IDC FVF Fair Value Forum
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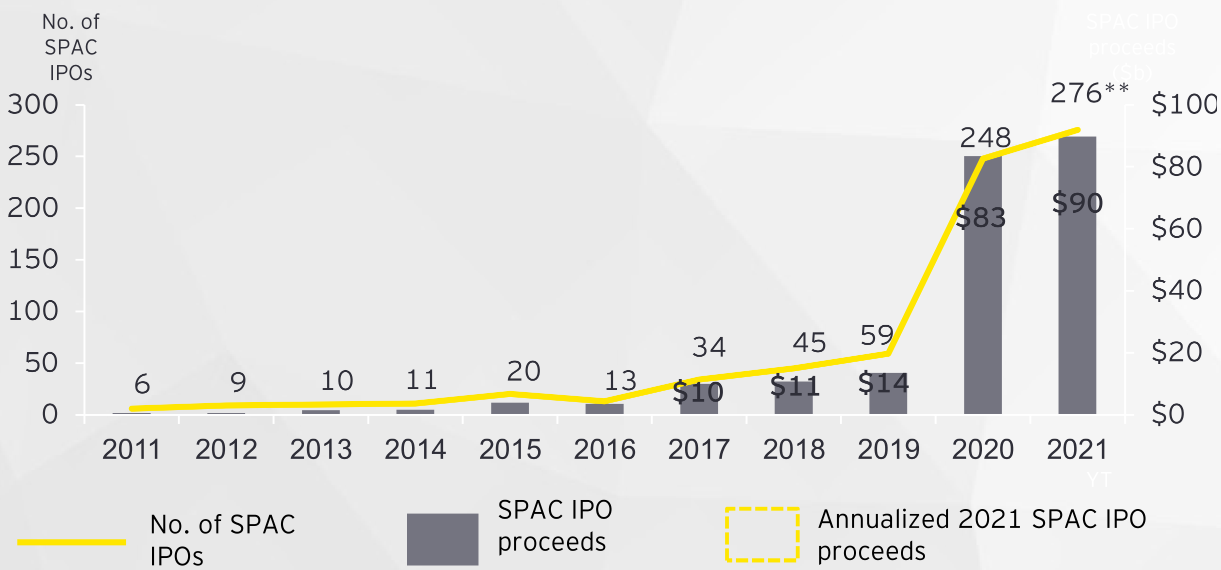
EY
Building a better working world

SPAC – How it works?

SPAC listings and IPO proceeds are growing at an unprecedented rate



NOTE: Annual SPAC IPO proceeds from 2011-2016 are not pictured as they were <$10b each year
**Annualized 2021 SPAC IPOs as of 3/18/2021 are 1,000+; not reflected in graph for ease of presentation

