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Bulldog SPAC Update – Principal Protection with Equity Type Optionality – Q2 is off to a fast start with 2 notable deals already announced – Leo Holdings ("LHC") deal to combine with Queso, the parent company of Chuck E. Cheese Brands and Capitol Investment Corp ("CIC") combination with Nesco.

Queso's controlling shareholder is an entity owned by funds managed by affiliates of Apollo Global. The deal will see Chuck E. Cheese as a publicly traded company again with anticipated enterprise value of about $1.4 billion. Chuck E. Cheese relisting via a SPAC is not an unknown route for Apollo. In 2016, Apollo listed Hostess Brands, the maker of Twinkies, via a SPAC. Apollo bought Hostess in 2016 as the company was being liquidated. LHC is a $200 million SPAC that completed its IPO in February 2018. At current trading levels, investors have earned a return of about 10.7% on their investment.

Nesco is a privately held specialty rental equipment provider. Under the terms of the combination, CIC would purchase a 72% stake in Nesco at an implied value of 7.9x 2019 estimated EBITDA, resulting in an equity market capitalization of $630 million and an EV of $1.1 billion (***Source: Cowen***). CIC is a $400 million SPAC that completed its IPO in August 2017. At current trading levels, investors have earned a return of 9% on their investment.

Q1 Recap

IPO issuance continued into Q1 2019 following a strong 2018. Q1 saw 17 IPOs price raising $3.78 billion ***(Source: Cantor).*** Interesting deals include Tuscan Holdings Corp, a SPAC focused on the Cannabis industry and Wealthbridge Acquisition, a deal focused on the China aviation space. Tuscan Holdings is led by Stephen Vogel, a seasoned SPAC veteran who was former executive chairman of Forum Merger 1, that completed a deal with ConvergeOne in less than a year. Tuscan is trading strongly with units currently at $ 10.50 (IPO price $10 on 3/5/19). The Wealthbridge deal has a strong structure with each unit issued at $10 comprised of 1 common, 1 warrant and 1 right. The SPAC has 12 months to complete a business combination and can extend its life 3 times for 3 months each time by adding 10 cps to trust for each 3-month extension. With the common currently trading at $9.85, we figure a buyer will earn an IRR of about 4.75% worst case if held till end of the SPAC' life.

We are seeing some of the smaller investment banks struggle to bring deals over the finish line. Also, surprisingly, we saw 2 high profile SPACs liquidate in Q1 without completing deals and hand money back to investors. With the new rules where investors can vote FOR deals but still cash out, liquidations should be rare. Vantage Acquisition, a $550 million energy focused SPAC announced a liquidation after their pending acquisition was cancelled following a deterioration in commodity prices. The trust will be liquidated, and shareholders will receive approximately $10.22 per share (IPO price $10). And Saban Capital Acquisition (led by Haim Saban of Power Rangers fame) also wound down his SPAC without completing a deal.

Notable deals announced in Q1 include Thunder Bridge Acquisition merger with Repay, an online payments provider (10.7% return to investors), GIGCapital, Inc. merger with Kaleyra, a WhatsApp Business Solutions Provider (9.6% return to investors) and One Madison Corporation combination with Ranpak, a provider of environmentally friendly packaging solutions (9.5% return to investors).

Please reach out to Steve or me with any questions.