Deloitte.
Private

High Growth Companies Update

SPACs – The Alternative IPO

Practical considerations for Founders, CXOs and Investors

December 4, 2020

MAKING AN IMPACT THAT MATTERS since 1845

Agenda

1. Welcome and Introductions
2. Overview of SPACs
3. Panelist Discussions
4. SPAC Readiness Considerations
5. Questions

Introducing our presenters and panelists

Matt Henderson
Deloitte Private High Growth Companies Lead Partner

Fran Yearsley
Deloitte US Capital Markets Partner

Adam Kostyal
Senior Vice President – NASDAQ
Head of European Listings

Benjamin Vedrenne-Cloquet
Co-Founder
EdtechX Holdings

Melanie Spurway
Deloitte US
Capital Markets Partner

Mike Thorne
Deloitte Tax Services Partner

Shaun Webb
Deloitte Private – Tax
Associate Director

2 Overview of SPACs

Overview - Special Purpose Acquisition Companies (SPACs)

Special Purpose

- Raise capital in an IPO to acquire one or more operating companies through an acquisition. Note that SPACs do not have any commercial operations until acquisition
- A SPAC has a defined life of 18–24 months to consummate an acquisition—this period can be extended up to a maximum of 36 months with shareholder approval
- If the SPAC has not consummated an acquisition by the end of its life, then it must dissolve; the SPAC returns money raised in its IPO to public shareholders

Structure of SPAC

- Listed on the Nasdaq exchange or NYSE; 81% listed on Nasdaq
- IPO units have historically been priced at $10.00; IPO proceeds are held in independently run trust account. Units contain common + warrants to purchase common
- Comply with SEC and stock exchange rules around disclosures and corporate governance like any other public company

Source: Nasdaq

Transaction

- Fair Market Value of initial transaction must be at least 80% of the assets held in the trust account; in reality the acquisitions are typically 2x-4x the size of SPAC
- Typically require Board and shareholder approval to consummate an acquisition

Source: FINRA

3 Panelist discussions

Historical and current landscape

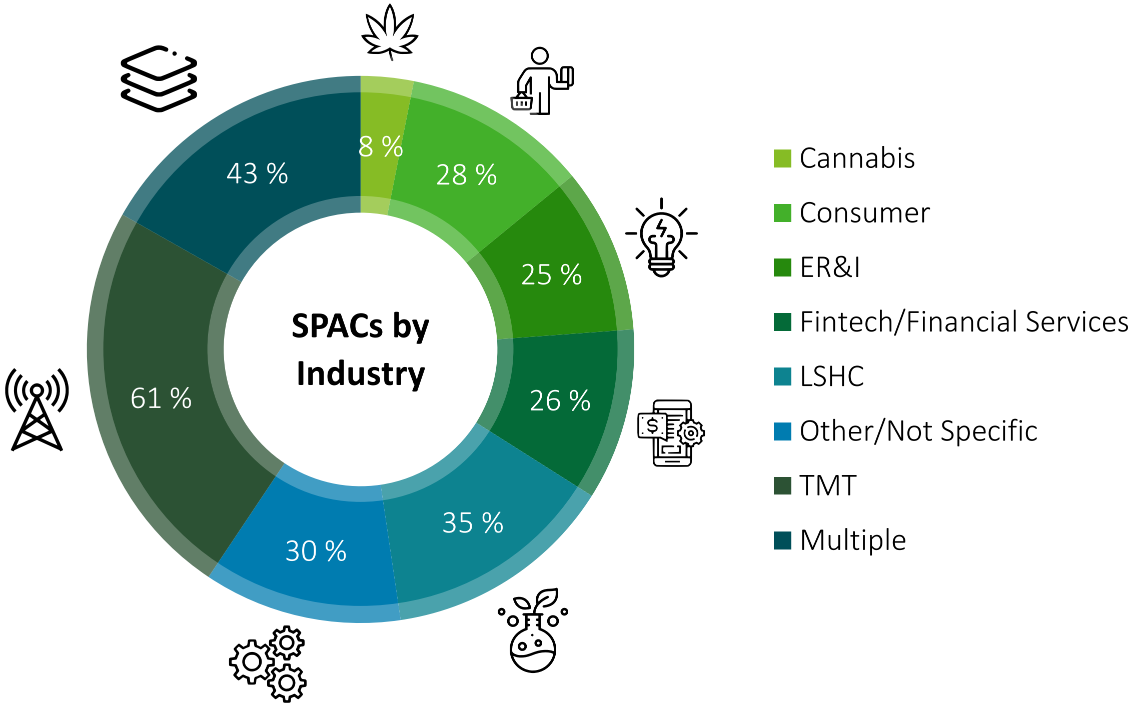
	SPAC IPO Count	Gross Proceeds ($M)	Average IPO Size ($M)
2016	13	$3,499	$269
2017	34	$10,049	$296
2018	46	$10,752	$234
2019	59	$13,600	$231
2020 (YTD)	182	$65,718	$361

