue (Q1 2018).

Stock vs Index & Volume



The Edge's View…

- ✓ In early 2019, GPS planned to Spinoff its Jeans business, Old Navy, just as VF Corp. (VFC) had determined it was going to list Kontoor Brands (which was Spun off in mid-May 2019). From our announcement alert, "In connection to the Spinoff of its money-making Old Navy brand, GPS announced the closing of ~230 stores to revitalize the brand as it rebalances its approach to retail, outlet and online sales. Also included in the earnings report were details on the Gap flagship brand sales declining by -5% in the last year. The remaining company is expected to make ~$9bn in annual revenue through its variety of specialty brands." GPS cancelled its Spin in 2020 believing the market would not welcome the newly listed denim business.
- ✓ Now, three years after its initial proposal of a split of operations into two independent businesses, there is a strong case to be made for GPS to seek the separation of its athleisure brand Athleta, given the market enthusiasm for listed peer Lululemon Athletica, Inc. (LULU), which is up +75% in the past three years (vs. the S&P 500's +50% return in the same period). During the company's Q4 earnings report in March 2022, CEO Sonia Syngal (who previously led the Old Navy segment) stated the company was evaluating further value creation opportunities, sparking the Spin rumors.
- ✓ However the company plans to move forward with a break-up, it is unlikely to be pushed by an activist investor, given how nearly half of outstanding shares are owned by the founding Fisher family (approximately 41.1% is collectively owned by four members of the Fisher family).

Type: SPAC Demerger

Harley-Davidson, Inc.

(HOG US)

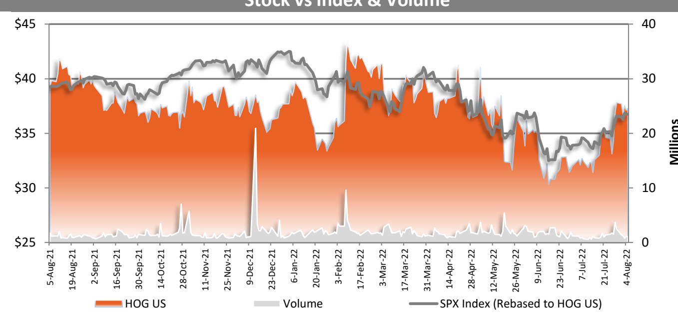
Earnings – October 25, 2022

Analysis Released

Ticker (Bloomberg)	Primary Exchange	Mkt Cap in m (Local)	Mkt Cap in USDm	Sector
HOG US	NYSE	5,447	5,447	Motorcycle Manufacturers
Situation	**ADV (m)**	**Shares Out. (m)**	**52wk High**	**52wk Low**
SPAC Demerger	62.70	154.57	44.46	29.80

HOG operates in two segments: Motorcycles & Related Products and Financial Services. The former segment designs, manufactures and sells at wholesale on-road Harley-Davidson motorcycles as well as parts, accessories, merchandise, and related services. The latter segment provides wholesale and retail financing and insurance-related programs to HD dealers and their retail consumers. LiveWire is HOG's electric motorcycle business segment.

Stock vs Index & Volume



The Edge's View…

- ✓ On December 13, 2021, iconic motorcycle maker Harley-Davidson, Inc. (HOG) announced the combination of its electric motorcycle division (LiveWire) with SPAC IMPX, which will take the name LiveWire and ticker "LVW". Upon closing, HOG will own 74% of LVW, IMPX's shareholders will own 17.3%, and IMPX's founders and KYMCO (a privately held Taiwanese motorcycle manufacturer) will own 4.3% each post-merger.
- ✓ Compared to electric cars, the success of electric sports bikes currently seems far-fetched, particularly due to the low range issue as the LiveWire motorcycle offers a range of 158 km to 250 km (compared to the Tesla Model S range of 637km). Therefore, the range needs to be improved as the average sports biker expects the bike to cover longer distances. Having said this, one of LiveWire's peers ARC Vehicles' (a privately held company) sports e-bike VECTOR claims a range of 436km in a single charge. Therefore, we believe LiveWire's cash balance of $545m is likely to be burned through going into technological advancement (particularly improved range) and new model development towards FY26E.
- ✓ In our view, HOG and LVW tick the right strategic boxes. Therefore, if the range issues are addressed, which seems likely in the near-future, LVW can successfully recreate the pioneering success seen by Tesla (TSLA) given its powerful first-mover advantage in the electric sports bike market.

Source: The Edge Special Situations (ESS) Research, Company filings, Bloomberg

Type: Activist-Led Potential Spinoff, New CEO

Hasbro, Inc.

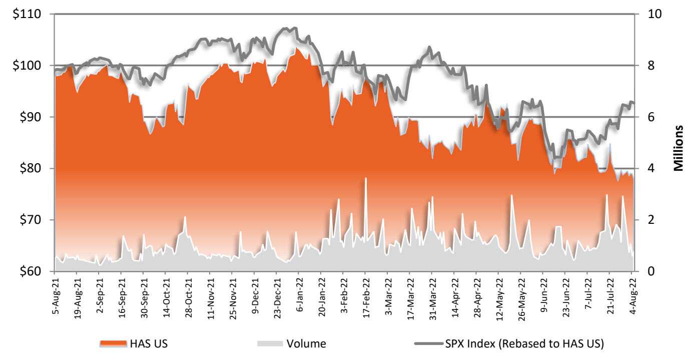
(HAS US)

Earnings – October 24, 2022

Ticker (Bloomberg)	Primary Exchange	Mkt Cap in m (Local)	Mkt Cap in USDm	Sector
HAS US	NASDAQ	10,759	10,759	Leisure Products
Situation	**ADV (m)**	**Shares Out. (m)**	**52wk High**	**52wk Low**
Activist-Led Potential Spinoff, New CEO	94.63	138.09	105.73	76.93

HAS is a global entertainment company that provides toys, games, consumer products, as well as television and movie, digital gaming, and other entertainment experiences. Its three segments include Consumer Products (toy and game products), Wizards of the Coast & Digital Gaming (trading card, roleplaying, and digital game experiences) and Entertainment (development, acquisition, production, financing, distribution, and sale of film, scripted/unscripted tv, music, and live entertainment).