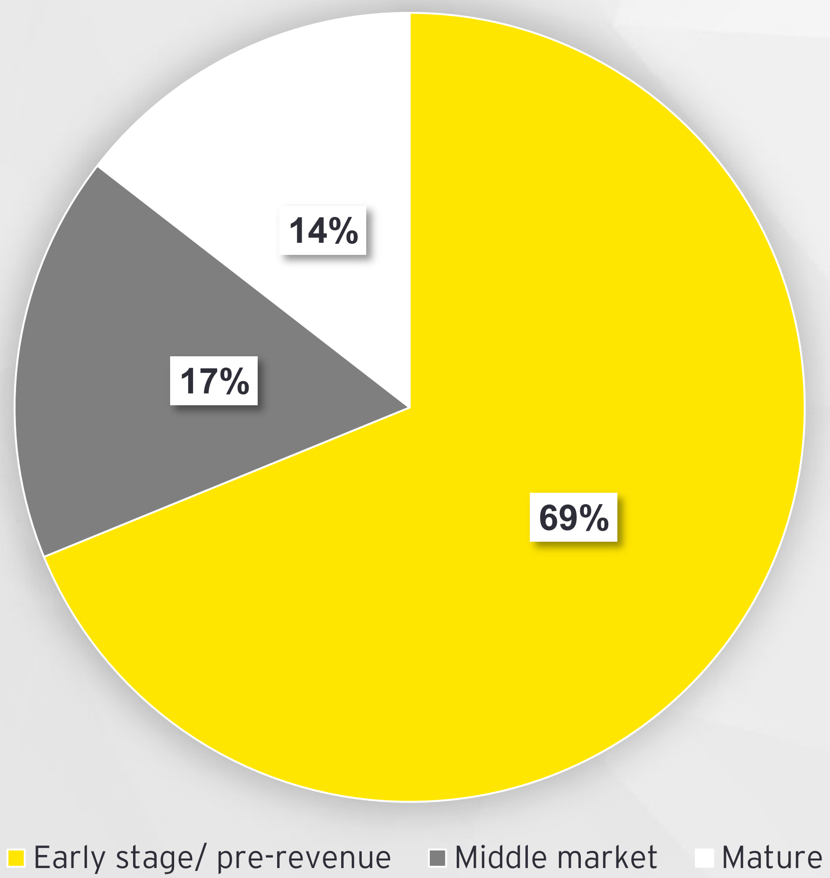
Data sources: SPACresearch.com

50% of IPO funds raised in 2020 came from SPAC IPOs; **70%** in 2021

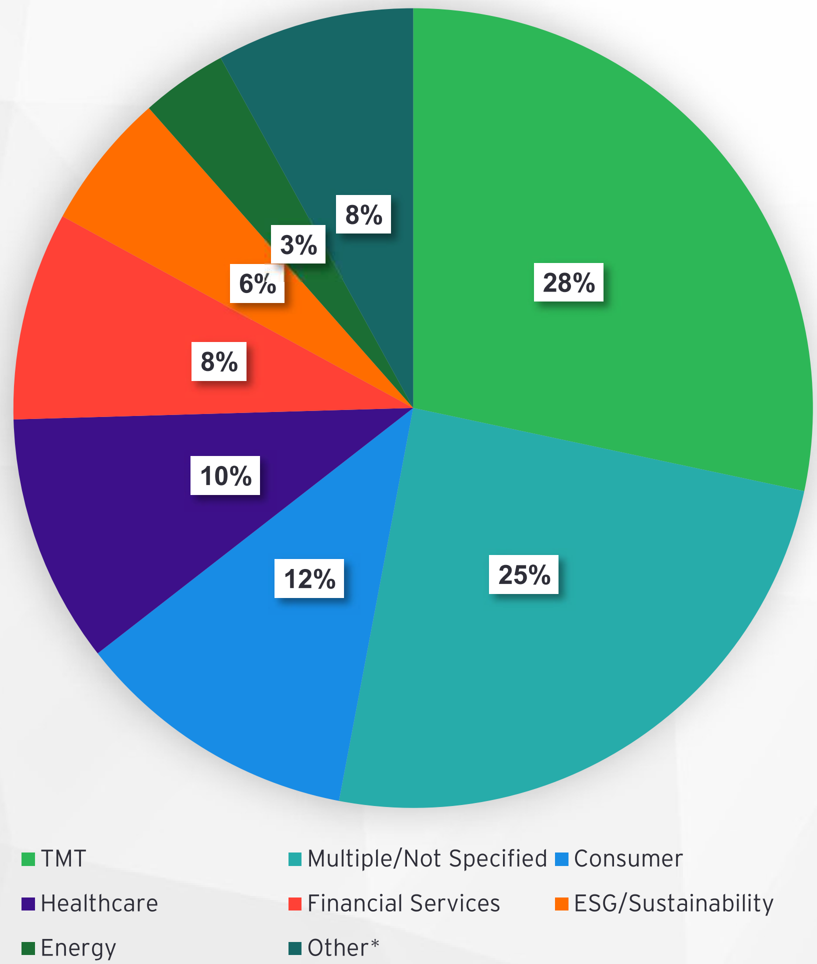
- There have been 276 SPAC IPOs in 2021, which is more than the total number of SPAC IPOs in 2020 (record year)
- **87 SPAC IPOs through the first three weeks of March; $1.8b raised per day**
- 535 active SPACs as of March 19th, with 217 more that have filed an S-1 but have not yet completed their IPO
- There are 422 SPACs with no target providing for potential liquidity ($136.6b in trust, yielding an estimated $600b–$900b in eventual deal value)

