SPINOFF NEWS

ING Groep (ING) listed its US retirement financial services unit, **ING U.S.** (VOYA), in an IPO carve-out this morning, priced at under 10 times earnings and about half of book value. This may be a rare case in which a promoted offering delivers good value. See page 7.

Caesars Entertainment (CZR) will separately list its interactive unit and certain other assets (namely the Planet Hollywood casino and a 40% interest in another Baltimore casino), presumably in hopes of stabilizing the parent, which has seen mounting losses and rising debt since 2009. No dates were set.

Orchard Supply Hardware (OSH), which spun off from **Sears Holdings** (SHLD) at the end of 2011, is now operating under a covenant waiver from creditors, due to expire June 30, as it tries to renegotiate payment. There is public discussion of prepack bankruptcy. As we wrote on 12/30/2011 (section entitled, "The Mystery of the Orchard Supply Preferred"), OSH common "could someday go to zero," but the preferred shares, ticker OSHSP, might make an interesting speculation, if sufficiently cheap. The preferreds now trade at less than a dollar, and while they have no yield, they carry a liquidation preference of $4.16, which must be paid before common stockholders get anything. A majority of the preferred is owned by Eddie Lampert and one other insider, allowing insiders to block any workout not to their liking. Over the past month, Lampert has sold OSH common heavily, but retained nearly all his preferred. As speculations go, it's interesting; readers skilled in workouts may find it a worthwhile place to look (potential bias: author is long OSHSP).

Safeway (SWY) gift card unit **Blackhawk Network** (HAWK) shares are very nearly flat since its April IPO carve-out, and remain expensive at 25 times earnings. HAWK can boast at least 5 years of consistent earnings growth at over 20% annualized -- but we generally don't pay a premium for growth. Safeway, the dull ex-spin parent, on the other hand, may be worth a look. SWY shares plunged last week on an earnings miss; if we deduct its remaining consolidated holding in HAWK, the grocery operation trades at 8.5 times earnings. It's not a great business -- 11% operating return on employed capital, and carrying significant (though falling) debt -- but as the largest firm in a distribution-driven commodity business, it should have a scale advantage if properly run, and even failing that, now trades at a far lower multiple than rivals.

Penn National Gaming (PENN) says its casino REIT listing will not occur till January 2014. REIT conversions are generally interesting, as improved tax treatment translates directly to value, but at 30 times earnings and 2 times book value, PENN is not cheap, so we'll wait.

Entergy (ETR) and **ITC** (ITC) shareholders this month approved the divestiture of Entergy's transmission lines to ITC, in return for ITC stock. ETR holders can expect a distribution of ITC shares this calendar year, but not for several months, due to regulatory delays.

On April 17, the board of directors at **PPR** (PP.PA) approved the spinoff of troubled French retailer **Fnac**. PPR will pay a €2.25 cash dividend, plus one share of Fnac for every eight of PPR. On June 18, the day of the spinoff, PPR will change its name to Kering.

The **Siemens AG** (SI) lighting spinoff, **Osram**, is back on, after a Munich court denied last month's motion to block. The motion had been filed by a tiny dissident shareholder group who claimed they couldn't hear what they were voting on at the spinoff approval meeting. Listing is now certain -- again -- but management has not announced a date.

Austria's **Immofinanz** (IMFI.VI) says its residential real estate unit, **Buwog**, could now list in an IPO carve-out as early as November.

Rio Tinto (RIO.L) formed subsidiary **Pacific Aluminium** to hold its 13 underperforming aluminum smelters, which collectively lose piles of money. The plan for some years has been to sell the best assets, close the worst, and spin off the rest to Rio Tinto shareholders, and Rio says this is still under way.

Genworth Financial (GNW) indefinitely postponed the IPO carve-out of its Australian mortgage insurer, citing worsening performance.

Dart Energy (DTE.AX) has canceled its long-planned IPO carve-out of non-Australian assets.