Stock vs Index & Volume



The Edge's View…

- ✓ HAS, one of the major domestic toy and gaming companies, has a new CEO in Chris Cocks, who had previously served as President of the Wizards of the Coast segment (2016-2022) and Microsoft prior, after long-time CEO Brian Goldner passed away. Goldner had been with Hasbro since 2000 and served as CEO from May 2008 to his death.
- ✓ Mr. Cocks comes to the executive office at the same time activist investor Alta Fox Capital is pushing for changes at the toymaker, including a shakeup on the board and the separation via Spinoff of the Wizards of the Coast segment (which consists of the major tabletop roleplaying Dungeons & Dragons and the trading card game Magic: The Gathering brands). Alta Fox stated in its public letter that, by their estimates, investors would boost HAS's share price by over $100 (currently +130% potential upside), should the company perform the Spin.

Type: Activist-Led Potential Spinoff

Huntington Ingalls Industries, Inc.

(HII US)

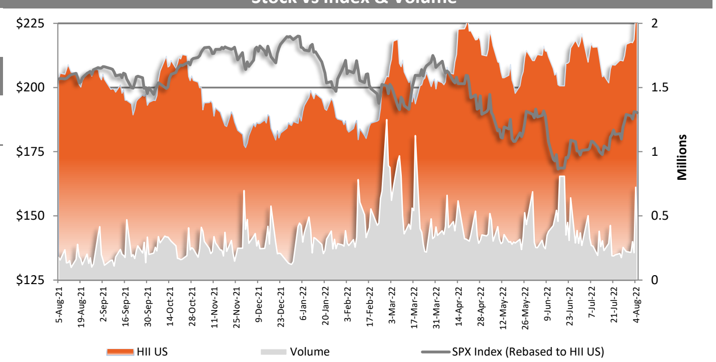
Earnings – November 4, 2022

Analysis Released

Ticker (Bloomberg)	Primary Exchange	Mkt Cap in m (Local)	Mkt Cap in USDm	Sector
HII US	NYSE	9,091	9,091	Aerospace & Defense
Situation	**ADV (m)**	**Shares Out. (m)**	**52wk High**	**52wk Low**
Activist-Led Potential Spinoff	80.94	40.00	237.43	175.50

HII is a US Department of Defense contractor primarily responsible for shipbuilding and professional service partners to both the government and other industrial players. It designs, constructs, repairs, and maintains nuclear- and non-nuclear-powered ships for the US Navy and Coast Guard. It operates in three main segments: Ingalls Shipbuilding (non-nuclear ships), Newport News (nuclear ships), and Technical Solutions (professional services). This idea was originally presented to our activist clients in September 2021, and we continue to see potential value in an activist-driven split.

Stock vs Index & Volume



The Edge's View…

- ✓ HII is one of the premier military shipbuilding players in the US, catering to the US Department of Defense sector providing naval ships and submarines. While HII itself is a Spinoff from over 10-years ago and created huge value for shareholders, that has not been the case with its share price over the last few years as it underperforms its peers and the market.
- ✓ However, we believe that HII is currently at an inflection point and is ripe for an activist investor to get involved. With the company growing their smaller Technical Solutions segment (13% of FY20 revs) to cater to a potentially lucrative C5ISR market, seeing 8 defense break-ups in the last 10 years (4 from activist involvement) and a relatively high percentage of the management from HII's 2011 Spin still on the team, a Spinoff looks fruitful as you collect a +2.3% dividend yield while you wait for the break-up to unfold.

Source: The Edge Special Situations (ESS) Research, Company filings, Bloomberg

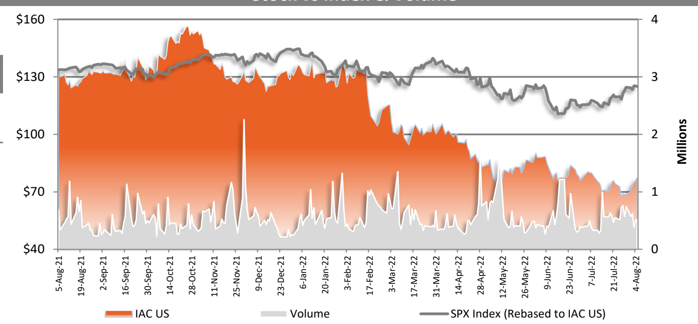
Type: Value Catalyst Opportunity

IAC/InterActiveCorp
(IAC US)
Earnings – August 10, 2022

Analysis Released

Ticker (Bloomberg)	Primary Exchange	Mkt Cap in m (Local)	Mkt Cap in USDm	Sector
IAC US	NASDAQ	6,951	6,951	Interactive Media & Services
Situation	**ADV (m)**	**Shares Out. (m)**	**52wk High**	**52wk Low**
Value Catalyst Opportunity	43.22	89.86	158.81	66.59

Stock vs Index & Volume



IAC acts as a holding company and operates Dotdash and Care.com among many other businesses and has majority ownership of ANGI Homeservices (NASDAQ: ANGI) of 84.1%, which includes HomeAdvisor, Angie's List and Handy, and it also owns a $1bn stake in MGM Resorts International (MGM). It most recently completed the Spinoff of its online video platform, Vimeo Holdings, Inc. (NASDAQ: VMEO) and its associated businesses in May 2021.

