RECENT AND IMMINENT

In the table at right are financial results, ratios and record dates for recent spinoffs **WPT Enterprises** (WPTE) and **British American Tobacco** (BATS.L, BTI). Both were distributions of listed stock, which are less opaque than unpromoted new issues, hence less likely to offer mispricing.

However, the distribution of BATS by **Compagnie Financiere Richemont** (CFR.VX) did help simplify an opaque conglomerate, creating the conditions for potential bargains.

Richemont until last month traded in Switzerland as a hybrid security: common stock in Richemont plus units of a Luxembourg partnership. These were separated, and the partnership reincorporated as Reinet Investments, trading in Luxembourg as 'ReinetInvest' (ISIN LU0383812293). Reinet received Richemont's British American Tobacco and other non-luxury holdings, then distributed 90% of BAT to shareholders. It now holds mainly cash, and will soon have more: Reinet holders were offered warrants for more shares.

When the smoke cleared, owners of old Richemont now held shares in Richemont, Reinet and British American Tobacco, plus warrants for more Reinet.

The warrants trade until November 28, and those unexercised will be auctioned December 10. Exercise price is to be set at least 5% below Reinet's net asset value. Reinet is to be a closed-end fund, managed by the Rupert family, with a fee structure somewhat resembling a hedge fund (1.25 and 10). Richemont chairman Johann Rupert is Reinet's chairman.

	WPT Enterprises WPTE	**British American Tobacco** BATS.L, BTI
Record date	10/24/08	10/29/08
Distribution ratio	0.4795348696	see note
Approximate market capitalization	$6.7m	£34b
Market cap ratio, spinoff to parent, post-spin	0.1	5
Parent symbol	LACO	CFR.VTX
Parent major index	none	FTSEurofirst 300
Spinoff major index	none	FTSE 100
Shares outstanding post-spinoff	21m	2b
Revenue	$22m	£10b
EBIT (loss)	($11m)	£2.9b
Net income (loss)	($10m)	£2.1b
EPS, last fiscal year, current shares out	(0.63)	£1.08
P/E Ratio	negative	16
Long-term debt	none	£8b
Substantial insider buying at market price	no	no
Parent chairman/CEO moves to spinoff	no	no
Widespread analyst coverage	no	yes

British American Tobacco has substantial debt and negative tangible book value, but enjoys the unusual sales stability of a tobacco maker. Unfortunately, it is expensive for today's market. If BTI (its US-traded listing) were 35% cheaper, say $30, we might be interested. These days, individual stocks are seeing one-week swings of that size, so the company is worth following.

Richemont itself trades at just 8 times pro forma FY 2008 earnings ex-spinoff, and has low debt in the holding company, which consolidates many of its positions. Richemont, which owns or controls world-class jewelry brands including Cartier and Piaget, foresees plenty of bad news next year, but still forecasts a profit. This is a very good long-run business. Come what may -- deflation, euro area fracture, or freak meteor shower -- there is only one Cartier. We like this one.

Yellow flag at Richemont: Jürgen Schrempp is a director. Though Mr. Schrempp vanished from the financial press after losing his grip on Daimler AG in 2005, he was not, as this author had imagined, exiled to St. Helena, a time-honored European punishment for the indiscriminately acquisitive. Throughout the 1990s, this immaculately attired captain of industry, when not dispensing advice on the Ivy League business school speaking circuit, presided over the systematic conversion of Daimler from an iconic, engineering-driven German exporter into a random collection of money-losing acquisitions, which squandered billions for investors during the better part of the long bull market. His presence at Richemont calls into question the quality of the board. Still, the business looks cheap and appealing. As a tactical aside, the Reinet tradable warrants are possibly interesting as a way to buy cash at a discount.

SPINOFF NEWS

Digimarc (DMRC) resumed trading October 17, two months after it sold its identification card business. Shareholders received one share of new DMRC for every 3.5 shares in the old NYSE-traded issue. The new firm has net cash of $39m, market capitalization of $70m, and net income of about $1.5m for the first half of 2008, with high revenue growth. The overall implication is of a tiny, debt-free growth company trading at something like 10 times earnings. Interesting, even under current conditions.

On November 5, **Time Warner Cable** (TWC) reaffirmed its one-time dividend plan, which is to occur as **Time Warner** (TWX) spins off its 84% stake in the cable company. If all goes as announced, yield to TWC shareholders would be about 9%.

Contrary to our previous reports, **Lebedyansky**'s baby food and mineral water spinoff, completed in the spring, will remain unlisted.

South Africa's **Telkom** (TKG) will sell 15% of its 50% stake in Vodacom to UK-based **Vodafone**, and spin off the remaining 35% to TKG shareholders.

