J.P.Morgan

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Where will the $11bn of available SPAC capital be deployed in the next 1-2 years?

The rising number Special Purpose Acquisition Company ("SPAC") IPOs has caught the eye of the market. SPACs have represented ~15% of the IPO market year-to-date and ~19% in 2017. With about 39 existing SPACs actively looking for acquisitions in the market today and expiry dates in the next 1-2 years, a significant amount of capital is expected to be deployed towards acquisitions of small to mid-sized private or public companies**.**

- Currently, there is ~$11bn of M&A capital available spread across a variety of sectors:
    - Energy (23%), TMT (23%) and Healthcare (12%) represent the top thrree target sectors when measured by available capital.
    - Approximately 20% of the SPACs do not have a sector focus.
    - Some SPACs are focused on geographical areas such as Latin America, Mexico and India.
- PE-backed SPACs from well-known sponsors continue to be active with recent participation from Thomas H. Lee Partners, Fortress Investment Group, TPG, and the Carlyle Group as well as previous activity from Riverstone and Blackstone.
    - Financial sponsor involvement in SPACs often increases the likelihood of obtaining committed capital to complete an acquisition.

Key Takeaways

- The SPAC capital war-chest for private company M&A and reverse IPOs has grown substantially in 2017-18 to over $11bn.
    - Sector/regional focus, and founders' credentials should be factored before being acquired by a SPAC .
- J.P. Morgan advised on two SPAC M&A transactions and led four SPAC IPOs in 2017 and maintains both structuring and market expertise in the space.