SPAC – How it works?

1. Emma wants to form a SPAC.
2. She launches EmCorp, files to go public, and goes on a roadshow to find investors.
3. Investors buy EmCorp units for $10 each.
4. EmCorp SPAC goes public on the NYSE, and Emma keeps 20% of the shares.
5. Emma searches for a target company to acquire.
6. EmCorp decides on a company, StartupCo, and negotiates the acquisition terms.
7. Shareholders vote and agree to buy the company.
8. EmCorp buys the company with money from its IPO and additional funding from new investors.
9. StartupCo merges with EmCorp and officially trades on the NYSE.
SPAC listings and IPO proceeds are growing at an unprecedented rate

- 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)

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

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

Data sources: SPACresearch.com
Some market breakdowns

Operating companies by size (2019-2021)
- Early stage/ pre-revenue: 69%
- Middle market: 17%
- Mature: 14%

Targeted sector by active SPACs
- Multiple/Not Specified: 28%
- Consumer: 25%
- Other*: 12%
- Energy: 10%
- Financial Services: 8%
- ESG/Sustainability: 6%
- Healthcare: 3%
- TMT: 8%
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
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).
**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).

**S-4**
A prospectus document to be filed with the US Securities and Exchange Commission (SEC) describing the Target, the SPAC, and the transaction.

**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).