Qantas publicly affirms it will still proceed next year with its long-delayed frequent flyer spinoff, but in the author's judgment, such things may have been a bull market phenomenon that won't survive current conditions. Qantas and other restructuring carriers didn't invent the idea of frequent flyer spinoffs, and may perceive their feasibility less clearly than industry thought leader **ACE Aviation Holdings**, which has for years been unwinding the assets of Air Canada, creating much value along the way. Unlike its imitators, ACE has proven creative and flexible in changing circumstances, first listing divisions independently, then converting to income trusts when Canadian tax conditions were favorable, then selling to private equity when that was booming, now rumored to consider buying back the 72% stake in **Aveos** (Air Canada Technical Services) it sold off just last year. This management team, led by Robert Milton, may be worth following long after the ACE dispositions are complete, and long after markets stabilize.

DELAYS & CANCELLATIONS

In a typical month, we see three or four delays or cancellations of previously announced spinoffs. This month, that rate quadrupled, due to difficulty raising debt for new entities. Well-known large caps like GE and Land Securities are simply giving up for now. Events are collected in the table at right, along with a few firms that felt obliged by investor sentiment to reaffirm that their plans are still on track. Many of these breakups still make sense, and will likely reappear when credit loosens.

Parent	Spinoff	Status update
Time Warner	Time Warner Cable	reaffirmed
Phoenix Companies	Virtus Investment Partners	reaffirmed
Korab	Uranium Australia	reaffirmed
Potlatch	Clearwater Paper	delayed to Dec-08
Qantas	Frequent flyer division	delayed to Q2-09
FTI Consulting	FTI Technology	delayed to 2009
Cable & Wireless	CW International	delayed to 2009
ArvinMeritor	Arvin Innovation	reconsidering
Motorola	Handset division	indefinitely delayed
Entergy	Enexus Energy	indefinitely delayed
General Electric	Consumer & industrial unit	indefinitely delayed
Orica	Consumer division	indefinitely delayed
CBH	Kimberley Metals	indefinitely delayed
Wockhardt	R&D division	indefinitely delayed
COFCO Group	COFCO Packaging	indefinitely delayed
AMR	American Eagle	cancelled
Land Securities	Trillium	cancelled
Land Securities	Retail properties unit	cancelled
Aquila Resources	Aquila Exploration	cancelled
PCCW	HKT Group	cancelled

ASCENT MEDIA'S CASH PILE

Last month, we panned unprofitable **Ascent Media** (ASCMA), the recent spinoff from **Discovery Holding** (DISCA), as overpriced. This proved hasty: subsequent to the spinoff, ASCMA sold a division for cash roughly equal to the company's entire market capitalization. This was not reflected in the financial statements or notes thereof, but was mentioned elsewhere in the spinoff filings, and should have been mentioned last month here. Fortunately, ASCMA is even cheaper now.

On November 21, Ascent's fully diluted market capitalization was $285m, less than half its tangible book value as of September 30.

Tangible book value is not conservative enough? ASCMA trades at a 15-20% discount to its current assets minus all liabilities.

Still not conservative enough? If receivables are valued at a 25% discount, intangibles at zero, and other noncash assets at a 90% discount, then ASCMA is still at a 5-10% discount to adjusted book. The business itself doesn't lose enough money to make this a bad bet.

MARKET CRASHES AND FUNDAMENTAL VALUE

Last Thursday, the S&P 500 marked a dubious milestone, surpassing the 1973-4 and 2000-02 slumps to become the biggest U.S. broad index crash since the Depression (although, to rival the 1929-32 crash, it would need to fall by half again).

This naturally leads to the question of whether the broad index is now cheap. The answer seems to be, "slightly."

The 125-year U.S. index price/earnings record compiled by Yale economist Robert Schiller implies long-term mean reversion to an index PE10 ratio of about 16, where PE10 is defined as current price divided by the average of inflation-adjusted earnings over the past 10 years. With relatively high reliability, 20-year investment returns tend to be better when PE10 was well below that level at purchase time; returns tend to be worse when the purchase was made well above that level.

Mean reversion oversimplifies, by ignoring the relationship between earnings yield, interest rates and inflation; however, it is a useful long-run rule of thumb, reflecting reasonable expectations of current net earnings yield on volatile but growing assets.

Today, the S&P 500's PE10 is about 14 -- below the long-run average, but well above the bottom of previous crashes. PE10 went below 10 in 1974, and below 6 in 1932. So while the market today is rather cheap by historical measures, it has occasionally been 30% to 60% cheaper, relative to this particular average earnings measure.

This argues for a good, if unspectacular, long-run prognosis for the index as a whole. By contrast, the earnings streams of many individual stocks are now for sale far below traditional prices, with excellent long-term promise for those who can afford to wait.