Brazil saw two IPO carve-outs on April 29: **Banco do Brasil** (BDORY, BBAS3.BR) listed insurance unit **BB Seguridade Participacoes** (BBSE3.BR), and Brazilian airline **Gol Linhas Aéreas Inteligentes** (GOL) listed travel loyalty program **Smiles SA** (SMLE3.BR).

Loss-making penny stock **Energy Edge Technologies** (EEDG.PK) will spin off **Energy Edge Solutions**, and rename the parent **The Gourmet Wing Company**. We include this headline for comedy relief.

ACTIVIST AT WORK: HOPFED BANCORP

HopFed Bancorp (HFBC), the holding company for Heritage Bank in Kentucky, is the subject of a proxy fight this month over compensation. Management communications to shareholders sound hopping mad, but *agent provocateur* Stilwell Partners, one of the usual suspects in community bank activism, owns 7.6% of the firm, and has been successful in past agitations, both operational and financial. Much of the rest of the firm is owned by institutional investors. Best of all, HFBC is well capitalized, yet trades more than 20% below tangible book value to the common shares. This creates a limited-risk opportunity to sit back while Stilwell carries the fight to management. Even if activism gets nowhere, we are left with a safe, profitable community bank at a meaningful discount to book value.

HopFed unfortunately bought a local bank this month at 111% of tangible book value, in cash -- rather than buying back its own shares at 80% of tangible book. On one hand, this illustrates that there is no investment opportunity that cannot be eliminated by spendy management; on the other hand, that one acquisition is very small, and doesn't significantly reduce HFBC's discount to book value.

ALTERNATIVE TO CST: THE PANTRY

While looking at the more heavily promoted **CST Brands** (CST) spinoff (see next page), we found that another convenience store chain, **The Pantry** (PTRY), looks cheaper. Concealed behind its low earnings is much higher free cash flow: PTRY trades at 45 times net earnings, but less than 5 times free cash flow (both trailing and multi-year average).

The low price was historically due to a heavy debt load, assumed just before the late-2008 consumer collapse. Revenue fell almost 30% in 2009, and losses followed; PTRY revenue is only now recovering to its pre-crash peak. Yet debt has been falling every year since 2008, and fell by almost 20% in 2012. Last week, PTRY offered to exchange about 30% of remaining debt for a new SEC-registered issue that can be freely transferred -- this may facilitate ad-hoc repurchases.

If PTRY simply keeps doing what it has been doing, in two or three years investors will wake up to a stable, growing, low-debt business, trading at a low multiple of cash flow; the price should respond. In short, it's priced as a turnaround, but appears already to have turned around. We like it better than CST. Be warned, though, that unlike most of our suggestions, this one does not result from a sudden, discontinuous change to capital structure, and so may deliver results more slowly.

TENDER OFFER AT CLOSELY HELD FIRM: BELK INC.

Many mall retailers today have nothing to offer investors but blood, toil, tears and sweat. Yet this Churchillian black dog of despair seems not to pursue family-run Southern department store chain **Belk Inc.** (BLKIA, BLKIB), which, except for the consumer crash of 2008-09, has delivered per-share earnings gains every year for a decade. It has found ways to grow cheaply, for example by buying dozens of stores in the mid-2000s from endlessly shrinking Saks Fifth Avenue. Belk has closed a handful of stores in the past two years, but over the same period, overall revenue is up, and revenue per square foot is up over 10%. The company paid off 24% of its substantial debt load in 2012 alone.

Last week, Belk announced a self-tender for about 4.5% of shares, at a price almost 25% above market. This may not sound like many shares, but the Belk family and other insiders own over 90% of the $1.7 billion firm -- if insiders do not tender, the remaining float will be reduced to under $100m.

The tender is not evenly allocated between the company's A and B shares: Belk will buy 1.5 million, or only 3.6%, of A shares, but 500,000, or 42%, of B shares. The latter has driven B shares up almost 25%, to very near the tender offer price of $50.