Source: SPAC Insider (as of 23/11/2020)

Time Left to Complete an Acquisition	# of SPACs
Less than 6 months	38
6-12 months	36
13–18 months	34
19–24 months	119
Total	**227**

Source: SPAC Research (as of 9/11/20)

As of 9/11/20 there are **227 SPACs** yet to complete an acquisition with **$73B** of funding; 89 SPAC IPOs have been filed since 1/9/2020.



Source: Intelligize

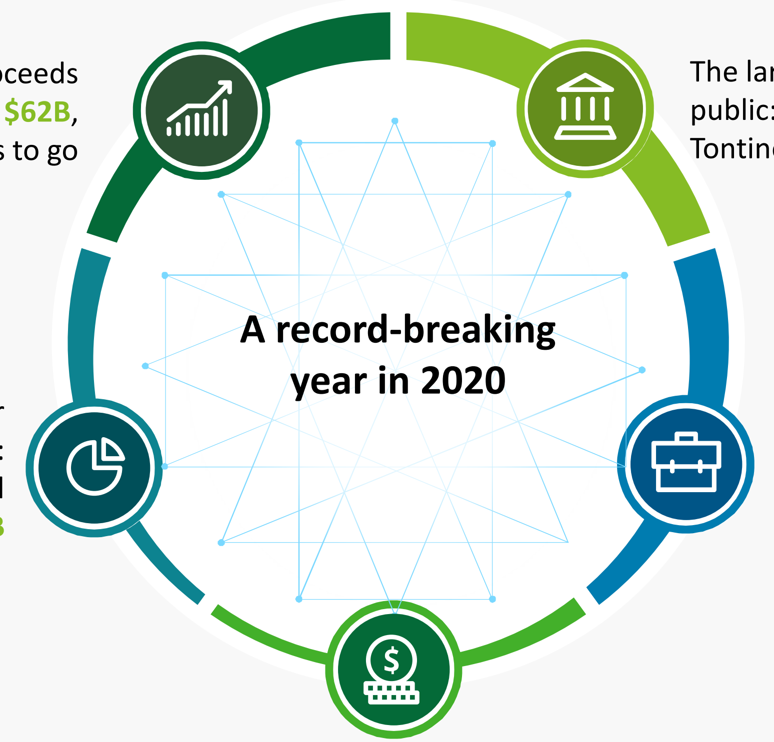
Key Trends for SPACs

Key Trends

- Additional sophisticated sponsors entering the market: Softbank, Pershing Square (Bill Ackman), Social Capital Hedosophia (3 new SPACs this year)
- Larger SPACs chasing more mature companies
- Market volatility driving a desire for more valuation certainty through a negotiation with one buyer
- Accelerated timeline to going public in uncertain times
- Success of certain “story stocks” that may not have been likely near-term IPO candidates
- Lower dilution and better alignment of sponsor incentives in some deals
- Access to PIPE capital

The most SPAC proceeds raised in a year: **$62B**, with 1.5 months to go

The largest SPAC ever to go public: Pershing Square Tontine **$4B** raised



The biggest quarter ever by proceeds: 3Q20, 80 SPACs and **$32B**

The largest announced SPAC merger: United Wholesale Mortgage and Gores Holdings IV Inc. (**$16B**)

Significant SPAC deal activity in the electric vehicle sector - **Nikola, Fisker, Canoo, Lordstown Motors, XL Fleet and ChargePoint**

Source: SPAC Research

Our Panelists

Adam Kostyal
Senior Vice President – NASDAQ
Head of European Listings

Benjamin Vedrenne-Cloquet
Co-Founder
EdtechX Holdings

4 SPACS Readiness Considerations – Financial Reporting

Melanie Spurway

Illustrative SPAC timeline

In our experience, the De-SPAC IPO process typically takes 3–6 months once the initial SPAC IPO and target search are completed

Main phases of a Special Purpose Acquisition Company (SPAC)

01 Formation of the SPAC by its Sponsors

- Formation of the SPAC by its Sponsors
- Infusion of “founders’ stock” or the “promote” by the sponsor and often its management team
- SPAC selects legal counsel and underwriters and establishes its governing documents

02 SPAC IPO process

- Initial offering of SPAC units to institutional and retail investors
- Units (shares/warrants) offered typically at $10
- Most IPO proceeds placed in a trust designated for a qualified business acquisition

