MAR 23
Victor Chatenay

FT Partners founder launches $500M fintech SPAC

Article

Tech-focused investment bank FT Partners founder and CEO Steve McLaughlin formed a $500M fintech SPAC with Gene Yoon, the founder of private equity firm Bregal Sagemount, per Finextra. Through them, their firms will be affiliated with the SPAC. Trading on the NASDAQ, the Independence Holdings Corp. will acquire fintechs valued between $2 billion and $10 billion and will pay particular attention to those that process payments between businesses or provide financial management services.

FT Partners' founder has a wealth of experience dealing with SPACs in the US, but Independence Holdings Corp. should look to Europe for acquisition opportunities.

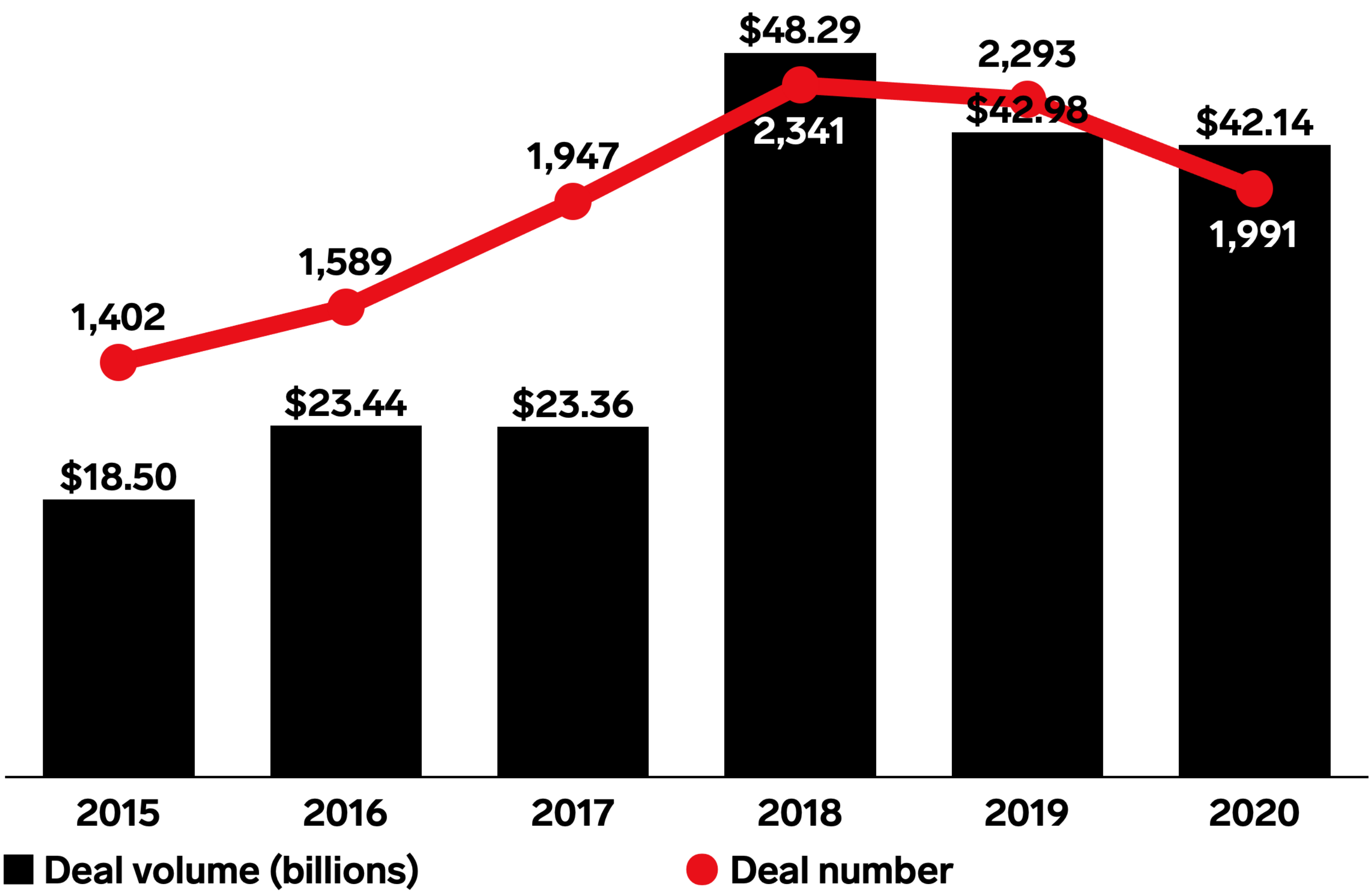
- **McLaughlin is well versed in SPACs and recently advised some large deals in the US.** FT Partners was a financial advisor to half a dozen firms that went public via SPACs, including cross-border payments platform Payoneer's and mobile banking app MoneyLion's respective $3.80 billion and $2.90 billion mergers in February. As a result, FT Partners brings significant knowhow to its own SPAC, which should make it an attractive buyer for fintechs looking to go public.
- **It would likely find better acquisition deals in Europe.** US SPACs raised $78.2 billion across 244 IPOs in 2020, and an additional 134 IPOs in 2021 have already raised $34 billion. These SPACs will likely try to outbid each other to be the chosen buyer of tech unicorns, potentially leading to lower returns for their investors as they become less likely to acquire firms at a bargain. As a result, FT Partners' Independence Holdings Corp. should seek fintechs in Europe, where just three SPACs listed in 2020 despite startup valuations soaring: Swedish buy now, pay later startup Klarna, for example, is valued at $31 billion.

While such deals present growth opportunities for fintechs, there are concerns the SPAC boom could soon become a bubble ready to burst.

- **Fintechs should be cautious that SPACs can be overvalued due to the current investment hype.** Attracted by the chances of high returns and big names among Silicon Valley personalities, celebrities, and politicians, investors are pouring funding in SPACs, outweighing the availability of acquisition targets and "allowing SPACs to trade above their offering price," per Insider columnist Josh Barro. SPAC prices are also being pushed up by acquired firms not disclosing the same amount of information required for an IPO, leaving more space for speculation. For example, the value of Clover Health's SPAC fell 12% within a month of going public because investors found out it was facing a regulatory investigation.
- **As a result, they should consider this potential bubble when weighing going public via a SPAC vs. an IPO.** Over the past year, IPO enthusiasm has mirrored the SPAC hype, with the general IPO market proceeds in the first three quarters of 2020 surpassing full-year totals for the past five years. As a result, the IPO route lets fintechs capitalize on investor bullishness similarly to SPACs while also avoiding their potential value tumbling if the SPAC sector is hit

with a correction, which could hinder their operations and cause reputational damage over the long run.

Annual Global Fintech Funding



Note: 2020 volume and deal numbers are as of December 12.
Source: CB Insights, "State Of Fintech Preview: Investment Trends To Watch," December 2020
Methodology: Fundings were verified via various federal and state regulatory filings, direct confirmation with firm or investor, or press release.

1029501141601 InsiderIntelligence.com