The Edge's View…

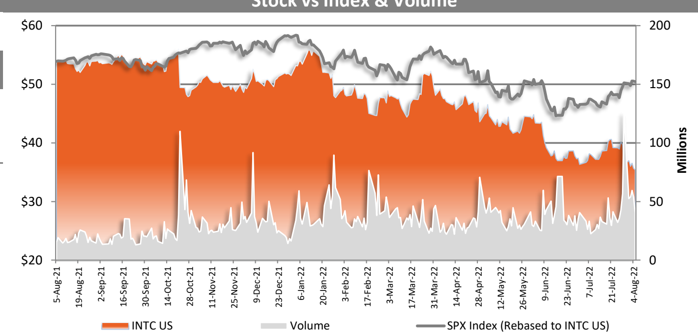
- ✓ Going into 2022, Barry Diller's IAC is now a much leaner and more focused company with its high-growth unlisted entities and cash on its balance sheet. Last year, IAC created its seventh major Spinoff of Vimeo Holdings, Inc. (VMEO) in May 2021 and a record-breaking IAC merger of Meredith Corp.'s (MDP) digital business with Dotdash. As seen by the strong track record of value creation by Barry Diller, we believe IAC has opportunities to continue this trend with businesses like its star performer last quarter ANGI Homeservices (ANGI) as well as Care.com and its other businesses.
- ✓ Each of IAC's divisions are primed to reach revenues of around $1bn, and the company has next to zero debt as well as high cash on its balance sheet as well as boasting invaluable minority stakes in Turo and MGM Resorts International (MGM, a $1bn investment currently valued at $2.4bn). These are all valuable growth stories with a specific potential catalyst in the Turo stake, which can provide a much higher value unlock with an impending IPO. Therefore, IAC remains a compelling investment idea going forward which will continue to add companies to its portfolio with its strong liquidity on the balance sheet.

Type: Activist-Led Break-Up, Segment IPO

Intel Corp.
(INTC US)
Earnings – October 19, 2022

Ticker (Bloomberg)	Primary Exchange	Mkt Cap in m (Local)	Mkt Cap in USDm	Sector
INTC US	NASDAQ	145,311	145,311	Semiconductors
Situation	**ADV (m)**	**Shares Out. (m)**	**52wk High**	**52wk Low**
Activist-Led Break-Up, Segment IPO	1,315.31	4,106.00	56.28	35.18

Stock vs Index & Volume



INTC is a designer and manufacturer of products and technologies with the following segments: Data Center Group, Internet of Things Group, Mobileye, Non-Volatile Memory Solutions Group, and Programmable Solutions Group. The company's products and software include computer storage and network devices, 3D printing, automated driving assistance and self-driving solutions, semiconductors, and scalable vertical industry support platforms.

The Edge's View…

- ✓ Activist investor Third Point has been pushing for change at INTC since December 2020, when the company sent a letter to the management urging for the exploration of strategic alternatives for shareholder value creation such as separating the semiconductor chip design and manufacturing processes and the disposal of certain acquired businesses.
- ✓ In that spirit of strategic action, INTC has indicated more recently that it is exploring the IPO of its Mobileye segment, which designs and manufactures self-driving cars and develops the software involved in making those systems work. The plan is to have it listed in mid-2022, and some estimates put the business as being worth as much as $50bn once publicly listed. INTC is also dealing with the ongoing supply chain issues introduced by the continued market disruptions of the Covid-19 pandemic, which has caused costs for developing both the automated vehicles and the company's core processor and semiconductor products. Separating the manufacturing and design operations may lead to enhanced flexibility in both sourcing and acquiring materials in order to increase production capabilities.

Source: The Edge Special Situations (ESS) Research, Company filings, Bloomberg

Type: Potential Spinoff

Lions Gate Entertainment Corp.

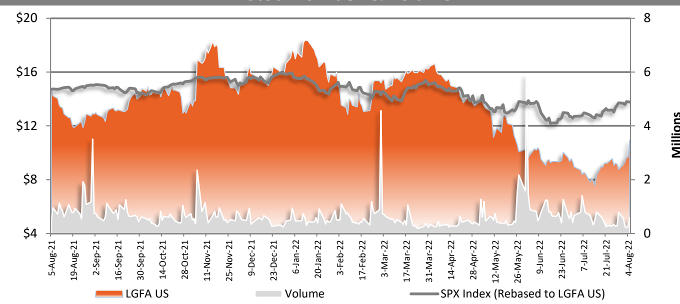
(LGFA/B US)

Earnings – November 4, 2022

Ticker (Bloomberg)	Primary Exchange	Mkt Cap in m (Local)	Mkt Cap in USDm	Sector
LGFA/B US	NYSE	2,380	2,380	Movies & Entertainment
Situation	**ADV (m)**	**Shares Out. (m)**	**52wk High**	**52wk Low**
Potential Spinoff	7.10	225.30	18.84	7.51

Lions Gate Entertainment operates in motion picture production and distribution, television programming and syndication, home entertainment, international distribution and sales, branded channel platforms, interactive ventures and gaming. Divisions include Films, Television, Home Entertainment, Interactive Ventures & Gaming and Music, while its subsidiaries include Starz, Inc., Pilgrim Studios, and 3 Arts Entertainment.

