

Post-Pandemic Bets: ECM Watch

By Drew Singer / Bloomberg News / November 18, 2021

Meanwhile, special situations and activist investing will play outsized roles coming out of the pandemic, according to panelists at a conference on Thursday hosted by The Edge Consulting Group. Stocks including Uber Technologies Inc. and General Electric Co. contain hidden value that could be unlocked as the economy normalizes, investors and analysts said at the non-profit event benefiting The Alzheimer's Association.

"A lot of people take a look at the academic research and say 'If you bought all the spinoffs, did you outperform the market or didn't you?'" Joel Greenblatt, co-chief investment officer for Gotham Asset Management, said in a presentation. "I think that's the wrong question. The right question is 'Are spinoffs a place to find mispriced securities?'"

Greenblatt identified General Electric as one example. Currently planning a three-way split, shares are trading down since the spinoffs were announced while Wall Street analysts have a wide range of price targets as low as \$55 and as high as \$136. "This one looks interesting because there's a lot of disagreement," he said.

Encompass Health Corp. should move forward with plans to spin off its home health unit, Barington Capital Group chief executive officer James Mitarotonda said. Encompass has previously announced it was exploring options, but the process has taken longer than Barington expected. More pressure from activists could help accelerate the separation, he added, noting that such campaigns remain below pre-pandemic levels but are showing signs of resurgence.

Uber's mobility unit is running below capacity and the stock will emerge as a great reopening trade, Jonathan Boyar, principal at Boyar Value Group, told the investors. "It's also a misunderstood opportunity," he said. "This is not the Uber that was a unicorn and spending money like drunken sailors. It's a much more disciplined company run by an experienced operator." Uber's Ebitda could scale quickly after the pandemic largely obscured much of the company's business, he said.

To contact the reporter on this story:

Drew Singer in New York at dsinger28@bloomberg.net;

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The Edge Consulting Group LLC

GREATER NEW YORK: 89 Headquarters Plaza | Morristown | NJ 07960 | +1 (212) 714 7046

LONDON: 27 Old Gloucester Street | London | WC1N 3AX | +44 (0) 845 459 7103

www.edgecgroup.com