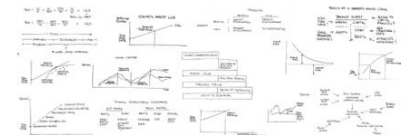


SPACS

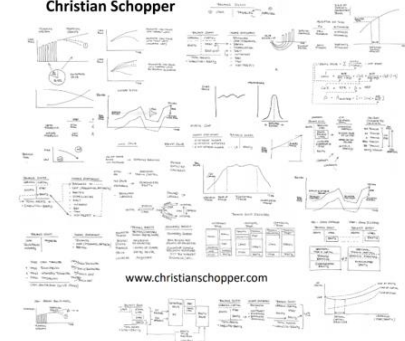
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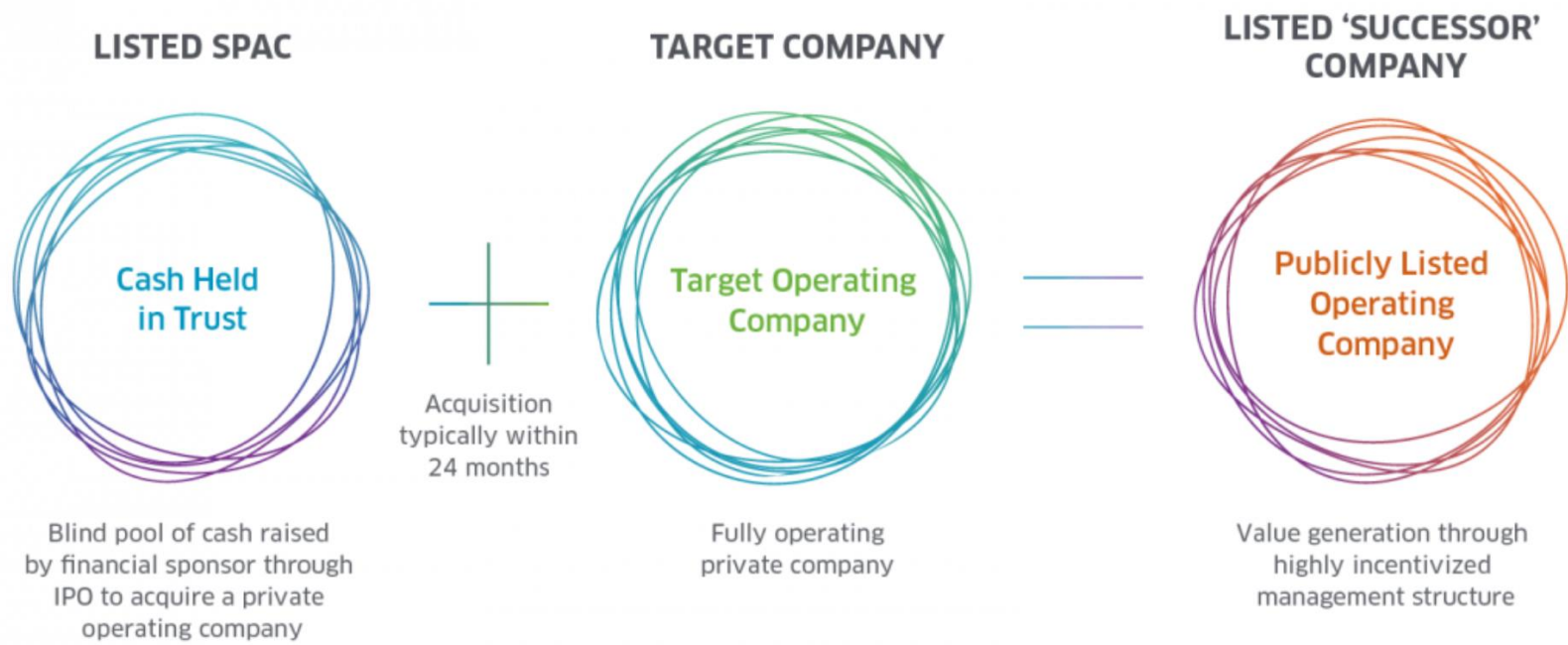
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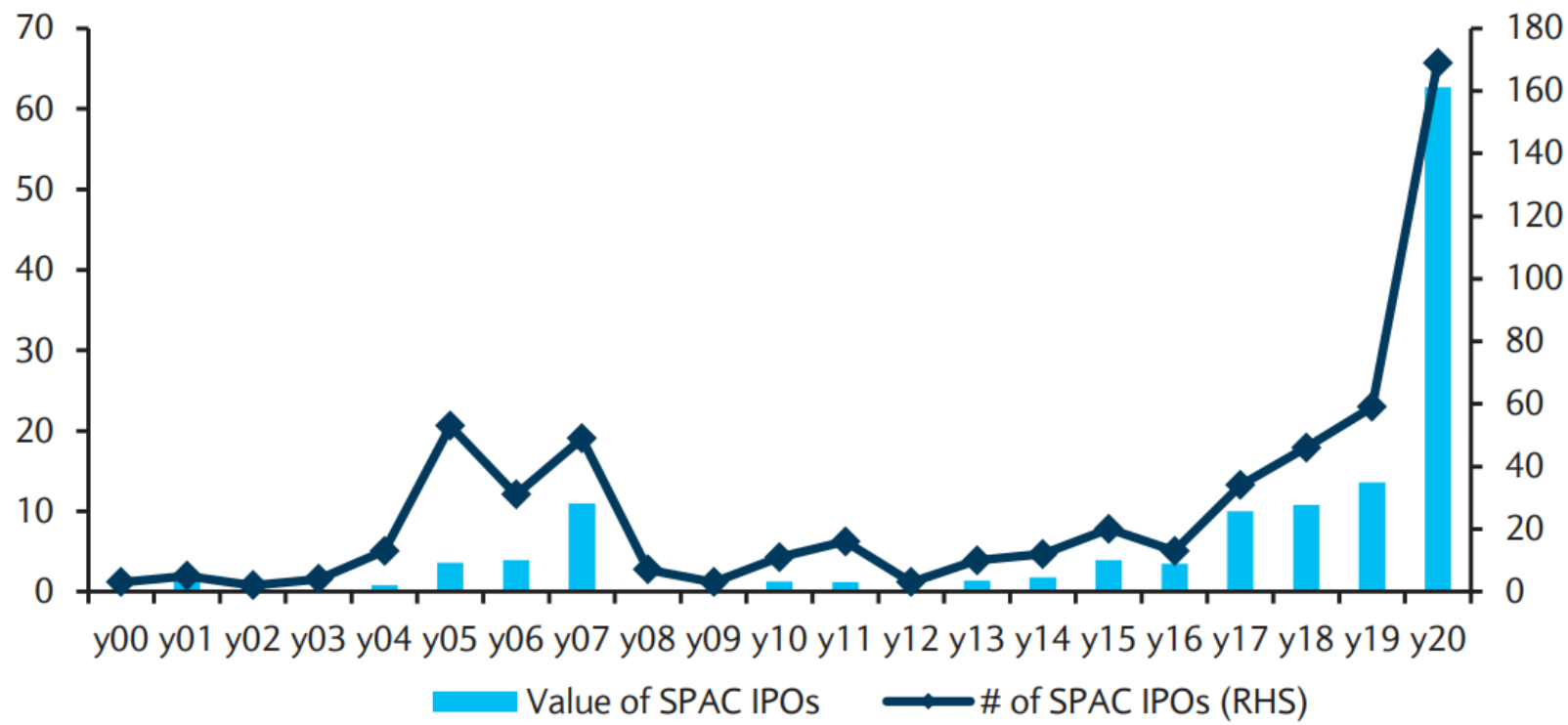
What is a SPAC (Special Purpose Acquisition Company)?