Stock vs Index & Volume



The Edge's View...

- ✓ We previously highlighted the potential for Starz to be Spun off from LGFA back in April 2020, when it seemed likely the company would seek an alternative method for dealing with its cable and streaming business that required so much attention to contracts and platform agreements instead of devoting that attention to the core film and TV studios. The previous spark was from a nearly disastrous contract renewal with Comcast.
- ✓ Now, CEO Jon Feltheimer has explicitly referenced plans to separate the Starz business and the potential value creation from such a move. The management has promised to reveal more behind this thought process by the end of the summer, as well as further potential acquisitions in the pipeline for both the core LGF and Starz businesses.
- ✓ Currently, the expectation is that LGF would retain some ownership in Starz once listed, as well as several companies seeking a bid on the legacy channel and streaming service, which would bring the company into the private sphere. However, LGF's management believes the consistently growing subscriber base and specific target of being a niche supplementary streaming service (instead of directly competing with the likes of Netflix and Disney+) are indicators that the business should be able to stand alone moving forward, especially more so than back in 2020.

Type: Activism Opportunity, Margin Expansion

National Instruments Corp.

(NATI US)

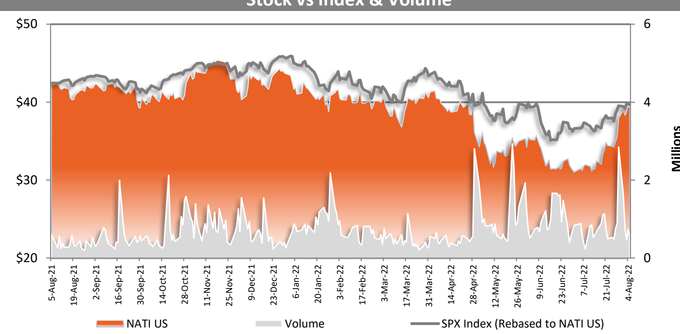
Earnings – October 26, 2022

Analysis Released

Ticker (Bloomberg)	Primary Exchange	Mkt Cap in m (Local)	Mkt Cap in USDm	Sector
NATI US	NASDAQ	5,212	5,212	Electronic Equipment & Instruments
Situation	**ADV (m)**	**Shares Out. (m)**	**52wk High**	**52wk Low**
Activism Opportunity, Margin Expansion	32.95	132.32	45.98	29.81

NATI is a designer, manufacturer, and seller of systems for engineers and scientists, offering products, technology and services that include system design software, programming tools, application software, systems and data management, and modular hardware. The company serves the semiconductor, transportation, aerospace, defense, and government industries.

Stock vs Index & Volume



The Edge's View...

- ✓ NATI, which has recently rebranded as "NI", delivered absolutely flat operational performance with its products revenues growing a mere 3% (FY18-FY20) and 3-year TSR seeing NATI actually losing money (-2%) compared to the +17% return of the S&P 500. We believe with a gross margin profile boasted as one of the best compared to close peers, there is an urgent need for change in the management to rein in the high operating expenses.
- ✓ The company is a leading test equipment and instrumentation specialist with a majority of revenues (63%) derived from outside of the US. Likewise, most of its revenues come from products sales (85%+) with software maintenance attributing to the rest. Furthermore, most of the markets that NATI caters are mature markets given high market penetration, which makes their end markets highly competitive. Therefore, we believe they need to keep a tighter lid on their operating expenses, which will not only help increase profitability but also gain market traction leading to an increase in their market share.

Source: The Edge Special Situations (ESS) Research, Company filings, Bloomberg

Type: Activist-Led Potential Spinoff

Old Republic International Corp.

(ORI US)

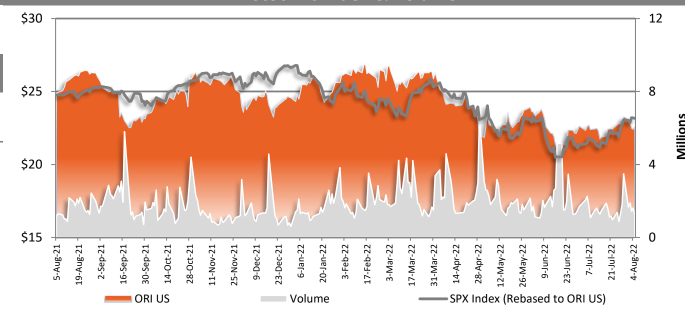
Earnings – October 26, 2022

OLD REPUBLIC INTERNATIONAL CORPORATION

Analysis Released

Ticker (Bloomberg)	Primary Exchange	Mkt Cap in m (Local)	Mkt Cap in USDm	Sector
ORI US	NYSE	6,955	6,955	Property & Casualty Ins.
Situation	**ADV (m)**	**Shares Out. (m)**	**52wk High**	**52wk Low**
Activist-Led Potential Spinoff	44.55	308.30	27.19	20.93

Stock vs Index & Volume



ORI engages with insurance underwriting and related services through a network of regulated insurance company subsidiaries organized in three main segments: General Insurance Group, Title Insurance Group, and the Republic Financial Indemnity Group Runoff business. These handle property and liability insurance (GIG), real estate purchaser and investor policies (TIG), and mortgage guaranty and consumer credit indemnity operations (RFIG).

