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VALCON 2022

The Impact of Easy Money on Valuations During the Pandemic

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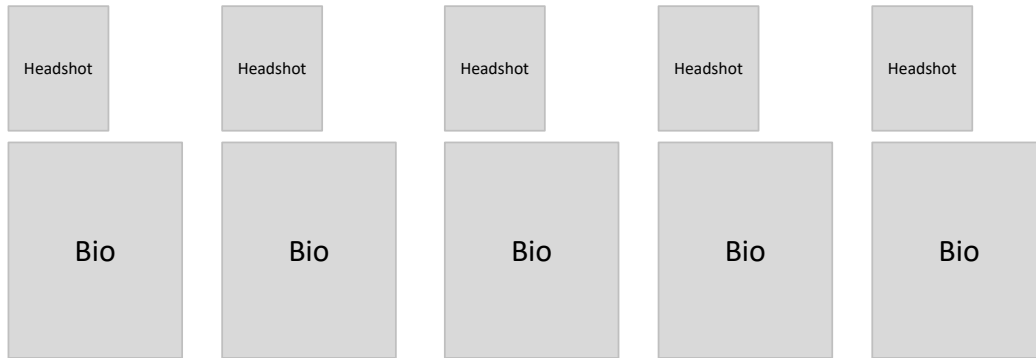


The Impact of Easy Money on Valuations

Unprecedented levels of government stimulus, record levels of IPOs and an explosion of the SPAC market provided an abundance of liquidity to an already buoyant market. These factors, combined with historically low interest rates have fueled record levels of M&A and refinancing activity. This panel will examine the impacts of this "Easy Money" on valuations during the pandemic and compare that to their outlook for the remainder of calendar year 2022 and beyond.



Introduction to the Speakers



Government Support

Direct government support

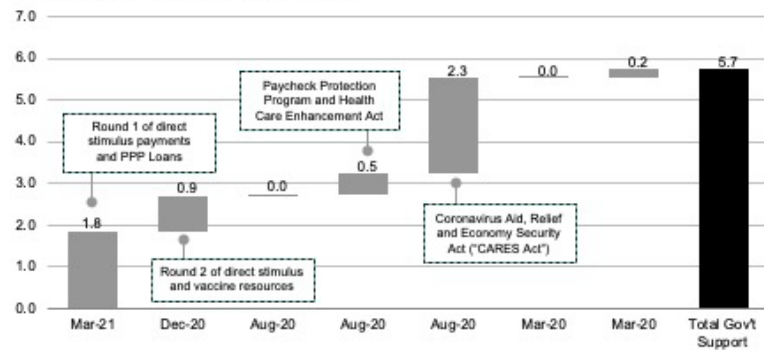
Substantial direct government support through the various COVID-19 relief packages accounting for more than

\$5.7 trillion of spending

or

31% of US GDP

Bridge of Government Stimulus (\$ in trillions)



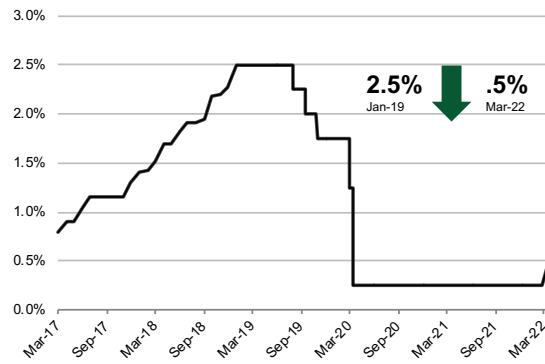
Source: Bureau of Economic Analysis

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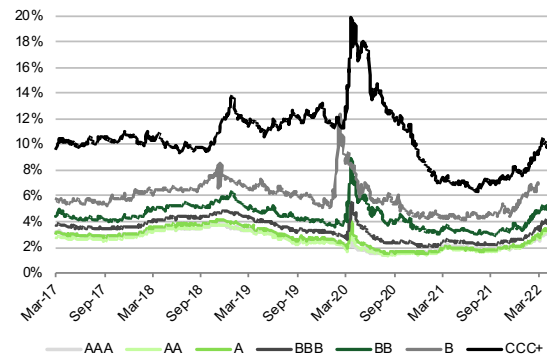
Interest Rates

