

A LOOK AT

2019 SPONSOR- BACKED PIPES

February 2020

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INTRODUCTION & RESEARCH METHODOLOGY

Welcome to Weil, Gotshal & Manges LLP's survey of private investments in public equity transactions ("PIPEs") in the United States. In preparing this survey, we reviewed and analyzed the material terms of 11 PIPEs consummated between January 1, 2018 and December 31, 2018 involving private equity sponsors or financial investors making investments of at least \$100 million. Specifically, the 11 surveyed transactions included the following issuers:

- Altus Midstream Company
- GNC Holdings, Inc.
- Sirius International Insurance Group, Ltd.
- Verra Mobility Corporation
- AMC Entertainment Holdings, Inc.
- Global Eagle Entertainment Inc.
- ConvergeOne Holdings, Inc.
- Alta Mesa Resources, Inc.
- Lilis Energy, Inc.
- Meredith Corporation
- Beacon Roofing Supply, Inc.

We are happy to discuss with clients and friends the detailed findings and analyses underlying this survey.

Doug Warner
Founding Editor

Philip Wolf
Editor

SUMMARY OF KEY FINDINGS

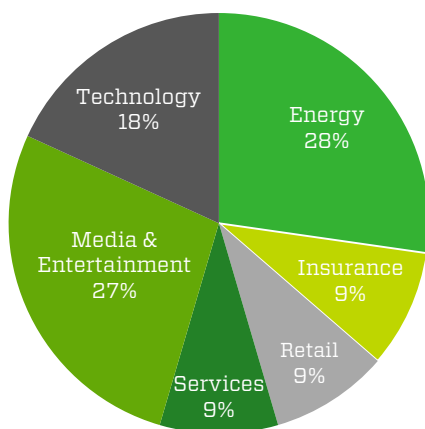
- Of the PIPEs surveyed (i) 4 were structured as common stock PIPEs for acquisition financing, (ii) 6 were structured with a convertible security which gave the sponsor some downside protection in the investment (5 as convertible preferred stock and 1 as convertible debt) and (iii) 1 was structured as non-convertible debt (stapled together with penny and market warrants) providing the investor with customary lender protections.
- Sponsors received limited contractual consent and veto rights over board decisions in a minority of the PIPEs (5 of 11). These rights were largely limited to consent rights over adverse changes to organizational documents or to the terms or seniority of the securities issued to the sponsor. PIPEs in 2018 also saw an increase in board designation rights granted to sponsors.
- Forced or automatic conversion triggers remain common among PIPEs involving convertible preferred stock and debt. Under such provisions, the security will convert into the common stock of the issuer at the issuer's discretion if the common stock trades above a specified price for a specified period of time. Of the 6 PIPEs surveyed involving convertible preferred stock or debt, 3 had such forced or automatic conversion provisions.
- Anti-dilution rights for stock splits and stock dividends to existing equity holders remain common. Six of the 11 PIPEs surveyed that issued convertible preferred stock or debt gave investors this form of anti-dilution protection. Three PIPEs provided for full weighted-average adjustment anti-dilution protection if the issuer subsequently issued equity below a specified conversion or purchase price.
- 2018 saw an increase in PIPEs that included the issuance of warrants to sponsors as a stapled instrument to offer sponsors the option to increase their position in the issuer following the consummation of the PIPE. Four of the 11 PIPEs surveyed were structured to include warrants.
- The frequency of lock-up provisions remains consistent with 8 of 11 PIPEs surveyed providing for a lock-up. The average length of lock-ups increased from previous years to two years. The length of lock-ups ranged from a minimum of 30 days to a maximum of 7 years.
- The use of contractual standstill provisions continues to be low and were not present in a majority of the surveyed PIPEs. Only 4 of 11 PIPEs surveyed had standstills.

KEY FINDINGS

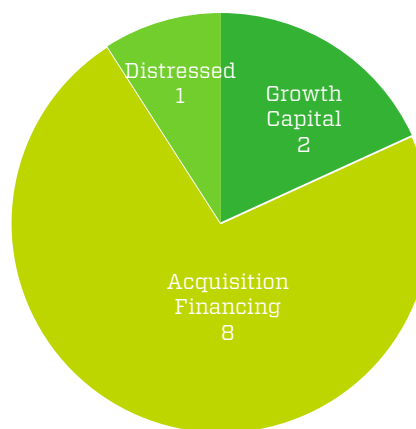
INDUSTRIES & REASON FOR FINANCING

Although 2018 saw a continued frequency of energy sector PIPEs as public companies in the oil and gas industry issued new equity for acquisition financing, other sectors also saw increased PIPE activity, specifically in the technology and media & entertainment space.