We do not propose to participate in the tender, as we cannot predict how many of our shares we may successfully sell. Instead, one might wait until after the offer expires in late May; if the A shares fall back to pre-tender market price in the low 40s, we can buy them at under 10 times earnings, own a growing company at a good price, and speculate free on the prospect that Belk will soon buy out the rest of the A shares. On the other hand, if A shares don't fall below 10 times earnings after the tender, we can likely still get the B shares, which trade today at 9.5x earnings despite the impending tender, and will likely go lower after it ends.

Belk might well have become a monthly last-page recommendation in late May, were its float not so thin. We don't mind illiquidity for our own investments, but to make the *Spinoff & Reorg* track record as real-world-achievable as possible for readers, we try to put the monthly recommendation into a liquid, relatively large firm as often as possible.

SPINOFF PROFILE

CST Brands

Event details	
Type	spinoff
Listed pre-spin	no
Parent	Valero
Distribution ratio	1 : 9
Primary listing	NYSE
Record date	4/19/13
Ex-dividend date	5/1/13
Spin / Parent cap	0.1
CEO joins spinoff	no
Analyst coverage	high

Valero (VLO), the largest independent oil refiner and marketer, this month spun off 1,800 gas stations and convenience stores as **CST Brands** (CST), at a rate of one CST for every nine VLO. CST began trading May 1, but the two firms had already traded on a when-issued basis for weeks as VLO-WI and CST-WI. The parent will retain 20% ownership of the spinoff for another six months, then sell or distribute that stake as well.

CST operates over a thousand outlets in the US, mainly under the brand Corner Store, and mainly in Texas and Colorado. It also owns over 800 stores in Canada, but has been closing about 2% of them every year since at least 2010. CST operating income fell in 2012, and is well below its 2008 peak, despite a larger asset base. Its falling EBIT and high debt (240% of tangible equity) may prove hard to roll over someday, but for now, interest coverage is ample at over 6 to 1.

CST is unusually heavily marketed for a spinoff. It's the first to have sent *Spinoff & Reorg* a slide deck unbidden; we presume we are not the only recipient, based on the unusually high number of reader requests for information on CST. High visibility, of course, makes a bargain less likely; the numbers bear this out.

Valero says the market will assign a higher multiple to independent CST, consistent with rival multiples, turning CST shares into takeover currency. To us, it looks like the opposite is more likely. Comparable convenience store chains like **Alimentation Couche-Tard** (ATD-B.TO) and **Casey's General Stores** (CASY) enjoy P/E multiples near 20, but are consistently growing and have gross margins above 13%. CST growth is less consistent, and gross margin is below 9%; its price multiple thus likely remains lower than that of its strongest rivals, making it a more likely takeover target than acquirer. But even that prospect is complicated by its high debt and long-term gasoline supply agreement with Valero. At today's 14x earnings, CST looks, at best, fairly valued; we'll avoid it.

Valero, ex-spinoff, largely bets on U.S. refined petroleum exports from the Gulf Coast. That's really VLO's only option: domestic refined demand peaked in 2007, and hovers today near its 2011 low. The good news is that much of VLO's refining capacity is at the southern end of the Keystone XL pipeline; its access to cheap shale oil, already good, will soon become far better. This may yield a lengthy cost advantage in a commodity industry -- a recipe for bumper profits. This won't last forever: the developing world is building refining capacity, and the US is building transport from Bakken to coast -- but Valero's present geographical advantage could last years. At 11x earnings, 14% EBIT/EV, and 1.3x tangible book value, it's fairly priced or slightly cheap for its prospects.

(continued next page...)

