

# Look at All these Spinoffs Beating the Market

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## Successful Spinoff Investments

In Joel Greenblatt's first book, *"You Can be a Stock Market Genius"*, he stated two points that make a spinoff worth analyzing.

1. Insiders are buying
2. Institutional investors are selling (without regard to the investment merits)

## Spinoff Performance with Heavy Insider Buying

I decided to do some experimenting with this. I looked back at all the Form 10-12Bs I could find within the past 10 years, and made a list of all the spinoffs. Then I took all the spinoffs that had heavy insider buying within a week of being spun off (from secwatch.com). I then checked the 1st year performance of those stocks. Here are the results.

As you can see, the results are pretty impressive, all but one spinoff that had heavy insider buying within a week of being spun off outperformed the S&P 500.

Also, a recent spinoff, **HHC**, also had heavy insider buying within a week of being spun off, and has outperformed the market since then, so might as well add that one to this list too.

Spinoffs	Year	1st Yr Return	S&P 500	Beat S&P 500?
GNW	2004	46.92%	6.71%	Yes
HSP	2004	22.62%	6.90%	Yes
LYV	2005	87.45%	11.32%	Yes
AMP	2005	36.42%	14.18%	Yes
THI	2006	39.96%	16.12%	Yes
SBH	2006	15.90%	5.71%	Yes
MWA	2006	-3.10%	17.76%	No
PCX	2007	-18.21%	-41.57%	Yes
TDC	2007	-20.97%	-28.00%	Yes
PM	2008	-23.53%	-38.63%	Yes
HI	2008	-26.57%	-35.93%	Yes
MJN	2009	74.49%	33.67%	Yes

## Performance of Spinoffs Smaller Than Parents

It was hard to find the spinoffs that were indiscriminately sold by institutional investors, but since these are usually micro cap spinoffs that have mid-large cap parents, I decided to create a list of those spinoffs that were small compared to their parents.

It was hard to find all the information on the parent companies because there were many that were acquired or went private, so there were many spinoffs that were not included.

Still, I managed to get information on about 25 of them and checked their 1st year performance and here is what I found.

(click to enlarge)

As you can see, the results are quite satisfactory. For some spinoffs, I included the performance for a period shorter than 1 year because only looking at the 1-year performance can be limiting.

For one of the spinoffs, ALC, I couldn't find what the market cap of the parent company was but I found out that it traded on a different exchange than ALC, and since that can be a reason for indiscriminate institutional selling, I decided to include it.

Of course, it would be best to do research on spinoffs before investing in them rather than just buying every spinoff that gets sold off by institutional investors or has heavy insider buying, but still, this data proves that spinoffs can make great investments.

Spinoffs	Year	1st Yr Return	S&P 500	Mkt Cap	Parent Mkt Cap	Beat S&P 500?	Comments
DLA	2005	94.25%	-17.53%	19.55M	>1B	Yes	
COH	2005	36.61%	-22.51%	723.3M	12.64B	Yes	
GFN	2005	83.76%	-13.60%	797.3M	>1B	Yes	
GPRO	2002	205.01%	15.60%	385.68M	7206 (YEN)	Yes	
SAMA	2002	100.67%	25.28%	109.87M	29.7B	Yes	
NPD	2002	31.18%	-5.70%	126.61M	4.13B	Yes	
BHS	2002	179.50%	23.46%	274M	4.5B	Yes	
CVCO	2003	84.75%	12.35%	66.2M	>1B	Yes	
PJC	2003	19.07%	10.58%	837.21M	96.8B	Yes	Up 41.3% after 2 months
NP	2004	-8.24%	6.00%	486M	25.1B	No	
VRGY	2006	91.67%	20.85%	939M	12.2B	Yes	
ALC	2006	7.45%	5.26%	444.67M		Yes	Up 57% after 5 months
ZEP	2007	64.18%	-16.89%	212.3M	1.78B	Yes	
PMC	2007	36.75%	-18.04%	513M	6.87B	Yes	
FOR	2007	-18.53%	-19.12%	800.72M	3B	Yes	Up 48% after 1 month
CLW	2008	-421.56%	26.87%	130.3M	1.85B	Yes	
JBT	2008	5.40%	-22.14%	301.24M	8.2B	Yes	
HSMI	2008	-1.71%	-20.54%	899M	3.35B	Yes	
TRF	2008	-5.20%	-20.54%	88.64M	3.35B	Yes	
BLG	2008	-18.16%	-20.54%	75.0M	3.35B	Yes	
CRK	2008	-27.42%	-20.10%	30M	>1B	Yes	Up 38% in 3 months
ASMA	2008	-11.76%	-17.42%	400.12M	>1B	Yes	
ASPS	2009	170.40%	6.28%	256.6M	1.35B	Yes	
WAC	2009	166.20%	34.99%	175.44M	1.85B	Yes	
WETS	2009	79.25%	17.45%	50.2M	1.24B	Yes	
MYDK	2009	-11.78%	15.40%	104.5M	2.97B	No	Up 54% after 2 months
HAWK	2009	-64.75%	1.94%	182M	4.67B	No	Now in bankruptcy
FLRK	2010	101.18%	14.02%	90M	3B	Yes	