(00:05):

A breakup can actually be a catalyst for positives. I'm Matt McClure, and this is The Insight.

(00:18):

The industrial corporate separations that we've seen over the last year are really the continuation of a trend that we've witnessed over the last decade, being the unwind of the conglomerate diversified business model. And there are multiple examples to point to historically, whether it's United Technologies, Tyco, before that, or more recently, General Electric. The motivations for these separations are fairly similar. Unlocking shareholder value by allowing the separated company to be afforded the appropriate trading multiple by the public markets, ensuring there is management focus on the separated entity, which allows the business to generate more growth and improved operational efficiencies.

(00:59):

And then lastly, allowing the separated company to be the master of its own destiny in deploying capital, both organically and on M and A. So a breakup can really be pursued from a position of strength and a separation transaction that augments growth and improves margins will drive more value for shareholders. My advice for any corporation contemplating a separation transaction would be, firstly, ensure there is a clear strategic rationale that can be articulated to equity investors, quantify the potential costs, both recurring and ongoing costs resulting from the separation. And then think through capital allocation policy and capital structure, both for the separated company and for the parent company.

(01:46):

Just start speaking?

(01:47):

Yeah. Yeah.

(01:47):

Okay. Sorry, I was confused. That could have been a long pause.