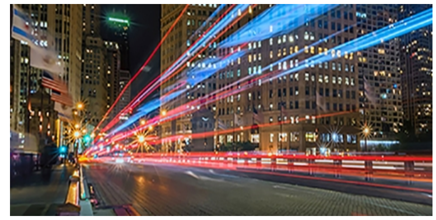
masuda funai



News & Types: Client Advisories

Top Three Corporate & Securities Issues to Consider for 2022

3/30/2022

Practices: Corporate, Finance & Acquisitions

Time to De-SPAC. Given two strong years of new Special-Purpose Acquisition Company (SPAC) listings, the supply side of the SPACs market is now teeming at nearly 580 SPACs looking for merger targets, with about $160 billion of SPAC capital waiting to be deployed. Of those, around 230 SPACs, having to de-SPAC this year, are under a time crunch to find targets to acquire. In addition, many companies that have already gone public through a SPAC are not seeing sufficient growth to support their initial valuations, so they may also seek strategic M&A to accelerate growth. Given this dynamic, 2022 looks to be an opportune seller’s market for private companies, with a sustained level of de-SPAC and merger activity. Clients looking to sell or raise capital are advised to seek our guidance to wisely navigate the potential opportunities for the seller with the upper hand to leverage the de-SPAC market conditions to maximize value.

ESG Not Slowing Down. The upward trend in capital flows into Environmental Social Governance (ESG)-focused investments – $240 billion in 2020, $330 billion in 2021, and forecasted to be even higher in 2022 – is not slowing down in any sense. With ESG-themed investments picking up the capital from other themed investments, companies in both public and private markets need to consider how ESG sentiment is driving real investment decisions. Companies in secular, non-ESG sectors are also seeing new opportunities being created through smart ESG positioning. Examples like electric vehicle-maker Rivian, the largest IPO in 2021, show that the market is ripe to actively reward the future-proof marriage of traditional sectors with sustainability. Clients are advised to identify and address material ESG issues that can be integrated into their business strategies, making future-looking investments for growth, sustainability, and adaptability. See also It Pays in the Market to be ESG... and More.

Interest Rates to Rise. Following two years of near-zero interest rate, the Federal Reserve will move to hike interest rates three or more times in 2022, likely beginning from March. This measure, already announced by the Federal Reserve in December 2021, is intended to control inflation and to reverse the easy monetary policy put in place during the COVID-19 pandemic. The higher cost of capital will likely slow down some M&A activity initially. Buyers will likely become more selective to pursue targets that have steady cash flow, and low capital expenditure and operating working capital requirements. Clients are advised to monitor the impact of the interest rate hike on the market closely and to seek our assistance in making key strategic financing decisions.