What is a SPAC? (cont'd)

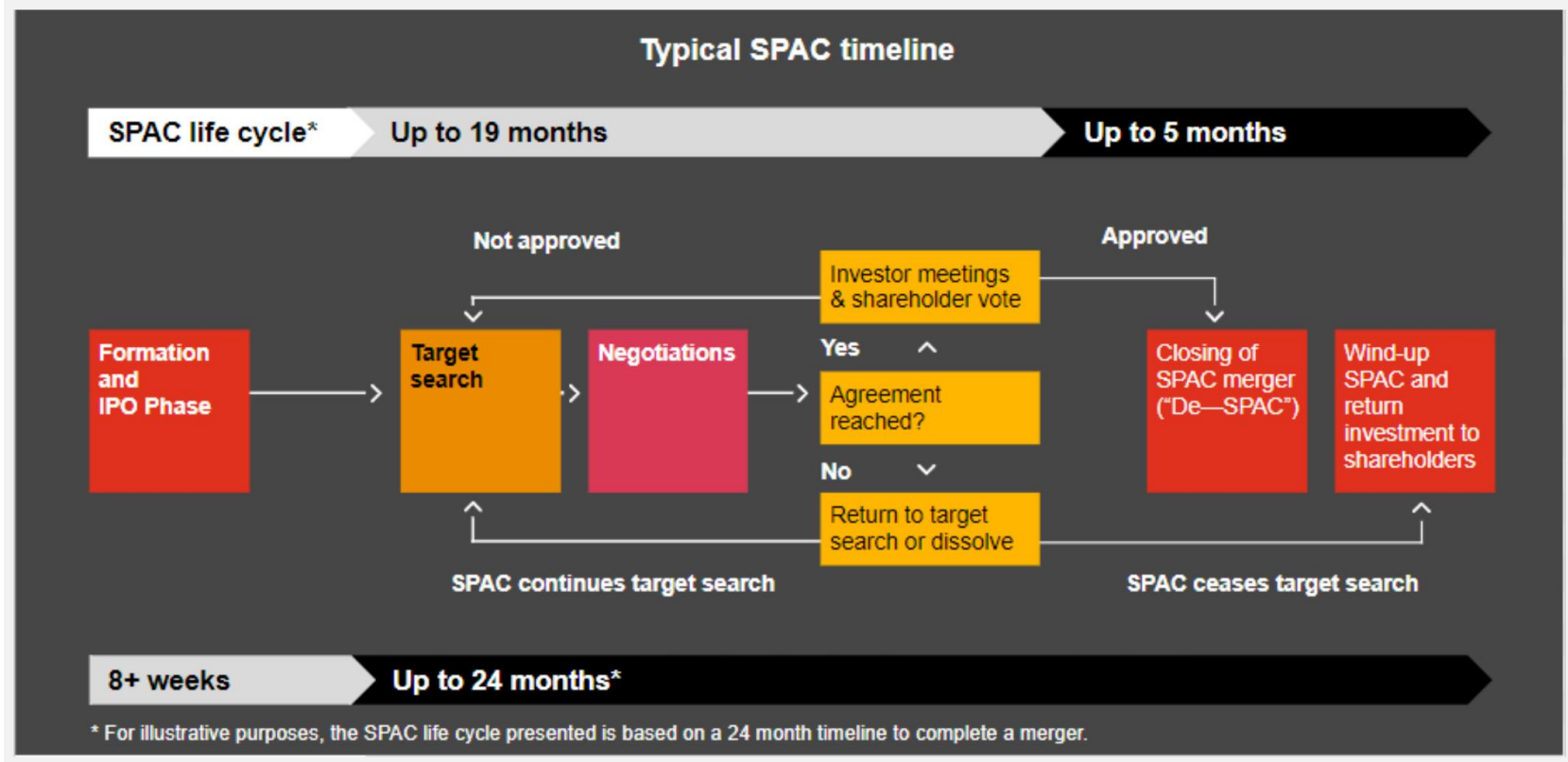
- A SPAC is a blank check company
 - These companies raise money in the public markets without having operations ...
 - ... with the purpose to acquire a company
 - Very broad investment mandate
- Identify private companies, which can be acquired and taken public
- Usually run by experienced management teams
 - Understand a market or industry well, want to buy a company (or a few) and take them public
- SPACs were first created in the 1990s
 - Didn't gain popularity until recently
- Alternative for companies pursuing an IPO
 - Raise capital
 - Provide shareholder liquidity
 - Create brand awareness
 - Obtain resources to further expand their business
- SPACs provide companies access to capital, even when market volatility and other conditions limit liquidity
- Further, SPACs could potentially lower transaction fees as well as expedite the timeline to become a public company

