A Luxembourg perSPACtive

pwc

Whether you plan to sponsor, or to be the founder of a blank cheque entity, or plan to be acquired by a Special Purpose Acquisition Company (SPAC), several topics will need to be addressed, several questions will need to be answered, and all will be under the scrutiny of analysts, rating agencies, investment banks, advisors and regulators.

You can't be on your own in this process. You will need to onboard someone you trust with the right experience to smooth the process and the specialist resources you may need.

Transparency is key in order not to overpromise and/or under deliver and to ensure the investors understand the factors influencing your investment proposition and the future roll-out of the sought-after business combination.

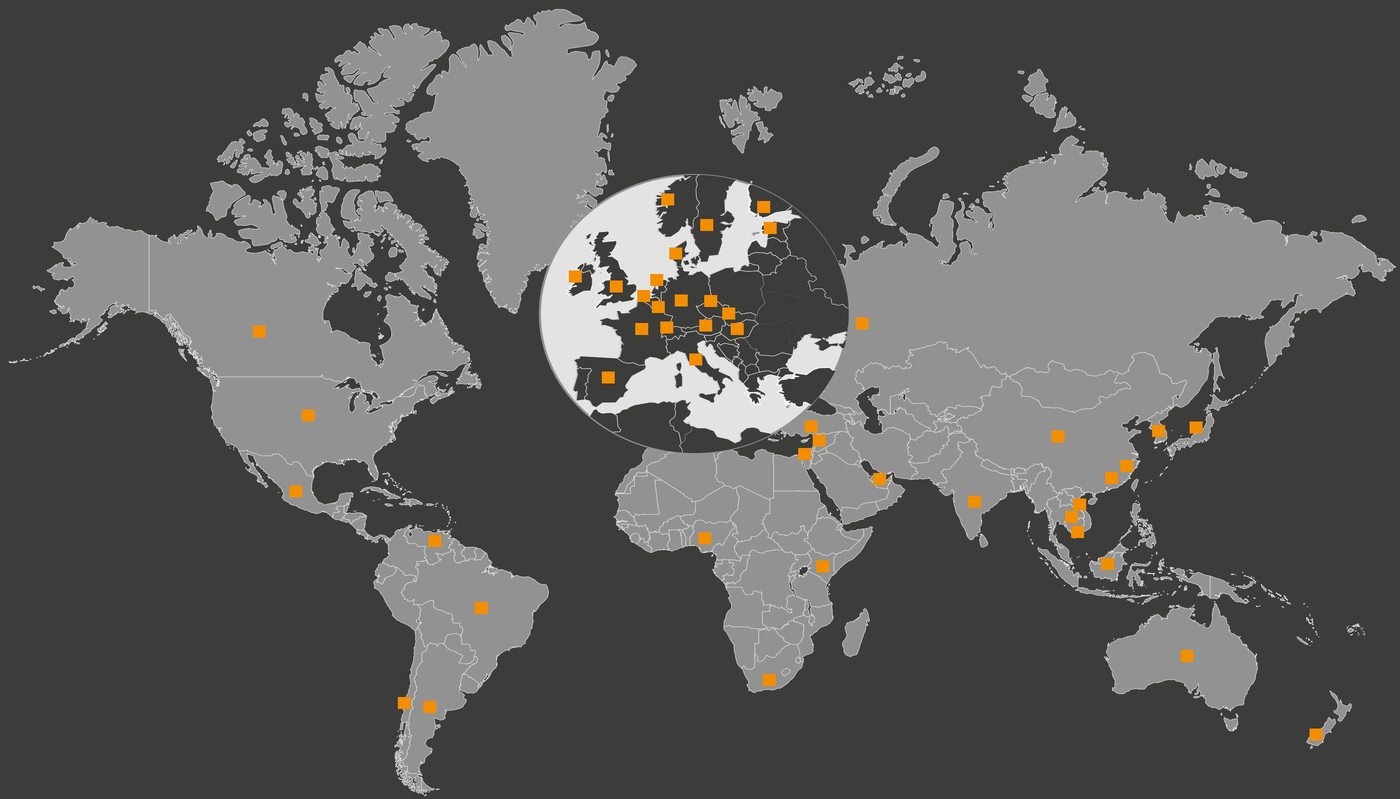
PwC's Global CMAAS

Who we are: A Global Network with Local Knowledge

Extensive knowledge of the rules and regulations governing capital markets.

