

InsideArbitrage

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Special Situations Newsletter for Premium Subscribers



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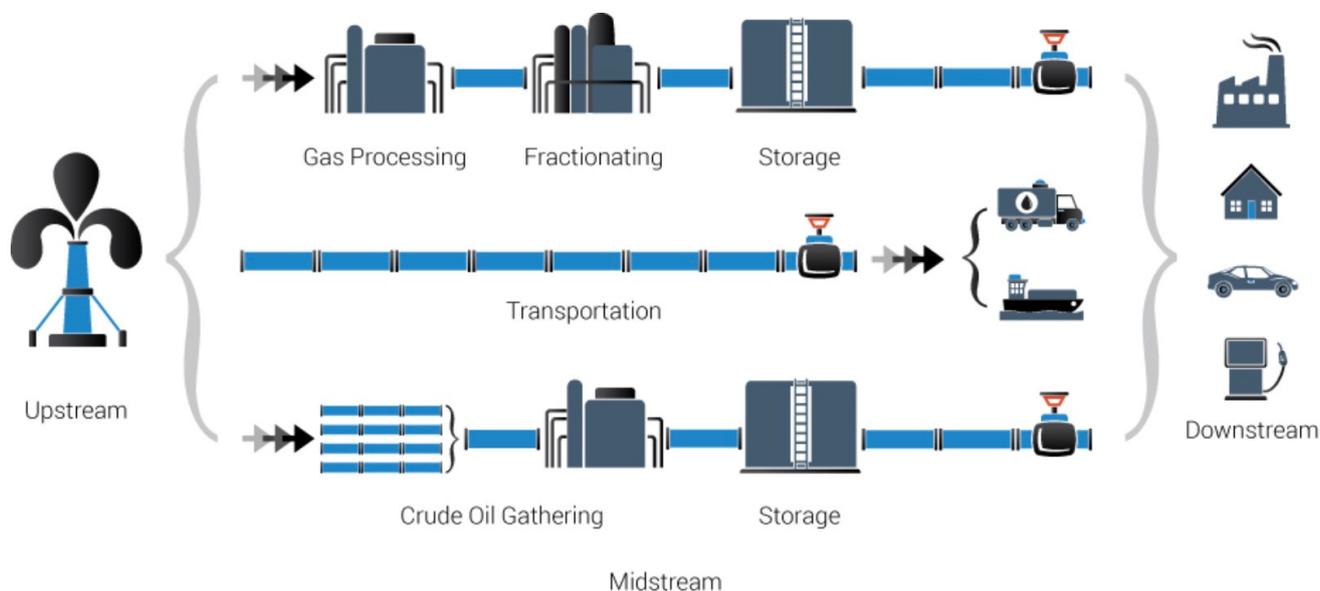
Winds Of Change

by Asif Suria

The market was starting to show signs of weakness early in September with all three major indices falling in unison. The excess and exuberance appear to have finally caught up with the market. The S&P 500 dropped 4.76% for the month and the Nasdaq gave back 5.31%. What we are seeing is "don't fight the fed" in reverse. Central Bank officials indicated late in the month that they were planning to start tapering their bond purchases soon and the impact on both the bond and equity markets was immediate. While the decline was not as rapid as the taper tantrum of 2018, it was still sustained. Rising inflation, higher commodity prices and a strong job market might leave the Fed with few options but to raise rates. We are at an inflection point and it will pay to be very selective with your asset allocation in the next few quarters. Commodities have been a bright spot recently and our spotlight idea this month is related to that trend.

October 2021 Spotlight Idea: Diamondback Energy, Inc. (FANG) \$94.67

A little over a year ago we wrote about an energy company for our [August 2020 Special Situations Newsletter](#) after COVID-19 related lockdowns saw the price of West Texas Intermediate (WTI) futures dip into negative territory for the first time ever. We wrote about the sheer size of the insider purchases at Continental Resources (CLR) by its Chairman Harold Hamm who founded the company in 1967 at the age of 21. The stock was trading at \$17.29 back then and closed the month of September 2021 at \$46.15, registering a gain of 167% for our [model portfolio](#). We were also seeing significant insider buying in some midstream energy companies that focus on the transportation, storage and processing of oil and gas. Because I held a position in a midstream ETF, I made the mistake of not doubling down on my energy investments by buying CLR for my personal portfolio.



Energy Sector Components (source: ALPS Funds)

We wrote the following about Mr. Hamm's \$178 million purchase last year,

"Billionaires who own a significant portion of a company that are buying even more stock does not necessarily translate into a positive outcome. Because of the large amount of debt on the balance sheet, they might choose not to buy out the minority shareholders and take the company private. We saw this in Ronald Perelman's numerous purchases of Revlon (REV) through his investment vehicle MacAndrews & Forbes Incorporated from 2017 to 2019.

On the other hand, I have also seen Chairmen of commodity companies that have a long history with the company and have experienced several economic cycles make some astute purchases. These purchases may not play out in the course of a few weeks or even months but do play out over a longer horizon. One such example was the purchases of Southern Copper (SCCO) by its Chairman Germán Larrea Mota-Velasco in 2015 at prices in the mid \$20s. Copper bottomed in early 2016 and then went up more than 70% in the next two years. Southern Copper now trades at \$43.71 per share."

October 2021 Spotlight Idea: Diamondback Energy, Inc. (FANG) \$94.67

Mr. Hamm and the insiders of the midstream energy companies are at it again and in recent weeks we have seen strong insider buying in the sector. Beyond looking at insider purchases, I have also started taking a deeper look at companies announcing share buybacks that represent a significant portion of their market cap. We track these companies in a list that is [updated daily here](#) for premium members. When reviewing the list a couple of weeks ago, I was struck by a large \$2 billion share buyback announcement by Diamondback Energy ([FANG](#)) that represented nearly 14% of the company's market cap at the time of announcement. The market reacted positively to this announcement and in short order, the stock that was trading around \$80 at the time of announcement went up nearly 20%.

What was remarkable about this buyback announcement was that it was coming from a fracking company. When I think of fracking companies, the first thing that comes to mind is the hilarious "meet the frackers" [presentation](#) by Einhorn at the Sohn Conference in 2015. I have a great deal of respect for Greenlight Capital's David Einhorn and I enjoyed reading his book [Fooling Some of the People All of the Time, A Long Short Story](#) about his multi-year battle shorting Allied Capital. For a period of time, Einhorn was right about the frackers as they continued to consume ever increasing amounts of capital to drill holes, flood the energy market with excess supply and got hurt by an OPEC engineered price war.

However, this has changed in recent years with companies like Continental Resources and Diamondback Energy reigning in costs and being selective about CapEx. The huge rebound in the price of WTI has helped and instead of drilling more and increasing CapEx, companies like Diamondback are now focused on returning value to shareholders through buybacks and increasing dividends.

The following quote from the CEO of Diamondback Energy when reporting the company's Q2 2021 results speaks volumes,

"During the second quarter, we generated \$578 million in free cash flow or \$3.18 per diluted share. To put this into perspective, we entered 2021 anticipating roughly this amount of free cash flow for the full year.

