




Market Update

November 9th, 2023

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Executive Committee Members

- **Sam Bankman-Fried Found Guilty of Fraud and Conspiracy**
 - The founder of the FTX cryptocurrency exchange was charged with misappropriating and embezzling billions in deposits to invest in risky assets through his fund, Alameda Research
 - FTX collapsed in November 2022 following a CoinDesk report highlighting solvency issues
 - As one of the biggest financial frauds ever, the FTX spectacle has tarnished the reputation of the cryptocurrency industry and may lead to a wider regulatory crackdown on exchanges
- **The U.S. Treasury Increases Bond Sales to Manage Debt Load**
 - The Treasury will auction \$112bn in bonds to cover over \$100bn worth of maturing notes
 - Secretary Yellen has announced plans for an additional \$776bn debt issuance before 2024
 - Despite yields soaring from August bond auctions, the market remains concerned that yields may continue to rise if there is not enough demand to meet the Treasury's needs
- **President Biden Outlines A Legal Framework for AI Development**
 - The artificial intelligence executive order calls for consumer privacy protection, updated security regulations, and international collaboration to establish a set of global AI standards
 - The plan builds off previously secured voluntary commitments from 15 leading technology companies to slow the pace of AI development and install safeguards to manage its risks
 - Industry leaders have expressed concerns that legislation could stifle domestic innovation

- **WeWork Files For Chapter 11 Bankruptcy Protections** 
 - WeWork is a provider of flexible office-space leases to other businesses
 - The company missed \$95mm of interest payments to creditors on October 2nd and filed for bankruptcy after failing to meet its obligations during an ensuing 30-day grace period
 - Reports of a likely bankruptcy sent shares to a record low market capitalization of \$58mm
- **The Former Darling of the VC World Is Struggling to Stay Afloat**
 - Adam Neumann founded WeWork in 2010, but was removed as CEO in 2019 by SoftBank
 - Significant cash burn and attempts to expand into unrelated verticals have strained finances
 - WeWork was valued at \$47bn after its Softbank-led Series H funding round in 2019, but its valuation had sunk to \$9bn when it went public in 2021 in a SPAC merger with BowX
- **The Path Forward for Creditors Is Grim Given Continued Losses**
 - Offices around the world will close to strengthen the company’s troubled cash position and thousands of tenants will be relocated to “alternative workplace solutions” in the meantime
 - The prospect of hybrid work briefly brought hope to WeWork’s investors, but a struggling commercial real estate industry and a high-rate environment have made leasing challenging
 - Given that there is \$3bn in net long-term debt and the company is not cash-flow positive, creditors will likely face severe losses while trying to recover their principal in negotiations

DEAL OF THE WEEK: SIX FLAGS MERGES WITH CEDAR FAIR

- **Six Flags and Cedar Fair Announce \$8bn Theme Park Merger**
 - Six Flags Entertainment Corp. and Cedar Fair L.P. are amusement park companies that own a combined 42 parks and 9 resorts across the United States, Canada, and Mexico
 - Cedar Fair plans to acquire Six Flags in an all-stock deal at a 9.6x EV/EBITDA multiple
 - The transaction represents a 3.57% premium to Cedar Fair’s valuation pre-announcement and each Six Flags share will be respectively exchanged 0.58 shares of the combined entity
- **The Merger Expands Attractions and Improves Season Pass Value**
 - The new entity expands their IP portfolio of cartoon themed attractions, such as Looney Tunes, DC Comics, and PEANUTS, to captivate interest amongst a younger audience
 - The diversified geographical location of the properties helps to reduce earnings volatility
 - Season pass holders will benefit through wider park selection and loyalty program perks
- **The Combined Company Looks to Lower Debt and Boost Traffic**
 - The capital-intensive businesses face looming 2025 debt maturities amidst reduced demand
 - A new combined season pass aims to drive in-park spend versus entertainment alternatives
 - Management expects \$120mm in cost savings to reduce leverage to 3x Net Debt/EBITDA



THE FINANCE SOCIETY

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