A team of specialists assisting sponsors, companies and investment banks in connection with capital markets transactions in all of the key global markets.

The first firm to establish a dedicated global Capital Markets and Accounting Advisory Services (CMAAS) group.



SPACs are acquisition vehicles whose primary objective is to acquire, by way of a merger, capital stock exchange, share purchase, asset acquisition, reorganisation or similar transaction (the "business combination"), an operating business or group which is often already looking into an IPO but is still at an early stage of such a process. The acquisition is funded by raising capital through an Initial Public Offering (the "IPO") and the proceeds raised are kept in escrow with a view to identify a prospective target (the "Target Company"). The business combination must be approved by a majority of votes at a general shareholders' meeting of the SPAC and typically needs to be consummated within a period of two years after IPO, otherwise, the SPAC will be liquidated and the funds returned to investors.

SPACs have gained popularity amongst investors as they attract favorable merger targets, provide appealing structures and returns, and are structurally easy to complete.

Additionally, there is a rising common belief among capital markets participants that IPOs are not fully valuing the businesses but that SPACs are.

An alternative to the traditional IPO

SPACs' activities have been on a significant rise recently due to several factors:

- Disclosures are improving from SPACs' investment thesis and nowadays generally include the Target Company's specified industry and other characteristics. Therefore, increasing transparency is boosting the business.

- Volatile IPO markets have made it difficult to determine the right IPO "window", while the SPACs market is generally less impacted. Some argue that IPOs may be underpriced, which stems from hand-picked prices (vs market prices) and buyers selected by investment banks, resulting in reduced capital available to companies.

- There has been increasing acceptance by small- and mid-size companies, which make up most of the SPACs' Target Company population. SPACs may provide greater economic certainty for these Target Companies, including negotiated prices and access to liquidity resources.

