1/14/2020

Happy New Year!

SPACs are off to a strong start in 2020, with SPAC Research reporting 16 SPACs trading above trust value! Who would have thought? To keep things in perspective, at the end of 2018, not a single SPAC traded above trust value. Of course, the stock market was in the midst of a correction in late 2018. Since then the S&P 500 has rallied over 30%. On January 9, 2020, common stock of **Conyers Park II ("CPAA")** saw a 250k share block trade at $10.58, or 105% of trust value, followed by trades at $10.65 and $10.75!

US SPAC IPO			
Year	Amount Raised ($bn)	# IPOs	Avg Size ($mm)
2019	13.6	59	231.2
2018	10.8	46	233.7
2017	10	34	295.5
2016	3.5	13	269.2
2015	3.9	20	195.1
Soure: spacresearch.com			

SPACs raised a record $13.6 billion in 2019 with 49 IPOs being priced. That is up from $10.8 billion raised and 46 IPOs completed in 2018 (see above table). SPAC IPOs are consistently trading above IPO price right out of the gate- this is in turn driving demand for more IPOs. We are also seeing an increasing number of non-traditional SPAC investors being drawn to the space--attracted by better management teams, solid returns on deals and bulge bracket underwriting. A look at the underwriting tables below shows EarlyBird Capital, Inc. a smaller investment bank, ranked #3 in 2018, being pushed out of the top 5 in 2019 by the larger investment banks (EarlyBird finished #6 in 2019). There are currently 97 SPACs trading with a combined $22 billion in trust.

Underwriting Tables		
Rank	2019	2018
1	Cantor Fitzgerald & Co.	Cantor Fitzgerald & Co.
2	Credit Suisse Securities (USA) LLC	Citigroup Global Markets Inc.
3	Deutsche Bank Securities Inc.	EarlyBird Capital, Inc.
4	Citigroup Global Markets Inc.	Credit Suisse Securities (USA) LLC
5	Goldman, Sachs & Co.	Goldman, Sachs & Co.
Source: spacresearch.com		

IPO Pipeline- The IPO pipeline looks robust--6 SPACs have currently filed to IPO in 2020. Gores filed for SPAC #4 – with 3 successful SPAC deals completed, investors have reason to be excited- but this deal may be aiming for fundamental buyers rather than traditional SPAC players- why- ¼ warrant and $750,000 annual withdrawal from trust account. Units of **Conyers Park ("CPAAU"),** a SPAC with a ¼ warrant structure currently trades over $11 so ¼ warrant will not be a hurdle given the Gores team's strong track record and a frothy market. Maybe Deutsche Bank tries to squeeze investors further-1/5 warrant? - traditional SPAC players may just have to sit this one out.

(For those of you unfamiliar with Gores- Gores 1 bought Hostess Brands ("TWNK"), Gores II bought Verra Mobility ("VRRM") and Gores III recently announced a business combination with PAE).

Imperial Capital looks to complete its first offering as lead underwriter. Greenrose Acquisition Corp., will focus on the cannabis space--joining 5 listed SPACs with a similar focus. As currently structured, each unit will comprise 1 common and ¾ of a warrant. Sponsors will also be allowed to withdraw $250,000 annually from the interest earned on trust to cover operating expenses--we believe the current structure may need to be tweaked as management has no prior SPAC history. **Merida Merger ("MCMJ, MCMJW")**, also a cannabis focused SPAC with similar terms, has traded quite poorly since IPO.

Meanwhile Daniel Coats, former United States Senator from Indiana, former member of the United States House of Representatives and former Ambassador to Germany, will serve on the Board of Directors of SCVX Corp., a SPAC looking to raise $200 million to invest in cybersecurity businesses. Credit Suisse will lead underwriting.

Liquidations- 4 SPACs liquidated in 2019. This is the same number that liquidated in 2018. We had written previously that SPAC liquidations should be rare as SPAC investors can now vote to approve transactions, or vote FOR extensions, and still get their money back. During the financial crisis, approximately 1/3 of SPACs liquidated without deal completion. This time, 3 of the 4 SPACs that liquidated have been focused on the energy sector. Sentinel Energy, an energy focused SPAC that liquidated, initially announced a deal in 2018 with Strike Capital, LLC but with the decline in energy prices in Q4 2018, the deal would have had to be re-priced to make sense. The deal was terminated in February 2019. There was still hope at the time that Sentinel would come up with a second transaction because 9 months still remained in the life of the SPAC and Sentinel boasted a respected management team. But conditions in the energy sector remain challenging and Sentinel called it quits in December 2019. The table below illustrating the liquidating SPACS also highlights the ***At Risk Capital*** put up by sponsors. If a SPAC is unable to complete a deal, the capital is lost. This serves as a strong incentive to SPAC sponsors to get deals done.

SPAC Liquidations 2019			
SPAC	Size ($mm)	Sector	At Risk Capital ($mm)
Sentinel Energy	345	Energy	8.9
Regalwood Energy	300	Energy	8
Vantage Energy	552	Energy	13.04
Saban Capital	250	Media/Entertainment	7
Total	1447		36.94

Are Investors Finally Recognizing the Principal Protection Option that SPACs Offer- As more fundamental long-only players enter the SPAC space, the question is why now? Unlike traditional SPAC players that exit deals prior to completion, non-traditional investors tend to stick around and have benefited tremendously from the recent success of some deals. **Churchill I ("CCC"),** a SPAC that raised $690 million in September 2018, and acquired Clarivate Analytics PLC in May 2019, currently trades at $17.55 and the warrants at $6.30 (*see Bloomberg chart below*), so fundamental buyers who stayed in the deal have doubled their money. We believe strong upside potential, coupled with the redemption option available to investors, (where investors can exit a SPAC deal prior to completion for their pro-rated share of the trust account), attracts investors to a vehicle with a true asymettric risk/return profile. This may explain why **Churchill II ("CCX")** common is currently trading at $10.55 per share, above estimated current trust value of $10.08 per share, and above estimated cash at liquidation date ($10.25 per share). An investor buying stock now figures that downside is limited to cash in trust, and given the track record of Mark Klein and his team, potential upside of Churchill I/ Clarivate. Most media stories on SPACs overlook or do not understand the redemption option available to investors.

Recent IPO Focus- PropTech Acquisition Corp ("PTACU")- priced 15 million units at $10 per unit, each unit comprised 1 common share and ½ warrant. Underwriting was led by Cantor Fitzgerald. Interesting note here- PropTech management team is led by Thomas Hennessy, the 34 year old son of Daniel Hennessy. Daniel Hennessy, as SPAC investors know, is on SPAC #4, after the successful completion of 3 previous deals. Daniel Hennessy is not only serving as senior adviser, but is also part of the sponsor group and thus a major stakeholder. So the team will have access to all his SPAC experience and contacts. Proptech will focus on "*businesses that provide technology solutions to make the real estate industry more accessible, affordable, autonomous, connected, data*-driven, *digital, dynamic, efficient, experiential, flexible, productive, profitable, smart, transparent, and virtual*" (from prospectus). So really bringing Fintech to the stodgy Real Estate sector. The units are currently trading around $10.40.

Please reach out with any questions.

Rajeev Das, CFA
Principal / Portfolio Manager
Bulldog Investors, LLC
201-881-7103 - Direct
201-556-0092 - Main Office
201-556-0097 - Fax
www.bulldoginvestors.com
E-mail: rdas@bulldoginvestors.com