



Investment **PREMIUM**

Family offices, blank check companies, and why they are gaining in popularity

by **David Bain** 2nd May 2019

Last month, two members of some of Latin America's most prominent families – the Safras and the Wertheims – listed a blank check company on NASDAQ. Called Replay Acquisitions Corp, the listing represented a growing trend among family capital-type investors to use so-called Special Purpose Acquisition Companies, or blank check companies, to co-invest together.

The trend is being driven by families wanting to do more direct deals, but realising the need to co-invest with other like-minded investors to better compete for the best deals. It's a way for families with substantial wealth to work together to make big acquisitions, which they wouldn't be able to do themselves. Effectively, SPACs give families and private investment offices heft to compete against the big private equity groups for top quartile performance.

Ryan Harris, a partner in the Chicago office of law firm Kirkland & Ellis, [says in an in-house publication](#) for the law firm, families wanting access to the best deals often need to work together.

“Despite large amounts of family wealth, a family office may face capital constraints for making investments of a certain size, or for making a certain number of investments, and thus find itself precluded from participating in large segments of the market or in specific investment opportunities where it sees strong potential for favourable returns.” Harris says family offices can use SPACs as a way of gaining access to the better deals.

Of course, SPACs aren't new, they have been around since the 1980s, but regulatory changes after the financial crisis of 2008 such as safeguards for common shareholders have revitalised them as investment vehicles, particularly in the US.

And the potential benefits of a blank check company for family capital investors go beyond such a structure can provide in sourcing the best deals.

As Harris says, a third-party investor base can help to increase strategic relationships and partners. Fee income can support compensation for the investment team, and carried interest can incentivize the investment team and create a more dynamic investment environment at the family office.

Of course, like any investment, they also come with risks. As Nat Rothschild, a scion of the eponymous banking dynasty found with a SPAC he set up called Vallar/Bumi and listed in London in 2010. In the last few years, the failure of Bumi hurt the popularity of the SPAC sector in the UK, especially among family office investors, say analysts. But the market for SPACs and private investment offices in the US is booming.

Here are some examples of blank check companies where family capital-type investment has been involved.

Nomad Foods

Perhaps one of the most successful SPACs in the last five year is Nomad Foods. Based in the UK, but listed on NASDAQ, Nomad was set up in 2014 by hedge fund manager Noam Gottesman and SPAC investor Martin Franklin.

It has or has had numerous family capital-type investors behind it, including Gottesman's family office, TOMS Capital, Franklin's investment office. Mariposa Capital, and Berggruen Holdings, the investment office of the German-American investor, Nicolas Berggruen. It also had various hedge fund backers, including Bill Ackman's Pershing Square Capital Management.

Nomad Foods shows just how successful SPACs can be. In the two year period after listing in 2015, the stock price rose 114% and its performance continues to be strong over the last year. Analysts say Nomad's success has been driven by the investment experience of its lead sponsors, its large size – it had an enterprise value of around \$3 billion after listing – the relatively safe and stable industry sector Nomad was making its acquisitions in (frozen food), and the long operating history of the acquired companies.

One Madison Corporation

One Madison Corporation listed on NASDAQ at the beginning of the year, raising \$450 million in the process. It was set up by private investment group One Madison Group, which owned by New York City-based investor Omar Asali. One Madison Corp has been backed by JS Capital Management, the family office of Jonathan Soros, the son of George Soros.

Trine Acquisition Corp

Set up by Leo Hindery, a prominent entrepreneur in the media and communications sector, Trine listed in early 2019. One of the sponsors of Trine is Abbas Zuaiter, a US-based investor and businessman, and his family office, Zuaiter Capital Holdings.

Mercer Park Brand Acquisition Corp

Mercer Park Brand was recently set up by Jonathan Sandelman and his family office Mercer Park. The SPAC plans to list on the Canadian Neo Exchange and will target one or more acquisition opportunities in cannabis and cannabis-linked industries. Sandelman is a New York City-based investor who made his money as a derivatives trader.