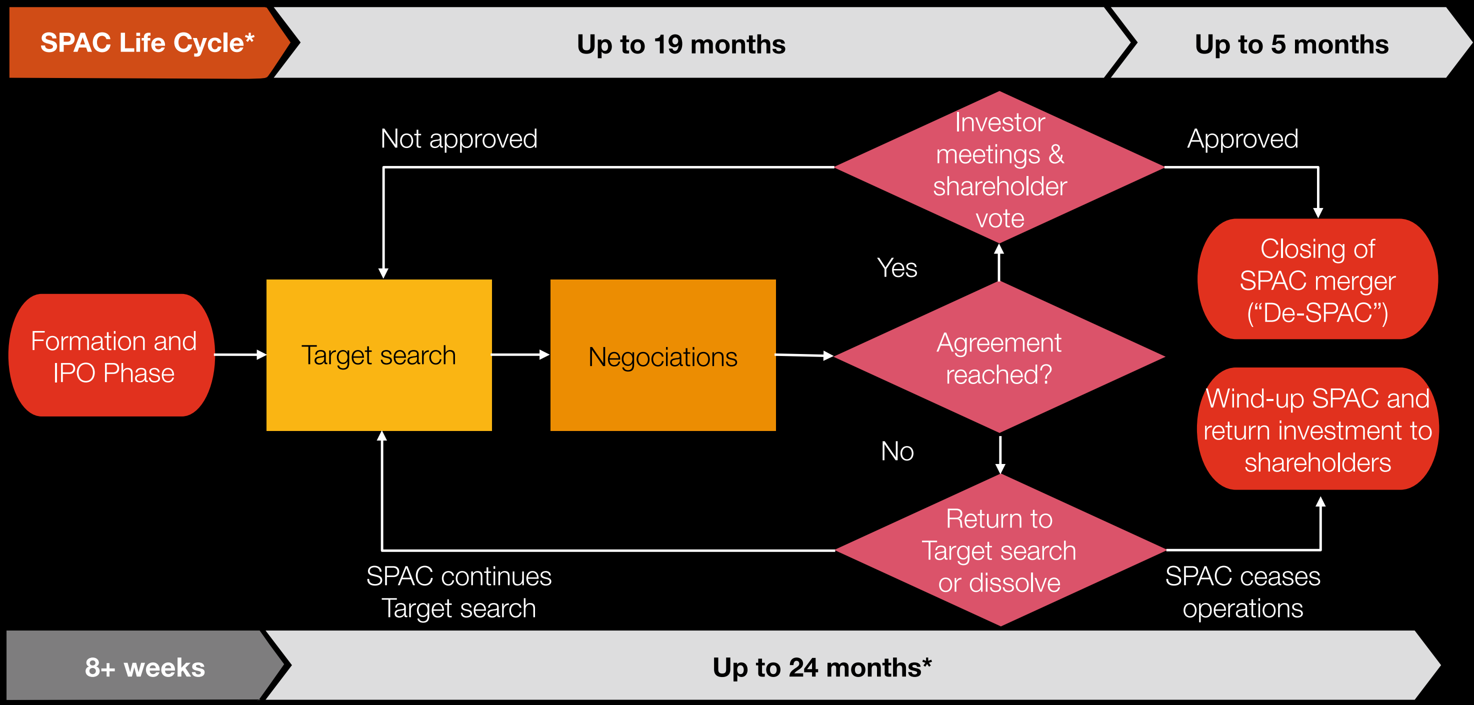
- More ability to structure flexible deal terms has led to increased buy-side and sell-side interest by financial sponsors and experienced management teams. The use of different business combinations strategies and the variety of shares, warrants and options at disposal make SPACs very attractive for sponsors, Targets and investors.

- Increasing sophistication of public market investors and the strong demand for private equity-style investments. SPACs' mergers typically provide investors with more transparency and access to management as compared to IPOs (i.e. Forward looking guidance from management).

- Resurgence of a new generation of SPACs backed by experienced management teams and sponsors commonly with successful track records and long histories of strong performance for investors.

The journey to a SPAC merger

Each SPAC generally has 18-to-24 months post IPO to complete a merger before it has to cease operations and wind-up



* For illustrative purposes, the SPAC life cycle presented is based on a 24 month timeline to complete a merger.

Tax considerations

When launching a SPAC, key tax matters that may need to be carefully considered include the following:

(i)	The tax implications arising for the sponsor - for example on conversion of founder shares into public shares; on future exercise of warrants and/or forward purchase agreements if any; and on the future sale of shares/warrants;
(ii)	The tax implications for the SPAC pre and post business combination;
(iii)	The tax implications that may arise on the business combination in due course;
(iv)	The tax implications in relation to directors' compensation where applicable;
(v)	Tax residence and substance considerations for the SPAC.