CST historical, $ millions	*2012*	*2011*	*2010*	*2009*	*2008*
Sales	13,135	12,863	10,371	8,780	11,531
EBIT	315	317	289	222	344
Assets	1,709	1,691	1,621	1,581	1,569
ROA	18%	19%	18%	14%	22%
VLO, ex-CST $ millions					
Sales	126,115	113,127	71,859	55,820	95,149
EBIT	3,395	3,003	1,211	-538	-60
Assets	42,768	42,101	39,567	41,053	41,214
ROA	8%	7%	3%	-1%	-0%

Pro forma ex-spinoff financial statements
US$ millions, year ending Dec 31, 2012

	CST	**VLO**
Revenue	13135	126115
EBIT	283	3727
Net interest expense	43	270
Net profit	161	1919
Cash & short-term investments	45	1678
Receivables	138	8029
Inventory	168	5805
Other	12	585
Total current assets	**363**	**16097**
PP&E net	1276	25024
Goodwill & intangibles	41	172
Other (i)	229	1275
Total assets	**1909**	**42568**
Payables	95	9253
Other (i)	158	2423
Total current liabilities	**253**	**11676**
Long-term debt	1029	5434
Other liabilities (i)	157	7833
Total liabilities	**1439**	**24943**
Common equity	470	17625
Tangible common equity	429	16350
Common shares, diluted	76	562
EBIT yield on empl. capital	21%	13%
Debt to tangible equity	240%	33%
Current ratio	1.4	1.4
Interest coverage ratio	6.6	13.8
Recent price, $	30.20	38.78
Market capitalization (ii)	2,295	21,335
P/Tangible equity	5.35	1.30
P/E	14	11
EBIT/EV	9%	14%
Major index	none	S&P 500
Significant insider buying	no	no
Closely held	no	no

Bottom line: buy CST below 30; consider buying VLO now, holding for a year or two to benefit from its input price advantage.

Notes to the tables on previous page: (i) Mostly deferred tax. (ii) Parent market cap shown at right excludes the market value of its remaining 20% position in the spinoff, so that its price ratios can give us a sense for what one pays today for the remaining business.

SPINOFF & REORG'S INVESTMENT PERFORMANCE

In the table at right, the first column shows the mean 6-month return of all US spinoffs since June 2005. The second column shows the average 6-month return of all *Spinoff & Reorg* monthly picks (near the end of each issue) over the same period. The spreadsheet used to calculate this result is on our website.

Mean 6-month return, all since June 2005	*All Spinoffs*	*Spinoff & Reorg Selections*	*Spinoff & Reorg Selections CAGR*
Absolute return	1.7%	**9.1%**	**19.1%**
Relative to S&P 500	3.6%	**8.0%**	**16.7%**
Standard deviation	46%	**33%**	

Our October 25 recommendation, **AmBase** (ABCP), has so far returned 8% including its large November dividend, but this lagged the S&P 500 by 4%. On the bright side, it still trades more than 25% below book value, implying there is still room for more return, or to state it another way, that we took relatively little risk to obtain the return to date. We believe this is only the third recommendation in the past sixteen monthly issues to have lagged the market.

OWNERSHIP DISCLOSURE

Among securities mentioned in this issue, the author owns **Orchard Supply Hardware** preferred (OSHSP) and **ING U.S.** (VOYA).