03 Search for a Target company to acquire

- Identify Target atleast 80% of size
- Negotiate letter of intent
- Announce business combination
- Perform due-diligence
- Tax Structuring/HRMC Clearances

04 Seek shareholder approval

- Submit regulatory filings (e.g., proxy statement/S-4/F-4)
- SEC review process
- Hold shareholders’ meeting
- Close transaction

05 Post-closing (De-SPACing)

- Super-8-K or Super-20F is filed
- SPAC becomes a normal operating company with financial history of the Target
- Continued compliance: File 10-Q (45 days)/10-K (90 days)

Target Company finance and accounting milestones

- Uplift financial statement to be S- X compliant
- Complete audit of 2/3 years of FS - PCAOB
- File Initial draft of proxy/Form S-4 with FS & pro-forma
- SEC Comments and effectiveness
- Mail proxy/Form S-4 to stockholders
- Vote – Yes Transaction closes
- Name/ticker change Super 8-K filing
- Target –Public co. Consider warrants/PIPE registration needs
- Target files 20-F 10-Q/K (considered predecessor – comparatives)

This is an illustrative timeline for a non-accelerated filer. The actual timeline will depend on specific facts and circumstances.

The financial reporting requirements for a target in a SPAC merger are voluminous and must be completed in a compressed timeline based on SPAC’s life cycle leading up to the proxy statement or Form S-4/F-4 filing.

How does registrant status impact the financial reporting requirements?

Key financial reporting requirements – IPO vs SPACs

	Traditional IPO		Special Purpose Acquisition Company IPO	
	Domestic issuer	**Foreign private issuer**	**Domestic issuer**	**Structured as a foreign private issuer**
Registration statement filing	Form S-1	Form F-1	Form S-4/Proxy statement upon identification of target Super 8-K within 4 days of consummation of the acquisition	Form F-4/Proxy statement upon identification of target Form Super 20-F within 4 days of consummation of the acquisition
Financial information required	Financial statements of the issuer (including Financial Statements required by Rule 3-05/3-09)		• Historical Financial statements of SPAC • Historical Financial Statements of the Target (including Financial Statements required by Rule 3-05/3-09) • Pro-Forma Financial Statements	• Historical Financial Statements of SPAC/Foreign Holdco • Historical Financial Statements of the Target (including Financial Statements required by Rule 3-05/3-09) • Pro-Forma Financial Statements
Basis of reporting	US GAAP only	Three options. (1) IFRS as issued by the IASB (2) US GAAP or (3) local GAAP with a reconciliation to US GAAP	Same as traditional IPO route	Same as traditional FPI IPO route
Periods required in the financial statements	Generally three years of historical financial information* unless qualifies as Emerging Growth Company (EGC) or Smaller Reporting Company (SRC) where two years of historical financial information is permitted.	Generally three years of historical financial information* unless qualifies as EGC or certain other exemptions are met.	Generally three years of historical financial information* audited under PCAOB standards within the Form S-4 and subsequent Super 8-K. Limited ability to provide two years of historical financial information.	Generally three years of historical financial information* audited under PCAOB standards within the Form F-4 and subsequent Form Super 20-F. In certain circumstances two years of historical financial information may be permitted.
Age of financial statements	Generally latest balance sheet must be within 134 days of the effective date	Generally latest balance sheet within 9 months of the effective date but may be impacted by comfort letter considerations	Generally latest balance sheet must be within 134 days of the effective date	Generally latest balance sheet within 9 months of the effective date but may be impacted by comfort letter considerations
Internal Control over Financial Reporting ("ICFR")	Management must assess ICFR annually (Section 404(a)) and assess material changes in internal control quarterly. An audit opinion on ICFR (Section 404(b)) is required at the end of the first full year following the IPO unless the entity is not an accelerated filer or qualifies for ECG status.	Same as domestic issuer except no requirement to assess changes in ICFR quarterly for a FPI.	The ICFR requirement would be based on the SPAC reporting cycle and not on completion of target acquisition, including any exemptions.	The ICFR requirements are complex and may be influenced on the timing of the filing of the Super 8-K/20-F.