Common similarities between a SPAC merger and a traditional IPO

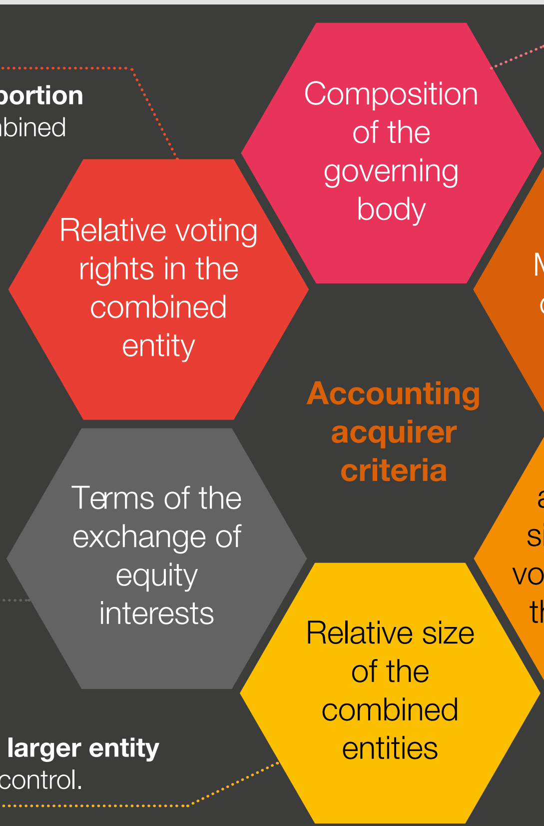
SPAC merger (Target Company)		Traditional IPO (Issuer/Registrant)
Target Company prepares for going public and being public.	=	Private company prepares for going public and being public.
Similar disclosures in a prospectus for the Target Company include risk factors, the business, pro formas, MD&A or OFR, management and executive compensation.	=	Similar disclosures in a prospectus include risk factors, the business, pro formas (if triggering event), MD&A or OFR, management and executive compensation.
3 years for audited balance sheet and 3 years for audited income statements, cash flows, and equity statements.	=	3 years for audited balance sheet and 3 years for audited income statements, cash flows, and equity statements.
Investor meetings to educate existing SPAC investors on value proposition to support the merger.	=	Roadshows to educate potential investors on value proposition, "build the book" and determine price range.
Lock-up period for sponsors, directors and/or officers is generally one year from the SPAC merger closing.	=	Lock-up period for early investors, directors and/or officers is generally 180 days from the IPO pricing.

Common differences between a SPAC merger and a traditional IPO

SPAC merger (Target Company)		Traditional IPO (Issuer/Registrant)
Cash proceeds are reduced by the SPAC's deferred underwriter fees from its IPO, which is typically 40-60% of the total 2-5% discount from the gross SPAC IPO proceeds.	≠	Cash proceeds are reduced by the entire 4-7% underwriter discount of the gross IPO proceeds settled at closing.
Prospectus includes: proxy votes, acquirer from an accouting perspective, sources and uses of funds flow; and pro formas for redemptions.	≠	Prospectus includes: the offering, use of proceeds, capitalisation table, and dilution table.
Typically shorter timeline (3 to 5 months), including CSSF comment letter process of 2 to 4 months depending on complexity. Process undertaken upfront.	≠	Typically longer timeline (4 to 6 months), including CSSF comment letter process of 2 to 6 months depending on complexity.
Valuation is determined by negotiations between SPAC sponsor and owners of the Target Company.	≠	Valuation is more dependent on market demand and timing with an open "IPO window".

Determining the accounting acquirer in a SPAC merger

The accounting acquirer is the entity that obtains control of the combined entity and is typically different from the legal acquirer in a SPAC merger.



The entity that has the **largest portion of the voting rights** in the combined entity generally obtains control.

The entity that has the **continuing shareholders** and is able to **elect or appoint a voting majority** of the governing body for a **sufficient period of time** generally obtains control.

The entity that pays a **premium over the pre-combination fair value** of the shares of the other entity generally obtains control; however, **this factor may be considered less significant** if the fair value of the shares is difficult to determine.

The entity whose **executive team manages or dominates the management of the combined entity**, considering the roles, responsibilities, and seniority of the positions assumed, generally obtains control.

The entity that has a **large minority voting interest** concentrated in one or more individuals or entities considered under common control and **an ability to significantly influence** the combined entity generally obtains control.

The entity that is a **significantly larger entity** than the other generally obtains control.

Expected accounting treatment under IFRS

Accounting before the merger

The accounting for the issued listed units and for the related warrants is not necessarily straightforward. Features like the redemption option of the listed units and the “cashless” net settlement feature of the warrants, triggered by the issuer option to redeem, will likely determine liability instead of equity classification.

If this is the case, the redeemable shares can be subsequently measured at amortised cost, while the warrants will be measured at fair value through profit or loss (“PL”).

