

SPECIAL PURPOSE ACQUISITION COMPANIES



SPACs

What is a SPAC?

What are the advantages of SPACs?

What we do and why people prefer us!



What is a SPAC?

A SPAC is a company

- to **raise capital**
- in a **quick** and
- relatively **inexpensive** way
- through an **IPO** process
- to **acquire other companies**
- with a component of **leveraged buy-out**.



What is a SPAC?

SPACs, “Special Purpose Acquisition Companies”, are **companies without any business** at the time of IPO.

Instead of a business, SPACs have a predefined **plan to invest** their IPO proceedings by acquiring one or more companies with ongoing business, called the “**Acquisition Strategy**”.

The Acquisition Strategy is typically defined broadly as an industry, technology or geographical region, or any combination of them.



What is a SPAC?

- Once set up as a company, with the right Board, a SPAC gets publicly listed, typically on NASDAQ or on NYSE.
 - A SPAC's IPO starts instantaneously with its listing.
 - Typical IPO investors are large institutional investors such as Investment Funds, Pension Funds, Sovereign Funds, Family Offices and similar, from the US and other countries.
- A SPAC's Acquisition Strategy typically aims to create synergies and added value.
 - The Board composition must reflect proven experience in managing publicly listed companies and in the business area or industries defined in the Acquisition Strategy.

What is a SPAC?

- Pre-IPO Roadshows ensure large investors' IPO investments.
Typically, a SPAC does not wait for investors investing during the IPO, but large investors are waiting for the SPAC's IPO to happen.
- SPACs generally invest in shares of privately held companies that have a business and do have cashflow. Those companies may not necessarily be profitable, though that would be preferred.
- During the acquisition, the acquired company could be merged into the SPAC and thus becomes a listed company.

Large institutional SPAC IPO investors;

- need to believe in a SPAC's Acquisition Strategy, and
- must be convinced that a SPAC's Board Members are the right persons with the right background to successfully find the right companies to be acquired and

What is a SPAC?

- SPAC Board Members do not receive a salary or remuneration until a successful acquisition. Instead, they do receive founder shares of the SPAC.
- The size of a SPAC's IPO capital target depends on the Acquisition Strategy.
- The typical IPO capital target starts at \$100 M but is usually €200 M and more, in order to raise institutional investors' interest. Smaller IPO capital targets might be possible outside the U.S.
- Prior to filing the Prospectus, a SPAC must have own funds, typically in the range of 5 to 6% of the planned IPO capital target, depending on each SPAC's individual features.

Money-back Guarantee

- A portion of the Sponsor funds and IPO investor funds are held on escrow accounts and can only be used for the realisation of the pre-defined acquisition target.
- In case of a SPAC's failure pre IPO, all funds on escrow account will be repaid to the Sponsors after deduction of costs; in case of post IPO failure, Sponsor funds after costs and IPO investors funds will be repaid.

What is a SPAC?

- SPACs' own funds are provided by so-called Sponsors (= pre-IPO investors).
- In return, SPAC Sponsors receive:
 - On the day of IPO: One Unit per each \$10 sponsor capital provided (on Unit consists of one common share (worth \$10) and one warrant);
 - One (pre-IPO) SPAC founder share for each \$10 sponsor capital provided, which will be listed as common shares during IPO.

The above figures are the common market practice. When *SPAC Consultants* is structuring SPACs, we typically provide SPAC sponsors with substantially more (pre-IPO) founder shares.

- The execution price of warrants is \$11,50, while the IPO share price is \$10,00.

Warrants for SPAC Sponsors

- are additional potential gain for SPAC Sponsors,
- can be executed after successful acquisition, **but**
- may also be traded on secondary market at any time after IPO (subject to Prospectus provisions)
- and may be sold to other shareholders prior to an acquisition (subject to Prospectus provisions).

What is a SPAC?

- While the number of US SPAC IPOs surged from 13 SPAC IPOs in 2016 to 59 in 2019, 2020 already saw 143 SPAC IPOs until 17 Oct.
- As per the current filings with the US Securities Exchange Commission (S.E.C.), over 60 SPACs are in their pre-IPO stage.
- Mainly due to some SPAC IPOs with proceeds around \$1 bln. in 2020, the average SPAC IPO proceeds increased to \$386.3 mln.
- Uncertainty, volatile markets, very low or negative interest rates and QE (quantitative easing = “money printing”) are the main reasons for institutional SPAC IPO investors’ interest in SPACs.

The image contains two tables. The first table, titled 'US SPAC IPO Issuance', shows data from 2013 to 2020. The second table, titled 'Active SPAC Summary', shows data for different groups of SPACs as of October 18, 2020.

Year	Amount Raised (\$bn)	# IPOs	Average Size (\$mm)
2020	55.2	143	386.3
2019	13.6	59	230.5
2018	10.8	46	233.7
2017	10.0	34	295.5
2016	3.5	13	269.2
2015	3.9	20	195.1
2014	1.8	12	145.8
2013	1.4	10	144.7

Group	# of SPACs	Amount in Trust
Total Active	206	\$67,387,186,998
Announced business combinations	48	\$11,609,742,849
Seeking target	158	\$55,777,444,149
Pre-IPO	76	\$18,042,026,000*

Source: <https://www.spacresearch.com/>, 18 Oct 2020

What are the advantages of SPACs?