Operationally, capital efficiency continues to improve. As a result, we are cutting our 2021 capital budget by \$100 million due to cost control and volume outperformance. Put simply, we are doing more with less: producing more barrels with less capital, fewer completed wells and fewer drilling rigs"

October 2021 Spotlight Idea: Diamondback Energy, Inc. (FANG) \$94.67

Company Overview



Founded in 2007 and headquartered in Midland, Texas, Diamondback Energy is a pure play Permian basin shale oil fracking company. Fracking companies use horizontal drilling and hydraulic fracturing of rock using pressurized water to release oil and gas trapped in those rock formations. The Permian Basin is one of the largest shale plays in the U.S. with production of nearly 5 million barrels of oil per day (Mbo/d) and over 18 billion cubic feet of natural gas produced per day. The Permian's production represents about half of the country's total crude oil production. Diamondback Energy got started with the acquisition of 4,174 net acres in the Permian Basin in West Texas in December 2007. The company currently has a market cap of \$17.2 billion and an enterprise value of \$25.2 billion.

The wholly owned subsidiaries of Diamondback, as of June 30, 2021, include:

- Diamondback E&P LLC
- Viper Energy Partners GP LLC
- Rattler Midstream GP LLC
- QEP Resources, Inc.
- Diamondback O&G LLC
- Energen Corporation
- Energen Resources Corporation
- EGN Services, Inc.



On March 17, 2021, Diamondback Energy completed its acquisition of QEP Resources (QEP) in an all-stock merger and the assumption of \$1.6 billion of QEP's net debt. Former wholly owned subsidiaries of Diamondback, were merged with and into Diamondback E&P LLC on June 30, 2021 as part of the internal restructuring of the company's subsidiaries (the "E&P Merger").

Viper Energy Partners ([VNOM](#)) and Rattler Midstream ([RTLRL](#)) are Diamondback's publicly traded subsidiaries. Viper is focused on owning and acquiring minerals and royalty interests in the Permian Basin and Diamondback operates nearly 60% of Viper's oil production of 16.5 Mbo/day. Rattler Midstream owns crude oil, natural gas and water-related midstream assets in the Permian Basin that provide services to Diamondback Energy and third party customers.

As of June 30, 2021, the company owned approximately 59% of Viper's total units outstanding and approximately 72% of Rattler's total units outstanding.

October 2021 Spotlight Idea: Diamondback Energy, Inc. (FANG) \$94.67

Management Team

Travis D. Stice

Chief Executive Officer and Director

Travis D. Stice is the founder of Diamondback Energy and has served as the Chief Executive Officer and Director of the company since 2012. After completing a Bachelor's degree in Petroleum Engineering from Texas A&M University, Mr. Stice began his long 37 year career in the oil & gas industry by joining Mobile Oil in 1985. He is a registered engineer in the State of Texas. He is also the CEO of the general partners of Viper Energy Partners LP (VNOM) and Rattler Midstream LP (RTLRL), both of which are subsidiaries of Diamondback Energy.

Previously Mr. Stice served as a Production Manager of Apache Corporation and from September 2008 to September 2010, he served as a Vice President of Laredo Petroleum Holdings. He also served as a Development Manager of ConocoPhillips/Burlington Resources Mid Continent Business Unit from April 2006 until August 2008.



Kaes Van't Hof

Chief Financial Officer and Executive Vice President of Business Development

Mr. Van't Hof has served as the Chief Financial Officer and Executive Vice President of Business Development of Diamondback Energy since February 2019. He has also served the general partner of Viper Energy Partners (VNOM) since March 2017 and President and director of the general partner of Rattler Midstream (RTLRL) since July 2018.

Prior to his current position he served as the Senior Vice President of Strategy and Corporate Development from January 2017 to February 2019 and as Vice President of Strategy and Corporate Development since joining Diamondback in July 2016.



Before joining Diamondback, Mr. Van't Hof served as Chief Executive Officer for Bison Drilling and Field Services from September 2012 to June 2016 and was an analyst for Wexford Capital from August 2011 to August 2012, which was responsible for developing operating models and business plans, including the initial public offering for Diamondback Energy.

October 2021 Spotlight Idea: Diamondback Energy, Inc. (FANG) \$94.67

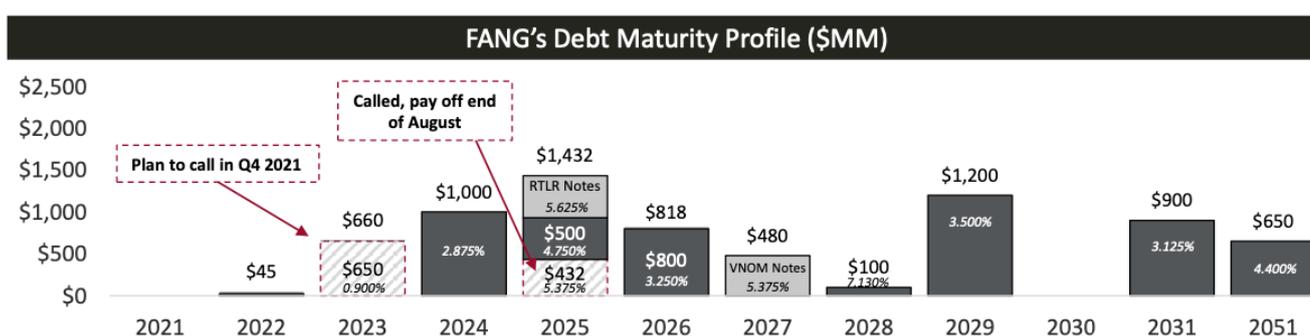
Shareholder Friendly Management

While I would have liked to see insider buying at the company instead of selling, management appears to be focused on increasing shareholder value in the following ways,

1. Frackers are returning value to shareholders in several ways. Diamondback Energy and Ovintiv (OVV) have announced large buybacks that amount to almost 10% or more of their market cap. Others like Pioneer Natural Resources (PXD) and Devon (DVN) are going with variable dividend distributions.

2. FANG increased its regular dividend last year despite the big turmoil in oil prices and the company already raised dividends twice this year. The current dividend is 45 cents a quarter and there is still a lot of room for the dividend to grow as the current dividend represents a payout ratio of less than 20%. I would much rather they pay down debt than increase their dividend and that is exactly what the company appears to be doing.

3. The company has been reducing leverage by retiring high interest debt that it accumulated by buying assets strategically during the recent energy downturn. The company redeemed \$191 million of 4.635% Energen bonds and announced the redemption of \$432 million of 5.375% bonds due 2025. It also plans to redeem \$650 million in 2023 debt from cash on hand and pending Williston Basin and non-core Permian basin divestitures that will raise \$832 million in cash. New investment grade debt of \$2.2 billion raised in March 2021 was at a low interest rate of 2.84%.