The Edge's View…

- ✓ Activist investor firm Owl Creek Asset Management has published an open letter to the management of ORI "following failed attempts to constructively and privately engage with the Company" with their thesis behind proposed strategic alternatives for ORI to deliver value to shareholders, including a potential Spinoff, sale or Reverse Morris Trust, board restructuring, and share repurchase program.
- ✓ The activist has highlighted specifically their belief the title insurance and general insurance businesses have divergent business models and risk-reward profiles, and that a separation would unlock significant value for shareholders (either through a Spinoff, sale of the title segment, or a Reverse Morris Trust). Additionally, ORI has been advised by the activist that its board is currently in need of improvement in its levels of communication and willingness to cooperate with shareholders. Lastly, Owl Creek is suggesting the implementation of a disciplined and valuation-based share repurchase program, which would help efficiently allocate capital and address debt. Making any or all of these changes are expected to result in realizing the company's potential value.

Type: Potential Sale/Spinoff

Renault SA

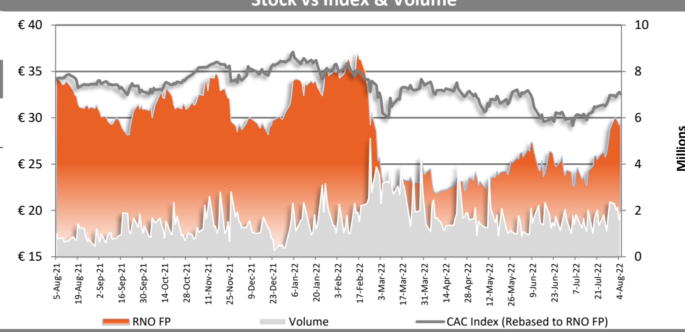
(RNO FP)

Earnings – October 21, 2022

Renault Group

Ticker (Bloomberg)	Primary Exchange	Mkt Cap in m (Local)	Mkt Cap in USDm	Sector
RNO FP	Euronext Paris	8,666	8,876	Automobile Manufacturers
Situation	**ADV (m)**	**Shares Out. (m)**	**52wk High**	**52wk Low**
Potential Sale/Spinoff	47.86	291.14	38.07	20.46

Stock vs Index & Volume



RNO FP is a French automobile designer and manufacturer with a brand portfolio consisting of Renault and Dacia (global), Alpine (Europe, Japan and Australia), Renault Samsung Motors (South Korea), and Lada (Russia). The company also operates in three main segments: Automotive, Sales Financing, and AVTOVAZ (which is the Russian automotive group of the same name and its Joint Venture parent Iliance Rostec Auto BV).

The Edge's View…

- ✓ Following the likes of peers Volvo and Ford establishing a burgeoning electric vehicle portfolio, Renault is investigating the potential value creation opportunities in a separation of its own EV segment. This has not been confirmed on whether this would come in the form of a sale, Spinoff, or IPO.
- ✓ The wrinkle is in the complex ownership involved at RNO, in which the French Government owns a 15% stake (who would likely back a plan to create a newly listed French EV company), and peer carmaker Nissan also owns a 15% stake in Renault (with Renault owning a considerably larger 43% stake in Nissan in return), and it seems that the two companies had already begun to plan a joint EV venture. Any plan to separate its EV platform into a new company would likely rub Nissan and their unequal partnership the wrong way and complicate any future break-up.

Source: The Edge Special Situations (ESS) Research, Company filings, Bloomberg

Spectrum Brands Holdings, Inc.

Type: Potential Spinoff

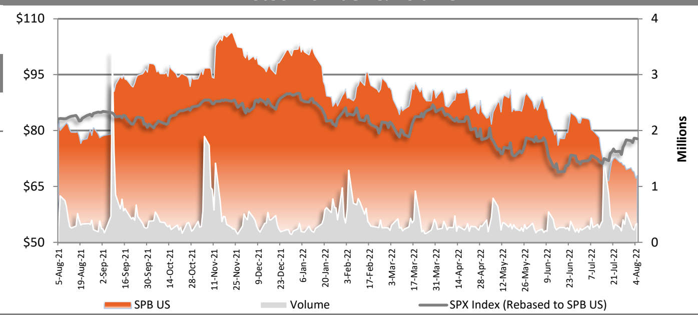
(SPB US)

Earnings – August 12, 2022

Ticker (Bloomberg)	Primary Exchange	Mkt Cap in m (Local)	Mkt Cap in USDm	Sector
SPB US	NYSE	2,768	2,768	Household Products
Situation	**ADV (m)**	**Shares Out. (m)**	**52wk High**	**52wk Low**
Potential Spinoff	21.72	40.78	107.22	63.28

SPB is a diversified consumer products and home essentials company with four segments: Hardware & Home Improvement (hardware, security, and plumbing), Home & Personal Care (small kitchen and personal care appliances), Global Pet Care (pet care business and products) and Home & Garden (home and garden and insect control business). The company has a presence in North America, Europe, Middle East and Africa, Latin America, and Asia-Pacific region.

