

Special purpose acquisition companies

Elliott investment in travel group is rare bright spot for Spacs

Blank-cheque companies have struggled to secure so-called Pipe funding to complete deals



Revenues at Mondee jumped 41 per cent last year versus 2020 as the travel sector recovered from the economic impact of the Covid-19 pandemic © AFP/Getty Images

Nikou Asgari in New York APRIL 24 2022

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Hedge fund Elliott Management is investing in a special purpose acquisition company deal, marking a rare bright spot for blank-cheque investment vehicles that have fallen from favour and left dealmakers scratching around for investors.

Elliott and New York-based Siris Capital are investing \$20mn in the so-called Pipe of a Spac deal for travel technology group Mondee, according to people briefed on the deal.

The Spac deal values Mondee, which operates a collection of digital travel platforms, at \$1bn.

Special purpose acquisition companies soared in popularity at the **peak** of the coronavirus pandemic, becoming Wall Street's most sought-after investment product. Spac sponsors raise money from investors and publicly list the vehicles as a cash shell before searching for a private company to merge with and take public.

After listing on the stock market, Spacs typically require more capital to fund the acquisition, preferably via a Pipe deal with a well-known investor that can serve as a vote of confidence in the target company's prospects.

But as the appetite for blank-cheque transactions has sharply subsided amid a string of failed deals and [heightened regulatory scrutiny](#), the Pipe financing market has dried up. Dealmakers have been forced to [sweeten the terms](#) on offer or secure other sources of more [expensive financing](#).

The deal for Mondee bucks the trend and shows that while the Spac market has become more challenging, investors are willing to stump up cash for attractive companies with a successful record. That marks a shift from the investments in fledgling [pre-revenue firms](#) that were a staple of the Spac boom at its **peak**.

Elliott and Siris are investing in Mondee's Pipe at the standard price of \$10 per share and the Pipe is all common equity, which is also unusual in the current environment. Dealmakers have been increasingly offering discounted Pipes or convertible debt with juicy interest rates as part of the Pipe in an attempt to woo investors and prevent deals being cancelled.

So far this year 21 Spac mergers have been abandoned, compared to three in the same period last year, according to Dealogic data.

"The Pipe market is brutal," said one M&A lawyer. "Any Pipes that do get put into place are structured with convertible [debt] or something that gives investor some degree of downside protection."

Elliott and Siris did not respond to requests for comment.

California-based company Mondee generated net revenue of \$93mn in 2021, up 41 per cent compared to 2020 as the travel sector recovered from the economic impact of the Covid-19 pandemic.

It is merging with ITHAX Acquisition Corp, a blank-cheque vehicle led by Orestes Fintiklis, founder of private equity group Ithaca Capital Partners, which focuses on the travel and hospitality sectors. In 2018, Fintiklis gained attention for evicting the Trump Organisation from a Panama Hotel over mismanagement.

The \$20mn investment adds to a previously agreed \$50mn Pipe backed by investors including Morgan Stanley Investment Management and Arc Pe, a Miami-based private equity group.