SPAC Issuance Dynamics



Source: Barclays Research, SPAC Research, Bloomberg

Typical SPAC Timeline



SPAC Formation and Funding

Founder Shares

- Experienced management team or sponsor with nominal invested capital
 - Pays a nominal amount
 - Typically, sponsor money to fund ongoing expenses (legal counsel, underwriters, governing documents)
- Typically, approx. 20% interest in the SPAC after IPO
 - Compensate the initial investors for identifying a promising target and consummating a merger

Public Shares

- Remaining approx. 80% interest held by public shareholders

Interest held through “Units”

- Each consisting of a share of common stock and a fraction of a warrant (e.g., $\frac{1}{2}$ or $\frac{1}{3}$ of a warrant)
 - After IPO, units are separated, warrants becoming tradable
 - Warrants designed to provide additional compensation for the initial investment and are usually exercisable shortly after a merger is consummated

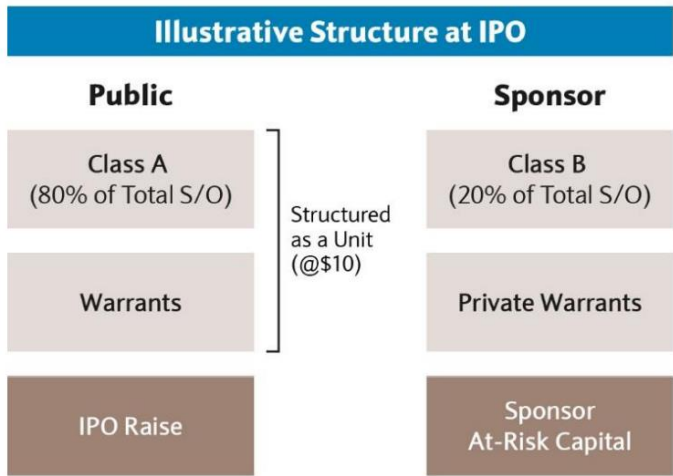
Voting Rights

- Similar for Founder and Public Shares
 - Except, Founder Shares usually have sole right to elect SPAC directors
 - Warrant holders generally do not have voting rights and only whole warrants are exercisable

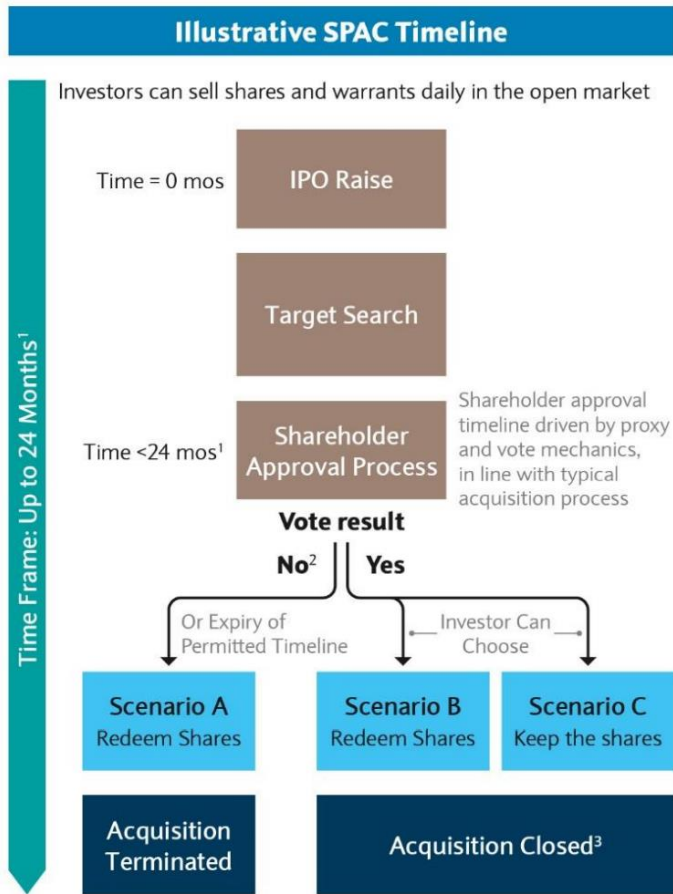
SPAC Overview – Structure and Timeline



SPAC typically has 2 years to find and consummate an acquisition¹



In addition to having ability to vote for or against a proposed acquisition, public investors also have redemption rights