Fed Funds Rate



Source: FRED Economic Data

Debt Yields by Rating

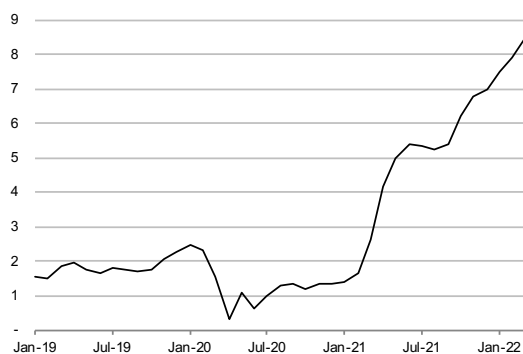


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Interest Rate Outlook

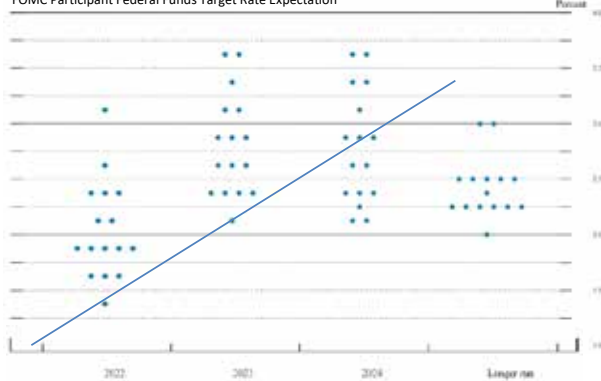
Consumer Price Index



Source: FRED Economic Data, Bloomberg News

Federal Reserve Dot Plot

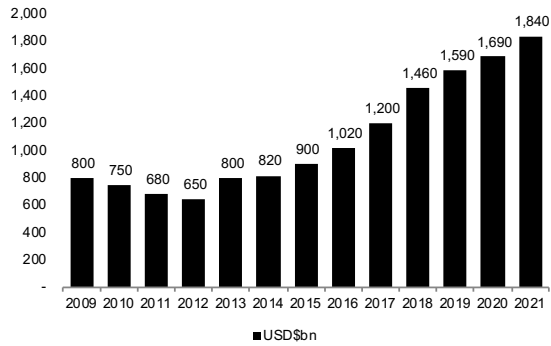
FOMC Participant Federal Funds Target Rate Expectation