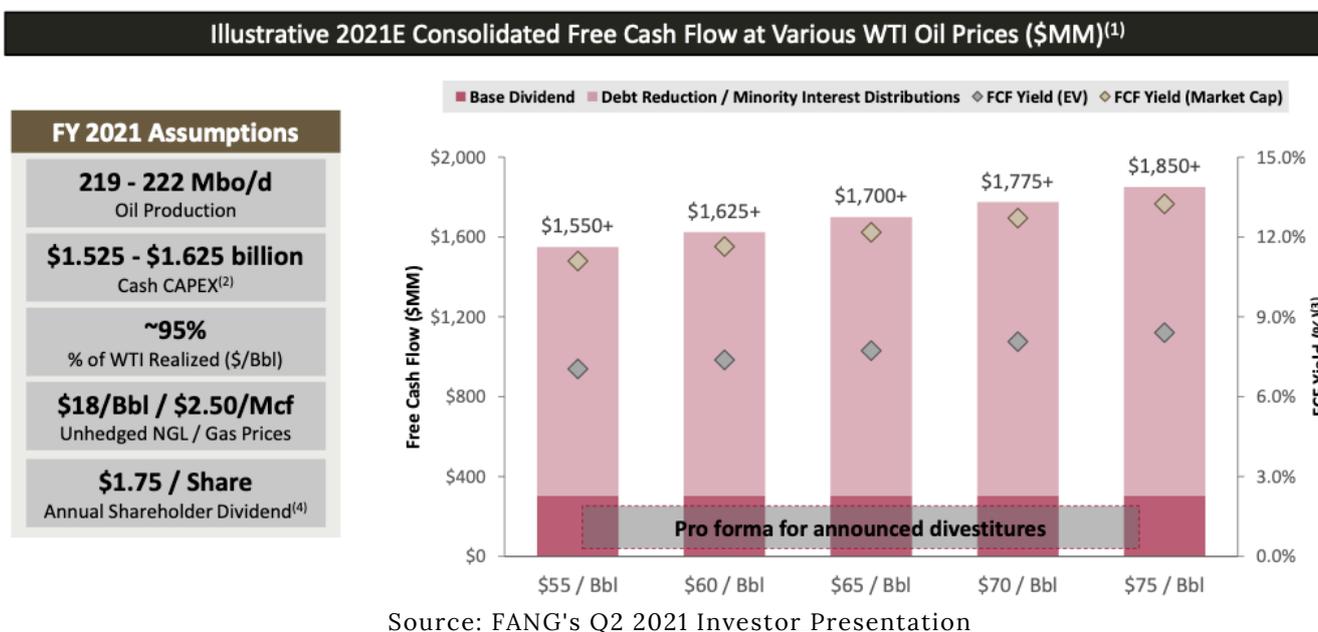
Source: FANG's [Q2 2021 Investor Presentation](#)

Valuation

Trading at an forward EV/EBITDA of 6.33 and a forward P/E of 11.14, FANG trades inline with its peer group that includes Continental Resources (CLR), Devon Energy (DVN), EOG Resources (EOG), Pioneer Natural Resources (PXD) and Ovintiv (OVV). The company however stands out with some of the best gross margins (82.8%) in the industry and a leading levered free cash flow yield of 31.42%. Only one company sports better gross margins among the group and that is our portfolio holding Continental Resources with gross margins of 84.53%.

October 2021 Spotlight Idea: Diamondback Energy, Inc. (FANG) \$94.67

The company provides sensitivity analysis based on various prices of WTI crude and you can see how increasing WTI prices impact FCF yield (right Y axis).



The spot price for WTI crude is \$73.43 a barrel right now and it was \$48.35 at the start of the year. Unfortunately for the company, it will not be able to tap into this big increase in the price of WTI this year as 65% of 2021 production was hedged at lower prices. The silver lining is that their 2020 hedges taper down the rest of this year and this will provide a boost to second half 2021 results.

Risks

An investment in a shale producer comes with several macro and company specific risks including,

1. A decline in WTI and Brent crude oil prices driven by lower global consumption.
2. Net debt of \$7.08 billion compared to competitors like CLR.
3. A resumption of the OPEC/shale oil price wars.
4. In the ESG focused world we live in, environmental and safety concerns around fracking can be a risk and one of the reasons FANG focuses so much on improving water recycling, reducing flaring of gasses, reducing methane intensity and bringing down its liquid spills rate.

Conclusion

In a challenging market environment, FANG could provide an uncorrelated investment opportunity considering we may be at the beginning stages of a cyclical rebound. I am going to start a full position in FANG for our model portfolio and my portfolio after this newsletter is published.

MODEL PORTFOLIO UPDATES

Thursday, September 30, 2021

[Watchlist](#) [Historical Trades](#)

Long Stock Positions

	Symbol	Quote	Daily Change	Number of Shares	Cost	Current Value	Diff (\$)	Diff (%)	Date Added
+	TRIL	\$17.56	\$-0.21 (-1.18)	290@17.23	\$4,997	\$5,092	\$96	1.92%	08/31/2021
+	JEF	\$37.13	\$-0.58 (-1.54)	90@33.19	\$2,987	\$3,342	\$355	11.87%	07/30/2021
+	UHAL	\$646.03	\$-15.17 (-2.29)	5@589.4	\$2,947	\$3,230	\$283	9.61%	06/30/2021
+	NLOK	\$25.3	\$-0.25 (-0.98)	108@27.66	\$2,987	\$2,732	\$-255	-8.53%	05/28/2021
+	COUR	\$31.65	\$0.73 (2.36)	70@44.7	\$3,129	\$2,215	\$-914	-29.19%	04/30/2021
+	NUAN	\$55.04	\$0.04 (0.07)	100@53.17	\$5,317	\$5,504	\$187	3.52%	04/30/2021
+	SSSS	\$12.91	\$0.11 (0.86)	369@13.55	\$5,000	\$4,764	\$-236	-4.72%	03/31/2021
+	GOCO	\$5.03	\$0.04 (0.80)	428@11.69	\$5,003	\$2,153	\$-2,850	-56.97%	03/31/2021
+	FNF	\$45.34	\$-0.56 (-1.22)	138@36.3	\$5,009	\$6,257	\$1,248	24.90%	01/29/2021
+	VRTX	\$181.39	\$-0.83 (-0.46)	22@227.75	\$5,011	\$3,991	\$-1,020	-20.36%	11/30/2020
+	PHM	\$45.92	\$-2.00 (-4.17)	123@40.76	\$5,013	\$5,648	\$635	12.66%	10/31/2020
+	RILY	\$59.04	\$-0.18 (-0.30)	189@26.78	\$5,061	\$11,159	\$6,097	120.46%	08/31/2020
+	CLR	\$46.15	\$-0.42 (-0.90)	289@17.29	\$4,997	\$13,337	\$8,341	166.92%	07/31/2020
+	GILD	\$69.85	\$-1.09 (-1.54)	66@76.14	\$5,025	\$4,610	\$-415	-8.26%	06/30/2020
+	MHK	\$177.4	\$-5.55 (-3.03)	57@87.72	\$5,000	\$10,112	\$5,112	102.23%	04/30/2020
Cash and Active Position Returns						\$35,342	\$19,830	21.74%	
Total Portfolio Value and Returns **						\$122,656	\$22,656	22.66%	

The Model Portfolio lost some traction in September thanks to declines in our trio of housing related stocks, PulteGroup (PHG), Fidelity National Financial (FNF) and Mohawk (MHK). Coursera (COUR) also lost some group and is now below its IPO price of \$33 per share. When we started a position in Coursera we initiated it at 60% of our normal position size with the intension of adding more later. I still think the long-term opportunity for Coursera is attractive and am going to add an equal number of shares as our first purchase, albeit at a lower price. I prefer not to average down on positions unless it was a priori decision, as was the case with Coursera.