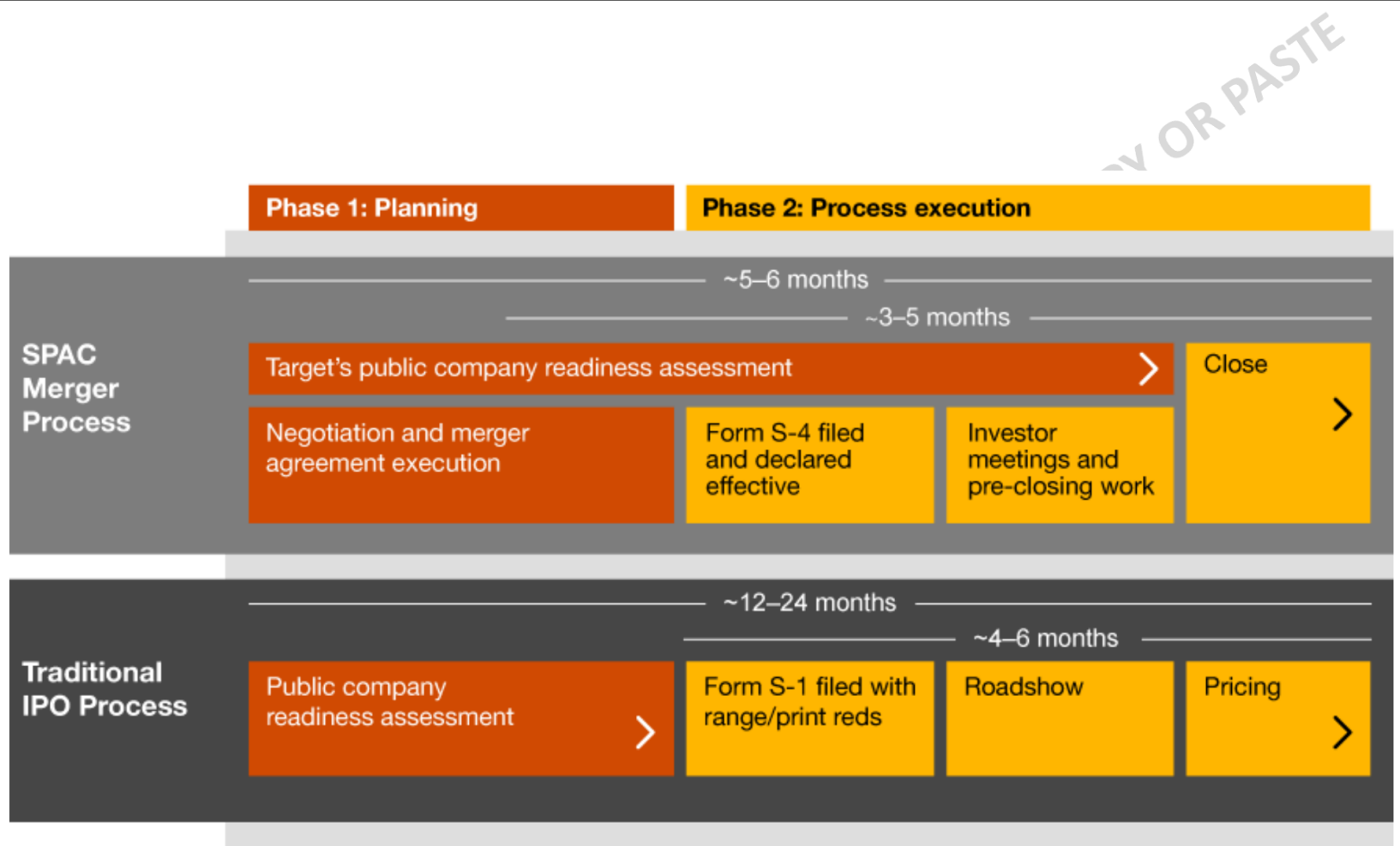


1. Permitted timeline could be extended with shareholder approval of only the holders of Class A common stock, ordinary resolution and with the consent of the exchange, if required.
2. If shareholder approval is not obtained, SPAC may look to amend acquisition terms, seek timeline extension to identify another target or in final instance liquidate vehicle.
3. Acquisition close subject to cash on hand following shareholder redemptions, or alternative sources of cash are available.
Source: Barclays Research

The SPAC Merger

- The SPAC will typically need to solicit shareholder approval for a merger and will prepare and file a proxy statement
- This document will contain various matters seeking shareholder approval, including
 - Description of the proposed merger
 - Governance matters
 - Historical financial statements
 - Management's discussion and analysis (MD&A)
 - Pro forma financial statements showing the effect of the merger
- Once shareholders approve the SPAC merger and all regulatory matters have been cleared, the merger will close and ...
- ... the target company becomes a public entity
- A Form 8-K, with information equivalent to what would be required in a Form 10 filing of the target company (commonly referred to as the Super 8-K), must be filed with the US Securities and Exchange Commission (SEC) within four business days of closing

SPAC vs IPO



Perceived Advantage of SPAC vs IPO

- Faster time to market vs. traditional IPO
 - 4-6 months vs ca. 18 months
- Greater execution and pricing certainty
 - Ability to market projections
 - Price discovery done confidentially; agreed upfront (i.e. target can lock in price)
- Provides capital flexibility
 - Frequently combined with private investment in public equity (PIPE), as well as add additional debt or equity
- Perceived cheaper than IPO
 - ... which is definitely untrue for smaller deals

