

## SPACs Surged In January Following Record-Breaking 2020

By Tom Zanki

Law360 (February 2, 2021, 9:21 PM EST) -- The boom in special purpose acquisition companies shattered previous records in January, forcing capital markets lawyers to keep up with a frenetic pace of new issuances for these acquisition-minded vehicles even as ordinary IPO activity also remains robust.

Some 91 SPACs priced offerings in January, raising more than \$25 billion, according to Dealogic. That marked the busiest January on record, an eye-popping feat considering that such companies **went public at higher-than-ever clips** in 2020.

While SPACs, also known as blank-check companies, drove the lion's share of IPOs last month, operating companies are also continuing to go public at a steady rate. The prior month saw at least 26 operating businesses begin trading, including six that raised at least \$1 billion.

All told, 2021 has gotten off to an intense start for lawyers who steer IPOs.

"It's been an insane month, and the pipeline looks strong for the rest of the first and even into the second quarter," Davis Polk & Wardwell LLP partner Maurice Blanco said.

Davis Polk was one of several firms that advised two dozen or more IPOs in January for both blank-check and operating companies, steering at least 26 offerings for issuers and their underwriters. Meanwhile, Ellenoff Grossman & Schole LLP steered 34 IPOs while Kirkland & Ellis LLP worked on 24 offerings, mostly for SPACs, according to monthly IPO totals tracked by Nasdaq plus U.S. Securities and Exchange Commission filings.

Many more firms steered a dozen or more IPOs.

Blank-check companies are shell entities that raise money in an IPO in order to acquire a private company and take it public. Often led by management teams with expertise in a certain industry or geography, SPAC founders file paperwork with regulators and provide target companies with a ready-made public listing, assuming shareholders approve the acquisition.

This alternate path can save the acquisition target time and rigor associated with a conventional IPO. It can also be considered a more certain path to going public, since targets negotiate deal values with their acquirer rather than risk their chances on a sometimes volatile IPO market. SPACs have surged amid the economic uncertainty brought by the coronavirus pandemic.

"There are no current signs of a slowdown," Ellenoff Grossman partner Doug Ellenoff said.

At least five more blank-check companies priced new offerings on Tuesday, raising more than \$2 billion combined, according to IPO research firm Renaissance Capital. The largest of those was a \$900 million IPO by Jaws Mustang Corp., the third blank-check offering by Starwood Capital founder Barry Sternlicht.

Ellenoff said he expects continued interest from foreign-backed SPACs listing in the U.S., plus more IPOs from repeat SPAC backers. For instance, private equity firm The Gores Group filed its eighth blank-check IPO last week. Gores' first four SPACs have completed acquisitions.

Apart from the flood of new issuances, companies that raised money through SPACs last year are regularly completing acquisitions, which typically occur within 18 to 24 months of the IPO.

The NBA's Houston Rockets owner said Monday he would take his casino and restaurants business public by **merging it with blank-check company FAST Acquisition Corp.** at a \$6.6 billion valuation. Also on Monday, electric vehicle battery designer Microvast and private aviation business Wheels Up said they are **going public** through **mergers** with SPACs.

The flood of SPACs hunting for deals is also intensifying competition among acquirers.

"SPACs are continuing to look for ways to differentiate themselves, particularly given the number of SPACs in the market now, not only based on the unique experiences and track record of the sponsor and management team but also the type of business combination target," said Skadden Arps Slate Meagher & Flom LLP partner Michelle Gasaway, one of the attorneys that represented Aspirational Consumer Lifestyle Corp., which acquired Wheels Up.

Given the rapid ascent of SPACs, the potential for slowdown is a recurring topic among observers, and regulators are **keeping close tabs** on the blank-check boom to make sure investors of these offerings have the same quality of disclosures enjoyed by ordinary IPO investors.

But none of that seems to be tamping down enthusiasm for SPACs, which are bringing to public markets a wide mix of companies that find the alternative appealing.

"SPACs have been embraced specifically because they aren't a traditional IPO and are increasing the investable universe of companies for public shareholders, which has been decimated over the last 30 years," Ellenoff said.

Another question is how many acquisition candidates remain that are ready to be bought by SPACs and go public. Lawyers say SPAC organizers are finding multiple potential targets after their IPOs.

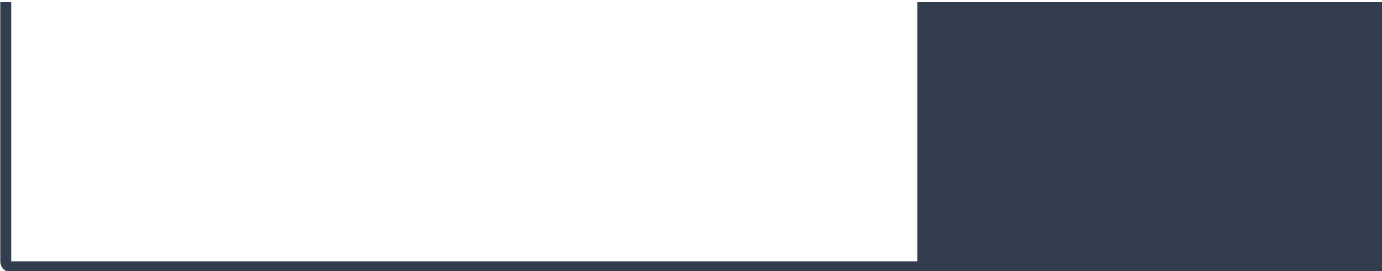
"Sponsors are telling us that they're seeing numerous opportunities for the 'de-SPACing transactions,'" Kirkland & Ellis partner Christian Nagler said, referring to the merger phase after each blank-check IPO. "And we're seeing first-time SPAC sponsors now doing their second and third SPAC, which demonstrates they believe they are sufficient candidates."