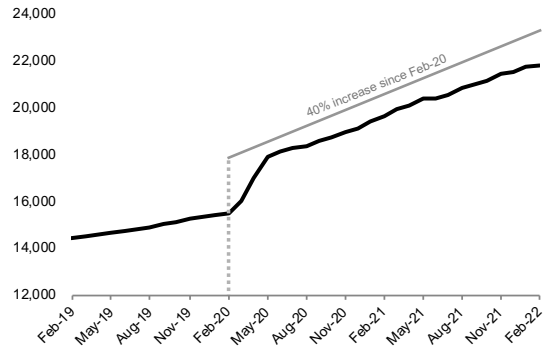


Market Liquidity

Global PE Dry Powder

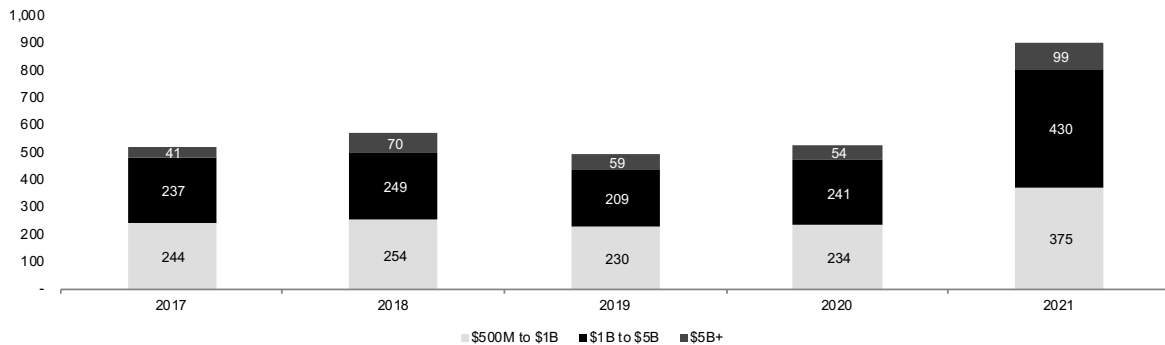


M2 Money Supply 2019 – 2022 (\$ in billions)



Market Valuations

US Deal Volumes 2017 - 2021



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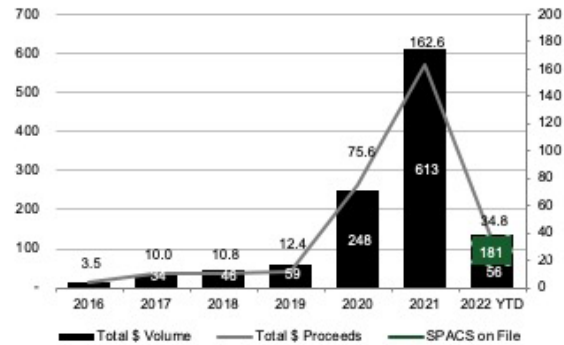


SPAC Market Overview

SPAC Listing Market

- 609 SPACs with \$163.2bn in trust are seeking acquisitions
- 93% of SPAC sponsors have overfunded trust and 96% have priced with 1/2 warrant coverage or more and/or rights YTD
- SPACs represent 84% of the total IPO market in YTD 2022 vs. 63% of 2021
- 181 SPACs are on file publicly for \$34.8bn in proceeds
- 36 SPACs have filed publicly in 2022 for \$5.2bn in proceeds vs. 501 for \$146.1bn YTD 2021
- There are 790 SPACs seeking and on file publicly for \$197.9bn in proceeds

IPOs Priced

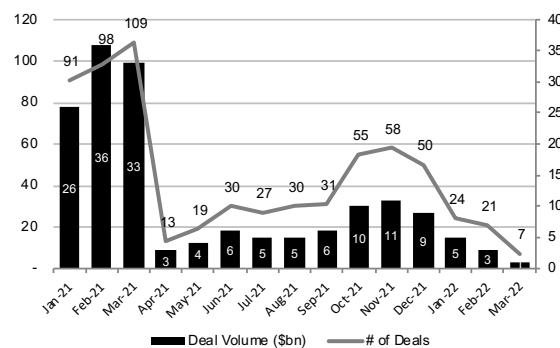


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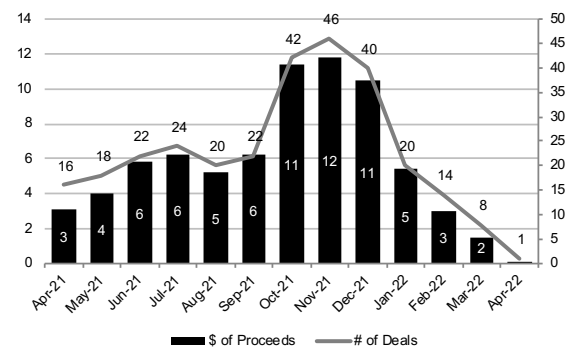
SPAC IPOs

SPAC IPO Overview (Jan-21 through Mar-22)



