



Special-purpose  
acquisition company  
(SPAC)

# 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](#)



# Overview: Key trends for SPACs

## Key trends

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

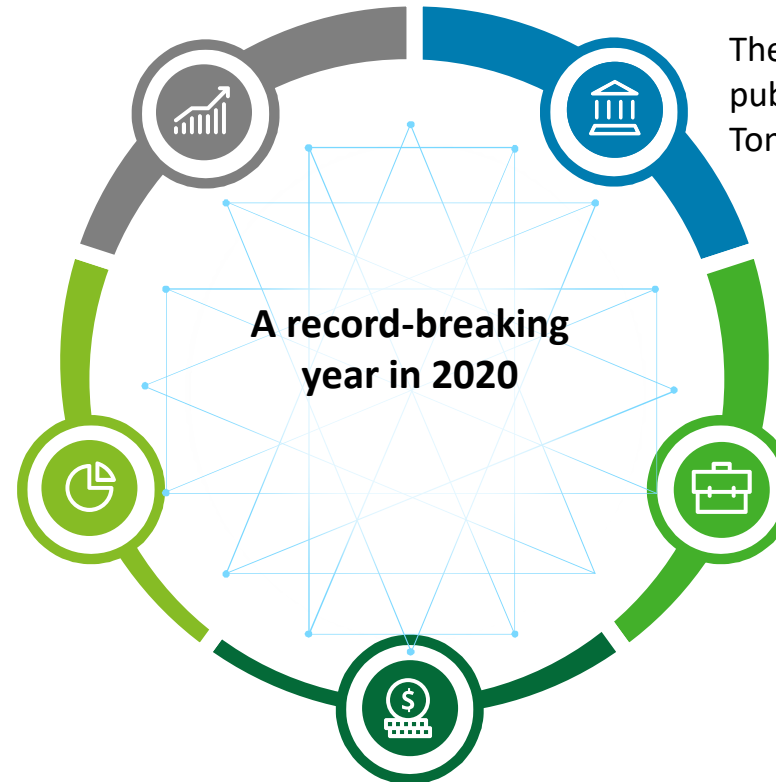
Accelerated timeline to going public in uncertain times