The predictable exposure is recession; the more complex ones are in three interrelated areas, all with unpredictable volatile outcomes.

Dollar stability -- The dollar is supported by central banks in nations now entering sharp recessions. They have domestic incentives to continue support, but if a retreat did begin, there would likely be a multinational race for the exits, resulting in dramatic dollar decline.

Inflation -- Not only is price stability unlikely, but experts even disagree about the direction. Commodity-driven inflation has abruptly given way to deflation. Next year, we will see intensely, deliberately inflationary fiscal stimulus, with certain trillion-dollar federal deficits. The result could go either way.

Long rates -- Fiscal stimulus will be financed by offshore lenders, with their own problems, and without infinite capacity or patience. As borrowing greatly increases, the stage may be set for Treasury auction revolt and further loss of control over long-term rates.

The best path through this minefield appears to be cheap companies with substantial foreign earnings, competitive advantage (ability to raise prices, often exhibited by high ROI), and low debt. These features partly inoculate against dollar instability, inflation, deflation and high interest rates. A fourth necessary feature is investor patience, since even the best firms will likely see a wild ride in coming months.

Among spinoffs from recent years, **Coach** (COH) is perhaps the best fit for these conditions, and quite appealing just now. See page 8.

SENIOR NOTES OF RECENT SPINOFFS

Woe betide 2006 phone directory spinoff **Idearc** (IDAR.PK), now delisted from the NYSE and trading on the Pink Sheets at just 8 cents per share, down over 90% since *Barron's* suggested it in August (*Spinoff & Reorg* asserted the same week that Idearc common was probably a total loss).

Funny thing about Idearc's bonds, though: the senior unsecured 8% notes due 2016, which have not defaulted yet, yield over 100%. This seems extreme, even with an imminent default. In the quarter ended September 30, Idearc interest coverage was still 1.5 to 1, and the company had two quarters' worth of coupon in cash and equivalents. It appears Idearc could, even in precipitous decline, still pay its bills for another quarter or two. Thereafter, assuming a workout or bankruptcy (the company has already engaged Merrill Lynch to advise on restructuring), the senior bonds should, one way or another, receive most of the company's cash flow, which is still significant. The odds of a big gain on the senior bonds seem to outweigh the odds of a big loss. Looks interesting, though the more cautious reader might want to wait for news on what Merrill proposes.

The same conditions may soon apply to event ticket distributor **Ticketmaster** (TKTM), which now trades at 3 times earnings -- a jaw-dropping 82% dive in the 3 months since its spinoff from **IAC/InterActiveCorp** (IACI). Is this cheap? Probably not: high debt, plus reportedly slowing sales, equals insolvency risk.

Ticketmaster has not yet filed a post-spinoff financial statement showing actual interest expense, but based on its pre-spin interest estimates ($17m per quarter), it appears the company could descend into an operating loss on just a 15-20% decline in revenue. With financing avenues cut off, the company could not then evade default for long.

As a result, Ticketmaster may not make sense as a common stock investment, but instead as distressed debt. At present, it is too early -- the senior bonds still yield only 12%. But if operating earnings approached zero, that yield could overshoot, as it apparently did with Idearc. Ticketmaster is a solid franchise with too much debt. To own its senior notes at a fire-sale price would be appealing.

While the 12% yield on Ticketmaster senior notes currently seems too low, the 12% yield on **Lender Processing Services** (LPS) senior notes seems generous. LPS, the mortgage services outsourcer spun off from **Fidelity National Information Services** (FIS) last summer, now has decent interest coverage (4 to 1) on unexpectedly high growth in its mortgage default services (this segment of their business doubled in a single year, more than making up for slowing originations).

In fact, growth is so good at LPS, and price so low (P/E of 7), that we were nearly moved to recommend the stock. On closer examination, though, problems emerge.

1. While securities registration filings commonly disclose every imaginable risk, LPS offered an unusual one: that the spinoff might be deemed a fraudulent conveyance, a transaction to shield assets from known or knowable future liabilities of spinoff or parent.

2. LPS faces required principal repayments and other large guaranteed recurring annual payments, beginning in 2009, that will consume much of its earnings. If these obligations were applied to current earnings, P/E would be 13, instead of the current 7. Continued growth might take care of this problem, but we're reluctant to count on it.

3. LPS has no second act. In a few years, the "foreclosure boom" will likely pass, but originations are not likely to recover rapidly.

For these reasons, any flirtation we make with LPS would probably be in the senior notes, which actually have a higher yield than the common stock (if earnings are adjusted as above). No growth potential in this, but much less exposure.

REVISITING WESTERN UNION AND MONEYGRAM

Spinoff & Reorg continues to have a bee in its bonnet about the long-term appeal of global payments businesses; consequently, here is an update on two past spinoffs in this area: **Western Union** (WU) and **Moneygram International** (MGI), the two largest physical money transfer operations. We somewhat like the former today, but not the latter.