Source: Goldman Sachs SPAC Market Update

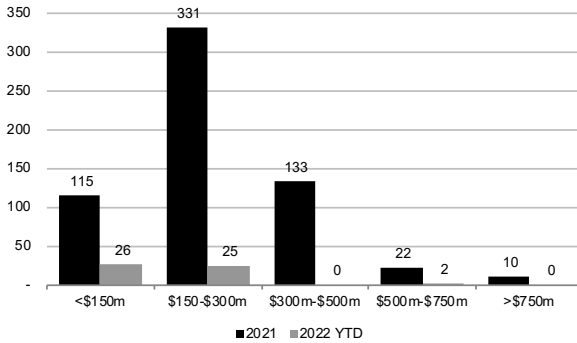
LTM SPAC IPO Proceeds Raised





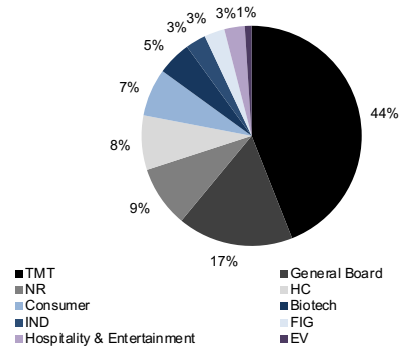
SPAC Issuances & Sectors

SPAC Issuance by Size (\$ in millions)



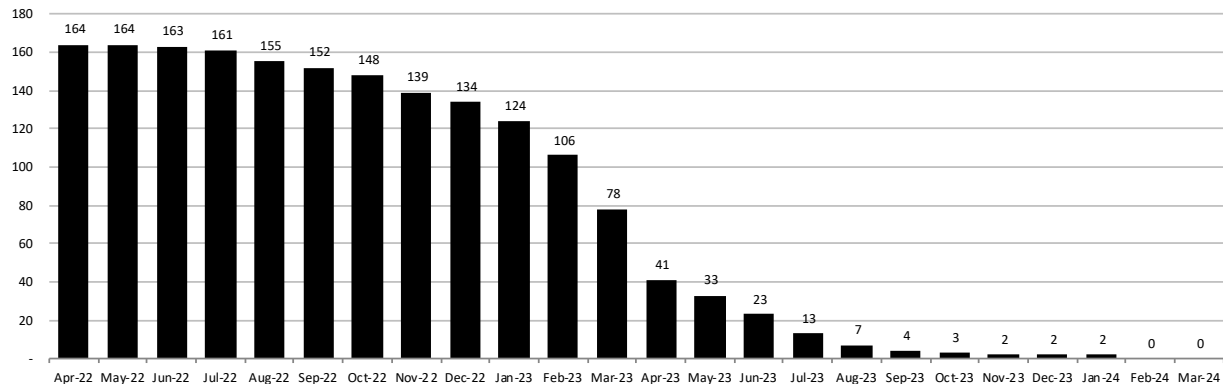
Source: Goldman Sachs SPAC Market Update

Target Sector



SPAC CAPITAL

Cumulative SPAC Capital Outstanding (\$ in billions)



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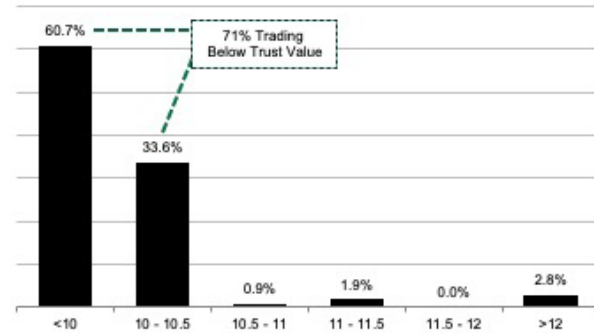


SPAC IBC Performance

SPAC Merger Activity

- 107 mergers have announced for \$208.6bn in EV and are pending close
- The median enterprise value of announced mergers YTD 2022 is \$690m vs. \$1.4bn 2021
- De-SPAC index fell (13.8%) last week, and remains (57.7%) YTD
- 31 deals have closed YTD vs. 25 YTD 2021 o Median price for the 31 deals is \$8.34 – high of \$29.45 and low of \$1.09
- 37 deals have announced for \$40.5bn in EV YTD vs. 99 YTD 2021 o Median price for the 37 deals is \$9.94 – high of \$10.41 and low of \$9.75

Currently Announced IBCS Trading Performance



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Range of Potential SPAC Solutions

