Special-purpose acquisition company (SPAC)
## Overview: Special Purpose Acquisition Companies (SPACs)

<table>
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<th>Special purpose</th>
<th>Structure of SPAC</th>
<th>Transaction</th>
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<td>• 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.</td>
<td>• Listed on the Nasdaq exchange or NYSE; 81% listed on Nasdaq</td>
<td>• 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</td>
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<td>• 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.</td>
<td>• 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</td>
<td>• Typically require Board and shareholder approval to consummate an acquisition</td>
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<td>• 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</td>
<td>• Comply with SEC and stock exchange rules around disclosures and corporate governance like any other public company</td>
<td></td>
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</tbody>
</table>

Source: Nasdaq

Source: FINRA
Overview: Key trends for SPACs

- Additional sophisticated sponsors entering the market, in some cases staying on board to provide on-going support
- 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
- Institutional PIPE capital supporting deal value

The most SPAC proceeds raised in recent times: $83B – 2020
$93B – 2021 & counting,

The largest SPAC ever to go public: Pershing Square Tontine

Some large announced SPAC mergers:
- Gores Holdings IV Inc and UWM Holdings Crop ($16B)
- Churchill Capital III and MultiPlan ($11B)

Significant SPAC deal activity

Source: SPAC Research
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Case study 1 – SPAC structure

PRE-COMBINATION STRUCTURE

- SPAC Sponsor
- SPAC Investors
- PE Investors
- Grandfathered and non grandfathered investments
- Promoters
- India Op co

POST-COMBINATION STRUCTURE

- Sponsor
- SPAC Investors
- PIPE Investors
- PE Investors
- New Hold Co
- India Op co
- Promoters
- India
- Outside India

Key considerations

**Company**
- Timing of restructuring?
- Objectives – To provide liquidity/exit or fund raising
- Timelines and cost of capital
- Traditional IPO vs SPAC – Cost of raising capital and pre-work required
- Accounting and reporting considerations

**Promoters**
- Liquidity & Tax costs
- Regulatory constraints around share swaps
- Control post listing
- Lock-in requirements and liquidity
- Buy-out price protection
- Sponsor promote and dilution
- Earn out structuring

**Investors**
- Impact on tax grandfathering
- Tax on embedded gains
- Lock-in post listing
- Tax impact – Short term capital gains
- Impact, if any, under tax laws of country where situated

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Case study 2

Pre-SPAC structure | Indian entity

SPAC structure

Ultimate structure