BOW Finance Newsletter

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Issue XI

M&A: Grab and Altimeter Growth Corporation

Written by: Ivy Zhang

Type of Deal: SPAC Merger

Industry: Technology

Acquirer: Grab Holdings Inc. (to trade on Nasdaq as GRAB)

Blank-Check Company: Altimeter Growth Corp.

Time Announced: 03/18/2021

Advisers: Evercore Inc., JPMorgan Chase & Co., Morgan Stanley, UBS Group

About Grab: Grab is a tech giant operating across Southeast Asia founded in 2012 that has grown to become the region's most valuable startup. It has become a "superapp", an app platform that offers a range of services, including ride-hailing, food delivery, hotel bookings, online banking, mobile payments, and insurance help. It has had more than 214 million app downloads across eight countries, and its backers include SoftBank Vision Fund, Uber Technologies Inc., and Chinese ride-hailing company Didi Chuxing. The company was last valued at $15 billion in October 2019, and after the merger with blank-check company Altimeter Growth, it will have a pro forma market cap (market cap after the merger) of about $39.6 billion. Grab's valuation has more than doubled in just 18 months. Last year, the company is not yet profitable with a $0.8 billion EBITDA* loss, but the company forecasts revenue to grow by 40% annually through 2023 to $4.5 billion.

About Altimeter Growth Corp.: Altimeter Growth Corp. is a SPAC sponsored by Altimeter Capital, a technology-focused venture capital firm based in Menlo Park, California with $16 billion under management.

Discussion:

Deal Terms: The deal is set to be the largest SPAC merger in the world to date. SPACs are companies with no operations that are formed solely to raise capital through an IPO for the purpose of acquiring an existing company. Grab will receive about $4.5 billion in cash, which includes a $4 billion PIPE ("private investment in public equity") investment, a private funding round of committed funding that allows the final market debut to occur. The PIPE is managed by BlackRock, Fidelity, T. Rowe Price, a Morgan Stanley asset management fund, and Singapore's sovereign wealth fund. Altimeter Capital committed more than 15% of Grab's PIPE and agreed to a three-year lockup period (can't sell or redeem shares for a certain period of time) for its sponsor promote shares (the SPAC sponsor will get 20% of the SPAC equity, not the merged company equity, for $25,000, which is usually extremely profitable for the sponsor), showing commitment that allowed the company to secure a day-one list of their committed investors.

Recent Growth: During the pandemic, Southeast Asia saw a surge in the use of digital services like food delivery and mobile payments, with 40 million people in six Southeast Asian countries – Singapore, Malaysia, Indonesia, the Philippines, Vietnam and Thailand – going online for the first time in 2020. COVID-19 has also intensified competition in an already-saturated market where it is hard to turn a profit. While its largest market is Indonesia, Grab has been able to differentiate itself through regional diversification, as no one country makes up more than 35% of their revenue.

*EBITDA: earnings before interest, tax, depreciation, and amortization. Important term used in investing and corporate valuation. Used as a measure of profitability of a company's core operations, a valuation metric compared across companies since it is not dependent on capital structure (a company's mix of financing) or company-specific accounting or tax practices and manipulations, and a proxy for free cash flow (a measure of financial health of a company).

SPAC Threat: This week, the SEC has set a new rule cracking down on how accounting rules apply to SPACs. Warrants (an investment common in SPACs that give you the option to buy shares at a certain price in the future) will now be classified as a liability rather than equity. SPACs have been criticized for drawing in investors that are not fully informed of potential risks associated with SPACs, as well as a way to sidestep the rigid oversight and process of IPOs. This rule will ensure that SPACs are in compliance with the SEC, and it can potentially slow down the SPAC boom because all new SPACs will have to rewrite financial statements and reporting documents, creating costs and slowdowns. While the Grab deal has broken the record for SPACs, the market as a whole has been facing challenges and increased SEC regulation.

SPACs are complicated vehicles, highly recommend reading more on them (see markets section)!

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IPO: ThredUp

Written by: Lily Brown

Type of Deal: IPO

Industry: Retail

Day of IPO Filing: Unknown

Day of IPO Offering: March 26, 2021

Underwriters: Goldman Sachs, Morgan Stanley, Barclays

About ThredUp: ThredUp is an Oakland-based online retailer founded in 2009 that specializes in secondhand clothing and accessories for women and children. The company has experienced significant growth since its inception, and as of December 31, 2020, had over 1.24 million active buyers, marking a 24% growth year-over-year. It also has 428,000 active sellers. Employee numbers have also grown, with the company totaling 1,862 employees as of December 31, 2020, up from 1,076 employees as of December 31, 2018. ThredUp is classified as an "emerging growth company" and does not have to make as many disclosures as larger public companies. An "emerging growth company" is a company whose annual revenue has not reached US $1.07 billion.

Valuation: US $1.66 billion (US $18.25 a share at open)

Things to Know:

1. **Stock price skyrocketed at open:** On March 26, 2021, ThredUp began being publicly traded on the NYSE under the ticker TDUP at US $18.25 a share. Its initial valuation ranged from US $12 to US $14 and skyrocketed 30% to US $18.25 a share. This is indicative of investors continuing their bullish behavior with online secondhand retailers. CEO James Reinhart commented on the price jump, saying that the valuation is "just another validation of the market opportunity, and ThredUp plays in the biggest, fattest part of the market at our price point."
2. **ThredUp is in a highly competitive market:** Riding off of the recent Poshmark IPO and MyTheresa IPO in the beginning of the year, ThredUp is now a part of public large e-commerce and secondhand retailers. The company is dependent on prices set by other companies and brands, so in order to remain competitive, they may have to begin lowering their prices.
3. **Will it be profitable?:** ThredUp recorded a net loss of US $47.8 million in 2020, up from its net loss of US $38.2 million in 2019. This marks one of the risk factors for the company, which is its history of losses. In its filings, the company says that it "may not achieve or maintain profitability in the future." This has been exacerbated by the COVID-19 pandemic, and the company saw more losses at the beginning of the pandemic due to economic uncertainty. While people are more and more invested in online retail, the company will continue to grow, but it is unclear if it will ever be profitable.