MODEL PORTFOLIO UPDATES

Mohawk Industries, Inc. (MHK)

On September 17, 2021, Mohawk Industries (MHK), announced that its Board of Directors approved a new share repurchase program authorizing the Company to repurchase up to \$500 million of its common stock, representing a 3.98% of the company's market cap at announcement. The board had also authorized a \$500 million purchase in October 2020 when the stock was trading around \$100 per share.

Continental Resources, Inc. (CLR)

On September 17, 2021, Founder and Chairman Harold Hamm purchased 261,709 shares of Continental Resources, paying \$41.99 per share for a total amount of \$10.99 million. We wrote the following about Harold Hamm's purchases of CLR in our August 2020 Newsletter, when we added CLR to our portfolio: *"Harold Hamm started buying shares of Continental Resources on the open market on June 23rd and over the course of the next two weeks acquired 10.55 million shares worth \$178 million at an average price of \$16.87. Following these purchases, he now owns 295.47 million shares representing 81% of the total shares outstanding."*

Gilead Sciences, Inc.

On September 27, 2021, Gilead Sciences (GILD) announced that Health Canada has approved Trodelvy® (sacituzumab govitecan-hziy) for the treatment of adult patients with unresectable locally advanced or metastatic triple-negative breast cancer (TNBC) who have received two or more prior therapies, at least one of them for metastatic disease. Canada is the fifth country after Australia, Great Britain, Switzerland, and the United States that have approved Trodelvy for use under Project Orbis, an initiative of the U.S. Food and Drug Administration (FDA) Oncology Center of Excellence (OCE) with international regulatory authorities as a global collaborative review program for high impact oncology marketing applications across participating countries.

Merdad Parsey, MD, PhD, Chief Medical Officer, Gilead Sciences said, "Because Trodelvy is the first and only targeted treatment to show benefit in overall survival in 2L metastatic TNBC versus chemotherapy, ensuring that it is accessible to eligible patients is imperative."

B. Riley Financial, Inc. (RILY)

On September 13, 2021, B. Riley Financial (RILY) announced that it intends to commence a cash tender offer to purchase up to 2,000,000 American Depositary Shares ("ADS") of DoubleDown Interactive (DDI) each representing 0.05 of a common share of DDI, at \$18.00 per ADS. DoubleDown Interactive is a leading developer and publisher of digital social casino games.

MODEL PORTFOLIO UPDATES

As of September 22, 2021, B. Riley Financial, its affiliates and certain of its executive officers beneficially own an aggregate of 2,002,324 ADS of DDI, or approximately 31.7% of the 6,316,000 ADS of DDI.

Two more insiders purchased shares of RILY in the month of September. Andrew Moore, CEO of B. Riley Securities, Inc. purchased shares worth \$301,000, while Director Randall E. Paulson purchased shares worth almost a million dollars.

PulteGroup, Inc. (PHM)

On September 8, 2021, PulteGroup (PHM) announced updated closing guidance for its third quarter and full year 2021, which was below its previous guidance. The company stated that increased supply chain disruptions and shortages of key building products continue to impact the pace of homebuilding operations. The company currently expects third quarter closings to increase approximately 8% over last year to 7,000 homes and for the full year it expects closings to increase approximately 19% to 21% to between 29,250 and 29,750 homes.

Ryan Marshall, President and Chief Executive Officer of PulteGroup said, *"Industry disruptions have also impacted the timing of community openings such that, even though we continue to limit sales pace in many communities in the face of ongoing buyer demand, our average community count for the third quarter is expected to be down approximately 15% from last year. We continue to expect community count at year end to be down 5% to 10% from last year and then gradually expand as 2022 progresses."*

Jefferies Financial Group (JEF)

Jefferies has continued to perform well since we added it to our model portfolio two months ago. The stock is up nearly 12% since then and is up again after hours today after reporting third quarter results. The company reported net revenues of \$1.94 billion up 17% over the prior year's third quarter. Net earnings of \$407 million or \$1.50 per diluted share, increased 25% over the prior year quarter. Investment banking revenue was particularly strong at the Jefferies Group at \$1.18 billion, an increase of 100% year-over-year. Annualized return on tangible equity at the Jefferies Group was 34.4%3, compared with 23.2%4 in the prior year quarter.

As indicated in our August 2021 newsletter, Jefferies Financial Group consists of its investment banking firm Jefferies Group, and the rest of Leucadia assets like its nearly \$2 billion "merchant banking" portfolio that consists of stakes in various businesses like Idaho Timber (100%), HomeFed (100%), Vitesse Energy Finance (97%), FXCM Group, etc.

MONTHLY M&A OVERVIEW

There were 13 new deals announced in the month of September with a total value of over \$77.39 billion.

NEW DEALS

- The acquisition of Hill-Rom Holdings (HRC) by Baxter International (BAX) for \$12.4 billion.
- The acquisition of Columbia Property Trust (CXP) by PIMCO for \$3.9 billion or \$19.30 per share in cash.
- The acquisition of Kadmon Holdings (KDMN) by Sanofi (SNY) for \$1.64 billion or \$9.50 per share in cash.
- The acquisition of JPM Group (JMP) by Citizens Financial Group (CFG) for \$149 million or \$7.50 per share in cash.
- The acquisition of Echo Global Logistics (ECHO) by The Jordan Company for \$939.64 million or \$48.25 per share in cash.
- The acquisition of Itamar Medical (ITMR) by ZOLL Medical Corporation for \$399.11 million or \$31.00 per share in cash.
- The acquisition of Corvus Gold (KOR) by AngloGold Ashanti Limited for \$450 million or \$3.20 per share in cash.
- The acquisition of GreenSky (GSKY) by The Goldman Sachs Group (GS) for \$2.24 billion in an all stock deal.
- The acquisition of Kansas City Southern (KSU) by Canadian Pacific Railway Limited (CP) for \$30.44 billion in a cash plus stock deal.
- The merger of Great Western Bancorp (GWB) and First Interstate BancSystem (FIBK) for \$2 billion in an all stock deal.
- The acquisition of Kraton Corporation (KRA) by DL Chemical for \$2.5 billion.
- The merger of Kirkland Lake Gold (KL) and Agnico Eagle Mines Limited (AEM) for \$9.53 billion in an all stock deal.
- The acquisition of Acceleron Pharma (XLRN) by Merck (MRK) for \$10.8 billion

MONTHLY M&A OVERVIEW

COMPLETED DEALS

Twelve active deals were successfully completed in the month of September.