Typical SPAC Key Terms

Public Offering Structure	<ul style="list-style-type: none"> Offering of public units, each consisting of: <ul style="list-style-type: none"> One share of Class A common stock Fraction of one warrant ("Public Warrants") Public units sold at IPO at \$10 per unit 		
Founder Investment	<ul style="list-style-type: none"> De minimis payment (e.g. \$25,000) for 20% promote in form of Class B common stock ("Founder Shares") Purchase of Private Warrants at IPO (at-risk investment) <ul style="list-style-type: none"> Funds IPO offering expenses and working capital Capital commitment and ownership split of SPAC between management and other at-risk capital providers negotiated directly by parties involved 		
Warrants Structure	Public Warrants	Founder Economics	<ul style="list-style-type: none"> Management does not receive compensation from SPAC Compensation via: <ul style="list-style-type: none"> 20% promote in form of Founder Shares Potential upside from Private Warrants
	Private Warrants	Acquisition Criteria	<ul style="list-style-type: none"> Aggregate fair market value of acquisition must be at least 80% of total assets held in Trust Acquisition must achieve effective control of target's voting securities
		Acquisition Approval and Redemption Rights	<ul style="list-style-type: none"> Acquisition typically subject to public shareholder vote <ul style="list-style-type: none"> Generally requires simple majority In connection with acquisition vote, shareholders may elect to redeem shares for pro rata share of funds in Trust <ul style="list-style-type: none"> Redemption option irrespective of how they vote Retain upside via Public Warrants Proxy statement prepared for purposes of vote <ul style="list-style-type: none"> Comprehensive disclosure of material information on target, including pro forma financials Subject to SEC review
		Term	<ul style="list-style-type: none"> Typically 24 months following IPO <ul style="list-style-type: none"> At time of IPO, cannot have identified target

Source: Barclays Research

Illustrative Term Sheet

Illustrative Term Sheet	
Base Deal Size	\$250 million
Public Unit Structure	1 Class A common share + 1/2 warrant
Class A + B Shares	25.0mm Class A; 6.25mm Class B
Public Unit Price	\$10.00 / Public Unit (25.0mm Units)
At-Risk Capital	\$7.0 million ⁽¹⁾
Private Warrants	7.0 million warrants (\$1.00 / warrant)
Public Warrants	12.5 million warrants
Life (months)	24 months
Trust Capitalization	\$10.00 / share
Warrant Triggers	≥ \$18.00 for cash/cashless ≥ \$10.00 for shares
Additional Terms	Crescent Term with \$9.20 threshold
Underwriting Fees (%)	2% upfront / 3.5% deferred

Illustrative At-Risk Capital Build	
Offering expenses	(\$)
Legal fees and expenses	\$275,000
Printing and engraving expenses	\$40,000
Accounting and bookkeeping fees and expenses	\$50,000
SEC/FINRA Expenses	\$100,000
Travel and road show	\$40,000
NYSE listing and filing fees	\$75,000
Director and Officer liability insurance premiums	\$150,000
Miscellaneous	\$270,000
Total offering expenses (excluding underwriting discounts and commissions)	\$1,000,000
Underwriting discounts and commissions (2.0% of gross proceeds)⁽²⁾	\$5,000,000
Working Capital	\$1,000,000
Total	\$7,000,000

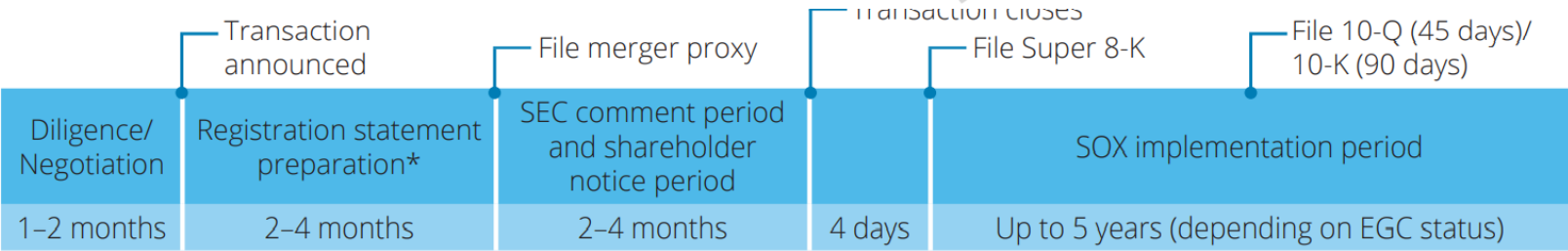
Incremental Fees Associated with De-SPAC Determined at Time of Merger Process

1: Assumes ~2% of the illustrative base deal size of \$250mm + working capital to cover operations and other transaction costs.

2: Underwriting fee is based on \$25mm base deal size

Source: Barclays Research

Illustrative Legal Timeline



* This is an illustrative timeline for a nonaccelerated filer. The actual timeline will depend on specific facts and circumstances.

The Crucial Phase

- **Pre-Merger Phase**
 - Will usually trade near cash value
- **Deal Announcement**
 - Investors will evaluate the deal
 - Usually SPAC bids up slightly
 - Investors can still redeem their cash
- **Post-merger Phase**
 - After the SPAC closes the deal and the ticker changes
 - Investors can no longer redeem their cash and the merger closes
 - Dilution from paying sponsor's fee in shares (often 20% of the equity)
 - Those not owning warrants — all who buy shares in the secondary market — dilution arises from their exercise

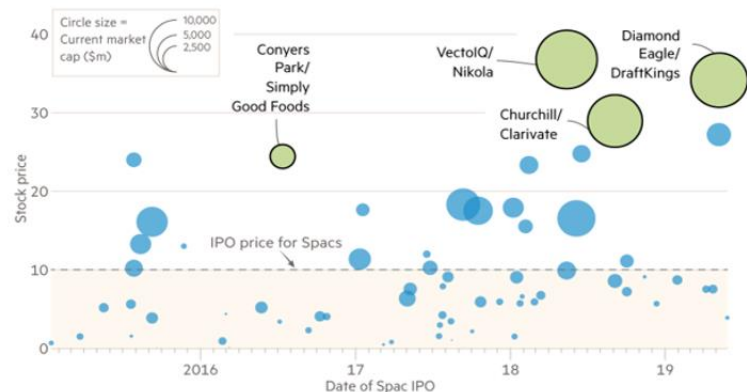
Whole Earth Brands Inc
NASDAQ: FREE

7.80 USD +0.20 (2.63%) ↑

Closed: 13 Jul, 7:58 pm GMT-4 - Disclaimer
After hours 7.78 -0.020 (0.26%)