Industry of the Issuer



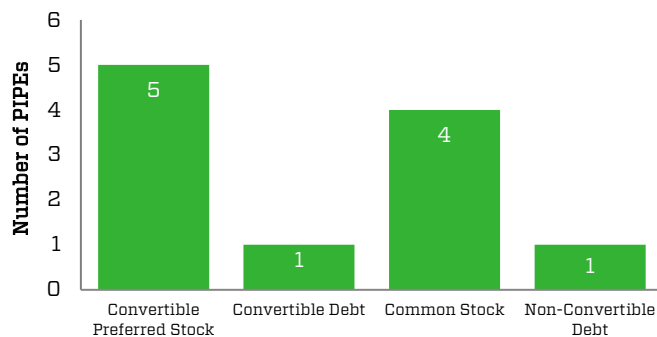
Reason for Financing



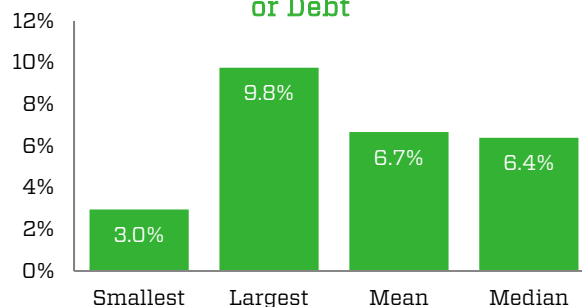
INSTRUMENTS OFFERED

Although 2018 saw an increase in PIPEs structured as common stock, most sponsor-backed PIPEs continue to be structured as either convertible preferred stock or convertible debt, which gives the sponsor some downside protection in the investment. The coupons on convertible preferred stock have decreased. The median and mean coupons on the convertible preferred stock and convertible debt PIPEs surveyed was 6.4% and 6.7% per annum. One PIPE structured as non-convertible debt accrued interest of 12% per annum, and was stapled together with penny and market warrants convertible into the issuer's common stock.

Security Issued

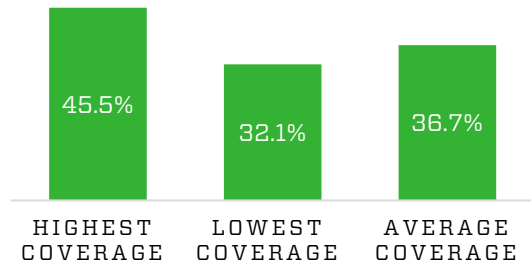


Coupon on Convertible Preferred or Debt



Unlike previous years, 2018 saw an increase in PIPEs that included the issuance of warrants. Four of the 11 PIPEs surveyed were structured to include the issuance of warrants. One PIPE included penny warrants and all 4 PIPEs issued market warrants with exercise prices at or in excess of the stock or conversion price. Of the PIPEs surveyed, a sponsor received an average of 36% warrant coverage on its investment.