- The acquisition of ORBCOMM (ORBC) by GI Partners on September 1, 2021.
- The acquisition of SharpSpring (SHSP) by Clearlake Capital Group on September 1, 2021.
- The acquisition of Core-Mark Holding Company (CORE) by Performance Food Group Company (PFGC) on September 1, 2021.
- The acquisition of Mackinac Financial Corporation (MFNC) by Nicolet Bankshares (NCBS) on September 3, 2021.
- The acquisition of Cincinnati Bell (CBB) by Macquarie Infrastructure Partners on September 7, 2021.
- The acquisition of The New Home Company (NWHM) by Apollo Global Management on September 8, 2021.
- The acquisition of Ossen Innovation (OSN) by New Ossen Group Limited on September 10, 2021.
- The acquisition of Translate Bio (TBIO) by Sanofi (SNY) on September 14, 2021.
- The acquisition of Premier Financial Bancorp (PFBI) by Peoples Bancorp (PEBO) on September 17, 2021.
- The acquisition of J. Alexander's Holdings (JAX) by SPB Hospitality on September 30, 2021.
- The acquisition of Bank of Commerce Holdings (BOCH) by Columbia Banking System (COLB) on September 30, 2021.
- The acquisition of Tremont Mortgage Trust (TRMT) by RMR Mortgage Trust (RMRM) on September 30, 2021.

TERMINATED DEALS

- On September 15, 2021, Kansas City Southern (KSU) terminated the Canadian National Railway Company (CNI) merger agreement and entered into a merger agreement with Canadian Pacific Railway Limited (CP).

MONTHLY M&A OVERVIEW

POTENTIAL DEALS IN THE WORKS

There were thirteen new deals in the works announced in the month of September.

- On September 7, 2021, The Board of Directors of Unico American Corporation (UNAM) authorized a review of strategic alternatives for the Company aimed at enhancing shareholder value.
- On September 9, 2021, Cedar Realty Trust (CDR) announced that its Board of Directors has initiated a dual-track process to review the Company's strategic alternatives in order to maximize shareholder value. As part of this process, Cedar is exploring, among other alternatives, a potential sale or merger involving the entire Company.
- On September 13, 2021, Apollo Global Management (APO) approached Tronox Holdings (TROX) with a \$4.3 billion all-cash offer.
- On September 15, 2021, The Board of Directors of ION Geophysical Corporation (IO) initiated a process to evaluate a range of strategic alternatives to strengthen its financial position and maximize stakeholder value.
- On September 15, 2021, Citrix Systems (CTXS), announced that it is working with advisers and is once again weighing whether to sell itself after a sharp drop in its share price this year.
- On September 21, 2021, Tegna (TGNA) received takeover interest from media mogul Byron Allen and private equity giant Apollo Global Management (APO).
- On September 23, 2021, IAC/InterActiveCorp. (IAC) announced that it is in advanced talks to acquire magazine publisher Meredith Corp. (MDP).
- On September 23, 2021, Gulfport Energy Corp (GPOR), announced that it is exploring strategic options including a possible sale after emerging from bankruptcy earlier this year.
- On September 24, 2021, iClick Interactive Asia Group Limited (ICLK) announced that its board of directors received a preliminary non-binding indicative proposal from PAG Pegasus Fund to acquire all of the outstanding shares of the Company.
- On September 27, 2021, StoneMor (STON) announced that its board of directors received a letter, from Axar Capital Management in which Axar expressed an interest in pursuing discussions concerning strategic alternatives that may be beneficial to the Company and its various stakeholders.
- On September 27, 2021, Drugmaker Acceleron Pharma (XLRN) announced that it is in advanced discussions to be acquired by Merck & Co (MRK).
- On September 28, 2021, CyrusOne (CONE), announced that it is exploring strategic alternatives that include a potential sale of the company.
- On September 29, 2021, Walgreens Boots Alliance (WBA) announced that it is weighing an acquisition of Evolent Health (EVH) the healthcare group that has been under activist investor pressure to consider a sale.

SPAC Arbitrage

SPAC IPOs

There were 30 SPAC IPOs filed in the month of September, which raised over \$5.97 billion.

SPAC Business Combinations

Twelve SPAC Business Combinations were announced in the month of September.

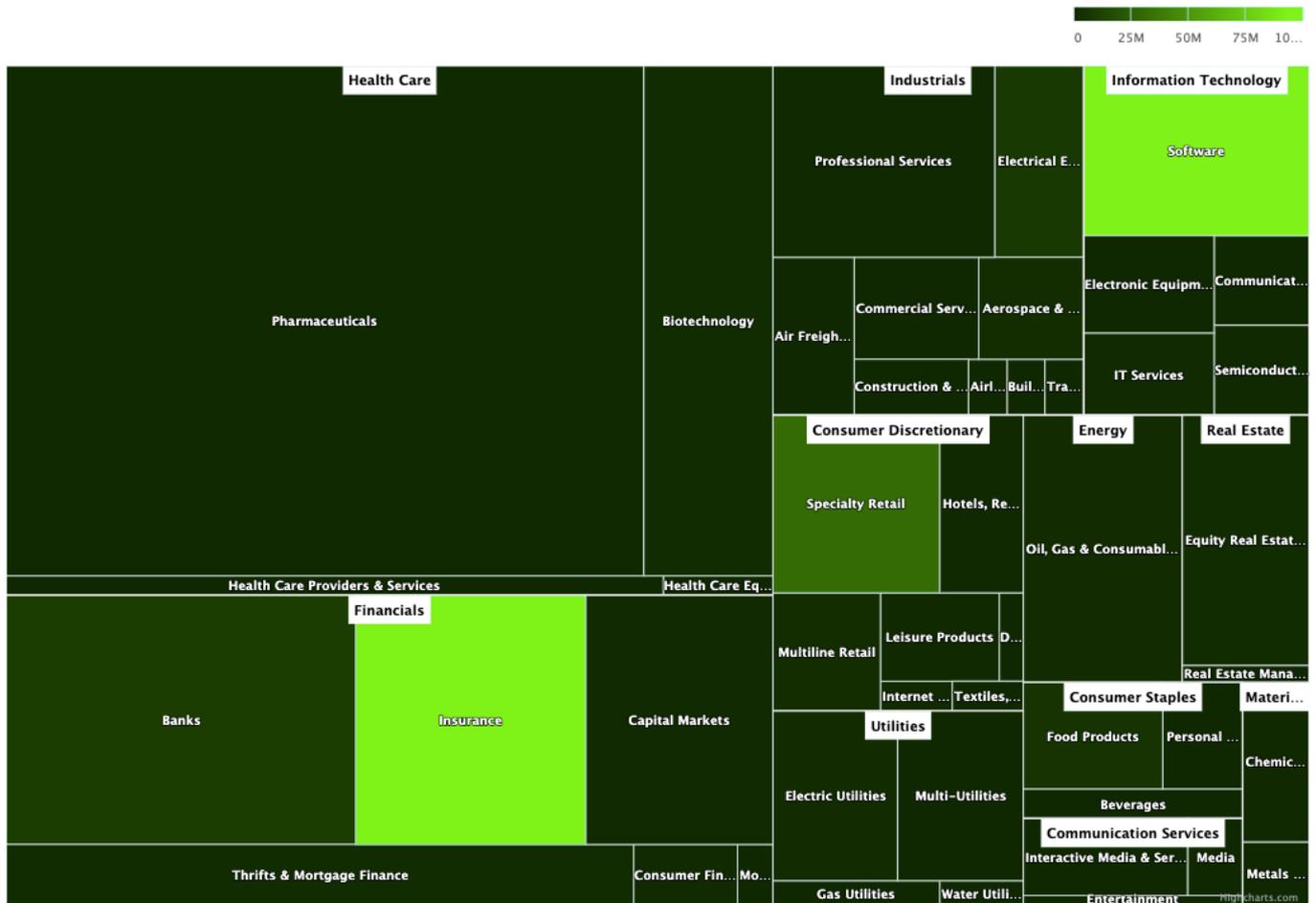
- Novus Capital Corporation II (NXU) and Energy Vault
- Packable and Highland Transcend Partners I Corp. (HTPA)
- Golden Path Acquisition Corporation (GPCO) and MC Hologram
- Forge Global announced and Motive Capital Corp (MOTV)
- Pagaya Technologies and EJF Acquisition (EJFA)
- Gogoro® Inc. and Poema Global Holdings Corp. (PPGH)
- Prenetics Group Limited and Artisan Acquisition (ARTAU)
- Tiedemann Group, Alvarium Investments Limited and Cartesian Growth Corporation (GLBL)
- Transfix and G Squared Ascend (GSQD)
- Polestar Performance AB and Gores Guggenheim (GGPI)
- SAITECH Limited and TradeUP Global Corporation (TUGC)
- Amicus Therapeutics (FOLD) and ARYA Sciences Acquisition Corp IV (ARYD)