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,**

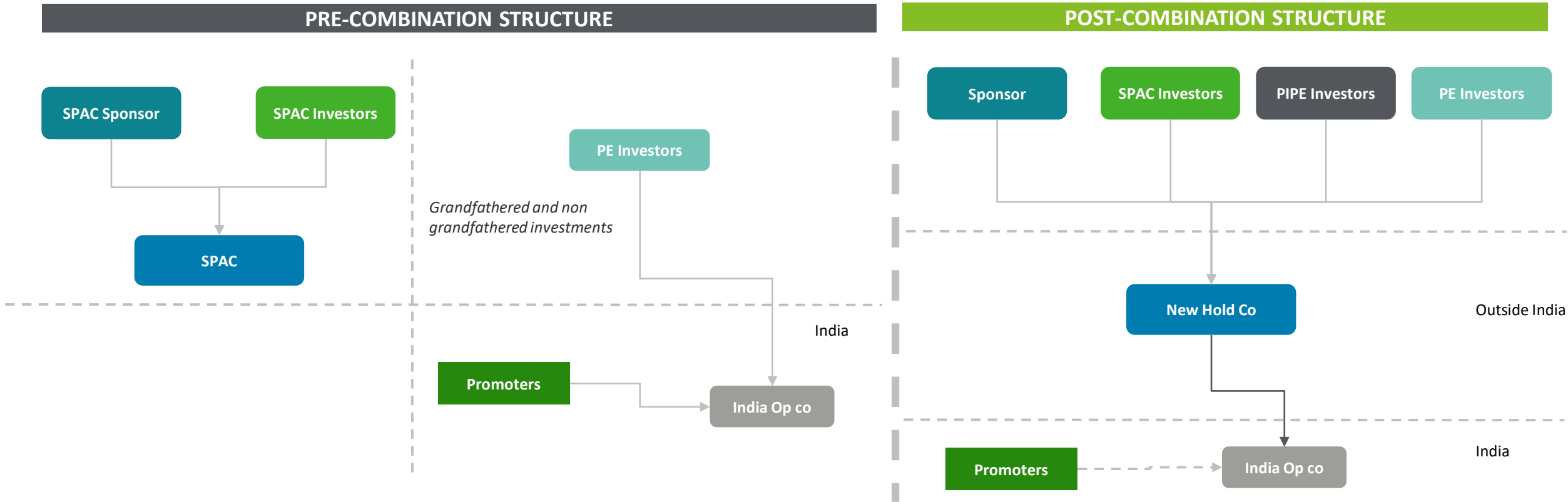


The largest SPAC ever to go public: Pershing Square Tontine

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

Significant SPAC deal activity

# Case study 1 – SPAC structure



## Key considerations

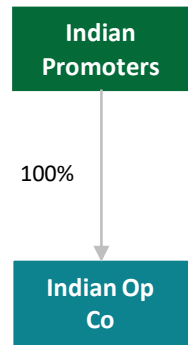
Company
<ul style="list-style-type: none"> <li>• Timing of restructuring?</li> <li>• Objectives – To provide liquidity/exit or fund raising</li> <li>• Timelines and cost of capital</li> <li>• Traditional IPO v SPAC – Cost of raising capital and pre-work required</li> <li>• Accounting and reporting considerations</li> </ul>

Promoters
<ul style="list-style-type: none"> <li>• Liquidity &amp; Tax costs</li> <li>• Regulatory constraints around share swaps</li> <li>• Control post listing</li> <li>• Lock-in requirements and liquidity</li> <li>• Buy-out price protection</li> <li>• Sponsor promote and dilution</li> <li>• Earn out structuring</li> </ul>

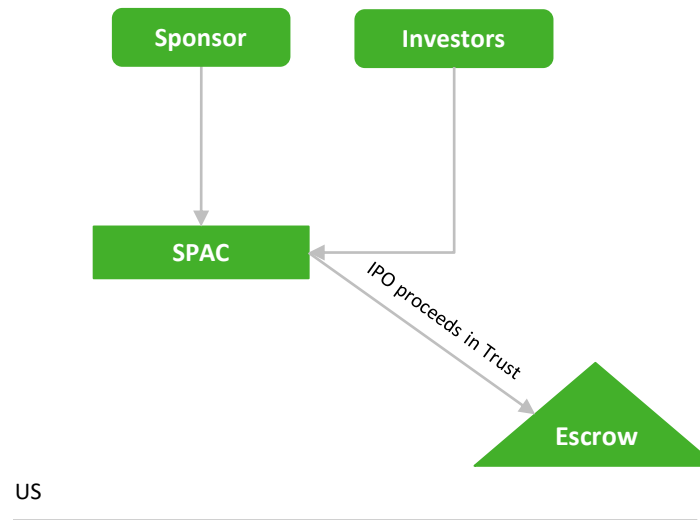
Investors
<ul style="list-style-type: none"> <li>• Impact on tax grandfathering</li> <li>• Tax on embedded gains</li> <li>• Lock-in post listing</li> <li>• Tax impact – Short term capital gains</li> <li>• Impact, if any, under tax laws of country where situated</li> </ul> <p>Special-purpose acquisition company (SPAC)</p>