Spun off in 2006 from First Data, WU shares hit an all-time high just 3 months ago, and are since down over 60%, to just 9 times trailing earnings. WU is several times larger than its nearest competitor, Moneygram. MGI, unlike WU, does not operate independent stores and does not have a strong global brand.

As the largest player in a network-effect industry, WU is without serious rivals. But what about substitutes? In the long run, Western Union will be replaced by electronic payments, but this could take a long time. The company facilitates reliable cash transfers in countries where banks and even governments are not trusted. Many users in their target markets have no bank account, let alone cross-border electronic payment capability. Thus, for now, the physical storefront network and strong brand still matter.

As a result, and as one might expect, WU is a great business, with modest growth and operating return on capital over 100%. The company does have high, but apparently supportable, debt, i.e. high coverage ratio. It has bought back 11% of shares since the spinoff, and intends to repurchase another 11% (assuming current prices).

What could go wrong? Recession and, more significantly, dollar decline. Much of WU's business is retail remittances from expatriate workers in the US to their families in developing countries. This part of the labor force is likely more affected than most by a recession; in addition, a sharp decline in the value of the dollar would decrease incentives for expat workers to remain here. These concerns are entirely speculative: no warning has yet shown up in either earnings or management forecasts.

Our conclusion is that WU remains a competitive battleship, not a super bargain given its recession exposure, but reasonably priced, and a good long-term holding.

Moneygram, spun off from **Viad Corp** (VVI) in 2004, is competitively weaker than Western Union, and far cheaper, but perhaps not cheap enough. It nearly collapsed in January after vast surprise losses from extraordinarily ill-timed investments in asset-backed securities. (The company fatefully decided that late 2007 was an excellent time to buy mortgage-backed and auction rate securities.) The cost of the $1.5 billion rescue was their entire cash stream: new debt, and a participating convertible preferred issue. MGI's core business is running fine, but so far generates little or no cash applicable to common stock. We'll pass.

SPINOFF INVESTMENT PERFORMANCE

In the table at right, "All Spinoffs" includes U.S. spinoffs listed between June 15, 2005 and May 15, 2008 (the latest date for which a 6-month return could be compiled). The "Spinoff & Reorg Selections" column includes each *Spinoff & Reorg* recommendation (last page of each issue) over the same period. Results show the geometric mean of 6-month returns for each security.

Mean 6-month return, June 2005 to present	*All Spinoffs*	*Spinoff & Reorg Selections*
Absolute	0.9%	**1.8%**
S&P-relative	1.0%	**3.5%**
Standard deviation	33%	**29%**

Spinoff & Reorg's May pick, **Loews** (L), underperformed the index by 7% (down an absolute 47%), in good part due to troubles at its insurance subsidiary. Loews looks quite cheap.

The four spinoffs that occurred between April 15 and May 15 of this year have since outperformed the S&P by a geometric mean 19%. More generally, relative to the market, spinoffs are doing better this year than in 2007.