SPINOFF CALENDAR

	Spinoff	Parent	Type	Listing	Date	Market Cap
	MPLX (MPLX)	Marathon Petroleum (MPC)	Carve-out	USA	10/26/12	> $2b
*	Hadley Mining (HM.CNSX)	Winston Resources (WRW)	Spinoff	Canada	10/31/12	< $100m
*	Zara Resources (ZRI.CNSX)	Winston Resources (WRW)	Spinoff	Canada	10/31/12	< $100m
	Sears Canada (SCC.TO)	Sears Holdings (SHLD)	Spinoff	Canada	11/01/12	$500m - $2b
	Delek Logistics (DKL)	Delek US Holdings (DK)	Carve-out	USA	11/02/12	$500m - $2b
*	Bogen	Bogen Communications (BOGN.PK)	Spinoff	USA	11/19/12	< $100m
	Alon USA Partners LP (ALDW)	Alon USA Energy (ALJ)	Carve-out	USA	11/20/12	$100m - $500m
*	YY (YY)	Renren (RENN)	Carve-out	China	11/21/12	$500m - $2b
	SCA Property Group (SCP.AX)	Woolworths (WOW.AX)	Spinoff	Australia	11/30/12	$500m - $2b
	AbbVie (ABBV)	Abbott Labs (ABT)	Spinoff	USA	12/12/12	> $2b
	Silver Bay Realty Trust (SBY)	Two Harbors Investment (TWO)	Carve-out	USA	12/13/12	$500m - $2b
	Prothena (PRTA)	Elan Corp plc (ELN)	Spinoff	Ireland	12/14/12	< $100m
	SBI Axes (950110.KR)	SBI Holdings (8473.T)	Spinoff	Korea	12/16/12	< $100m
	Altisource Residential (RESI)	Altisource Portfolio Solutions (ASPS)	Spinoff	Various	12/17/12	$100m - $500m
	Altisource Asset Management (AAMC)	Altisource Portfolio Solutions (ASPS)	Spinoff	Various	12/17/12	$500m - $2b
	Alent (ALNT.L)	Vesuvius (VSVS.L)	Spinoff	UK	12/18/12	$100m - $500m
	Starz (STRZA, STRZB)	Liberty Media (LSTZA, LSTZA)	Spinoff	USA	01/10/13	> $2b
*	Geo Point Resources	Geo Point Technologies (GNNC)	Spinoff	USA	01/17/13	< $100m
	SunCoke Energy Partners (SXCP)	SunCoke Energy (SXC)	Spinoff		01/18/13	$100m - $500m
	CyrusOne (CONE)	Cincinnati Bell (CBB)	Carve-out	USA	01/18/13	$100m - $500m
	Era Group (ERA)	SEACOR Holdings (CKH)	Spinoff	USA	01/24/13	$100m - $500m
	Georgia Gulf (GGC)	PPG Industries (PPG)	Splitoff	USA	01/28/13	> $2b
	Zoetis (ZTS)	Pfizer (PFE)	Carve-out	USA	01/31/13	> $2b
	Grupo Sanborns	Grupo Carso (GCARSO.MX, GPOVY.PI	Carve-out	Mexico	02/07/13	> $2b

