SSI Special Situation Investments

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Target & Buyer	Offer price	Exp. Closing	Spread	Short Commentary
DMS Buyer: Management	$2.5	TBD	80%	**Non-binding offer from management.** **Main risk** - Non-binding agreement, buyers might walk away. The market remains skeptical of buyers' intentions and the spread has been gradually widening from 13% to over 80%. This increase seems to be driven by limited updates since the announcement. The offer by management is a result of a year-long strategic review. DMS is a failed SPAC and the buyers are ex-sponsors currently holding 73% of shares.
SIMO Buyer: MXL	$93.54 + 0.388 MXL	Q2'23-Q3'23	62%	**International merger in the semiconductor industry.** **Main risk** - Chinese regulatory approval. Approval from China's regulators is the main hurdle. The buyer is based in the U.S, while the target is a US-listed Taiwanese company with China being its largest market. Both parties had previously filed under the simplified procedures, but have now re-filed under a normal procedure as advised by Chinese regulators. This month the documents have been accepted and regulatory review is underway. MXL has reportedly reached out to third parties to facilitate approval from the Chinese regulator. The buyer's management has recently reiterated confidence in successful transaction closing by mid-2023.
SAVE Buyer: JBLU	$31 + $0.1 per month	H1'24	56%	**Merger in the U.S. airline industry.** **Main risk** - regulatory approval. The current spread is mainly due to antitrust concerns. DOJ has issued a second request and is currently reviewing the merger. JBLU has proposed divestitures in overlapping areas - this could alleviate antitrust concerns. Moreover, SAVE recently reached agreement with pilots union. Another DOJ concern relates to JBLU's Northeast Alliance partnership (NEA) with American Airlines. In October, a motion to dismiss the DOJ case against NEA has been denied. Now the decision comes down to the judge's reading of antitrust law which could significantly delay the decision. Hence, SAVE-JBLU merger outcome might also depend on the outcome of NEA trial. Last month, JBLU's management reiterated confidence in merger closing in H1'24.
CCHWF Buyer: CRLBF	0.5579 CRLBF	Q1'23	49%	**Consolidation of two major US cannabis companies.** **Main risk** - potential dilution to the consideration due to certain earn-out provisions, regulatory approval and the buyer walking away. The merger has received shareholder approval. Some asset divestitures required by the regulators have already been announced. The spread, however, has recently widened given failed attempts to pass the federal marijuana banking legislation which has made a big negative impact on the sector's short-term outlook. This has raised the risk of total proceeds from divestitures not reaching the targeted $300m. The market seems to think that both sides will be unable to complete the divestitures. Also, the merger exchange ratio is subject to proration adjustment by the amount of Columbia Care shares issued as an earn-out for its historical acquisition from Dec'20. Information on the earn-out is limited but the maximum stated size is $58m in CCHW shares. At current prices, the maximum earn-out would lower the exchange rate to 0.5174 and reduce the spread to 23%.
BKI Buyer: ICE	$68 + 0.144 ICE	H1'23	38%	**A merger of two large mortgage technology providers.** **Main risk** - regulatory approval. Shareholders have already approved the merger. However, Community Home Lenders Association has called regulators to block the merger over antitrust concerns saying that the combined company will have too much pricing power in the small/mid mortgage banking sector. The companies each hold dominant market shares in specific US mortgage software segments - servicing (BKI) and origination (ICE) - suggesting the merger will lead to substantial vertical integration. In November, ICE agreed to an extended FTC review while reiterating confidence in successful closing. Since then, however, a congresswoman came out, urging the FTC to tightly scrutinize the transaction.
IRBT Buyer: AMZN	$61	2023	33%	**Amazon's acquisition of a robot vacuum maker.** **Main risk** - regulatory approval. The spread has widened from minimal levels upon announcement to over 30% as market started pricing in higher likelihood of regulatory hurdles. The companies have received second requests from the FTC. Moreover, several senators have been pushing the regulator to block the transaction. A non-profit watchdog has also suggested the UK's CMA should launch an investigation into the transaction. Opposition's concerns revolve around potential privacy infringements and Amazon's history of anti-competitive acquisitions. IRBT is currently trading below pre-announcement levels, displaying the market's scepticism.