While less robust than the SPAC market, conventional IPOs are also steadily drawing prospects. Six issuers — solar equipment supplier Shoals Technologies Group Inc., mobile gaming firm Playtika Holding Corp., software firm Qualtrics International Inc., fintech startup Affirm Holdings Inc., electronic cigarette company RLX Technology Inc. and diagnostics company Ortho Clinical Diagnostics Holdings plc — went public last month raising more than \$1 billion each.

Some 117 issuers, including 91 blank-check companies, completed initial public offerings in January, raising more than \$37 billion in proceeds. Here is a breakdown of the deals and the firms that advised them. Figures do not include additional proceeds that may have been raised through overallotment options exercised by underwriters.

Page 1 of 4

Issuer	Industry	Issuer Counsel	Underwriter Counsel	Price
Shoals Technologies Group Inc.	Energy	Kirkland	Davis Polk	\$1.93B
Playtika Holding Corp.	Media, Entertainment	Latham	Davis Polk	\$1.88B
Qualtrics International Inc.	Technology	Shearman	Goodwin	\$1.55B
RLX Technology Inc.	Technology	Skadden	Latham	\$1.40B
Ortho Clinical Diagnostics Holdings PLC	Diagnostics	Latham	Cahill Gordon	\$1.29B
Affirm Holdings Inc.	Fintech	Skadden	Davis Polk	\$1.21B
Thoma Bravo Advantage	Blank Check	Cadwalader	Latham	\$900M
Petco Health and Wellness Co. Inc.	Retail, E-Commerce	Gibson Dunn	Latham	\$864M
Driven Brands Holdings Inc.	Automotive	Paul Weiss	Latham	\$700M
Pontem Corp.	Blank Check	Kirkland	White & Case	\$600M
SVF Investment Corp.	Blank Check	Kirkland	Skadden	\$525M
Patria Investments Ltd.	Asset Management	Davis Polk	Simpson Thacher	\$512M
Liberty Media Acquisition Corp.	Blank Check	Skadden	Ropes & Gray	\$500M
Mason Industrial Technology Inc.	Blank Check	Cadwalader	White & Case	\$450M
MYT Netherlands Parent BV	E-Commerce, Retail	Baker McKenzie	Latham	\$407M
Altimeter Growth Corp. 2	Blank Check	Ropes & Gray	Kirkland	\$400M
Gores Metropoulos II Inc.	Blank Check	Weil	Ropes & Gray	\$400M
Northern Genesis Acquisition Corp. II	Blank Check	Graubard Miller	Ellenoff Grossman	\$360M
Marlin Technology Corp.	Blank Check	Kirkland	Skadden	\$360M
Primavera Capital Acquisition Corp.	Blank Check	Davis Polk	Skadden	\$360M
Epiphany Technology Acquisition Corp.	Blank Check	Ellenoff Grossman	Graubard Miller	\$350M
Leo Holdings Corp. II	Blank Check	Kirkland	Ropes & Gray	\$350M
Pioneer Merger Corp.	Blank Check	Kirkland	Weil	\$350M
Star Peak Corp. II	Blank Check	Kirkland	Davis Polk	\$350M
Fortress Capital Acquisition Corp.	Blank Check	Weil	Ropes & Gray	\$350M
Northern Star Investment Corp. II	Blank Check	Graubard Miller	Kirkland	\$350M
TLG Acquisition One Corp.	Blank Check	Gibson Dunn	Skadden	\$350M
North Atlantic Acquisition Corp.	Blank Check	Ellenoff Grossman	Davis Polk	\$330M
Prospector Capital Corp.	Blank Check	White & Case	Sullivan & Cromwell	\$300M
VectoIQ Acquisition Corp. II	Blank Check	Greenberg	Skadden	\$300M



And more are in the queue. Dating app Bumble on Tuesday **launched plans for an estimated \$1 billion IPO** that is scheduled to price next week, while eight biotechnology and medical device businesses **launched IPOs** on Monday, joining a crowded lineup of companies scheduled to price this week.

Companies are also pursuing other nonconventional paths to public markets, including direct listings. Cryptocurrency exchange Coinbase said last week it was **planning a direct listing**, by which it will list existing shares on an exchange without hiring underwriters to sell new shares.

Blanco said Davis Polk is advising candidates — including companies that are considering a conventional IPO while also remaining open to acquisition by a SPAC — that are exploring numerous routes to public markets.

The coming month may see a pause around mid-month due to an annual SEC deadline that requires many companies to update their documents to include full-year audited financial statements for the prior year. That deadline normally results in a brief pause in activity, which is more of an issue for operating companies than for SPACs since the latter don't have operations to report.

But otherwise, IPO activity is showing little sign of letting up in the near term.

"For the time being, everyone is working full speed," Blanco said.

--Additional reporting by Caleb Drickey, Benjamin Horney and McCord Pagan. Editing by Alanna Weissman and Emily Kokoll.