	Crimson Wine Group	Leucadia National (LUK)	Spinoff	USA	02/11/13	$100m - $500m
	Sibanye Gold (SBGL)	Gold Fields (GFI, GFI.J)	Spinoff	S. Africa	02/15/13	
*	Prosperity Goldfields	Evolving Gold (EVG.TO)	Spinoff	Canada	02/16/13	< $100m
*	Rapier Gold (RPR.TSXV)	Rogue Iron Ore (RRS.TSXV)	Spinoff	Canada	02/23/13	< $100m
*	Talon Petroleum	Texon Petroleum (TXN)	Spinoff	Australia	02/27/13	
	Wing Lee Property Investments (0864.H	Wing Lee Holdings (0876.HK)	Spinoff	Hong Kong	03/04/13	
*	CNRP Mining	Winston Resources (WRW.CNSX)	Spinoff	Canada	03/05/13	
*	GreenBank Capital	Winston Resources (WRW.CNSX)	Spinoff	Canada	03/05/13	< $100m
	Orient Cement	Orient Paper (502420.BO)	Spinoff	India	03/09/13	< $100m
	Brookfield Property Partners (BPY)	Brookfield Asset Management (BAM)	Spinoff	USA	03/12/13	> $2b
	Silver Bay Realty Trust (SBY)	Two Harbors Investment (TWO)	Spinoff	USA	03/28/13	$500m - $2b
*	Redcentric	Redstone (RED.L)	Spinoff	UK	04/04/13	< $100m
*	Duketon Mining	South Boulder Mines (STB.AX)	Spinoff	Australia	04/12/13	< $100m
	Peter England Fashions	Future Retail (523574.BO)	Spinoff	India	04/18/13	< $100m
	CST Brands (CST)	Valero (VLO)	Spinoff	USA	04/19/13	> $2b
	Blackhawk Network (HAWK)	Safeway (SWY)	Carve-out	USA	04/19/13	$500m - $2b
*	RVX Therapeutics	Resverlogix (RVX.TO)	Spinoff	Canada	04/25/13	$100m - $500m
	BB Seguridade	Banco do Brasil (BDORY, BBAS3.BR)	Carve-out	Brazil	04/29/13	
	ING U.S. (VOYA)	ING Groep (ING)	Carve-out	USA	Apr-2013	> $2b
	WhiteWave Foods (WWAV)	Dean Foods (DF)	Spinoff	USA	May-2013	> $2b
	MPHB Capital	Multi-Purpose Holdings (3859.KL)	Spinoff	Malaysia	May-2013	$500m - $2b
	Fnac	PPR (PP.PA)	Spinoff	France	06/18/13	
	Mallinckrodt (MNK)	Covidien (COV)	Spinoff	USA	Jun-2013	> $2b
	Lifestyle Properties	Lifestyle International Hldgs (1212.HK)	Carve-out	Hong Kong	Jun-2013	
	New Residential Investment (NRZ)	Newcastle Investment (NCT)	Spinoff	USA	Q2 2013	$500m - $2b
	New Newscorp	News Corp (NWSA)	Spinoff	USA	Q2 2013	> $2b
	commercial REIT	Loblaw Companies (L.TO)	Spinoff		Q2 2013	> $2b
	midstream MLP	QEP Resources (QEP)	Carve-out	USA	Q2 2013	
	Sports Toto Malaysia (STMT.SG)	Berjaya Sports Toto (BSTB.KL)	Carve-out	Singapore	Q2 2013	
	Munksjo	Ahlstrom (AHL1V.HE)	Carve-out	Finland	Q2 2013	$100m - $500m
	Hangame	NHN	Spinoff	Korea	07/30/13	
	AB Amber Grid	Lietuvos Dujos (Vilnius:LDJ1L)	Spinoff	Lithuania	07/31/13	
	Zoetis (ZOET)	Pfizer (PFE)	Spinoff	USA	Jul-2013	> $2b
	FTD	United Online (UNTD)	Spinoff	USA	Aug-2013	
	Leidos (LDOS)	SAIC Gemini (SAI)	Spinoff	USA	Q3 2013	> $2b
	Murphy Oil USA	Murphy Oil (MUR)	Spinoff	USA	Q3 2013	
	Phillips 66 Partners (PSXP)	Phillips 66 (PSX)	Carve-out	USA	Q3 2013	> $2b
	EnergyAustralia	CLP Holdings (0002.HK)	Carve-out	Australia	Q3 2013	> $2b
	Buwog	Immofinanz (IMFI.VI)	Carve-out	Austria	Nov-2013	> $2b
	security tech brands	Ingersoll-Rand (IR)	Spinoff	USA	Q4 2013	$500m - $2b
	Time	Time Warner (TWX)	Spinoff	USA	Q4 2013	
	ITC Holdings (ITC)	Entergy (ETR)	Spinoff	USA	Q4 2013	> $2b
	Archeo (ACHX)	Marchex (MCHX)	Spinoff	USA	2013.00	$100m - $500m
	domain registrar	Demand Media (DMD)	Spinoff	USA	2013.00	$100m - $500m
	Yapi Kredi Emeklilik	Yapi Kredi Sigorta (YKSGR.IS)	Spinoff	Turkey	2013.00	
	retail REIT	Singapore Press Holdings (T39.SGX)	Spinoff	Singapore	2013.00	
	Future Fashion	Future Retail (523574.BO)	Spinoff	India	2013.00	< $100m
	Future Fashion	Future Ventures (533400.BO)	Spinoff	India	2013.00	< $100m
	lubricants unit	Gulf Oil (GFCL.BO)	Spinoff	India	2013.00	
	Langham Hospitality Investments	Great Eagle Holdings (0041.HK)	Spinoff	Hong Kong	2013.00	
	Tonly Group	TCL Multimedia (1070.HK, TCLHF.PK)	Spinoff	Hong Kong	2013.00	
	Osram	Siemens (SI)	Spinoff	Germany	2013.00	> $2b
	Matif	NYSE Euronext (NYX)	Spinoff	France	2013	
	Avilon Plc	Neo Industrial (NEO1V)	Spinoff	Finland	2013	