SPINOFF CALENDAR

	Dr Pepper Snapple Group (DPS)	Cadbury Schweppes (CBRY.L)	Distrib	USA	05/01/08	> $2b
	Brandhouse Retails	S Kumars Nationwide (SKSYF.PK)	Distrib	India	05/02/08	< $100m
*	Real Goods Solar (RSOL)	Gaiam (GAIA)	IPO	USA	05/08/08	$100m - $500m
	Fresnillo Group (FRES.L)	Industrias Penoles (IPOAF)	IPO	Mexico	05/09/08	> $2b
	Western Gas Partners LP (WES)	Anadarko Petroleum (APC)	IPO	USA	05/09/08	> $2b
	San Miguel Brewery (SMB.PS)	San Miguel Corp (SMC.PS)	IPO	Phlpnnes	05/12/08	$500m - $2b
	Eqstra Holdings (EQS.J)	Imperial Holdings (IPL.J)	Distrib	S. Africa	05/12/08	$500m - $2b
	Asia Cement China (0743.HK)	Asia Cement Corporation (1102.TW)	IPO/Distrib	HK	05/20/08	$500m - $2b
	Bajaj Automotive	Bajaj Auto (Bajaj Holdings) (500490.BO)	Distrib	India	05/26/08	
	Bajaj FinServ	Bajaj Auto (Bajaj Holdings) (500490.BO)	Distrib	India	05/26/08	
*	Piramal Life Sciences	Nicholas Piramal India Ltd (500302.BO)	Distrib	India	05/29/08	$100m - $500m
	Pou Sheng Int'l (3813.HK)	Yue Yuen Industrial (0551.HK)	IPO	Hong Kong	06/06/08	$500m - $2b
	Telmex Internacional (TII)	Telmex (TELMEXA.MX)	Distrib	Mexico	06/09/08	> $2b
	Lorillard (LO)	Loews Corp (LTR)	Exchange	USA	06/09/08	> $2b
	Argo	Absolute Capital (ACMH.L)	Distrib	UK	06/16/08	
	Scripps Networks Interactive (SNI)	EW Scripps (SSP)	Distrib	USA	06/16/08	> $2b
*	PCI Biotech	Photocure (PHO.OL)	IPO/Distrib	Norway	06/18/08	< $100m
*	CPEX Pharmaceuticals (CPEX)	Bentley Pharmaceuticals (BNT)	Distrib	USA	06/20/08	< $100m
	Lender Processing Services Inc (LPS)	Fidelity National Information Svs (FIS)	Distrib	USA	06/24/08	$500m - $2b
	Ramada Investimentos	Altri (ALSS.LS)	Spinoff	Portugal	Jun-2008	$100m - $500m
	Celera	Applera (CRA)	Exchange	USA	07/01/08	$500m - $2b
*	BNK Petroleum (BKX.TO)	Bankers Petroleum (BNK.TO)	Distrib	Canada	07/14/08	< $100m
	Suez Environnement	Suez (SZE)	IPO/Distrib	France	07/22/08	> $2b
	JBT (JBT)	FMC Technologies (FTI)	Distrib	USA	07/22/08	$500m - $2b
*	DMRC	Digimarc (DMRC)	Distrib	USA	08/01/08	$100m - $500m
	Ralcorp (RAH)	Kraft (KFT)	Exchange	USA	08/04/08	$500m - $2b
*	iBioPharma (IBPM)	Integrated BioPharma (INBP)	Distrib	USA	08/04/08	< $100m
	Lumina Copper (LCC.TO)	Teck Cominco (TCK.TO)	Spinoff	Canada	08/05/08	< $100m
*	Eurogas International	Eurogas (EUG.TO)	Distrib	Canada	08/05/08	< $100m
	HSN (HSNI)	IAC/Interactive Corp (IAC)	Distrib	USA	08/11/08	> $2b
	Ticketmaster (TKTM)	IAC/Interactive Corp (IAC)	Distrib	USA	08/11/08	> $2b
	Tree.com (TREE)	IAC/Interactive Corp (IAC)	Distrib	USA	08/11/08	$500m - $2b
	Interval Leisure Group (IILG)	IAC/Interactive Corp (IAC)	Distrib	USA	08/11/08	$500m - $2b
*	ASAP Athletics	Americas Learning Centers (ALRN.OB)	Distrib	USA	08/15/08	< $100m
*	Treasury Metals (TML.TO)	Laramide Resources (LAM.TO)	Distrib	China	08/19/08	< $100m
	Virgin Blue Holdings (VBA.AX)	Toll Holding (TOL.AX)	Distrib	Australia	08/22/08	$500m - $2b
*	Buru Energy (BRU.AX)	ARC Energy (ARC.AX)	Distrib	Australia	08/25/08	< $100m
*	Northrock Resources	Rockgate Capital (RGT)	Distrib	USA	08/26/08	< $100m
	Adcock Ingram (AIP.J)	Tiger Brands (TBS.J, TBLMY.PK)	Distrib	S. Africa	08/29/08	$500m - $2b
	Eichhof Getranke	Eichhof (EIN.S)	Distrib	Switzerland	08/29/08	$100m - $500m
*	Caliburn Resources (CRI.AX)	Avalon Resources (AVI.AX)	IPO	Australia	09/11/08	< $100m
*	Access Versalign	Relm Holdings (RELM.PK)	Distrib	USA	09/15/08	< $100m
	Mastech Holdings (MHH)	iGate (IGTE)	Distrib	USA	09/16/08	< $100m
	SunPower (SPWR)	Cypress Semiconductor (CY)	Distrib	USA	09/17/08	> $2b
	Ascent Media (ASCMA)	Discovery Holding Co (DISCA)	Distrib	USA	09/17/08	$500m - $2b
*	Pelangio Exploration	Pelangio Mines Inc (PLG.TO)	Distrib	Canada	Sep-2008	$100m - $500m
	Reinet Investments SCA	Cie Financiere Richemont (CFR.VTX)	Distrib	Switz.	10/21/08	