ACI Buyer: KR	$27.25	Q1'24	30%	**Merger of two food and drugstore companies.** **Main risk** - regulatory approval. The main risk is regulatory approvals as US senators have raised anticompetitive concerns to the FTC. The buyer KR has already received a second request from the antitrust watchdog FTC. However, both sides are confident of circumventing the regulatory hurdles with proposed divestitures of a large number of stores. Moreover, as part of the merger agreement, ACI agreed to pay a $6.85/share special dividend to its shareholders. The dividend, however, will be distributed only to ACI shareholders as of October 24, 2022.
ATVI Buyer: MSFT	$95	H1'23	27%	**Microsoft is acquiring game developer Activision.** **Main risk** - regulatory approvals. The spread mainly exists due to regulatory concerns over the MSFT's potential abuse of power and potential restriction of ATVI games solely to Xbox consoles. Last month, the FTC sued to block the transaction. UK and European antitrust watchdogs, among others, have also started their inquiries into the transaction. The EU Commission and UK's CMA have both extended their deadline for a decision until Apr'23. To alleviate antitrust concerns, MSFT has offered 10-year game access deals to largest gaming console competitors Sony and Nintendo. However, Sony as well as other large companies have remained skeptical of the deal. Warren Buffett's Berkshire is also participating in this merger arb play providing some confidence in the successful outcome and/or a well-protected downside on ATVI standalone basis.
TGNA Buyer: Standard General	$24 + $0.15	Q1'23	25%	**Broadcasting media company getting acquired by a consortium of buyers, mostly PE firms.** **Main risk** - regulatory approval. The buyer consortium includes Standard General, Apollo and Cox Media. Various industry players and unions have voiced their concerns that combined TGNA/Cox Media will control too much of the market share (39% of U.S. TV households). Other concerns include potential staff reductions, lower local news coverage and renegotiation of retransmission fees. To appease the regulators, TGNA has recently offered to waive certain contractual rights, allowing cable companies to negotiate retransmission consent agreements. Shortly after, however, a prominent senator came out, arguing that the concessions are not sufficient and the FTC should block the merger given its potential impact on competition. Having said that, analysis of TGNA and Cox Media's US household coverage suggests that the combined company would still be within the limits of FCC ownership rules, whereas the merger will not affect competition. Another positive here is that telecom regulators noted they have no objections to the merger. Both FCC and DOJ reviews are ongoing. Merger end date has been extended till Feb'23.

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TSEM Buyer: INTC	$53	2023	22%	**International merger in the semiconductor industry.** **Main risk** - regulatory approvals. The merger will require numerous antitrust and foreign investment approvals. Intel's CEO has noted that regulatory clearance has already been received in several geographies. The transaction continues to be held up by the Chinese regulator SAMR, which has been increasing scrutiny over the merger in the strategically important semiconductor space. For the same reason, there is also uncertainty regarding Israel's government approval. Israeli withholding taxes will apply in case of successful closing - to avoid these foreign investors will be required to provide some paperwork, which might delay the eventual payout of the merger consideration and might explain part of the spread.
GSMG Buyer: Management	$1.55	Q1'23	22%	**US-listed Chinese company privatization by management.** **Main risk** - Chinese company and material downside. The spread hovered at less than 5% since shareholder approval in Sep'22 only to widen to as much as 23% recently. The spread increase might be explained by the market getting anxious due to lack of any disclosures and updates from the company as the closing deadline has passed. However, such price swings in Chinese US-listed privatizations are not that uncommon even shortly before transaction closings. Major shareholder US hedge fund Shah Capital is rolling its 11% stake. The downside, nonetheless, is very material at over 30%.