Majority of SPAC merger trade below the \$10 IPO price



Data as 07-Aug-2020

Sources: FT Analysis, S&P Global Market Intelligence

Impact from SPAC Founder Dilution - Illustrative Example

- SPAC founder dilution relative to acquisition sizes (multiples of SPAC Trust Account)
- Larger acquisitions result in less founder dilution

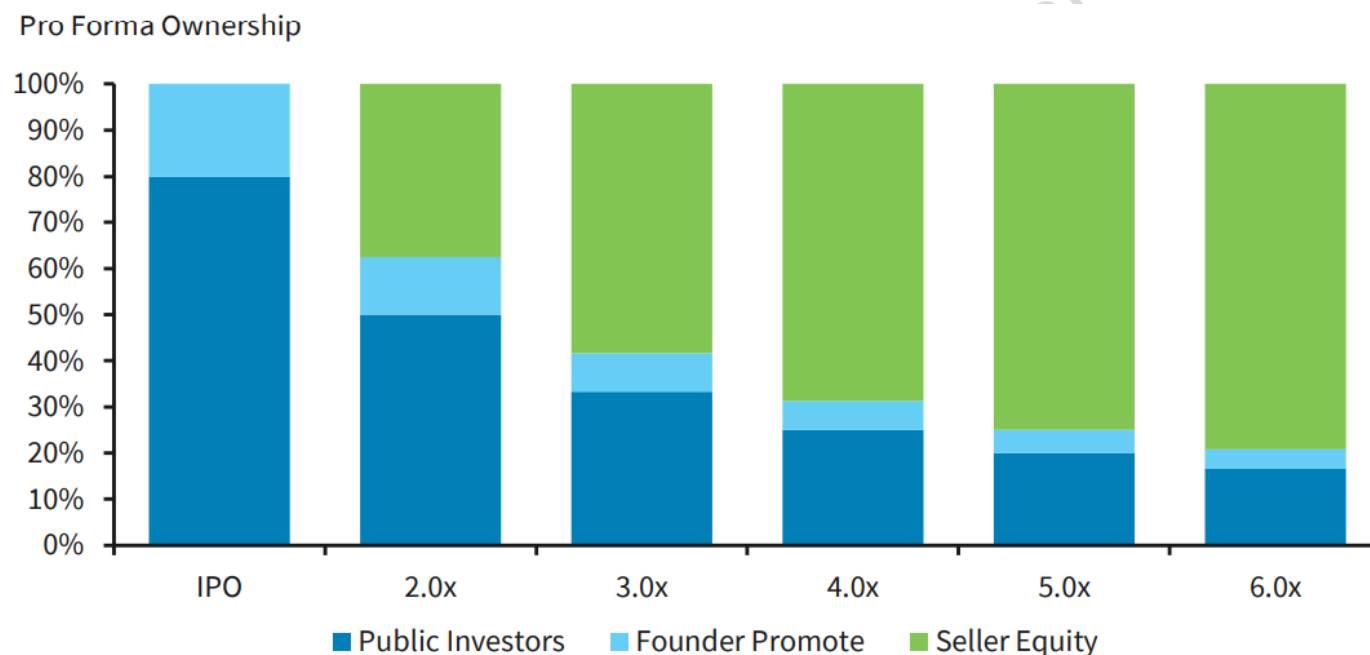
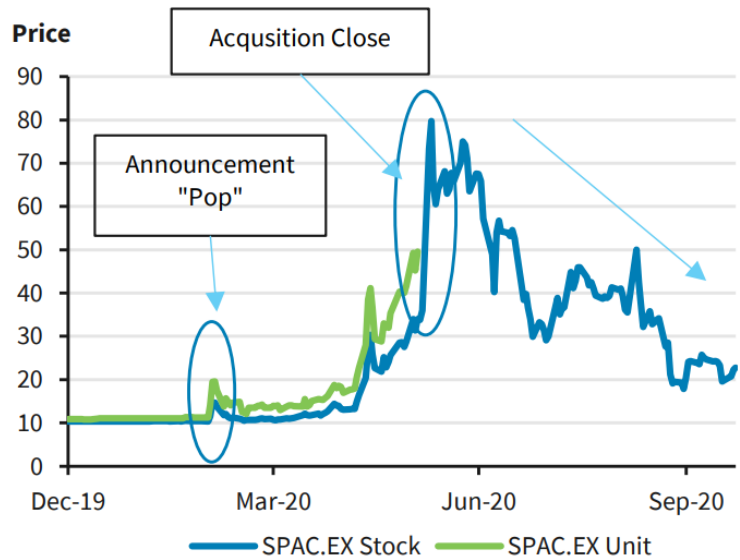


Illustration assumes \$250mm SPAC public equity (funded), ~\$63mm in sponsor promote equity (unfunded; 20% of SPAC), and acquisition asset equity valuation multiples of 2x to 6x of SPAC funded equity