	Brink's Home Security Holdings (CFL)	Brink's Company (BCO)	Distrib	USA	10/21/08	$500m - $2b
	WPT Enterprises (WPTE)	Lakes Entertainment (LACO)	Distrib	USA	10/24/08	< $100m
	British American Tobacco (BTI.A)	Cie Financiere Richemont (CFR.VTX)	Distrib	Switz.	10/29/08	$500m - $2b
	Cloetta AB	Cloetta Fazer (CFAb.ST)	Distrib	Sweden	11/28/08	$100m - $500m
	Loomis Cash Handling AB	Securitas AB (SECUB.ST)	IPO	Sweden	Dec-2008	> $2b
	Time Warner Cable (TWC)	Time Warner (TWX)	DIstrib	USA	Dec-2008	> $2b
*	Facet Biotech (FACT)	PDL BioPharma (PDLI)	Distrib	USA	Dec-2008	$100m - $500m
	Aveos	ACE Aviation Holdings (ACE.TO)	TBA	Canada	Q4 2008	$500m - $2b
	Consumer electronics division	TPV Technology (TPVTF.PK)	Distrib	China	Q4 2008	
	Power engineering group	China National Machinery Industry (gov't)	IPO	Hong Kong	Q4 2008	$500m - $2b
	CITIC Dameng - Manganese	CITIC Resources (1205.HK)	IPO	Hong Kong	Q4 2008	$500m - $2b
	Banca Fideuram	Intesa Sanpaolo (ISNPY.PK)	TBA	Italy	Q4 2008	
	Real estate assets	UniCredit SpA (UCG.MI)	TBA	Italy	Q4 2008	> $2b
	Petroleum services	AGR Group ASA (AGR.OL)	Distrib	Norway	Q4 2008	< $100m
	San Miguel Packaging Specialists	San Miguel Corp (SMC.PS)	IPO	Phlpnnes	Q4 2008	
	Ospol	Biolin (BLINF)	IPO/Distrib	Sweden	Q4 2008	< $100m
	Artio Global Investors (ART)	Julius Baer (BAER.VX)	IPO	Switz./USA	Q4 2008	> $2b
	CW International	Cable & Wireless (CW.L)	Distrib	UK	Q4 2008	> $2b
	F&C Asset Management (FCAM.L)	Friends Provident (FP.L)	Distrib	UK	Q4 2008	$500m - $2b
	Physio-Control	Medtronic (MDT)	Distrib	USA	Q4 2008	$500m - $2b
	Virtus Investment Partners	Phoenix Companies (PNX)	Distrib	USA	Q4 2008	< $100m
	Clearwater Paper (CLW)	Potlatch (PCH)	Distrib	USA	Q4 2008	$500m - $2b
*	Uranium Australia	Korab	Distrib	Australia	Q4 2008	< $100m
*	Southern Online Services	Southern Online Bio	Distrib	India	Q4 2008	< $100m
*	Gold exploration	Polyus Gold (OPYGY)	IPO	Russia	Q4 2008	
*	Oiltek	Avalon Oil and Gas (AOGN.OB)	Distrib	USA	Q4 2008	< $100m
*	Evivrus (HOPE)	Enzon Pharmaceuticals (ENZN)	Distrib	USA	Q4 2008	$100m - $500m
*	Oregon Gold	Pacific Gold (PCFG.PK)	Distrib	USA	Q4 2008	< $100m
	Non-media business	Compagnie Industriali Riunite SpA (CIRX.MI)	Distrib	Italy	Jan-2009	
	Samsung Digital Imaging	Samsung Techwin (012450.KS)	Distrib	South Korea	02/01/09	> $2b
	Set-top box division	Skyworth Digital Hldgs (SWDHF)	IPO	Hong Kong	Q1 2009	
	Carnation Nutra Analogue Foods (CNAF.BO)	Cadila (532321.BO)	Merger/Distri	India	Q1 2009	< $100m
	Walter Investment Management (WAC)	Walter Industries (WLT)	Distrib	USA	Q1 2009	$100m - $500m
*	Syngene	Biocon (532523.BO)	IPO	India	Q1 2009	< $100m
*	Iventa	Commerce Planet (CPNE)	Distrib	USA	Q1 2009	< $100m
	Welspun Global Brands	Welspun India (514162.BO)	Distrib	India	04/01/09	$100m - $500m
	Welspun Investments	Welspun India (514162.BO)	Distrib	India	04/01/09	$100m - $500m
*	News and other non-entertainment	New Delhi Television - NDTV (532529.BO)	Distrib	India	04/01/09	< $100m
	Arvin Innovation (ARVI)	ArvinMeritor (ARM)	Spinoff	USA	May-2009	$500m - $2b
	Frequent flyer program	Qantas (QAN.AX, QUBSF.PK)	IPO	Australia	Q2 2009	$500m - $2b
	Mead Johnson Nutrition (MJN)	Bristol Myers Squibb (BMY)	IPO	USA	Q2 2009	$500m - $2b
	Clinical and medical products	Cardinal Health (CAH)	Distrib	USA	Q2 2009	
	gas storage	GDF Suez (GSZ.FR)	Distrib	France	2009	> $2b
	LNG terminals	GDF Suez (GSZ.FR)	Distrib	France	2009	> $2b
	Qimonda (QI)	Infineon (IFX)	Distrib	Germany	2009	> $2b
	Reliance Unicom	Adlabs Films (ADLF.BO)	Distrib	India	2009	< $100m
	Greenpower	Enel SpA (ENEL.IT, ENSTY)	IPO	Italy	2009	> $2b
	Vodacom JV with Vodafone	Telkom (TKG)	Distrib	S. Africa	2009	> $2b
	Credit card division	Kookmin Bank (060000.KS)	TBD	South Korea	2009	
	FTI Technology	FTI Consulting (FCN)	IPO	USA	2009	
	Consumer and industrial unit	General Electric (GE)	Distrib	USA	2009	> $2b
	NiSource Energy Partners (NIA)	NiSource Inc (NI)	IPO	USA	2009	$500m - $2b
	Compressco Master LP	Tetra Technologies Inc (TTI)	IPO	USA	2009	< $100m
*	DT Cinemas	DLF (532868.BO)	IPO	India	2009	< $100m
*	Solar cells	Emcore (EMKR)	IPO	USA	2009	< $100m