INSIDER ACTIVITY BY SECTOR AND TOP TRANSACTIONS

The sector heat map below shows insider purchases in September by company management (CEOs, CFOs, etc.) and excludes any insider purchases by 10% owners or directors. As premium subscribers, you can pull up our [online insider heat map](#) and drill down to view specific insider purchases for a particular industry. During the month of September, the Information Technology sector had the most purchases, followed by the Financials sector.

In the next few pages we have highlighted ten companies that had the most insider buying and insider selling in September.

Heat map of management insider purchases for all sectors over the last month



TOP 10 INSIDER BUYS - SEPTEMBER 2021

Owner	Relationship	Cost	Shares	Value
1. Asana, Inc. (ASAN): \$103.84		Sector: Information Technology		
Dustin A. Moskovitz	President, CEO, & Chairman	\$96.55	763,915	\$73,761,000
<i>Total Purchased by all Insiders of Asana, Inc.</i>				\$73,761,500
2. Oscar Health, Inc. (OSCR): \$17.39		Sector: Financials		
Joshua Kushner	Co-Founder and Vice Chairman	\$17.17	3,032,243	\$52,077,126
Mario Schlosser	Chief Executive Officer	\$17.53	57,300	\$1,004,515
<i>Total Purchased by all Insiders of Oscar Health, Inc.</i>				\$53,080,016
3. Designer Brands Inc. (DBI): \$13.93		Sector: Consumer Discretionary		
Jay L. Schottenstein	Executive Chairman	\$12.80	1,667,527	\$21,336,427
<i>Total Purchased by all Insiders of Designer Brands Inc.</i>				\$21,336,427
4. Continental Resources, Inc. (CLR): \$46.15		Sector: Energy		
Harold Hamm	Director	\$41.99	261,709	\$10,988,120
<i>Total Purchased by all Insiders of Continental Resources, Inc.</i>				\$10,988,120
5. Ault Global Holdings, Inc. (DPW): \$2.43		Sector: Industrials		
Milton C. Ault III	Executive Chairman	\$2.54	2,500,000	\$6,338,992
<i>Total Purchased by all Insiders of Ault Global Holdings, Inc.</i>				\$6,338,992
6. Evergy, Inc. (EVRG): \$62.20		Sector: Utilities		
John C. Wilder	Director	\$63.27	79,226	\$5,012,368
Kirkland B. Andrews	EVP - Chief Financial Officer	\$63.67	7,875	\$501,392
David A. Campbell	Director	\$63.66	7,850	\$499,699
<i>Total Purchased by all Insiders of Evergy, Inc.</i>				\$6,013,365

TOP 10 INSIDER BUYS - SEPTEMBER 2021

Owner	Relationship	Cost	Shares	Value
7. Membership Collective Group Inc. (MCG): \$12.44		Sector: Consumer Discretionary		
Ronald W. Burkle	Director	\$12.15	200,000	\$2,430,059
<i>Total Purchased by all Insiders of Membership Collective Group Inc.</i>				\$2,430,059
8. Accelerate Diagnostics, Inc. (AXDX): \$5.83		Sector: Health Care		
Jack W. Schuler	Director	\$5.39	429,531	\$2,315,915
Hany Massarany	Director	\$5.30	10,000	\$53,000
<i>Total Purchased by all Insiders of Accelerate Diagnostics, Inc.</i>				\$2,368,915
9. Apartment Investment and Management Company (AIV): \$6.85		Sector: Real Estate		
Terry Considine	Director	\$6.92	305,375	\$2,113,882
<i>Total Purchased by all Insiders of Apartment Investment and Management Company</i>				\$2,113,882
10. SelectQuote, Inc. (SLQT): \$12.93		Sector: Financials		
Thomas W. Grant II	Director	\$12.42	144,533	\$1,794,535
Raymond F. Weldon	Director	\$13.34	10,000	\$133,378
Donald L. Hawks III	Director	\$13.25	10,000	\$132,504
Denise L. Devine	Director	\$11.44	1,500	\$16,703
Earl H. Devanny III	Director	\$12.75	1,000	\$12,750
<i>Total Purchased by all Insiders of SelectQuote, Inc.</i>				\$2,089,629

