

Initial Cap Thoughts:

This is a goddamn monster of a SPAC.

Pershing Square's SPAC will be called Pershing Square Tontine Holdings and will raise \$4 billion by offering 200 million units at \$20 per share. Additionally, Pershing Square will be acquiring between \$1 billion and \$3 billion of units, for a total amount of capital of up to \$7 billion. However, based on Pershing Square's current assets under management, we do not expect their contribution to exceed \$1.5 billion, for a total capitalization of \$5.5 billion. – CNBC

To put this into perspective Social Capital took Virgin Galactic with an initial value of 700 million. Diamond Eagle with Draftkings at 400 million and VTIQ with Nikola at 200 million.

Ackman & His SPAC History

Just Google him. CEO of Pershing Square Capital Management. Hedge fund with ~7.2 billion. He's made some great investments and not so great ones.

Pershing Square also served as co-sponsor of Justice Holdings, with Nicolas Berggruen and Martin Franklin. Justice Holdings raised approximately \$1.5 billion in its initial public offering in February of 2011 (including a \$458 million investment by Pershing Square). In April of 2012, Justice Holdings purchased from 3G Capital a 29% stake in Burger King Worldwide Holdings Inc. for \$1.4 billion in cash, and subsequently merged with Tim Hortons, to form Restaurant Brands International. Pershing Square still remains the second-largest investor in Restaurant Brands International.

I will be doing more DD on the rest of the management team in the next few weeks.

Why PSTH is different than most SPACS

- First, it is the largest SPAC launched yet
- Initially priced at \$20 a share versus the typical \$10
- Units/Warrants structure is different to promote investing or holding longer term. Warrants redeemable at \$23 a share
 - *Read the CNBC article for more detail on this*
 - <https://www.cnbc.com/2020/07/22/bill-ackman-and-tontine-holdings-rewrite-the-terms-for-spacs.html>
- PSTH structured their compensation much differently than traditional SPAC's.
 - Tontine Holdings, Pershing Square and its affiliates (including Tontine board members) are paying \$67.8 million for warrants to acquire 6.21% of the company.
 - Many SPAC warrants are exercisable at a 15% premium to the IPO price whereas Pershing Square's are exercisable at a 20% premium, and Pershing Square has agreed not to exercise its warrants for three years after the closing of the acquisition.

Purely Speculative Merger Companies – *100% rumor, don't believe anything until its official... this is the internet*

- They need a unicorn, highly valued growth company. They intend to pursue merger opportunities with private, large cap, high-quality, growth companies where their ownership in the merged company would generally represent a minority of shares outstanding at the time of the merger.
- AirBnB
- Stripe
- Palantir
- DoorDash
- Instacart
- Many, many others. Will be doing more DD after tomorrow
- <https://www.benzinga.com/news/20/09/17362690/airbnb-snubs-billionaire-bill-ackmans-offer-to-go-public-via-spac-merger-report>

Timing – *100% speculative, no one freaking knows*

- The hedge fund manager told he is comfortable in completing an agreement within three-to-four weeks and taking the company public 60 days later — provided he gets access to the company's data room for due diligence and a chance to communicate with the company's management, even if just virtually
 - <https://www.benzinga.com/fintech/20/09/17380482/not-just-airbnb-billionaire-investor-bill-ackman-also-talked-spac-merger-with-stripe>
- This all depends on if he has the company nailed down or not yet. Ackman said it himself:
 - Ackman reportedly listed three U.S. IPOs in the last ten years worth \$5 billion or more — **Alibaba Group Holding Ltd** , **Uber Technologies Inc** , and **Facebook Inc** — and commented in his letter that a sale of that magnitude is difficult. (via Benziga)
- It could always take the full 24months and ultimately fall through

My very, very early thoughts:

PSTH seems very confident in their ability to complete the merger. They are incentivizing longer term investing by encouraging investors to exercise warrants post-merger. Investors won't receive 2/3 of warrants if they choose to redeem their stock prior to closing the acquisition. Additionally, Pershing is not taking any founders shares. Their compensation for this deal is a 6.21% promote after the investors have already received a 20% return. This is due to their warrant-only compensation structure. They paid \$67.8 million for these warrants and do not get it back if the deal is not closed. This seems to be a positive for investors.

Ackman is a big name and is risking his reputation with this. He needs to come through and will be visible on networks to "promote" along the way. Could help with some hype trading.

Obviously, the partner is unannounced, but it must be a small list. The companies being thrown around are some big players. Will keep digging into this in the next couple weeks. It would be surprising if Ackman didn't have someone in mind. He's shown his confidence in a merger happening, and there would have to be some justification to get his partners to believe in creating the largest SPAC to launch. More studying and speculating to do.

Disclaimer: yada yada yada.. not a financial advisor. Do your own research, I am just a random guy from the internet impersonating a 90s sitcom character with an old college gamertag. None of us know anything.