

Weekly Recap

11/12/2018 – 11/18/2018

"This roadway I was unable to navigate has likely cost me my hedge fund, and the reason that I had a hedge fund is because you are clients."

- James Cordier, Founder of OptionSellers.com ([CNBC](#))

MARKET SUMMARY

- Volatility is back with turbulence in global equities. While a negative for long-only investors and funds, brokerages and flow-based businesses should see positive trends in activity. Focus should be on earnings growth and dividends instead of relative metrics such as P/E and the strategy should be to accumulate cash and selectively look for quality stocks. ([Bloomberg](#))
 - Apple fell 5% after Lumentum said one of its largest customers reduced shipments. The Apple supplier's stock dropped 30% after the announcement. ([Bloomberg](#))
 - Facebook remains down 35% in the past four months over its lax data-privacy practices, political turmoil in the US and Myanmar, and management problems. ([WSJ](#))
 - GE dropped below \$8 a share for the first time since March 2009 as new CEO Larry Culp mentioned the company's power business was "getting close" to rock bottom in a CNBC interview. ([WSJ](#))
 - WTI has fallen 12 sessions to \$55.69, dragging down the S&P 500. Signs of stress are appearing in energy junk debt. Investors are talking about how the drop in oil and weakening of the US dollar might cause the Fed to reconsider their view of US growth and inflation. For now, the NY Fed believes crude decline is caused by oversupply rather than diminished demand. ([Bloomberg](#))
- With the US equity sell-off forcing secondary loan prices lower, the leveraged loan market is starting to trade off. Investors in a handful of deals are using the opportunity to extract pricing concessions and document changes in a handful of aggressive deals. ([Reuters](#))

DEALS & CORPORATE ACTIONS

November 12, 2018

- SoftBank's telecom unit has received approval to list on the Tokyo Stock Exchange in a \$21BN IPO. It will list on 12/19/18 with the final IPO price determined 12/10/18. The parent company will retain a 66.5% stake in the newly listed unit. ([CNBC](#))

November 13, 2018

- Snapchat has been subpoenaed by the Justice Department and SEC for issues related to allegations asserted in a class action about its IPO disclosures. ([Reuters](#))
- Steve Cohen has raised \$5BN in outside funding since the regulatory ban against SAC Capital expired. ([FT](#))
- Struggling to fulfill its debt obligations, GE is planning on raising ~\$4BN by selling 101.2MM Baker Hughes shares on the open market with Baker Hughes buying 65MM of its own shares as a part of its \$1.5BN repurchase plan. After the sale, GE is expected to own approximately 50.4% of the company, down from its original stake of 62.5%. ([Reuters](#))

November 14, 2018

- Blue Orca Capital has released a letter that they are short Pinduoduo, a Chinese e-commerce platform that trails Alibaba and JD. They see Pinduoduo at a 59% downside from its last traded price at \$7.10 per share. ([Blue Orca Capital](#))
- Hope Hardison was outed from her job as Wells Fargo's CAO following a rebuke from regulators. This follows the firm's unusual shareholder lawsuit defense, which claimed that investors couldn't have believed CEO Tim Sloan's statements since it was clear he has been lying. ([MPA](#), [WSJ](#))
- Morgan Stanley's mutual fund analysts have given Palantir a \$4.4BN valuation as Morgan Stanley's investment bankers are pushing a \$30-41BN IPO. The MS mutual funds hold a \$3MM position and will most likely be bought out. ([SVB](#))
- Pascal Kummert, former European bond trader at Goldman Sachs, is starting Calvion Capital Management with a \$100MM in seed investment from Stable Asset Management. Ryan Munch, former equities trader at Point72 Asset Management is overseeing trading and quantitative research. ([Bloomberg](#) – Link N/A)
- PG&E disclosed that it has fully drawn its revolving credit facilities with \$3.3BN outstanding according to a regulatory filing. Susquehanna estimates up to \$5BN in liabilities for this year's fires; J.P. Morgan has estimated that PG&E already faced \$17.3BN in wildfire liabilities in 2017. In extended trading, PG&E rallied 49% after the California Public Utilities Commission head said he can't imagine allowing the state's largest utility go into bankruptcy. ([Bloomberg](#), [Bloomberg](#))
- SEC has brought its first enforcement action against EtherDelta for failing to register as a securities exchange. Despite the decentralized nature of EtherDelta, the SEC contends its function supersedes its label. ([Cleary Gottlieb](#))
- UBS has hired former Wells Fargo bankers for a new group called Alternative Capital Solutions. NY-based Grant Thompson will service pensions, SWF, and family offices; Toronto-based Sandra Godard will focus on Canadian pension funds. The new team will co-exist with the financial sponsors team at UBS which will be merging with the bank's power, utilities, and infrastructure group. ([Bloomberg](#))

CHARON SPECIAL SITUATIONS GROUP

Hyunjae Lee
INVESTMENT ANALYST
Hyunjae.lee@gatech.edu

Anthony D'Achille
QUANTITATIVE ANALYST
Adachille3@gatech.edu

Notable Trends

- O&G M&A activity is picking up. Activists including Kimmeridge Energy Management, Elliott Management, and Carl Icahn are pushing for divestitures, acquisitions, and greater value adds for shareholders. Given recent energy volatility, consolidation seems expected. ([WSJ](#))
- Technology consulting is overtaking advertising, as marketing and other projects end up under the purview of consumer experience and user design technicalities. Client revenue is shifting from firms like WPP towards PwC and Accenture. ([WSJ](#))
- The legalization of sports gambling has led to increased venture capital and private equity investments. Similar to marijuana legalization, the disruption has attracted investors including casinos, CPPIB, Apax Partners, and many others. ([II](#))

CSSG's Weekly Recap is a resource that provides links to news that our analysts found interesting during the week. While not proprietary in nature, we find that publishing these reports helps hold ourselves accountable and aware of the economic climate.

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November 15, 2018

- Cyrus Capital Partners, which is believed to have sold default insurance on Sears, is fighting Sears' plan to auction up to \$900MM in notes. Funds such as Brigade Capital Management, Omega Advisors, and Och-Ziff Capital Management are waiting for their CDS payouts which would be small now that they are linked to a part of Sears with little outstanding debt, but should the auction go through, they could use the notes to collect a greater amount. ([Bloomberg](#))
- Dell has raised its offer to buy out shareholders in its VMware tracking stock. The deal offer includes up to \$14BN in cash with the remainder coming in a swap for new shares. Dodge & Cox, Elliott, Canyon Partners, Mason Capital, Blackrock and others have come out in support of the deal. ([WSJ](#))

November 16, 2018

- Apollo has agreed to increase pricing on its LifePoint buyout term loan to 450bp + Libor from 400 bps + Libor and loan size to \$3.55BN from \$3.4BN (reducing the bond offering by the same amount). The bonds priced wide at 9.75% and Apollo extended soft call protection of 101 to a full year from six months and added quarterly calls. ([Reuters](#))

November 17, 2018

November 18, 2018

CHARON SPECIAL SITUATIONS GROUP

Hyunjae Lee
INVESTMENT ANALYST
Hyunjae.lee@gatech.edu

Anthony D'Achille
QUANTITATIVE ANALYST
Adachille3@gatech.edu

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