Stock vs Index & Volume



The Edge's View…

- ✓ The consumer home and garden goods company (with brands like the portable George Forman grill, insect repellent Repel, pet food IAMS, and home improvement's Kwikset) has acquired Tristar Products, Inc.'s home appliance and cookware business, which includes its fast-growing cooking appliance products like air fryers, indoor grills, and toaster ovens. SPB's management has determined this acquired business will be combined internally with the Home & Personal Care segment, which will then be separated as a pure-play global home appliances and personal care business.
- ✓ The intent is to list this newly combined segment through several options but included among these are a partial or complete Spinoff to shareholders, an IPO, or merger with existing listed business. Once publicly listed, the company's peers include other direct-to-consumer home appliance businesses like The Aaron's Co., Inc. (AAN), Hamilton Beach Brands Holding Co. (HBB), Kirkland's, Inc. (KIRK), and Best Buy Co., Inc. (BBY).
- ✓ SPB (post-split) will be a "streamlined, very efficient, higher margin and higher growth pure-play Global Pet Care and Home & Garden company."

Thales SA

Type: Private Merger-Spinoff

(HO FP)

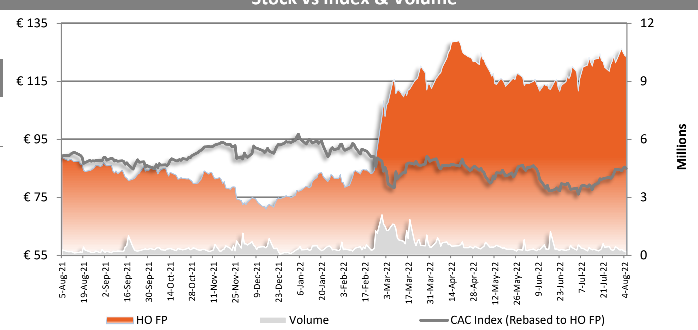
Earnings – March 1, 2023

New Name

Ticker (Bloomberg)	Primary Exchange	Mkt Cap in m (Local)	Mkt Cap in USDm	Sector
HO FP	Euronext Paris	26,168	26,804	Aerospace & Defense
Situation	**ADV (m)**	**Shares Out. (m)**	**52wk High**	**52wk Low**
Private Merger-Spinoff	49.28	211.89	131.15	70.54

Based in France, HO FP is an industrial technology company divided into three segments: Aerospace (onboard electronic equipment for flight safety and reliability, civil and military aircraft simulators, and onboard equipment for piloting, navigation, and control for aircraft and satellites), Transport (railway signaling, telecommunications, supervision systems and ticketing solutions), and Defense & Security (radio communications products, network, infrastructure, protection, and critical information systems, and cybersecurity).

Stock vs Index & Volume



The Edge's View…

- ✓ Operating as an industrial technology conglomerate tends to hide value creation opportunities (more so than pure-play companies, as seen in the separations at Honeywell (HON), GE and Raytheon (RTX) in recent years), and HO FP is another company offloading one of its segments to focus on core businesses. In this case, HO FP has entered an agreement with the private company Telit (founded in Italy in 1986, previously listed on the London Stock Exchange, and currently based in California). Telit was acquired by UK-based private equity firm Dbay Advisors in September 2021 and is an "Internet of Things" (IoT) and edge-to-cloud products and services business. The transaction is expected to be completed in Q4 2022.
- ✓ This agreement will see HO FP's cellular IoT products business being merged into Telit, the newly combined business being renamed Telit Cinterion, and this new company planning to Spinoff the automotive IoT business to focus specifically on the industrial IoT side of the business. In return for this transaction, HO FP will gain a 25% ownership in Telit Cinterion, which will remain private. This stake in the company will help HO FP to participate in the value creation opportunities presented by Telit Cinterion's growth as a private business, as well as potentially unlocking further value for its own remaining operations in Aerospace, Defense & Security, and Digital Identity & Security.

Source: The Edge Special Situations (ESS) Research, Company filings, Bloomberg

Type: Insider Buying, Value Opportunities

Three Insider Buys with Additional Catalysts

(HSKA US / KD US / UBER US)

Analysis Released

Ticker (Bloomberg)	Primary Exchange	Mkt Cap in m (Local)	Mkt Cap in USDm	Sector
HSKA US / KD US / UBER US	NASDAQ / NYSE / NYSE	945 / 2,472 / 63,377	945 / 2,472 / 63,377	Health Care / IT Consulting / Trucking
Situation	**ADV (m)**	**Shares Out. (m)**	**52wk High**	**52wk Low**
Insider Buying, Value Opportunities	7.96 / 26.96 / 1,078.57	10.79 / 224.30 / 1,963.66	275.94 / 52.00 / 48.88	79.85 / 9.10 / 19.90

Stock vs Index & Volume

HSKA is a veterinary and animal health diagnostic and specialty products company focused on vaccine and pharmaceuticals manufacturing and digital diagnostics and imaging devices. **KD** is the world's largest IT infrastructure services provider and the recent Spinoff from IBM. **UBER** develops and operates technology applications supporting ride services, food delivery services, and public transportation networks. These companies recently saw key insiders buying shares on the open market and offer additional catalysts for investment.

The Edge's View…

- ✓ We believe HSKA shows significant upside on a relative basis to peers, especially considering the recent insider buying (and given CEO Wilson's track record with a stellar return on his maiden purchase to date), and HSKA is a compelling investment at current levels.
- ✓ KD trades at a >55% discount at 2x EV/EBITDA FY21E multiple vs. its closest peers at 4.7x (DXC and ATO FP). Between this discount and David Wyshner's strong track record of Spinoffs, divestitures, and open market purchases, we recommend investors buy KD.
- ✓ We believe the strong potential upside in UBER relative to peers, as well as its planned push into the wider Metaverse space over time, offer compelling reasons to invest in UBER at current levels, supported by the recent insider buying by CEO Dara Khosrowshahi.