From the angle of each party involved, SPACs provide many substantial advantages. Parties involved are:

1. Owners of advanced and promising business ideas
2. Sponsors (pre-IPO investors)
3. Professional Board Members
4. Institutional IPO Investors
5. Companies that become an Acquisition Target



What are the advantages of SPACs?

1. For owners of advanced and promising business ideas:

- Business people, scientists, investors often have big ideas but lack the funds to realise their ideas. A SPAC may be the right solution.
- If they lack also the funds to get a SPAC up and running, external Sponsor capital can help.
- Further, adding Acquisition Targets with existing sales markets or advanced technology may boost the own emerging business.



What are the advantages of SPACs?



2. For Sponsors (pre-IPO investors):

- SPACs provide an excellent opportunity for entrepreneur-minded investors (but financial investors do invest as Sponsors as well) to invest in a certain industry or business with the prospect of leveraged profits.
- Recently, PE Funds discovered the advantages to invest in SPACs as Sponsors.
- SPAC Sponsors are typically on the Board of a SPAC and thus have a control over acquisitions and business of the SPAC.

What are the advantages of SPACs?

3. For Professional Board Members:

- Countless seasoned managers of listed companies with a real entrepreneur mind are stepping back from their 16-hours job but still seek opportunities to transfer their knowledge, working for their personal satisfaction.
- They love to get engaged in SPAC Boards, proving their excellency, and getting well compensated with founder shares.



What are the advantages of SPACs?



4. For Institutional IPO Investors:

- Institutional IPO Investors are typically managing funds of billions and sometimes trillions.
- For them, a few dozens of millions of investment in SPAC IPOs is just venture capital, promising an over-average profit due to synergies of clever business combinations (acquisitions).
- Diversification from government bonds, precious metals, commodities into a hedged investment in shares.

What are the advantages of SPACs?

5. For Companies that become an Acquisition Target:

- Companies that become an acquisition target get the chance to get listed without having to go through normal IPO procedures that can take well over a year and typically cost 10 – 12% of the IPO volume.
- They benefit from fresh capital and the synergies often created by SPACs, substantially increasing their market presence.



Advantages of SPACs: Last but not least...

SPAC IPOs are much faster than common IPOs: From date of order until the date of the SPAC's IPO, the typical time span is 3 to 5 months.

Upfront costs and expenses to prepare a common IPO are substantially higher than the costs and expenses to structure and to prepare a SPAC IPO.

SPAC IPO costs and expenses are remarkably lower than for normal IPOs, unless you hire the large global banks and underwriters.

SPACs raise funds within a few days from the date of IPO, while raising capital through normal IPOs may take weeks and months – and longer.

SPACs do leverage their investments (acquisitions), while companies that go for a normal IPO just get what they are worth.

SPACs generally create synergies and thus reach out to new horizons, through the right acquisitions.

SPAC investors' (Sponsors') investments do generally benefit from gains that are hardly found elsewhere.

SPACs

Special Purpose Acquisition Companies

Wondering what we are doing and why people prefer us?



We built SPACs!

SPAC Consultants and its associates have profound experience in structuring and realising SPACs. The management of SPAC Consultants has long-standing experience in banking, finance, cross-border business and business acceleration.

- We structure and realise SPACs from A to Z, meaning from the idea to a successful IPO.
- We remain in the boat, if our client wishes us to do so, even after a successful SPAC IPO, until acquisitions, and even longer.
- We act as the project partners of our clients.
- We see ourselves as co-founders and thus act accordingly, heading for every SPAC's success.
- We do not charge any upfront fees.



Our scope of services

SPAC Consultants brings together the right people on Wall Street who have the best track-record in creating and underwriting SPACs. From the beginning, we structure a deal with our client to eliminate risks and expenses while adding value to the deal with experienced management consultants and advisors.

- Refining SPAC business ideas and structure ideas;
- Evaluating a proposed SPAC and its potential targets to optimize a timely acquisition;
- Structuring and setting up SPACs;
- Sourcing and proposing excellent and experienced SPAC Board Members;
- Pre-sourcing and pre-proposing possible Acquisition Targets;
- Arranging for IPO-Investor Roadshows;
- Liaising and cooperating with SPAC-experienced law offices, auditors and investment bank;
- Arranging for institutional investors;
- Arranging for listing on NASDAQ, NYSE and other stock exchanges;
- Arranging for successful SPAC IPOs;
- Accompanying SPACs after IPOs.



Our Team

SPAC Consultants' SPAC Team is headed by the managing director of the firm, Mr Stefan Nolte.

Stefan has a financial background and managed a boutique investment bank in Cyprus with main activities in the MENA Region, South East Asia and Far East, specialised in equity acquisitions and short-term interbank placements.

Prior to that, Stefan managed various companies in the diversified industries, such as garments, industrial food items, food production lines, and FMGC.

It is this combination of both financial and business experiences in wide array of countries that he benefits now when designing, structuring and realising SPACs, and advising on SPAC acquisition targets.

Our experience is boosted by our closed associates, comprising of the heavyweights of the SPAC world, which are recognized as the leading players in the SPAC world on Wall Street.



We bring SPACs to success.
If we do not believe in the success of a specific SPAC,
we do not get engaged.

Simply contact us for your questions, ideas, proposals or requests:

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