FSTX Buyer: 1177.HK	$7.12	Q1'23	21%	**A small biopharma acquisition by a large Chinese pharma conglomerate.** **Main risk** - regulatory approval and large downside. The ongoing merger has faced regulatory scrutiny from the US regulator CFIUS. Last month, the US watchdog issued an interim order to block the transaction. The regulator's decision is intended to give it more time to investigate the merger. Such regulatory concerns are quite unusual given this is a tiny acquisition of an oncology treatment developer with a very early-stage pipeline. Both parties have thus far seemed determined to pursue the transaction, with several extensions of the termination date. The deadline is now set for January 31. Downside to pre-announcement prices is very steep, which partially explains the spread.
FORG Buyer: Thoma Bravo	$23.25	H1'23	18%	**Consolidation in the identity and access management industry.** **Main risk** - antitrust approval. FORG is getting acquired by PE firm Thoma Bravo. FORG shareholders have already approved the transaction. The main risk is regulatory approval due to increasing market concentration in the identity access management (IAM) software space. The transaction follows Thoma Bravo acquiring two other players in the IAM software industry, including one of FORG's direct peers. In December, both sides received a second request from the DOJ. Interestingly, after agreeing to a deal with Thoma Bravo, FORG was approached by a potential strategic suitor, suggesting the downside might potentially be limited in case of a deal break.
VMW Buyer: AVGO	$71.25 + 0.125 AVGO	Oct'23	16%	**Broadcom is continuing diversification into cloud computing with one of the largest tech mergers ever.** **Main risk** - long timeline / regulatory review. This is a mammoth $61bn deal, giving Broadcom a push into the software industry. In December, the European Commission launched a detailed probe into the merger, with the deadline set for May'23. Among the main sticking points is reduced competition for particular hardware components used with WMV's software. The FTC is likewise scrutinizing the merger. Broadcom's CEO has noted that regulatory filings have so far seen good progress in numerous other geographies. The buyer's management expects the deal to close by Oct'23.
YI Buyer: Management	$3.61	TBD	14%	**US-listed Chinese company privatization by management.** **Main risk** - Non-binding offer. Chinese non-binding privatization offers are inherently risky. However, reputable management as well as the financing for the buyout by a government-controlled entity give confidence that this offer has higher chances of closing. If the privatization fails YI might have problems in meeting its redemption liabilities. Special committee is still reviewing the offer. In December, the spread temporarily closed - likely driven by China relaxing its COVID-zero policies - before widening above 10% again.
ONEM Buyer: AMZN	$18	2023	12%	**Amazon's acquisition of primary care provider.** **Main risk** - regulatory approval. Several senators sent a letter to FTC, expressing concerns about Amazon potentially dominating the primary care market as well as acquiring vast amounts of personal data. FTC has already requested additional information from the parties, including sending out subpoenas to One Medical's customers. However, eventual merger blocking seems unlikely given Amazon’s limited presence in the primary care market, highly fragmented nature of the industry and One Medical's negligible market share.
IDFB Buyer: BAWAG	$12.05	Feb'23	11%	**Acquisition of a US community bank by a European bank.** **Main risk** - regulatory approval. The merger was announced in Feb'22. BAWAG is a large Vienna-listed holding company owning one of Austria's largest banks. The acquisition would allow the buyer - which currently provides loans in the US - to obtain a local banking license and would thus support its further US expansion efforts. While the target is a tiny Idaho-located community bank, regulatory issues are possible given a lack of such cross-border merger precedents. In early 2022, the Federal Reserve Board approved BAWAG's attempt to establish a representative office in the US. The buyer's management expects the transaction to close by Feb'23.
HVBC Buyer: CZFS	$6.1 + 0.32 CZFS	H1'23	9%	**Merger of two community banks.** **Main risk** - expensive hedging. The key reason for the spread is high borrow fees, currently standing at 26%. Merger is expected to close successfully by H1'23. Both shareholder and regulatory approval are likely to pass given the large premium over the historical TBV as well as the small size of the combined enterprise.