D.F. KING CASE STUDY

Reinventing the deSPAC Process Amid a Growing Retail Appetite for SPACs

In 2020, Special Purpose Acquisition Companies (SPACs) raised more than $60B. SPACs are now an incredibly popular way to bring a company public. The final step in the lifestyle of a SPAC is referred to as the de-SPAC transaction (i.e., the SPAC's merger with a private company), which requires the approval of the SPAC's shareholders. The shareholder bases for SPACs are often skewed heavily towards retail investors and this retail shift is fundamentally changing the de-SPAC process by making it harder to bring together the approvals (and sometimes even the quorum) needed for a shareholder vote.

A SPAC is a publicly traded shell company that is formed to find a private company to merge with and take public. For a deal to close, a SPAC's shareholders must approve the merger with the private company. Typically, an acquisition must be completed within two years of a SPAC's formation. If a SPAC doesn't compete a merger within its designated timeframe, it must liquidate and return its proceeds to its shareholders.

CHALLENGE

In 2020, a New York Stock Exchange-listed SPAC, backed by an experienced management team, asked D.F. King & Co., Inc., an AST company ("D.F. King"), to run the shareholder vote linked to its US$2B merger with a leading electric vehicle company.

Customarily, a firm like D.F. King has about four to six weeks to run a shareholder vote campaign. This vote needed to be completed in less than ten days to meet the SPAC's deadline.

In addition to conducting a shareholder vote quickly, D.F. King also had to gather votes from close to 100,000 shareholders. Retail investors represented 75 percent of the SPAC's outstanding shares.

SOLUTION

D.F. King leveraged its diverse expertise and experience in soliciting all types of shareholders to timely locate retail shareholders and obtain their votes.

"We went to find retail shareholders where they are… on the internet, scouring social channels and bringing them to us. Ultimately, we got the vote in less than a week," said Geoffrey Weinberg, senior managing director at D.F. King.
"The SEC's timing is such a large variable in the de-SPAC process, so we needed to be ready at a moment's notice to be ready with a bespoke solution," Weinberg added.

RESULTS

"You can't just let the vote run. You must be very proactive. These aren't like traditional issuers where you can rely on the index funds to come in and carry the vote. You have a combination of smaller institutional holders, retail and a lot of volatility," said Weinberg.

"We are often asked to run a vote as fast as possible and this is unlikely to change in the current market climate. Although, turnaround times of one week are not expected to become the norm," added Weinberg.

The increased presence of retail investors in this space make it paramount for SPACs to assess their information agent's de-SPAC capabilities and track records carefully and critically. SPACs must work under tight timelines while competing with other SPACs for the best acquisition targets and D.F. King can assist in ensuring successful completion of the de-SPAC process.

AST'S INTEGRATED SERVICES MODEL

AST is a leading provider of ownership data management and analytics to public and private companies as well as mutual funds. Our comprehensive product set includes transfer agency, employee stock plan administration, proxy solicitation and advisory, cap table management, and bankruptcy claims administration services. D.F. King and Donlin, Recano & Company, Inc. are AST companies.

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