Source: Barclays Research

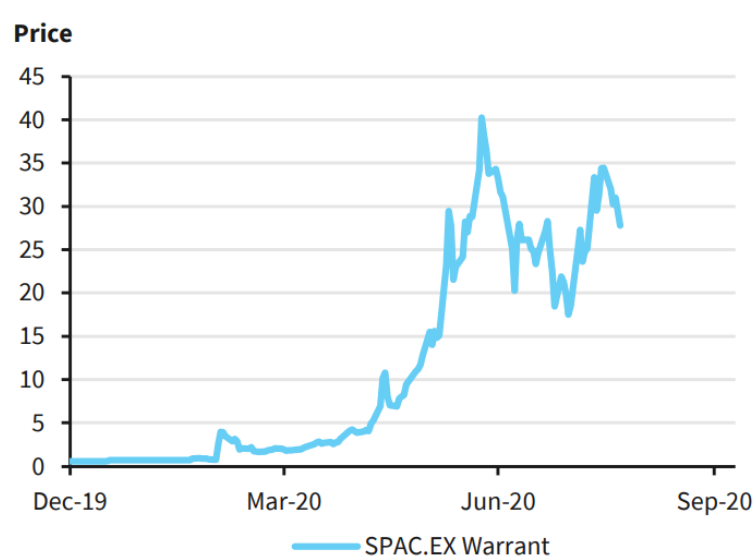
SPAC Post-Merger Performance – Illustrative Example

SPACs tend to see a positive “pop” on acquisition announcement, volatility around the close of the deal, and weak performance for the acquired company afterwards



Source: Barclays Research, Bloomberg

SPAC warrants tend to see higher returns than the stock or unit, but also have higher risk



Source: Barclays Research, Bloomberg

Illustrative Time Line and Evolvement of Structure

COPY OR PASTE

Timeline of SPAC.EX acquiring TARGET.EX		
Key Dates	Timeline	Key Details
IPO Date	0 Months from IPO	Trust Account Size: \$230mm Publically Traded Assets: SPAC.EX unit which consists of one SPAC.EX share and SPAC.EX warrant Investors: 23mm SPAC.EX units for public investors, 5.75mm SPAC.EX units for founder's promote Additional Details: SPAC.EX Unit IPOs @\$10 with a 2Yr time window Warrant and shares trade separately 28 days after IPO
Announcement Date	22 Months from IPO	Acquired Company (TARGET.EX) Size: Equity Value: \$4,029mm, Enterprise Value: \$3,324mn Publically Traded Assets: SPAC.EX Unit, SPAC.EX stock, and SPAC.EX warrant Investors: 23mm SPAC.EX units for public investors, 5.75mm SPAC.EX units for founder's promote Additional Details: SPAC.EX announces details to purchase TARGET.EX at a ProForma Equity Value of \$4.0Bn
Acquisition Closing Date	25 Month From IPO	Acquired Company (TARGET.EX) Size: Equity Value: \$4,029mm, Enterprise Value: \$3,324mn Publically Traded Assets: SPAC.EX shares/warrants convert to TARGET.EX shares/warrants, SPAC.EX unit no longer trades Investors: Pro Forma Share Count: 23mm common shares, 6.6mm founders shares, 52.5 PIPE investors shares, 320.7mm TARGET.EX seller's shares Additional Details: Deal is completed and SPAC.EX becomes TARGET.EX

Source: Barclays Research, SPAC Research

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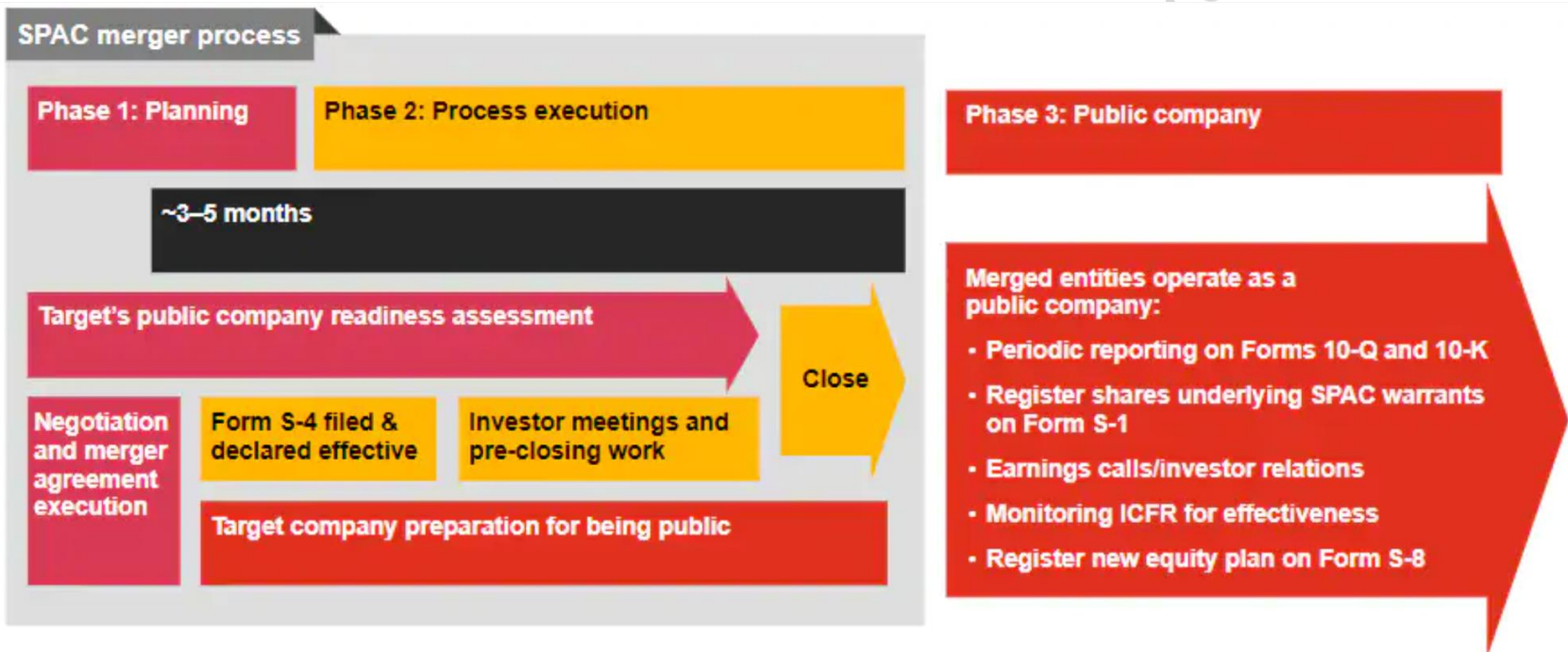
10 March 2021 - **Retail investor apathy threatens to derail Spac deals**