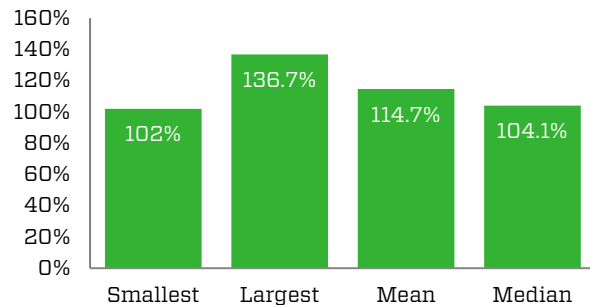
INVESTOR WARRANTS



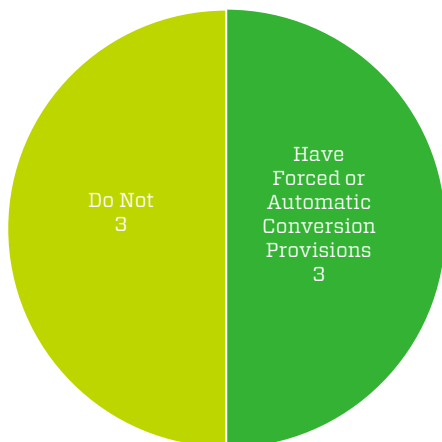
CONVERSION PRICE

Most sponsor-backed convertible PIPEs are structured using a fixed conversion price. Of the 6 convertible preferred stock and convertible debt PIPEs surveyed, 5 employed a fixed conversion price, with 1 PIPE providing for a downward reset in the fixed conversion price following certain reset triggers (including both a time period and/or trading price). The median and mean conversion price of the 5 fixed PIPEs surveyed was 104.1% and 114.7% of the pre-announcement trading price of the common stock of the target company.

CONVERSION PRICE

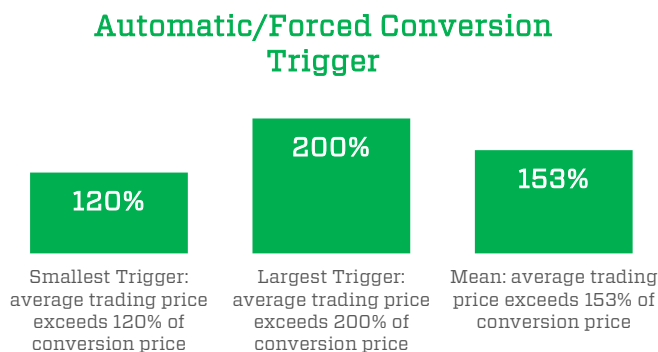


Automatic/Forced Conversions



Forced conversion triggers remain common among PIPEs involving convertible preferred stock and debt but less so than in previous years, giving more protection to sponsors. Under such provisions, the security will convert into the common stock of the issuer at the issuer's discretion if the common stock trades above a specified price for a specified period of time. Of the 6 PIPEs surveyed involving convertible preferred stock or debt, 3 provided for conversion at the issuer's discretion once the common stock trades above a specified price for a specified period of time.

Of the 3 PIPEs with forced or automatic conversion mechanisms, the mean of the triggers was an average trading price exceeding approximately 153% of the conversion price.



GOVERNANCE RIGHTS

Most of the PIPEs surveyed had limited contractual consent and veto rights over board decisions. These rights were largely limited to consent rights over adverse changes to organizational documents or to the terms or seniority of the securities issued to the sponsor. However, 2018 saw an increase from 2017 in the number of PIPEs where sponsors received board nomination rights. A majority of the convertible preferred stock or debt PIPEs surveyed provided the sponsor with 2 or more board seats representing, on average, 23% of an issuer’s board.

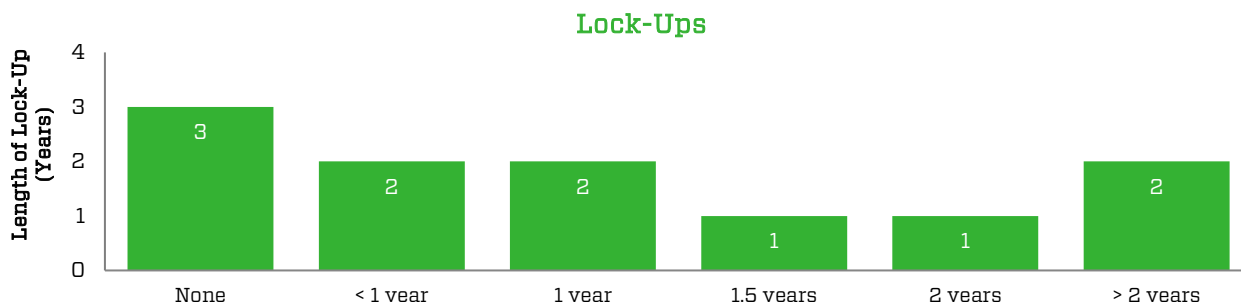
SPONSOR PROTECTIONS

Anti-dilution rights for stock splits and stock dividends remain common. All of the convertible preferred stock or debt PIPEs gave investors this form of protection, while only three provided for full weighted-average adjustment anti-dilution protection in the event the issuer subsequently issued equity below a specified conversion or purchase price.