1	2	3	4	5
Raise Additional Debt	Raise Structured / Convertible Debt	Follow-on PIPE	Sale of Non-Core Asset(s)	Take Private Sale
<ul style="list-style-type: none"> + Provides additional capital to execute business / operational initiatives + Minimal interruption to business activity - Additional secured debt would require unencumbered assets for collateral, which may not be available - Does not address any broader business concerns - New lenders may be wary of entering situation without additional capital infusion (sub debt, equity, etc.) 	<ul style="list-style-type: none"> + Provides additional capital to execute business / operational initiatives + Minimal interruption to business activity - Likely to be expensive, dependent on market dynamics - Market appetite for convertible debt / preferred equity may be low or zero due to existing capital structure 	<ul style="list-style-type: none"> + Sends positive signal to the market – continued belief in and support of the company's strategy + Significant upside potential – immediate value accretion when transaction is announced + No repayment concerns, or increase to debt service - Additional equity would likely be highly dilutive to current equity holders 	<ul style="list-style-type: none"> + Increases focus on core strategic objectives + Realizes value and frees up internal resources to enhance the business' proposition - Consideration received for assets may be depressed due to market timing / dynamics - May not satisfy near-term capital needs 	<ul style="list-style-type: none"> + May provide return to current equity holders dependent on valuation + Allows management to focus on long-term goals with fewer regulatory and reporting requirements - Eliminates future upside for current equity holders

Faculty

Rachel Ehrlich Albanese is chair of DLA Piper LLP's U.S. Restructuring Practice and a partner in the New York office. She has nearly 20 years of experience representing secured and unsecured creditors, debtors, equityholders, purchasers of distressed assets, and other parties in interest in a wide range of restructuring matters, including chapter 11 cases, out-of-court workouts and cross-border insolvency proceedings. In addition, Ms. Albanese has been involved in the current restructuring efforts in Puerto Rico since the earliest days, when she participated in dozens of meetings with U.S. Congress members and staff to develop the law that ultimately became PROMESA. She has been instrumental in many of the firm's PROMESA-related matters. She previously served as co-hiring partner of the New York office. Ms. Albanese is a co-chair of the Women in Bankruptcy & Restructuring affinity group of the National Association of Women Lawyers (NAWL). Recently, she was selected by *Crain's New York Business* as a 2022 Notable Woman in Law and recognized by *Chambers and Partners* in 2021 for Bankruptcy and Restructuring in New York. Ms. Albanese is an active member of ABI, the International Women's Insolvency & Restructuring Confederation and the Turnaround Management Association. After law school, she clerked for Hon. John W. Bissell, Chief Judge of the U.S. District Court for the District of New Jersey. Ms. Albanese is a contributing author of the *Bloomberg Law: Bankruptcy Treatise* and has guest lectured at Penn Law School and Duke Law School. She received her B.A. *cum laude* from the University of Pennsylvania and her J.D. from the University of Pennsylvania Law School, where she served as editor-in-chief of the *Journal of International Economic Law*.

Lorie R. Beers is a managing director and head of Special Situations & Restructuring with Cowen Inc. in New York. She has more than 30 years of professional experience that encompasses the full spectrum of restructuring. Previously, Ms. Beers was managing director and head of Restructuring at StormHarbour Securities and served in a senior-level capacity at such firms as Variant Capital Advisors, Seabury Group, KPMG Corporate Finance and Gordian. Most recently, she received the 2019 M&A Advisor Leadership Award. Ms. Beers began her career as a bankruptcy attorney and ultimately became a partner in the Bankruptcy Group at Kasowitz, Benson, Torres & Friedman. She also served as Chief Restructuring Officer and Chief Operating Officer for a middle-market marketing and branding organization. Ms. Beers helped develop ABI's Complex Financial Restructuring Program. She is a frequent speaker on valuation, solvency, distressed and "story" M&A transactions, and private placement in challenging environments. Ms. Beers is a former member of ABI's Board of Directors. She received her B.A. in economics from Dickinson College and her J.D. from the University of Pittsburgh School of Law.