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Market Updates

Written by: Kendall Dees

Quick Updates:

Market Updates and Trends: Although the S&P 500 and the DOW both hit record highs at the end of last week continuing a sustained winning period, US stock futures slipped on Monday. Overall, tech stocks played a large role in pushing the success of the major indexes. While economists predict that the U.S. economy is expected to have its fastest year of growth since 1983, the Fed stated that they will not raise interest rates until the economy is recovered (indicating that they will hold interest rates near zero until 2023). This week, data released by executives during earnings season will help investors analyze the status of customer demand and see if the current optimism in the market can be sustained, despite raising COVID cases in some areas. Finally, rising prices for raw materials could signal wider corporate profit margins and a win for investors.

The SPAC (Special Purpose Acquisition Company) Boom:

What is a SPAC? Otherwise known as a "blank-check company," SPACs raise investment capital through an IPO to acquire or merge with another company in the future. When a SPAC goes public, it has no other assets or operations besides cash and investments. After the IPO, the capital that the SPAC raised is immediately transferred to a trust where it may stay for up to two years, at which point the SPAC must acquire or merge with another company or liquidate and return the IPO proceeds to public shareholders. Since they are shell companies, SPACs rely on the experience and reputation of the founders to attract investors. Public investors in a SPAC may pull out their investments if they do not agree with the decision of the founders, so the risk for investors prior to the merger/ acquisition is relatively low.

Why now? Motives for business owners: Merging with a SPAC or being acquired by a SPAC allows companies to circumvent the IPO process, which saves them a lot of time and money. In such an uncertain market, this is appealing for companies that want to raise capital quickly and efficiently. Additionally, companies may want to take advantage of the opportunity to gain access to the founders and their expertise. Motives for public investors: From the public investor's perspective, interest rates are low, so why not buy a few shares of a SPAC rather than letting your money sit in the bank? As mentioned above, there are also multiple ways that investors may have their investment returned. Motives for SPAC founders: Finally, SPAC founders are currently able to negotiate the equity structure in their favor to be incredibly profitable and low-risk, no matter the outcome of the merger/acquisition.

Is the trend unsustainable?: With over $166 billion in SPAC-led deals in the first quarter of 2021, some analysts are wondering if this volume of deals is sustainable. Additionally, as SPACs reach the end of their two year deadline for merger/acquisition, some business executives fear that there will not be enough 'good' deals to go around. There is also speculation about whether or not more disclosure regulations should be required to outline the real equity structure of SPACs and the advantage that founders have. This could dissuade some founders from launching SPACs in the future.

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Advice Column: What I Wish I Knew

Advice from upperclass(wo)men who have been through the finance recruitment process:

As we are in the midst of finance interview season, here are some interview tips shared by your peers who have been through the recruitment process!

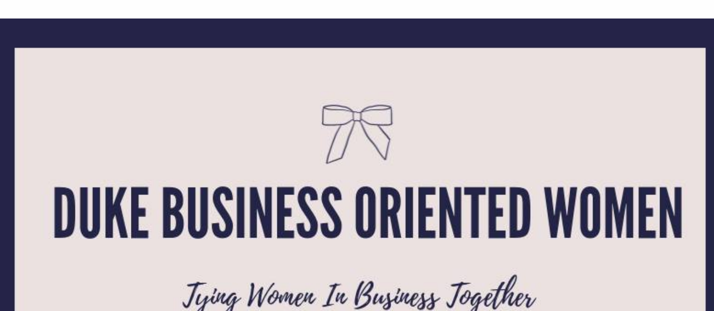
1. Find a friend who is going through the same recruitment process and mock interview each other
2. Have an elevator pitch/tell me about yourself prepared (the answer to your elevator pitch should be similar, or the same, as your answer for "walk me through your resume"
3. Prepare to share what led you to this certain role or company and refer to notes from networking calls to answer this question
4. Don't be afraid to name drop people you have spoken with at the firm (don't do it aimlessly, but share how they were helpful and how it made you want to work at this firm)
5. Know what is on your resume and be prepared to answer any questions about it
6. If you don't know the answer to a technical question, it won't make or break your interview. Interviewers are testing to see if you can keep your composure, not necessarily if you can answer the technical perfectly
7. Have 5-7 stories prepared that can be fit to a variety of questions: leadership, failure, success
8. Always come with questions prepared for end of the interview
9. Get the email of your interviewer at end and send follow-up thank you email (super important!)

Letter from the Editors

As we close out our final newsletter as co-editors, we wanted to thank all of the amazing writers and mentors for not only making this newsletter possible, but also incredibly rewarding to be a part of. We hope the BOW Finance Newsletter is something you continue to refer to in order to keep up with financial news, and we can't wait to see what the next editors have in store. Thank you all for your continued support!

Signing off,

Taylor Shabani and Caroline Kincaid



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