



Basis Points – November 16, 2021

 westwoodgroup.com/weeklyblog/basis-points-november-16-2021/

Above the Fold

GE Spreads Breakup Fever

Wall Street seems to be playing a little “monkey see, monkey do” as several other large-name corporate behemoths announce their own breakups. Health care giant Johnson & Johnson announced Friday that it will split into two separate companies. One will stay focused on its tried-and-true consumer health and staple business with brands like Band-Aid, Listerine, Tylenol and more, while the other half of the new entity will help grow its larger margin, growing business in pharmaceutical and medical device sales. The consumer staple company will likely continue its nearly 60-year dividend payout, but at a reduced rate. Current shareholders are expected to get a piece of both.

Legacy tech and industrial giant Toshiba also reported it will be separating, like GE (General Electric), into three highly focused companies; only one of which will retain its original name. With the split-up expected by March 2024, the first of the companies will be solely focused on infrastructure, with the second tuned into electronic devices, including semiconductors, and finally the third, which will carry on the Toshiba name, will manage the company's substantial stake in flash-memory maker KIOXIA Holdings Corporation and other related assets. Toshiba has followed GE's divesting pattern for some years now, offloading divisions like personal computers, personal electronics, medical devices and even Westinghouse Electric, which declared bankruptcy four years ago.

The corporate breakup activity, which is expected to grow, should help fuel the already very profitable mergers and acquisitions (M&A) divisions of many financial firms in the coming years.

Three Things

1. *Inflation Goes Golden* – Record inflation readings and increasingly cautious investors have driven gold out of the sideways trend it experienced for much of 2021. The yellow precious metal had its best week in six months, with futures prices rising to \$1,868.50. Gold's close ties to inflation and complacency means that investors may be rethinking just how transitory price increases are going to be. That said, gold still remains below its August 2020 high of \$2,050, when pandemic-driven fear dominated the marketplace.
2. *Beauty and SPAC Have Their First Big Date* – Waldencast Acquisition Corp., a special purpose acquisition company (SPAC), is merging with vegan makeup brand Milk Makeup and high-end skincare company Obagi. Waldencast was founded by two former L'Oréal executives and the deal values the new, combined entity at roughly \$1.2 billion. The new structure and nuanced deal will allow the brands to turn to the equity markets for capital to expand.
3. *Why "Low-Tech" Might Be for Sale This Holiday Season* – As the global semiconductor shortage lingers on, manufacturers are finding one, very effective work around — older, lower-tech models. Across all industries, from autos to appliances, consumers might be getting the latest and greatest old technology available. It's not all bad news, as many producers are getting back to basics and reinventing devices and machinery with legacy, reliable technology that uses fewer semiconductors. Who knows? These increasingly simplistic designs might actually last longer — like your grandparents' washer and dryer that never seemed to break down.

Did You Know?

Johnson & Johnson & Johnson

It's been more than 125 years since the three Johnson brothers, Robert Wood, James Wood and Edward Mead Johnson, founded their namesake company (obviously Johnson & Johnson was a more commercially acceptable name). Originally, Johnson & Johnson set out to create a line of ready-to-use surgical dressings and created the first commercial first aid kits, initially designed for railroad workers. First aid kits eventually became the gold standard in workplace and home injury care. Johnson & Johnson were also pioneers in women's health, manufacturing the first mass-produced sanitary protection products and newborn care with their maternity kits in 1894.

The information contained herein represents the views of Westwood Wealth Management at a specific point in time and is based on information believed to be reliable. No representation or warranty is made concerning the accuracy or completeness of any data compiled herein. Any statements non-factual in nature constitute only current opinion, which is subject to change. Any statements concerning financial market trends are based on current market conditions, which will fluctuate. Past performance is not indicative of future results. All information provided herein is for informational purposes only and is not intended to be, and should not be interpreted as, an offer, solicitation, or recommendation to buy or sell or otherwise invest in any of the securities/sectors/countries that may be mentioned.