Type: Activist-Led Potential Spinoff/Sale

Verisk Analytics, Inc.

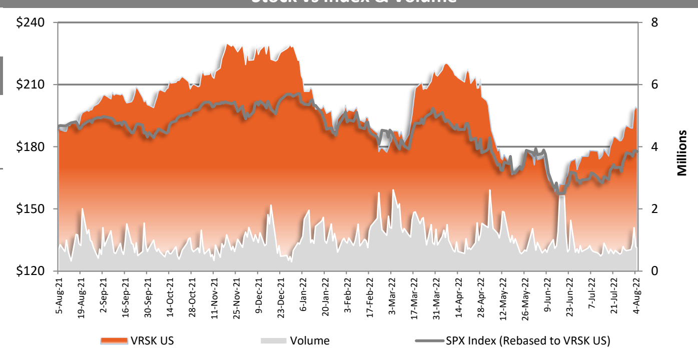
(VRSK US)

Earnings – November 1, 2022

Analysis Released

Ticker (Bloomberg)	Primary Exchange	Mkt Cap in m (Local)	Mkt Cap in USDm	Sector
VRSK US	NASDAQ	31,138	31,138	Consulting Services
Situation	**ADV (m)**	**Shares Out. (m)**	**52wk High**	**52wk Low**
Activist-Led Potential Spinoff/Sale	187.39	158.26	231.57	156.05

Stock vs Index & Volume



VRSK is a data analytics company serving the insurance, energy, and specialized markets (and formerly financial services, which was recently sold to TransUnion). The company's Insurance segment serves property and casualty insurance customers (specifically in prediction of loss, selection and pricing of risk, and compliance with reporting requirements). The Energy & Specialized Markets segment offers data analytics across the natural resources value chain in the global energy, chemicals, metals, mining, power, and renewables sectors.

The Edge's View…

- ✓ Data analytics firm VRSK is in the process of slimming down its operations as the management seeks to generate value for shareholders. The first step was announced on Jan. 24, 2022, when the company sold its 3E business (a subdivision of the Energy & Specialized Markets segment) for $630m, which was completed on Mar. 11. Secondly, the company announced alongside itsQ4FY21 earnings on Feb. 22, 2022, that TransUnion (TRU) was acquiring its Financial Services segment for $515m, and this sale was completed on April 8, 2022. Lastly, on Mar. 17, 2022, major shareholder D.E. Shaw submitted an open letter to VRSK's management calling for the company to become a pure-play Insurance Data business.
- ✓ The management is already on board with separating the Energy business, and our valuation on a Combined basis shows they are doing so at fully valued levels, meaning shareholders are going to expect the best value creation possible from this transaction. Considering the cash gained in the two recent sales and the potential upside in either scenario detailed below, we believe the management should opt for a sale of the Energy business and use the resulting cash to reinvest in the remaining InsurTech business through either organic or acquisition-led growth opportunities.

Source: The Edge Special Situations (ESS) Research, Company filings, Bloomberg

Type: Fallen Spinoff, Upcoming Spinoff

XPO Logistics, Inc.

(XPO US)

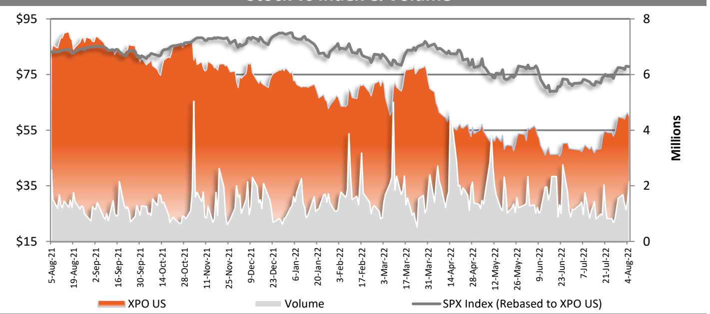
Earnings – October 28, 2022

New Name | Analysis Released

Ticker (Bloomberg)	Primary Exchange	Mkt Cap in m (Local)	Mkt Cap in USDm	Sector
XPO US	NYSE	6,884	6,884	Trucking
Situation	**ADV (m)**	**Shares Out. (m)**	**52wk High**	**52wk Low**
Fallen Spinoff, Upcoming Spinoff	94.35	115.00	90.78	45.09

XPO is a global supply chain solutions provider operating in two segments: Transportation (which provides freight brokerage, last mile, less-than-truckload, full truckload, and global forwarding services) and Logistics (which provides contract logistics, value-added warehousing and distribution, cold chain and other inventory solutions). XPO previously completed the Spin of GXO Logistics, Inc. (GXO) in August 2021.