TOP 10 INSIDER SALES - SEPTEMBER 2021

Owner	Relationship	Cost	Shares	Value
1. Walmart Inc. (WMT): \$139.38		Sector: Consumer Staples		
Robson S. Walton	Director	\$146.66	4,671,000	\$685,057,596
Douglas C. McMillon	President and CEO	\$143.27	9,708	\$1,390,866
<i>Total Sold by all Insiders of Walmart Inc.</i>				\$686,441,523
2. Facebook, Inc. (FB): \$339.39		Sector: Communication Services		
Mark Zuckerberg	COB and CEO	\$366.36	1,700,600	\$623,030,195
Jennifer Newstead	VP and General Counsel	\$370.21	1,125	\$416,481
<i>Total Sold by all Insiders of Facebook, Inc.</i>				\$623,449,267
3. Alphabet Inc. (GOOG): \$2665.31		Sector: Communication Services		
Lawrence Page	Director	\$2810.29	83,334	\$234,193,117
Sergey Brin	Director	\$2889.81	83,334	\$240,819,137
Sundar Pichai	Chief Executive Officer	\$2894.50	6,000	\$17,367,022
John L. Hennessy	Director	\$3802.28	200	\$760,457
Amie Thuener O'Toole	VP, Chief Accounting Officer	\$2913.00	48	\$139,824
Ann Mather	Director	\$2918.99	17	\$49,623
<i>Total Sold by all Insiders of Alphabet Inc.</i>				\$493,329,473
4. MP Materials Corp. (MP): \$32.23		Sector: Materials		
James H. Litinsky	Chairman and CEO	\$34.62	3,154,388	\$109,204,909
Daniel Allen Gold	Director	\$34.62	1,095,612	\$37,930,086
<i>Total Sold by all Insiders of MP Materials Corp.</i>				\$147,134,999

TOP 10 INSIDER SALES - SEPTEMBER 2021

Owner	Relationship	Cost	Shares	Value
5. Bill.com Holdings, Inc. (BILL): \$266.95		Sector: Information Technology		
Blake Thomas Murray	CEO, DivvyPay, LLC	\$293.12	264,748	\$77,603,255
Rene A. Lacerte	President and CEO	\$283.93	119,888	\$34,040,039
Bora Chung	Chief Experience Officer	\$294.30	34,247	\$10,078,842
John R. Rettig	CFO	\$294.39	8,333	\$2,453,123
Steven Cakebread	Director	\$290.63	4,000	\$1,162,523
Rajesh A. Aji	General Counsel & CCO	\$286.39	2,155	\$617,165
Thomas J. Clayton	Chief Revenue Officer	\$292.53	94	\$27,498
<i>Total Sold by all Insiders of Bill.com Holdings, Inc.</i>				\$125,981,961
6. Snowflake Inc. (SNOW): \$302.43		Sector: Information Technology		
Benoit Dageville	President of Products	\$320.81	98,182	\$31,497,791
Frank Sloatman	CEO and Chairman	\$311.74	63,093	\$19,668,578
Michael Scarpelli	Chief Financial Officer	314.87	60,000	\$18,892,087
John Dennis McMahon	Director	\$309.00	41,090	\$12,696,810
Christopher William Degnan	Chief Revenue Officer	\$302.55	38,344	\$11,600,836
Mark Garrett	Director	\$318.79	10,376	\$3,307,802
<i>Total Sold by all Insiders of Snowflake Inc.</i>				\$97,664,131
7. Upstart Holdings, Inc. (UPST): \$316.44		Sector: Financials		
Paul Gu	SVP, Product and Data Science	\$270.40	155,000	\$41,911,898
Dave Girouard	Chief Executive Officer	\$225.44	137,498	\$30,998,113
Alison Nicoll	General Counsel	\$271.92	90,000	\$24,473,000
<i>Total Sold by all Insiders of Upstart Holdings, Inc.</i>				\$97,382,574

TOP 10 INSIDER SALES - SEPTEMBER 2021

Owner	Relationship	Cost	Shares	Value
8. Elastic N.V. (ESTC): \$148.99		Sector: Information Technology		
Steven Schuurman	Director	\$165.35	500,000	\$82,675,003
Peter H. Fenton	Director	\$162.19	59,042	\$9,576,213
Paul Andrew Appleby	President, Worldwide Field Ops	\$163.09	15,378	\$2,508,003
<i>Total Sold by all Insiders of Elastic N.V.</i>				\$94,759,156
9. Arista Networks, Inc. (ANET): \$343.64		Sector: Information Technology		
Andreas Bechtolsheim	Chief Development Officer	\$363.67	230,888	\$83,967,470
Kenneth Duda	CTO and SVP Software Eng.	\$355.67	14,532	\$5,168,583
Anshul Sadana	SVP, Chief Operating Officer	\$363.33	4,234	\$1,538,338
Charles H. Giancarlo	Director	\$363.57	1,685	\$612,609
Marc Taxay	SVP and General Counsel	\$364.10	1,588	\$578,197
Ann Mather	Director	\$369.54	417	\$154,098
<i>Total Sold by all Insiders of Arista Networks, Inc.</i>				\$92,019,206
10. Coinbase Global, Inc. (COIN): \$227.48		Sector: Financials		
Paul Grewal	Chief Legal Officer	\$252.11	175,151	\$44,157,237
Frederick Ernest Ehram III	CMO, Hematology	\$269.57	61,870	\$16,678,566
Surojit Chatterjee	Chief Product Officer	\$271.79	20,000	\$5,435,846
Jennifer N. Jones	Chief Accounting Officer	\$260.39	796	\$207,270
<i>Total Sold by all Insiders of Coinbase Global, Inc.</i>				\$66,478,884

SPINOFFS

New Spinoffs

Parent Symbol	Parent Name	Spinoff Name	Announced Date	Potential Spinoff Date	Type
FOLD	Amicus Therapeutics, Inc.	Caritas Therapeutics, Inc.	9/29/2021	Q4 2021	Reverse Morris Trust

- On September 29, 2021, Amicus Therapeutics (FOLD) announced its intent to launch a genetic medicine company, Caritas Therapeutics, through a definitive business combination agreement pursuant to which the Amicus gene therapy business will be acquired by ARYA Sciences Acquisition Corp IV (ARYD), a special purpose acquisition company or SPAC, sponsored by Perceptive Advisors. The transaction will result in two independent publicly traded companies.

Completed Spinoffs

Spinoff Date	Spinoff Name & Symbol	Spinoff Performance	Parent Name & Symbol	Parent Performance
9/13/2021	Jackson Financial Inc. (JXN)	-3.76%	Prudential plc (PUK)	-9.17%

- On September 13, 2021, Prudential completed the demerger of Jackson Financial (JXN). Jackson is now an independent company listed on the New York Stock Exchange with a ticker JXN.

Spinoff Updates

- On September 1, 2021, Regal Beloit Corporation (RBC) announced that its shareholders overwhelmingly approved the issuance of shares of Regal common stock necessary to complete the previously announced combination of Rexnord Corporation's (RXN) Process & Motion Control business with Regal in a Reverse Morris Trust transaction. The companies also announced that they expect to complete the proposed combination of the Process & Motion Control Business of Rexnord with Regal through a Reverse Morris Trust transaction on October 4, 2021, subject to satisfaction or waiver of the applicable closing conditions.