Steven C. Krause is a partner at Owl Creek Asset Management, L.P. in New York, which he joined in August 2013 and where he focuses primarily on process-driven distressed and special-situation opportunities. Previously, he was with Davis Polk, where he was an attorney in the firm's Corporate Department in New York. Prior to that, he was with White & Case, where he advised debtors, creditors and investors in distressed and bankrupt companies. Mr. Krause has experience in a broad range of corporate matters, with a focus on restructurings and bankruptcies. Prior to joining the bar, his varied experience also included stints as COO of a toy company, in business development at a San Francisco-based dot-com, in commercial finance at GE Capital, and as a business re-engineering

consultant for Accenture. Mr. Krause is a member of the Bankruptcy Committee for the Association of the Bar of the City of New York, the Distressed Investor Roundtable, the advisory board of the Creditor Rights Coalition, the board of the *Columbia Journal of Law & Social Problems*, and a former co-chair of ABI's Business Reorganization Committee. He is a regular speaker at bankruptcy and restructuring industry events, has published numerous articles and chapters on bankruptcy topics, and was selected as one of *Turnaround & Workouts'* Outstanding Restructuring Lawyers for 2016. He also sits on the boards of several charities, nonprofit organizations and private businesses. Mr. Krause was editor and lead author for ABI's *A Practitioner's Guide to Prepackaged Bankruptcy* and an editor/contributing author for *Debtor-In-Possession Financing*. He is also a regular contributing author for *The Norton Annual Survey of Bankruptcy Law*. He is admitted to practice before the U.S. Supreme Court, the U.S. Court of Appeals for the Second Circuit, and the U.S. District and Bankruptcy Courts for the Southern and Eastern Districts of New York. Mr. Krause received his A.B. from Harvard University, where he was a Harvard College Scholar; his M.B.A. from UCLA Anderson School of Management, where he was a member of the Anderson Honor Society; and his J.D. from Columbia Law School, where he was a Harlan Fiske Stone Scholar, Moot Court editor and finance editor for *The Columbia Law School Journal of Law and Social Problems*.

Kallie Steffes is senior director of Private Credit Strategies at Brigade Capital Management, LP in New York. Prior to joining Brigade in 2021, she was a founding partner of Chalk Point Capital LP, where she focused on private special-situation investments across a wide variety of industries. Prior to starting Chalk Point, Ms. Steffes was a principal on the investment team at MHR Fund Management LLC, a \$5 billion private-equity firm that invests in undervalued middle-market companies and assets. She started her career as an investment banking analyst at Morgan Stanley and Deutsche Bank, after which she spent three years as an analyst at Owl Creek Asset Management LP, a multi-billion-dollar, value-oriented hedge fund in New York. Ms. Steffes received her B.B.A. with honors from the University of Michigan Stephen M. Ross School of Business and was a full scholarship athlete and member of the University of Michigan's Varsity Women's Gymnastics team.

David T. Tyburski, CPA is a partner in the Charlotte, N.C., office of PwC's Business Recovery Services practice, and has served as financial advisor to companies, lenders, statutory committees and other stakeholders in connection with formal insolvency proceedings, as well as out-of-court restructurings. His advisory mandates have involved helping clients address a wide range of business issues and complex transactions, including liquidity enhancement, business plan development and strategic assessments, cost transformation, employee matters (union negotiations, legacy liabilities, etc.), chapter 11 reorganizations and strategic exits/wind-downs. Mr. Tyburski's experience also includes complex cross-border restructurings and distressed M&A transactions in Canada, South America, Europe and Asia. His experience includes leading roles on Valeritas Holdings, Inc., HDR/Schramm, Willowood USA LLC, AMG Healthcare Management Services and SunEdison, Inc. *et al.* Mr. Tyburski a member of the Association of Insolvency and Restructuring Advisors and Turnaround Management Association. In 2018, The M&A Advisor recognized him as an Emerging Leader in its annual 40 under 40 awards. Mr. Tyburski received his B.A. in economics and his Master's in accounting from the University of North Carolina at Chapel Hill.