- Critical shareholder votes are delayed after investors fail to participate in sufficient numbers
- An increasing number of acquisitions by blank cheque companies risk being derailed as retail investors fail to show up in sufficient numbers for critical shareholder votes on the deals, industry executives say
 - The difficulties represent an unexpected consequence of the Main Street popularity of Wall Street's hottest asset class, and are forcing backers of special purpose acquisition companies to find new ways of turning out shareholder voters
- Individual investors account for about 40 per cent of all trading in Spacs — double the amount for S&P 500 or Russell 2000 stocks
 - “What most people think is my vote doesn't count ...”
 - Few problems getting deals or extensions approved when more of their shares were held by institutional investors or hedge funds well versed in the shareholder voting process
 - “Now you have people who are sophisticated enough to open up an online trading account but do not realise that in order to get a deal done you have to vote”

10 March 2021 - **Retail investor apathy threatens to derail Spac deals (cont'd)**

- The growing retail presence is particularly problematic for votes on extending the time to close acquisitions, which typically require 65 per cent of shareholders to agree
 - Votes on approving deals, by contrast, usually only require a simple majority
 - Spac backers, who typically own 20 per cent of the shares, also agree in advance to support transaction

Going Public Using a SPAC



SPAC vs IPO



	TRADITIONAL IPO	MERGING WITH A SPAC
TIMING	A traditional IPO generally will require four to six months.	Merging with a SPAC may require three to four months from the entry into the letter of intent.
PRICING AND VALUATION	While, with a traditional IPO, equity research analysts may provide some insight on pricing, and additional insight may be gleaned from test the waters meetings, pricing uncertainty may exist until the end of the roadshow.	Valuation will be set when the definitive merger agreement is announced; however, the terms may be renegotiated depending on market conditions and SPAC stockholder reaction.
EXPOSURE TO MARKET VOLATILITY	A traditional IPO may be subject to market uncertainty; IPO windows may open and close unexpectedly.	A SPAC merger with a SPAC may be less impacted by market volatility.
FINANCIAL STATEMENT REQUIREMENTS	An EGC may benefit from the financial statement accommodations.	Target will be required to produce the same types of financial statements required in connection with an IPO. The target may have to produce pro formas and may need to restate financial statements following completion of the merger.
OTHER DISCLOSURE REQUIREMENTS	An EGC may rely on the accommodations available to it.	Target will be required to produce the same disclosures that would have been required of it in an IPO; however, target will not benefit from review and comments from underwriters.
CONFIDENTIAL REVIEW	An IPO issuer may benefit from the confidential review process.	The proxy statement or proxy/prospectus will be filed publicly.
ROAD SHOW	An IPO issuer's management will be required to devote considerable time to road show presentations; however an IPO issuer that is not a shell company can benefit from a taped road show. The road show may provide useful feedback from institutional investors.	Target will be required to engage in presentations to the SPAC sponsors as well as usually undertake investor meetings for potential PIPE investors. SPACs cannot rely on the communications safe harbors available to operating companies; SPACs cannot use FWP or rely on the taped road shows.
DILIGENCE	Issuer will be subject to a diligence review by the underwriters and their counsel.	The SPAC and its counsel and financial advisers, and the PIPE placement agent, its counsel and the potential PIPE investors may all undertake diligence.
FORECASTS	No use of projections in an IPO prospectus or road show prospectus.	The target will include projections in the proxy statement. These projections also will be shared with potential PIPE investors.
CORPORATE AND OTHER APPROVALS	Generally, most VC-backed or PE-backed companies will have addressed the mechanics for conversion of any preferred stock upon occurrence of a qualifying IPO.	The target may need to negotiate with existing stockholders to obtain approvals for the merger with the SPAC.
TRANSACTION COSTS	Legal, accounting, underwriting and other costs will be substantial.	Costs may be comparable to, or exceed, those associated with, an IPO.
LIQUIDITY POST-IPO	Post-IPO, the underwriters will generally make a market in the issuer's stock.	SPAC stockholders may not be interested in the continuing company; there will not necessarily be a market maker.
RESEARCH COVERAGE	Generally, the equity research analysts associated with the underwriters will provide research coverage.	There may not be as much certainty regarding research coverage following the SPAC merger.
RULE 144	Available to stockholders subject to compliance with applicable conditions.	Rule 144 will not be available for one year following completion of the merger.
EGC STATUS	EGC status may continue to be available for up to five years.	Given that the SPAC, which was an EGC, may have completed its IPO sometimes prior to the merger, the target may not have a full five years of EGC status.
WKSJ STATUS	A traditional IPO issuer may initially be eligible to qualify as a WKSJ subject to meeting the public first and other requirements.	A former SPAC will remain an ineligible issuer for three years following the completion of the merger.

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