SPINOFFS

Spinoff Updates

- On September 14, 2021, Zimmer Biomet Holdings (ZBH), announced key appointments to the "NewCo" leadership team, including Richard J. Heppenstall as Executive Vice President and Chief Financial Officer. Additionally, the Company announced ZimVie as the name for the planned spin-off company for the Spine and Dental businesses.
- On September 21, 2021, J2 Global (JCOM) announced that its Board of Directors approved its previously announced separation into two independent publicly traded companies – J2 Global, Inc., which will be known as Ziff Davis, Inc. after the separation and Consensus Cloud Solutions, Inc. The separation is expected to be completed on October 7, 2021.
- On September 23, 2021, Dell Technologies (DELL) announced that it is planning a \$5 billion share-repurchase program and projected revenue growth of as much as 4% annually through fiscal 2026 as it nears the spinoff of its majority stake in VMware in November.
- On September 24, 2021: Ardagh Group S.A. (ARD) announced that it has submitted written notice to the New York Stock Exchange of its intention to voluntarily delist its Class A common shares from the NYSE following the completion of the previously announced exchange offer under which AGSA is offering to exchange each outstanding AGSA Shares for 2.5 shares of Ardagh Metal Packaging S.A. (AMBP).
- On September 27, 2021: Regal Beloit (RBC) and Rexnord (RXN) announced estimated exchange ratio and the estimated amount of Regal Special Cash Dividend in connection with anticipated completion of combination of Regal and Rexnord's PMC Business.
- On September 28, 2021: Sylvamo (SLVM) announced that it will replace Stamps.com (STMP) in the S&P SmallCap 600 effective prior to the opening of trading on Monday, October 4. S&P 500 constituent International Paper (IP) is spinning off Sylvamo in a transaction expected to be effective on October 1. Thoma Bravo is acquiring Stamps.com in a deal expected to be completed soon pending final conditions.
- On September 28, 2021, Kyndryl, the new, independent public company that will be created following the separation of IBM's (IBM) Managed Infrastructure Services business, announced the company's first Board of Directors and the selection of Martin Schroeter as Kyndryl board chairman. Kyndryl will list on the New York Stock Exchange under the symbol "KD".

STOCK BUYBACKS

Significant Buyback Announcements in the month of September

Premium members can access our list of stock buyback announcements [here](#). We update this data on a daily basis and calculate how much of the company's market cap each buyback represents at the time of announcement. There were 64 buyback announcements in the month of September.

Given below are the top 10 significant buyback announcements in September.

- On September 23, 2021, the Board of Directors of Four Seasons Education (FEDU), approved a new share repurchase program authorizing the Company to repurchase up to \$15 million of its Class A Common Stock equal to 43.78 percent of the common shares of the Company.
- On September 17, 2021, the Board of Directors of Presidio Property Trust (SQFT), approved a new share repurchase program authorizing the Company to repurchase up to \$10 million of its Class A Common Stock equal to 25.2 percent of the common shares of the Company.
- On September 7, 2021, the Board of Directors of Meta Financial Group (CASH), approved a new share repurchase program authorizing the Company to repurchase up to \$289.74 million of its Class A Common Stock equal to 18.8 percent of the common shares of the Company.
- On September 16, 2021, the Board of Directors of Zumiez (ZUMZ), approved a new share repurchase program authorizing the Company to repurchase up to \$150 million of its Class A Common Stock equal to 15 percent of the common shares of the Company.
- On September 16, 2021, the Board of Directors of Diamondback Energy (FANG), approved a new share repurchase program authorizing the Company to repurchase up to \$2 billion of its Class A Common Stock equal to 13.8 percent of the common shares of the Company.
- On September 22, 2021, the Board of Directors of Willis Towers Watson Public Limited Company (WLTW), approved an additional \$4 billion to repurchase around 13.42 percent of the common shares of the Company.
- On September 2, 2021, the Board of Directors of Academy Sports and Outdoors (ASO), approved a new share repurchase program authorizing the Company to repurchase up to \$500 million of its Class A Common Stock equal to 12 percent of the common shares of the Company.
- On September 15, 2021, the Board of Directors of Curtiss-Wright Corporation (CW), approved a new share repurchase program authorizing the Company to repurchase up to \$550 million of its Class A Common Stock equal to 11.7 percent of the common shares of the Company.
- On September 23, 2021, the Board of Directors of AECOM (ACM), approved an additional \$1 billion to repurchase around 10.48 percent of the common shares of the Company.
- On September 7, 2021, the Board of Directors of Frontdoor (FTDR), approved a new share repurchase program authorizing the Company to repurchase up to \$400 million of its Class A Common Stock equal to 10.43 percent of the common shares of the Company.

DOUBLE DIPPER

The Double Dipper is a screen we built of companies that are buying back their shares while their insiders are independently buying stock on the open market for their own portfolios. We are only including management insider purchases and are excluding purchases by directors and 10% owners. This month we ran the screen to look at share reductions over a two quarter period.

Symbol	Company	%Change in Shares	Period of Report	Previous Period
LPX	Louisiana-Pacific Corporation	-7.14%	06/30/2021	12/31/2020
HMST	HomeStreet, Inc.	-6.30%	06/30/2021	12/31/2020
AAIC	Arlington Asset Investment Corp.	-6.28%	06/30/2021	12/31/2020
SNAX	Stryve Foods, Inc.	-6.17%	06/30/2021	12/31/2020
SPLP	Steel Partners Holdings L.P.	-6.06%	06/30/2021	12/31/2020
SATS	EchoStar Corp.	-5.74%	06/30/2021	12/31/2020
FBC	Flagstar Bancorp, Inc.	-5.46%	06/30/2021	12/31/2020
SLG	SL Green Realty Corp.	-4.33%	06/30/2021	12/31/2020
FFBW	FFBW, Inc.	-3.70%	06/30/2021	12/31/2020
AMG	Affiliated Managers Group, Inc.	-3.64%	06/30/2021	12/31/2020
SC	Santander Consumer USA Holdings Inc.	-3.58%	06/30/2021	12/31/2020
SLCT	Select Bancorp, Inc.	-3.44%	06/30/2021	12/31/2020
PBHC	Pathfinder Bancorp, Inc.	-3.36%	06/30/2021	12/31/2020
BSVN	Bank7 Corp.	-3.25%	06/30/2021	12/31/2020
FIBK	First Interstate BancSystem, Inc.	-3.15%	06/30/2021	12/31/2020

Voluntary Disclosure: I hold long positions in Trillium Therapeutics (TRIL), Jefferies (JEF), AMERCO (UHAL), NortonLifeLock (NLOK), Nuance Communications (NUAN), Coursera (COUR), SuRo Capital (SSSS), GoHealth (GOCO), Fidelity National Financial (FNF), Vertex Pharmaceuticals (VRTX), PulteGroup (PHM), B. Riley Financial (RILY), Gilead Sciences (GILD) and Mohawk Industries (MHK).

Disclaimer: Please do your own due diligence before buying or selling any securities. We do not warrant the completeness or accuracy of the content or data provided in this newsletter.