Stock vs Index & Volume



The Edge's View…

- ✓ Currently, XPO trades at a ~22% discount to its peers' 2-year forward EV/EBITDA trading multiple. We believe this is not justified based on the company's 2-year forward margins expected to be around 10.9% compared to its peers' average of 11.2%, which is nearly in-line. Furthermore, XPO's EBITDA is expected to grow at a CAGR of 5.2% over the next three years compared to its peers' average CAGR of 5.1% in the same period.
- ✓ Less than a year from GXO's Aug 2021 Spinoff, XPO announced in early March 2022 it will separate its high-tech truck brokerage business by the end of 2022. This will result in XPO becoming a pure-play trucking business and continue in its efforts to focus on freight transportation operations. The Spinoff business, to be called RXO, Inc. (RXO), will operate as a leading platform for tech-enabled truck brokerage services in North America.
- ✓ XPO's Q2FY22 earnings release is scheduled for tomorrow, August 5, and the company has consistently beaten expectations every quarter for the last eight consecutive quarters (since July 30, 2020). Following that is the eventual publication of RXO's (currently privately filed) initial Form 10, and the break-up is on track for Q4 2022. The new company will be led by current President of North American Transportation Drew Wilkerson, who will become CEO of RXO on listing.

Type: Activist-Led Potential Spinoff

Western Digital Corp.

(WDC US)

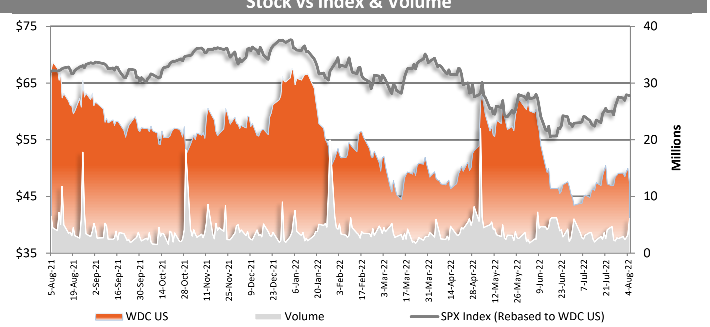
Earnings – October 27, 2022

Analysis Released

Ticker (Bloomberg)	Primary Exchange	Mkt Cap in m (Local)	Mkt Cap in USDm	Sector
WDC US	NASDAQ	14,747	14,747	Tech Storage & Peripherals
Situation	**ADV (m)**	**Shares Out. (m)**	**52wk High**	**52wk Low**
Activist-Led Potential Spinoff	185.15	313.00	69.99	41.63

WDC develops, manufactures, and sells data storage devices and solutions to customers in the Information Technology industry. Its segments include Datacenter Devices and Solutions (enterprise-level hard disk and solid-state drives, and datacenter software and solutions), Client Devices (retail-level mobile, desktop, gaming and digital video hard disk and solid-state drives), and Client Solutions (removable products and hard drive and flash solutions).

Stock vs Index & Volume



The Edge's View…

- ✓ We previously flagged the strategic review (initiated in November 2020 during a CEO change and internal reorganization) as likely to result in the Spinoff of either its HDD or Flash Storage segments into an independent company, which we believed would be a compelling value creation opportunity for shareholders. Now, the company is under pressure from Elliott to separate the two businesses.
- ✓ In our overview on the situation (linked here), we said the following: "While the company has not formally recognized a Spinoff is in the works, the internal reorganization to create separate operating units for the Flash and HDD products does indicate the company is ready to divest itself of either business in the future. A major factor involved in a separation is the removal of heavy capex investment in either of these hardware businesses in an increasingly-software focused market, as well as increased competition from Chinese manufacturers."

Source: The Edge Special Situations (ESS) Research, Company filings, Bloomberg

The Edge Research Pricing

THE EDGE
INVESTMENT IDEAS YOU CAN TRUST

Spinoffs	Analyst	PM Most Popular	CIO
Global Spinoff Calendars	✓	✓	✓
Weekly Idea Generator	✓	✓	✓
Spinoff Announcement Alerts	✓	✓	✓
Full Analysis / Updates on Situations	✓	✓	✓
Spinoff Idea Flow (40-50 per Year)	✓	✓	✓
Weekly Spinoff Performance Screener	✓	✓	✓
Tracking of Situations	✓	✓	✓
Online Client Portal	✓	✓	✓
Model Portfolio Tracking with Action Alerts	✓	✓	✓
Scheduled Idea Calls	N/A	✓	✓
Deals Analyst Access	N/A	✓	✓
Access to The Edge Analyst Team	N/A	Up to 5	Unlimited
Multiple Users / Access	N/A	Up to 5	Unlimited
Spinoff Insider Analysis with The Edge Intelligence	N/A	N/A	✓

Special Situations	Analyst	PM Most Popular	CIO
Catalyst Event Previews	✓	✓	✓
Unique Global Events	✓	✓	✓
Full Analysis / Updates on Situations	✓	✓	✓
Special Sits Idea Flow (20 per Year)	✓	✓	✓
Essential Special Situations Studies	✓	✓	✓
Online Client Portal	✓	✓	✓
Insider Alerts Ideas	✓	✓	✓
Portfolio Action Alerts	✓	✓	✓
Scheduled Idea Calls	✓	✓	✓
Deals Analyst Access	N/A	✓	✓
Access to The Edge Analyst Team	N/A	Up to 5	Unlimited
Multiple Users / Access	N/A	Up to 5	Unlimited
Quarterly Reviews to Optimise Idea Flow	N/A	N/A	✓
Bespoke Idea Generation	N/A	N/A	✓
Special Sits Insider Analysis with The Edge Intelligence	N/A	N/A	✓
Total Annual Cost	$15,000*	**$21,000****	$35,000**
Benefits with Annual Payment	$12,000	**$18,000**	$27,500

*Monthly Payments Available. Cancel Anytime
** Semi-Annual Payments Available