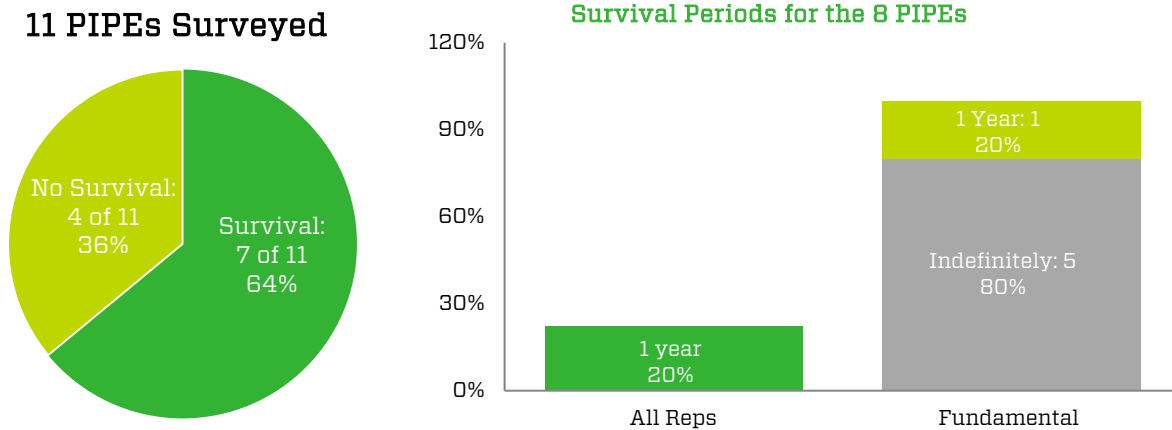
A majority of PIPEs surveyed included additional sponsor protection. Six of the 11 PIPEs surveyed, all of the convertible preferred stock or debt PIPEs, provided the sponsor with redemption rights, exercisable at the option of the sponsor, to force an issuer to redeem its equity securities at a premium in the event of a sale or other change of control of the issuer.

ISSUER PROTECTIONS

Most PIPEs have lock-up provisions and the time period for the lock-up has increased by one year. Eight of the eleven PIPEs surveyed had lock-up provisions, of which 4 had lock-up provisions restricting the sponsor from transferring the equity of the issuer for 2 years or more.




The frequency of contractual standstill provisions in PIPEs continues to be low. Only four of the 11 PIPEs surveyed contained standstill provisions restricting the acquisition of any securities of the issuer for a fixed period of time.



A majority of PIPE issuers provided indemnification to Investors for all representations and warranties given by such issuers under their respective securities purchase agreements. Of the 11 PIPEs surveyed, a majority of the issuers agreed to indemnify the Investor for all representations and warranties of such issuer for one year following the Closing. With respect to the PIPEs that provided indemnification, the survival period for fundamental representations and warranties (e.g. Capitalization, Ownership and Authority) was typically indefinite.