*	Myriad Pharmaceuticals (MYGN)	Myriad Genetics (MGX)	Distrib	USA	2009	< $100m
	Fixed-line network	Indosat (IIT)	Distrib	Indonesia	2010	
	Mileage Plus	United Airlines (UAL)	Distrib		TBA	
	Home products division	Orica (ORI.AX)	Distrib	Australia	TBA	
	Insurance unit	Suncorp-Metway (SUN.AX)	Distrib	Australia	TBA	
	Air Canada (AC-A.TO)	ACE Aviation Holdings (ACE-B.TO)	Distrib	Canada	TBA	> $2b
	BCH Ltd	BrazAlta Resources (BRX.V)	Distrib	Canada	TBA	
	Cenovus	EnCana (ECA)	Spinoff	Canada	TBA	> $2b
	Retail holdings	Li & Fung Ltd (0494.HK)	IPO	HK	TBA	> $2b
	COFCO Packaging	COFCO Group	IPO/Distrib	Hong Kong	TBA	$100m - $500m
	Bio Beauty Group	Global Green Tech (0274.HK)	IPO	Hong Kong	TBA	$100m - $500m
	PC and TV subsidiaries	Haier (1169.HK)	IPO	Hong Kong	TBA	
	Sino Metals	Terra Nostra (TNRO)	IPO	Hong Kong	TBA	$100m - $500m
	Chorus (copper network)	Telecom Corp of New Zealand (NZT)	Splitoff	NZ	TBA	> $2b
	Telecom Wholesale	Telecom Corp of New Zealand (NZT)	Splitoff	NZ	TBA	
	DLF Assets	DLF (532868.BO)	IPO	Singapore	TBA	> $2b
	Hammer Retex Group	Industrieholding Cham (INDN.SWX)	Distrib	UK	TBA	$100m - $500m
	Trillium	Land Securities (LAND.L)	Distrib	UK	TBA	> $2b
	Retail properties division	Land Securities (LAND.L)	Distrib	UK	TBA	> $2b
	TippingPoint Security	3Com (COMS)	IPO	USA	TBA	$500m - $2b
	Abraxas Energy Partners LP (AXLP)	Abraxas Petroleum (ABP)	IPO	USA	TBA	$500m - $2b
	Oil & gas properties	Berry Petroleum (BRY)	IPO	USA	TBA	$100m - $500m
	Midstream gas gathering	Chesapeake Energy (CHK)	TBA	USA	TBA	$500m - $2b
	Contango Energy	Contango Oil & Gas (MCF)	Distrib	USA	TBA	
	Enexus Energy	Entergy (ETR)	Distrib	USA	TBA	> $2b
	First American Financial	First American Corp (FAF)	DIstrib	USA	TBA	
	Handset division	Motorola (MOT)	Distrib	USA	TBA	> $2b
	Cloud Peak Energy	Rio Tinto (RTP)	IPO	USA	TBA	> $2b

MARKET LEGEND

AX	Australia	**J**	Johannesburg	**NS**	National (India)	**PK**	Pink sheets	**TO**	Toronto
BO	Bombay	**KL**	Kuala Lumpur	**NZ**	New Zealand	**RTS**	Russia	**TW**	Taiwan
BR	Brussels	**L**	London	**O**	OTC	**SG**	Singapore	**V**	Vancouver
DL	Delhi	**LS**	Lisbon	**OB**	OTC Bulletin Board	**ST**	Stockholm		
HK	Hong Kong	**none**	NYSE/Nasdaq/Amex	**PA**	Paris	**TA**	Tel Aviv		

ABOUT THE CALENDAR

Spinoffs are listed only if (i) announced as certain to proceed; and (ii) a market will be made promptly. “Date” means record date for distributions, listing date for IPOs, or either for Indian spinoffs. “Possible” spinoffs is not included. “Exchange” transactions offer holders the option to trade shares in the parent for shares in the spinoff.