	Caverion	YIT (YTY1V.HEL, YITYF.PK)	Spinoff	Finland	2013	$500m - $2b
	gold mining unit	Straits Resources (SRQ.AX)	Spinoff	Australia	2013	
	EMDERSA	EDENOR (EDN)	Spinoff	Argentina	2013	
	Covisint	Compuware (CPWR)	Carve-out	USA	2013	
	European insurance	ING Groep (ING)	Carve-out	Netherlands	2013	> $2b
	Hopewell HK Properties	Hopewell Holdings (0054.HK)	Carve-out	Hong Kong	2013	
	Hotel unit	New World Development (0017.HK)	Carve-out	Hong Kong	2013	$500m - $2b
	Xintiandi	Shui On Land (0272.HK)	Carve-out	Hong Kong	2013	> $2b
	payments unit	Atos (ATO.EPA)	Carve-out	France	2013	$100m - $500m
*	Ruthigen	Oculus Innovative Sciences (OCLS)	Spinoff	USA	2013	
*	91 Wireless Websoft	NetDragon Websoft (0777.HK)	Spinoff	Hong Kong	2013	
*	Jade Bird Fire Alarm	Beida Jade Bird (8095.HK)	Spinoff	China	2013	
*	Energy Edge Solutions	Energy Edge Technologies (EEDG.PK)	Spinoff		2013	< $100m
*	Audeo Oncology (AURX)	Alchemia (ACL.AX)	Carve-out	USA	2013	$100m - $500m
	casino REIT	Penn National Gaming (PENN)	Spinoff	USA	Jan-2014	
	billboard unit	CBS (CBS)	Spinoff	USA	2014	$500m - $2b
	Snam (SRG.MI)	Eni (ENI.IT)	Spinoff	Italy	2014	> $2b
	Oorja Holdings	Mercator Lines (526235.BO)	Carve-out	India	2014	> $2b
	Citilink Indonesia	Garuda Indonesia	Carve-out	Indonesia	2015	< $100m
	Frontier Airlines	Republic Airways (RJET)	Spinoff	USA	TBA	$100m - $500m
	American Eagle	AMR (AAMRQ)	Spinoff	USA	TBA	$500m - $2b
	Innovative Communications	IDT Corp (IDT)	Spinoff	USA	TBA	
	Puntland	Range Resources (RRS.AX)	Spinoff	UK	TBA	< $100m
	Polynoma	CK Life Sciences International (0775.HK	Spinoff	Hong Kong	TBA	
	Orascom Engineering	Orascom Construction (OCIC.CA, ORS(	Spinoff	Egypt	TBA	
	GNSS OEM unit	Hemisphere GPS (HEM.TO)	Spinoff	Canada	TBA	
	coal unit	LINC Energy (LNC.AX)	Spinoff	Australia	TBA	
	Pacific Aluminium	Rio Tinto (RIO.L)	Spinoff	Australia	TBA	> $2b
	Horizon Hospitality	Cheung Kong Holdings (0001.HK)	Carve-out	Hong Kong	TBA	
	FMG Iron Bridge	Fortescue Metals (FMG.AX)	Carve-out	Hong Kong	TBA	
	Australia Mortgage Insurance	Genworth Financial (GNW)	Carve-out	Australia	TBA	> $2b

LEGEND

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

ABOUT THE CALENDAR

A spinoff is listed only if (i) management announces it is 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 are not included. "Splitoff" transactions offer holders the option to exchange shares in the parent for shares in the spinoff. Speculative promotional stocks are marked with "*": we identify such firms by low revenue, press releases focusing on equity promotions rather than operating events, spinoff announcements without prompt regulatory filings, claims of valuable, non-yielding assets in remote locations (Arctic Canada and interior Africa are time-honored favorites), high management pay relative to income, and/or headquarters located in Vancouver, Miami or our own southern California. Please send suggestions to subscribe@gemfinder.com -- popular requests will be incorporated into upcoming issues.

