

FUND FINANCE FRIDAY

Women in Fund Finance and C200 – Unpacking the SPAC

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The record SPAC IPO activity from 2020 has continued into 2021, and this white-hot market continues to set records. So far this year, 311 SPACs have raised over \$100 billion in gross proceeds, surpassing 2020's electrifying performance with 248 SPACs that raised over \$83 billion in gross proceeds – a far cry from 2019 when 59 SPACs raised about \$13.6 billion in gross proceeds.

This week, members of Women in Fund Finance (WFF) were invited to attend a virtual event hosted by C200 titled “Unpacking the SPAC: Everything You Need to Know But Are Afraid to Ask.” This powerhouse panel featured WFF Co-Chair Dee Dee Sklar, who wears many hats, including as a board member of SPAC Kernel Group Holdings.

Dee Dee was joined for this “101” introduction to SPACs (Special Purpose Acquisition Companies) by Betsy Cohen, Chairman of FinTech Masala, a SPAC sponsor focused on technology innovation in the financial services industry. As one of the few women leading the SPAC industry, she has been described as everything from the “SPAC Queen” to the “Lone Wolf.” Betsy is known as a serial dealmaker and trailblazer, with a career that has included an impressive list of accomplishments. After serving as CEO of Jefferson Bank, which she founded, she took the company public in 1999 and that same year founded The Bancorp, a commercial Internet bank which provided financial services to non-bank fintech companies. She retired as The Bancorp's CEO in late December 2014 and just 8 days later, in January 2015 filed her first SPAC, which was the first of a series of nine SPACs to date that have collectively raised more than \$3 billion.

Rounding out this panel of SPAC experts was Andrew Stull, Managing Director at Houlihan Lokey in its Board Advisory Services and Opinion practice, where he advises boards and special committees of public companies on a range of transactions including SPAC mergers. Alexandra Lebenthal, a Senior Advisor at Houlihan Lokey, moderated the panel discussion. Both Alexandra and Dee Dee are members of C200, an invitation-only women's business leadership organization that fosters, celebrates and advances women's leadership in business.

The experts on this panel broke down everything from the SPAC process to the benefits for investors, sponsors and target. The group weighed in on the qualities of an ideal sponsor, which include successful dealmakers and operators, management expertise, and the infrastructure to evaluate, underwrite, and structure an acquisition. Likewise, the panel discussed those qualities that make the target ripe for a SPAC acquisition – the most salient being that it has qualities that make it an IPO candidate in its own right.

It was clear from the discussion that each member of this panel is a serious dealmaker. The group walked through the key points to negotiate in SPAC transactions, which included valuation and consideration, the cost of capital, governance and control, and the terms of PIPE financing. This group gave the audience a playbook on navigating a target's combination with a SPAC. They also weighed in on the trends for key terms and the implications for each of the parties involved.

It was also interesting to hear that while target companies operate in a wide variety of sectors, these companies have the common denominator of often being based on a software platform that disrupts existing industries or pioneers new technologies. A large number of SPAC target companies focus on what was referred to as the “electric revolution” and the markets associated with it, such as electric vehicles, automated trucking and robo-taxis.