# Case study 2

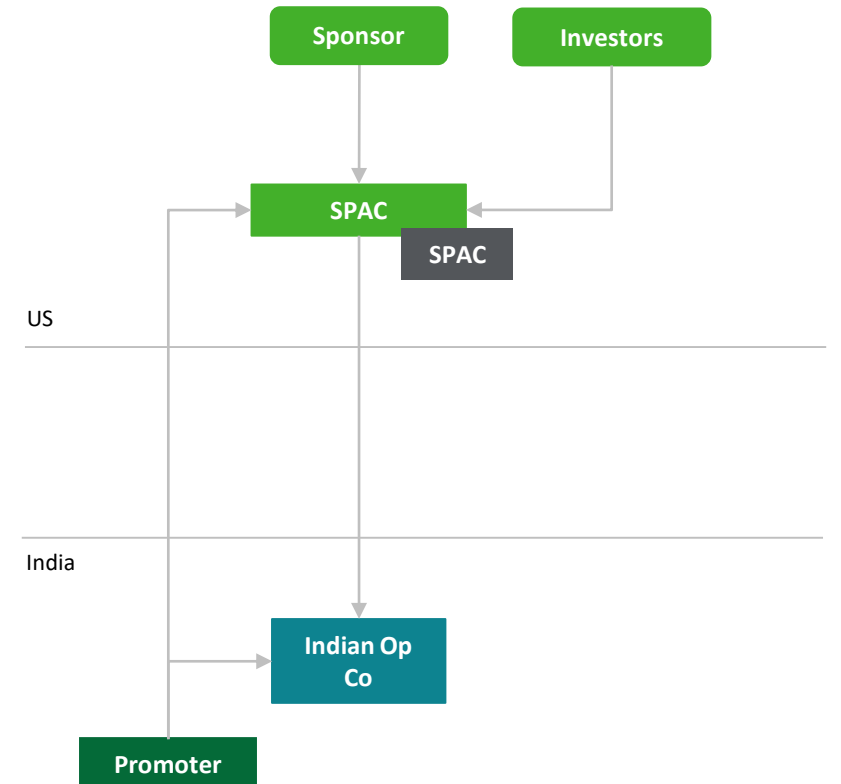
## Pre-SPAC structure | Indian entity



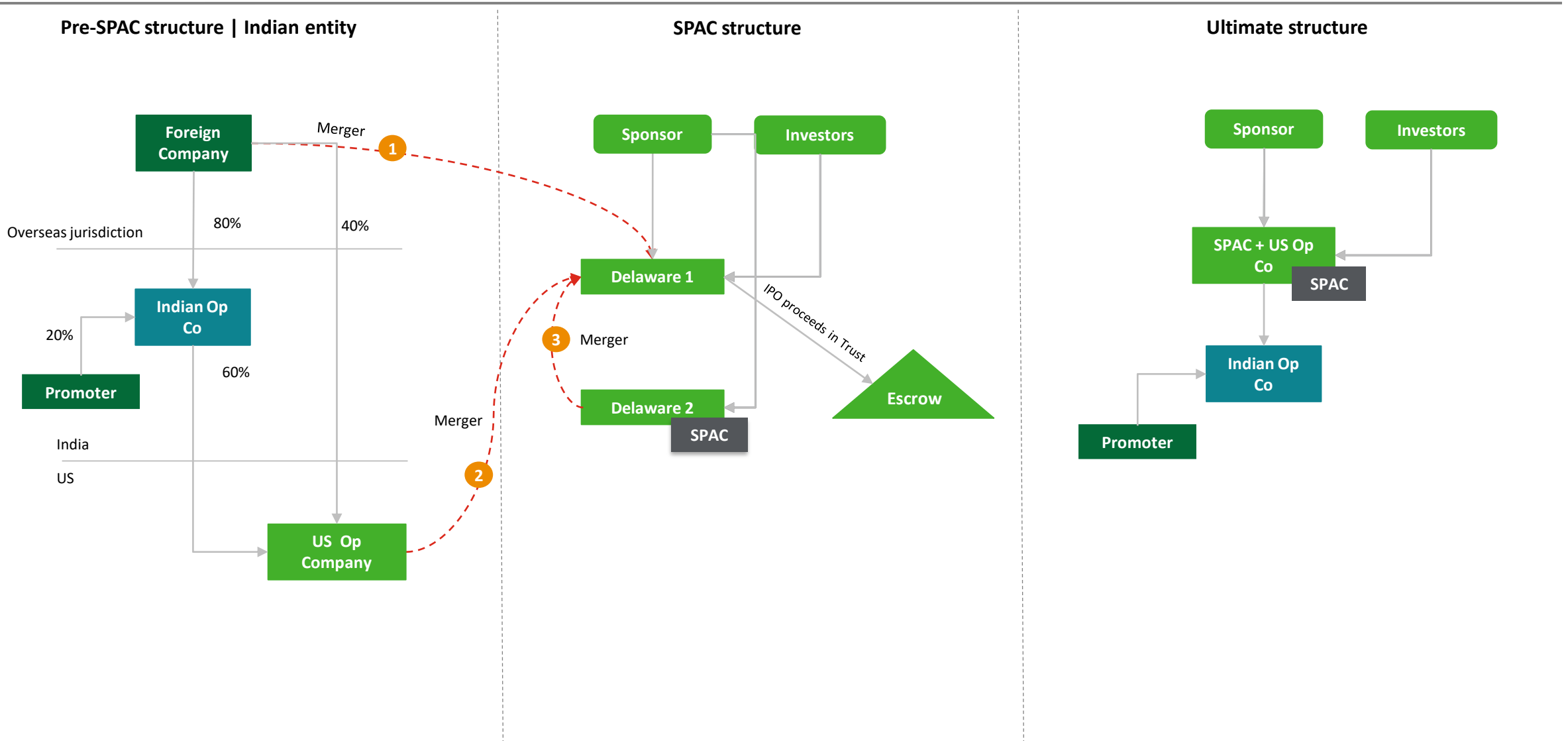
## SPAC structure



## Ultimate structure



# Case study 3





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