Some market breakdowns

Operating companies by size (2019-2021)



Targeted sector by active SPACs



Israeli Companies Riding the SPAC Wave

Innoviz - $1.4b, *December 2020*

Taboola - $2.6b, *January 2021*

Otonomo – $1.4b, *February 2021*

Payoneer - $3.3b, *February 2021*

Ree - $3.1b, *February 2021*

eToro - $10.4, *March 2021*

Ironsource - $11.1b, *March 2021*

Arbe Robotics - $722, *March 2021*

חברות SPAC

הסלבס שמניעים את השיגעון החדש של וול סט

עם התה ... פתוח

Celebrity Involvement with SPACs – Investor Alert

March 10, 2021

The SEC's Office of Investor Education and Advocacy (OIEA) cautions investors not to make investment decisions related to SPACs based solely on celebrity involvement.

Celebrities, from movie stars to professional athletes, can be found on TV, radio, and social media endorsing a wide variety of products and services. Sometimes they are even involved in investment opportunities such as *special purpose acquisition companies*, or SPACs, as sponsors or investors. Those celebrities may even be well-known professional investors.

However, celebrity involvement in a SPAC does not mean that the investment in a particular SPAC or SPACs generally is appropriate for all investors. Celebrities, like anyone else, can be lured into participating in a risky investment or may be better able to sustain the risk of loss. ***It is never a good idea to invest in a SPAC just because someone famous sponsors or invests in it or says it is a good investment.***

Merger into SPAC

Special Purpose Acquisition Corporation

Advantages

SPAC Investors

- Private equity-like investment
- Liquidity though publicly traded securities
- Upside through stock price appreciation (even before the completion of the merger) – and warrant coverage (e.g. 1/3 of each unit)
- Opportunity to participate in mid-term investments in private operating companies

Target Investors

- Faster and less expensive than a traditional IPO
- One focal point to sell to (Sponsor) - ability to execute an IPO in a difficult and volatile equity environment
- Opportunity for 'merger arbitrage' beyond the SPAC cash (SPAC appreciation from signing to closing) – direct listing- like market valuation rather than bankers (servant of two masters) valuation

Disadvantages

SPAC Investors

- Management fees (20%-25%) in form of Sponsor equity and warrants
- Pressure to close a deal due to finite duration
- Cost to fund business combination
- Low or influence on actual target selection

Target Investors

- SPAC investors and Sponsor's warrants typically remain outstanding post closing (e.g. 5 years)
- No Market Maker post closing (typically the underwriters)
- Limited liquidity post closing given the limited number of SPAC investors
- Limited diversity in investor base – no smart distribution between Institutional and Private investors

SPAC – Key Terms Explained

1

What is a SPAC?

A special-purpose acquisition company (SPAC) is a public company formed with the goal of acquiring strong businesses (“Target”) and taking them into the public markets to accelerate growth and create value.

2

Redemption

Due to the fact the SPAC’s shareholders are unaware of the chosen SPAC Target identity, prior to the signing of the transaction, the SPAC’s shareholders have a redemption right (i.e. they can pull the money invested in the SPAC out)

3

Minimum Cash Commitment

A SPAC transaction defines a minimum cash commitment, below which the transaction will not take place (to protect from the redemption)

SPAC – Key Terms Explained

4 PIPE

Private Investment of Public Equity. Refers to the practice of private (usually institutional) investors purchasing Target shares in a SPAC transaction (i.e. increasing the transaction consideration)

5 S-4

A prospectus document to be filed with the US Securities and Exchange Commission (SEC) describing the Target, the SPAC, and the transaction

6 Secondary Sale

Represents the proceeds portion of the transaction available to existing Target shareholders (i.e. Target shareholders (and employees) selling existing shares to the SPAC and PIPE investors)