** Three years of financial statements include 2 years Balance Sheet and 3 years of Income Statement, Statement of Other Comprehensive, Income Statement of Cash Flows and Statement of Stockholders' equity*

Common challenges

Considerations for a CFO impacting people, process and technology

	De-SPAC	Sustainment
	Challenges typically arise as a result of the accelerated SPAC's timeline, these include:	**Success during sustainment happens with the following, which companies typically need assistance with:**
People	**Internal resources that generally:** • May have less experience with public company requirements • Lack familiarity with the complex rules related to de-SPACing • Must continue to focus on operations and "day jobs“ • Do not have sufficient time to dedicate to the strong and detailed project management, which is needed to manage the delicate timeline (timing of initial SEC filing, SEC approval, proxy mailing date, voting date, close date, and PIPE date), financial statement preparation, and financial statement audit	• Internal resources will be required to have a strong understanding of SEC regulations • Upskilling of current resources and/or talent acquisition takes time
Process	• Complex accounting and financial statement requirements in a compressed timeline • Reporting requirements related to historical acquisitions of the target company; access to financial information needed • Tax structuring and compliance • Project management and sequencing of the advisors involved in the deal • Coordination with external auditor regarding uplift from AICPA or ISA to PCAOB audit including opinion on internal controls	• Organized and streamlined financial close process for SEC reporting cycles • Clear governance procedures • Appropriately documented and effective internal controls • Effective investor relations function • Execution of tax strategy • Efficient and effective relationship with external auditor
Technology	• Systems which may not be able to adequately support SEC reporting requirements, complicating the financial statement preparation process • Systems which may not be operating effectively for SOX compliance purposes	• Upgraded Accounting and/or ERP systems to support public company reporting, internal controls, and forecasting

4 SPACS readiness considerations – Tax

Mike Thorne and Shaun Webb

IPO Structuring

Key considerations for a SPAC and a direct listing

All IPOs

- Listco location (withholding tax, company law, public perception)
- Stamp duty / capital duties
- Impact on management incentive schemes
- Impact on existing shareholders

SPAC Option 1 : Vanilla domestic SPAC

- Group subject to US taxation
- Acceleration of cash tax payments
- International expansion

SPAC Option 2: Identify a non-US domestic SPAC

- Tax residence
- Public perception

SPAC Option 3: Introduce a non-US Listco (a.k.a reverse triangular merger)

- Navigating US anti-avoidance rules (anti-inversion)
- Roll up of warrant gains from US perspective (s351)
- Determining exposure arising on grant of warrants

IPO Structuring

When to start thinking about tax

IPO Route	When to engage tax teams
SPAC	• At least 2 – 3 months ahead of signing of any merger agreement or SPA
Direct listing	• At least 3 - 4 months ahead of registration statement (S-1/F-1 filings)

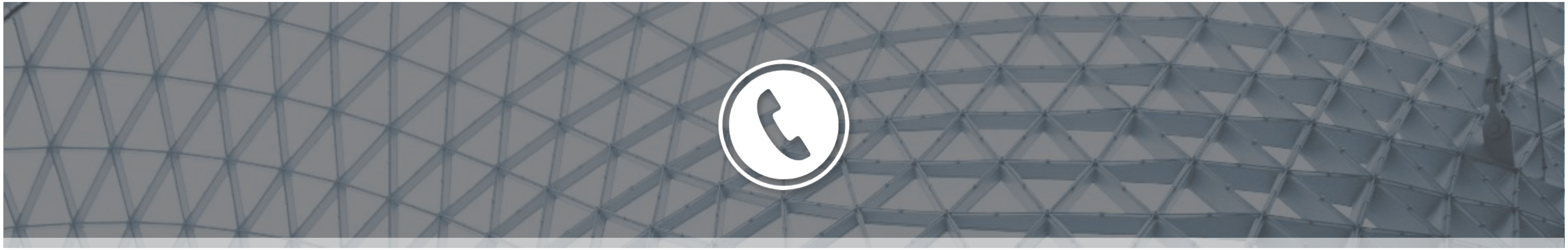
5 Questions

Acronyms and key terms used in presentation

SPACs	Special purpose acquisition companies
IPO	Initial public offering
Sponsor	Founding investors that lead the SPAC process
Target	Private company that is the target of an acquisition and ultimately becomes a public company after the merger is consummated
De-SPAC	The process that begins after a letter of intent is executed and ends when the shareholders approve the transaction and the merger into the SPAC is consummated
PIPE	A means of raising additional capital after a target is identified to finance a significant portion of the acquisition price
Lock-up period	The period after an IPO in which certain shareholders are restricted from selling shares. The lock-up period for a SPAC IPO is typically longer than that for a traditional IPO

Key Contacts

If you have any questions, please get in touch with your usual Deloitte Private contact or the High Growth Central Team



Matt Henderson

UK Deloitte Private High Growth Segment Lead Partner

mahenderson@deloitte.co.uk

Fran Yearsley

Deloitte US Capital Markets Partner

fyearsley@deloitte.co.uk

Mike Thorne

Deloitte Tax Services Partner

mthorne@deloitte.co.uk

Kariel Parian

Deloitte Private Client Portfolio Manager

kparian@deloitte.co.uk

Deloitte.