

Bryan Beach – Leveraging Value in the SPAC Scrap Heap

Special purpose acquisition company (“SPAC”) investing has taken off in the last two years, both in terms of the money raised and the number of SPAC IPOs. But now, the SPAC industry has lost some of its shine.

A refresher on SPACs... A sponsor sets up a publicly traded shell company and raises funds in order to go out and buy a private company to take public.

SPACs tend to struggle in the first year or so after the merger, on average. So why do SPACs "splat"?

1. They dilute early investors
2. They overpay to get deals done
3. Sometimes they're just bad companies

These headwinds often immediately take \$2 or \$3 off the original share price (off the \$10 IPO price).

Bryan says that a SPAC was one of the worst *Venture Value* picks of all time – Daseke (DSKE) in September 2013. It fell right out of the gate, then got hit with a short report, and finally the board and CEO parted ways. All of these things sent DSKE's shares down to \$2.

But in his sell notice, Bryan noted that buying cash-flow-generating businesses at those low valuations could lead to outperformance. And DSKE surged back to \$10.

This led Bryan to go out and find more good SPACs that got thrown out with the bad ones. In 2019, Bryan and his team found six good ones that now have an average return of 217%.

Bryan has kept up with his research in the space. And now that more SPACs than ever are looking for targets and completing targets, there are 31 companies now on Bryan's "SPAC scrap heap." Of course, some of these belong in the scrap heap...

But there are some good options in the heap...

AerSale (ASLE) warrants – a leveraged way to profit as the stock rises. The warrants are a "bonus" that early SPAC investors receive for funding the sponsor's shell company. Warrants rise more than the stock, but also fall more than the shares. Warrant liquidity will be low, and research the terms of the warrant.

Last week, Bryan recommended **ATI Physical Therapy (ATIP)** from the SPAC Scrap Heap. And now he tells investors to take a look at the company's warrants.