Promotional stocks are marked with an asterisk (“*”) to be ruled out quickly by traditional value investors. We identify such firms by low current revenue; self-promotion via self-issued press releases not picked up by news agencies; spinoff announcements without prompt regulatory filings; claims of valuable assets in remote locations (Arctic Canada and interior Africa are time-honored favorites); high management pay relative to capitalization; and/or headquarters disproportionately located in Vancouver, Miami or southern California.

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SPINOFF, INSIDER BUYING

STRUCTURE

SITUATION

Coach (COH) was spun off from its improbable owner, Sara Lee (SLE), in 2000. There followed a huge spinoff success story: a split-adjusted return of about 20 to 1 through April 2007.

The company has since lost three quarters of its market value, though its fundamental strengths remain.

Coach (COH) officers and directors have purchased about $800k of COH in the past month, in contrast to a recent history of no such purchases.

ANALYSIS

Management has been as fearful as everyone else in recent months, and so insider buying has been rare. The abrupt purchases by a group at Coach are, then, perhaps an unusually meaningful signal.

Though the company faces obvious recession exposure as a luxury goods vendor, it is one of just a handful of American brands with proven, but under-exploited, export potential. Brand awareness and cachet east Asia are extending beyond Japan; because of high margins and offshore revenue, the company likely benefits from a dollar slide, even though its manufacturing is essentially all offshore.

Coach, with no debt, strong brand and substantial earnings from overseas, appears to exhibit defensive features that combat current uncertainty over the direction of US prices, currency and debt. If prices fall, Coach will probably not become insolvent; if prices rise, Coach can pass on costs; if the dollar rises or falls, Coach is relatively unaffected.

These, together with low price and management signaling, make a compelling case.

OWNERSHIP DISCLOSURE

Author does not own COH.

Coach Inc

Company Information

COMPANY

Coach is one of the largest US makers of luxury handbags and other accessories, primarily leather goods. It operates mainly in the US and Japan, with about 300 and 150 stores, respectively, and is the #2 imported handbag brand in Japan (13% share).

Coach has grown remarkably smoothly for a long time. Revenue was up 21% in FY2008 over 2007, almost identical to the 9-year compound rate of 22%. Earnings per share grew 28% in '08 over '07, vs. 36% compounded over the past 4 years.

Operating return on employed capital is over 150%. Recessionary sales and earnings are thus far stable, and management has not (yet) reduced its 2009 forecast.

Coach has been disciplined with debt; it borrowed almost nothing even when the practice was fashionable. Long-term debt, always low, has fallen every year since 2000, to less than 1% of tangible book value today. This and a current ratio of 3 to 1 leave the company among the best insulated from the credit crisis.

The high operating return and lack of interest expense are ingredients for vast free cash flow (last week, the company estimated $600m for the year ending June 2009, or $1.84 per share), which is in turn reinvested at high rates: the company says new stores typically pay for themselves in a year or less.

Coach actually plans to accelerate store openings in the coming 6 months, including 40 in the US and 10 in Japan; this is not particularly risky, since they are funded internally at high rates of return. Because Coach is a desirable tenant with a rock-solid balance sheet, they presumably have high leverage when negotiating leases in a contracting retail market.

Critically important to long-term growth, Coach continues to invest in a multi-year brand development program across east Asia, including China and South Korea.

VALUATION

COH closed Monday at 16.68, which is 7.5 times trailing earnings, 9 times 2009 forecast free cash flow, or about a 20% trailing operating yield on total capitalization. In short, it's cheap, even after today's one-day, 13% rise in the share price.

Unlike more heavily indebted public companies, Coach plans to continue repurchasing shares, with a new $1b (18% of outstanding) buyback program announced this past summer.

The overall picture is of a growing, debt-free, highly profitable business, able and willing to reinvest through a major recession, and temporarily available at fire-sale prices due to current investor fear of the retail sector.

RISKS

We face a lengthy, possibly historic, stagnation in consumer demand. Yet for years, Coach has somehow managed attractive growth in exactly such an environment: its second-largest market, Japan.

The company may face a greater challenge in China, where counterfeit goods are so common that the arrival of the Coach brand likely long preceded the arrival of the company itself. But Japan is still growing, and South Korea, with better intellectual property enforcement than China, would seem to have great potential.