



Leveling Up: Key Threshold Considerations for Structuring Tax-Free Partial Spin-Off Transactions

NOVEMBER 7, 2024

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Once considered uncommon corporate reorganization transactions pursued by smaller, less wellknown companies in varying degrees of financial distress, tax-free spin-offs have become more mainstream and prominent in recent years among financially sound, blue-chip public companies across a range of industries, such as pharmaceuticals/healthcare, consumer retail products and industrials/manufacturing.

The latest blue-chip public company rumored to be exploring a potential tax-free spin-off is FedEx Corporation (FedEx). In FedEx's recent fourth quarter 2024 earnings call in June 2024, FedEx CEO Raj Subramaniam announced that FedEx's management, board of directors and external advisors were conducting an assessment of the future role of FedEx Freight, the less-than-truckload (LTL) unit of the multinational transportation conglomerate, in the company's portfolio structure.

This news prompted widespread speculation among Wall Street LTL analysts that FedEx may soon divest FedEx Freight, the company's best performing business, following the completion of the strategic review in December 2024. While the assessment remains ongoing as of the date of this publication, it is widely anticipated that FedEx may pursue a tax-free spin-off with respect to FedEx Freight as early as 2025 in order to maximize shareholder value.

The speculation surrounding the potential divestiture of FedEx Freight underscores the recent rise of divestitures, and in particular, tax-free spin-offs, in the LTL industry. The divestiture of FedEx, if completed, would represent the latest in a series of recent divestitures in the LTL industry, such as XPO, Inc.'s recent spin-off of its LTL business from its brokered transportation business and TFI International Inc.'s expected spin-off of Daseke, Inc. and other truckload holdings. If consummated, FedEx's spin-off of FedEx Freight would represent one of the largest spin-offs completed recently, with analysts estimating that FedEx Freight would command an approximately \$50.0 billion market capitalization as a standalone public company.

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