SHOTGUN CARVE-OUT

SITUATION

ING U.S.

BACKGROUND

Dutch banking firm **ING Groep** (ING.AS) listed its American financial services unit today as **ING U.S.** (VOYA) in an IPO carve-out priced at $19.50 per share.

COMMENTARY

We believe this is the first time in its 8-year history that *Spinoff & Reorg* has ever recommended a promoted public offering. More often than not, IPOs are a bad deal, due to asymmetric information, moral hazard, face-ripping underwriters, et al.

We make an exception today because VOYA looks cheap; we believe it looks cheap because the parent is in a hurry to satisfy EU regulators with a breakup.

When the European Union permitted the Dutch government to bail out ailing bank **ING Groep** (ING.AS) in 2008, it attached strings, including that ING must shrink its balance sheet by divesting certain non-banking units within five years. The dozens of planned divestitures included ING's US financial services business.

Five years on, ING has run out of time. It sold its US retail bank to CapitalOne last year, but its US insurance, pension and asset management units must now be struck from the books, fast, or suffer the storied wrath and caprice of Brussels.

This may explain the rush to list VOYA this week, apparently at any price. On May 1, VOYA sold 65.2m shares at 19.50 -- slightly more shares, and at a lower price, than it had intimated last week, further suggesting a rushed listing.

Longtime readers know that we rarely release an issue during the trading day, but we make an exception this month, lest VOYA begin to move up quickly toward book value on debut day.

OWNERSHIP DISCLOSURE

Author owns VOYA.

COMPANY

ING U.S. (VOYA) is a retirement financial services provider, with units in pension management, annuities, brokerage, and one of the largest term life insurance lines in the United States. It has over $100 billion in assets under management, and over $200 billion under administration. VOYA's offering closed May 1, listed May 2, and the firm will be rebranded and renamed **Voya Financial** over the next two years.

VOYA's new CEO and COO, Rodney Martin and Alain Karaoglan, held similar roles at AIG's insurance and retirement services unit, and managed the piecemeal selloff of AIG's life insurance units after the financial crisis.

While VOYA has been described in the press as an insurance company, we note that for at least the past five years, about a third of its revenue has come from fees, largely from asset management.

VOYA lost money during and after the financial crisis, in part because hundreds of millions of dollars of mortgage-backed securities went bad. The writeoffs on these instruments have largely subsided.

The annuity and life units of VOYA are rated 'A' by A.M. Best.

VALUATION

As this is written on the morning of May 2, VOYA is trading at about 20 -- under 10x trailing earnings, and under half of tangible book value. This is fully diluted, except for warrants issued to the parent for an additional 9.9% of the company, at a strike price of 250% of the IPO price. We ignore the warrants for now: by the time shares are high enough for them to exercise, we'll be more than happy with the outcome.

Though the company already looks cheap on the face of it, we also gain a free speculation on a breakup or restructuring, orchestrated by the two managers ING hired to run VOYA, who have recent, relevant and successful experience at dismantling the insurance arm of AIG (see above).

RECOMMENDATION

Buy and hold.

RISKS

At this price, one naturally wonders: what's the catch?

First, there could still be bad assets lurking on the books. If so, however, it would be difficult for parent ING Groep to avoid fraud liability: the financial crisis is now five years past, so ING could not credibly claim not to have known by 2013 that they were under-reserved against 2008-era losses. This suggests there are few skeletons.

Second, VOYA may be regarded by potential investors as an insurance company, when in fact it is largely and increasingly an asset manager. Insurance is understandably out of favor just now, because fixed-income yields are too low for the traditional insurance model (investment gains pay for underwriting losses) to work as well as usual. For VOYA, we consider this a positive, not a negative: thanks to its non-insurance units, it can remain profitable and financially stable on fee income while it waits for the inevitable rise in fixed-income yields.