REPRESENTATIVE 2019 TRANSACTIONS

| | | | | | | |
|---|---|--|--|---|---|--|
| Advent International Acquisition of  Undisclosed June 2019 | Advent International Stake acquisition  Undisclosed January 2019 | Advent International TSG's stake acquisition  Undisclosed November 2019 | Advent International Culligan's acquisition of  Undisclosed Pending | Advent International Acquisition of  Undisclosed Pending | Advent International Culligan's acquisition of  \$1,100,000,000 Pending | Apax Partners Series E funding for classpass \$285,000,000 December 2019 |
| Apax Partners Stake acquisition  \$177,000,000 Pending | Aterian Investment Partners Acquisition of  Undisclosed June 2019 | Aterian Investment Partners Vander-Bend's acquisition of  Undisclosed January 2019 | Bain Capital Stake acquisition KANTAR \$4,000,000,000 Pending | Berkshire Partners Acquisition of  Undisclosed March 2019 | Berkshire Partners Recapitalization of  Undisclosed Pending | Berkshire Partners Parts Town's acquisition of  Undisclosed October 2019 |
| CPPIB Minority investment in  Undisclosed January 2019 | CPPIB Consortium's acquisition of  \$2,700,000,000 Pending | CPPIB Consortium's sale of  \$27,000,000,000 Pending | CPPIB Consortium's take-private of  \$11,000,000,000 May 2019 | Centerbridge Partners Sale of  Undisclosed March 2019 | Centerbridge Partners Sale of  Undisclosed June 2019 | Cornell Capital KDC/ONE's acquisition of  Undisclosed November 2019 |
| Cornell Capital KDC/ONE's acquisition of  Undisclosed July 2019 | Cornell Capital KDC/ONE's acquisition of  Undisclosed Pending | CVC Capital Partners Sale of PAREX \$2,500,000,000 May 2019 | Fiera Infrastructure Investment in  Undisclosed April 2019 | Genstar Capital Acquisition of  Undisclosed April 2019 | Genstar Capital Acquisition of  Undisclosed December 2019 | Goldman Sachs Stake sale  Undisclosed Pending |
| GS Infrastructure Partners Investor Group's stake sale  Undisclosed Pending | Infravia Capital Partners Acquisition of  Undisclosed March 2019 | J.C. Flowers Acquisition of  Undisclosed February 2019 | Mithril Capital Management Stake acquisition  Undisclosed September 2019 | Novalpina Capital Acquisition of  Undisclosed February 2019 | Oak Hill Capital EPIC's acquisition of  Undisclosed Pending | Oaktree Capital Management Sale of VERESCENCE Undisclosed February 2019 |
| OTPP Stake sale  \$2,100,000,000 Pending | OTPP Formation of TRIVIUM PACKAGING Undisclosed October 2019 | OTPP Series L funding round for  Undisclosed June 2019 | OTPP Investment in  Undisclosed August 2019 | OTPP Take-private bid  \$3,300,000,000 Pending | Providence Equity Partners Acquisition of  Undisclosed November 2019 | Providence Equity Partners Acquisition of  Undisclosed August 2019 |
| Providence Equity Partners Acquisition of  Undisclosed May 2019 | Providence Equity Partners Investment in TAIT Undisclosed February 2019 | Providence Equity Partners Stake acquisition CHIME Undisclosed June 2019 | PSP Investments Investment in  Undisclosed January 2019 | PSP Investments Acquisition of  Undisclosed Pending | PSP Investments Investment in  \$1,800,000,000 April 2019 | PSP Investments Acquisition of Series E funding  Undisclosed June 2019 |
| PSP Investments Sale of  Undisclosed May 2019 | Silver Lake Sumeru Sale of  Undisclosed March 2019 | SoftBank Vision Fund Investment in  \$200,000,000 August 2019 | SoftBank Vision Fund Investment in  Undisclosed May 2019 | SoftBank Vision Fund Investment in Uber \$1,000,000,000 July 2019 | Snow Phipps Group Ideal Tridon's acquisition of  Undisclosed January 2019 | TCV Series E funding  \$100,000,000 May 2019 |
| TCV Investment in  \$250,000,000 August 2019 | TCV Series F financing  Undisclosed July 2019 | TCV Investment in  \$100,000,000 September 2019 | TCV Partial sale  Undisclosed Pending | TCV Series E financing  Undisclosed March 2019 | The Blackstone Group Investment in  Undisclosed August 2019 | The Blackstone Group Investment in  Undisclosed Pending |
| Tower Three Partners Sale of  Undisclosed Pending | TowerBrook Capital Partners Sale of  \$142,277,777 May 2019 | TPG Global Stock acquisition  \$884,000,000 November 2019 | PG Sale of  \$1,440,000,000 Pending | TPG Tech Adjacencies Minority investment  Undisclosed July 2019 | Trive Capital Sale of  Undisclosed May 2019 | TPG Capital Asia, TPG Growth and OTPP Stake acquisition  \$3,700,000,000 Pending |

WEIL'S GLOBAL PRIVATE EQUITY PRACTICE

An elite global platform with 30+ years of market knowledge

Deep experience across all of the major private equity asset classes

Advisors to one of the broadest groups of financial sponsors and investors in the world on cutting-edge transactions in a seamless, commercial and results-focused manner

BY THE NUMBERS

5

Years

1k+

Deals

More Than

\$700B

In Total Deal Value

Over

300

Sponsors

Ranked

Tier 1

Private Equity in the U.S., U.K, France, China and Hong Kong
— *IFLR1000*

Advises

8 of **10**

largest global private equity funds
— *PEI 300 2019*

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