Accounting for the merger

- If the shareholders of the target entity are the ones who will control the merged entity (most likely), the accounting acquiree is the SPAC entity; hence the transaction does not qualify as a business combination. Consequently there will be no goodwill, no intangible assets like customer lists, brands, etc. to be recorded at the merger.
- Because the transaction is done via an exchange of shares, as it is not under IFRS 3 Business combination (see above), it will fall under IFRS 2 Share-based payment. Consequently, any difference between the fair value of the shares deemed to have been issued by the target and the fair value of the SPAC’s identifiable net assets (mainly cash) will be booked in PL, as listing service.
- Any potential contingent payments with the shareholders or with the employees of the SPAC or of the target entity will be accounted for under IFRS 2; the PL impact might be booked over time if, in relation to employees and / or the sponsor, there are vesting conditions.
- Transaction costs are partially recorded in equity and partially in PL, depending on the portion attributed to capital raising versus the portion attributed to listing services.

The full depth and breadth of PwC at your disposal

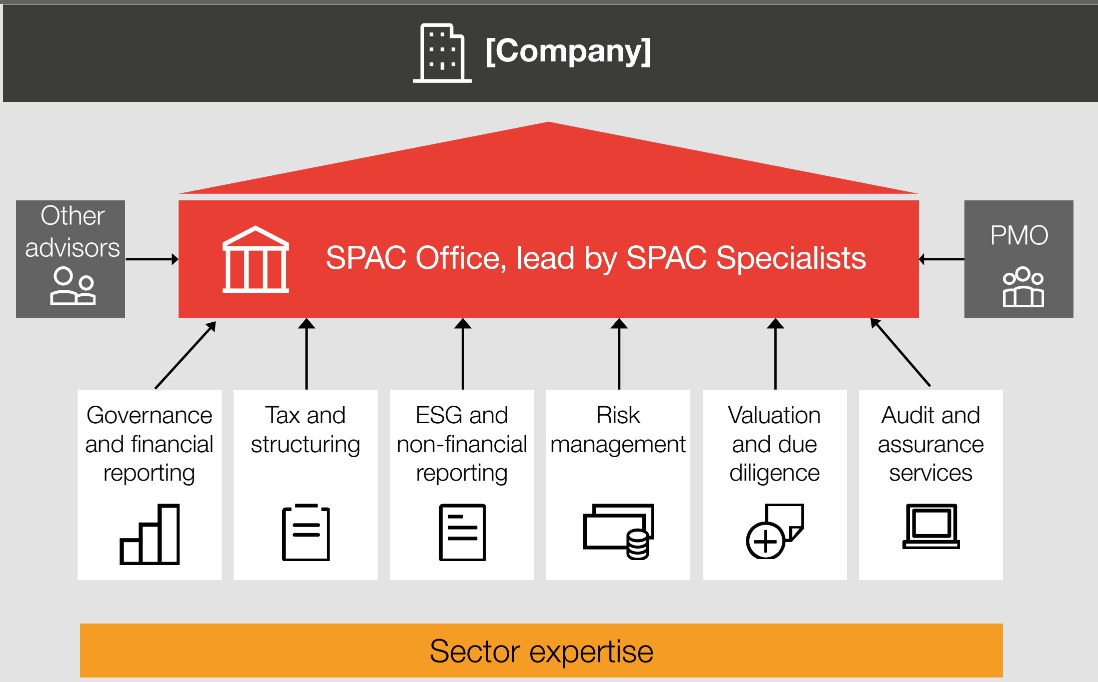
Our involvement may be little or extensive depending on your requirements

Led by experienced, senior capital market advisers, the PwC SPAC Office represents the full range of skills and experience that we are able to provide, tailored according to your specific needs.

A full-service, multidisciplinary SPAC team, led by experienced equity capital market professionals that stay by your side along the entire journey.

We can bring the right expertise to bear at the right time, knowing what you need to address and when.

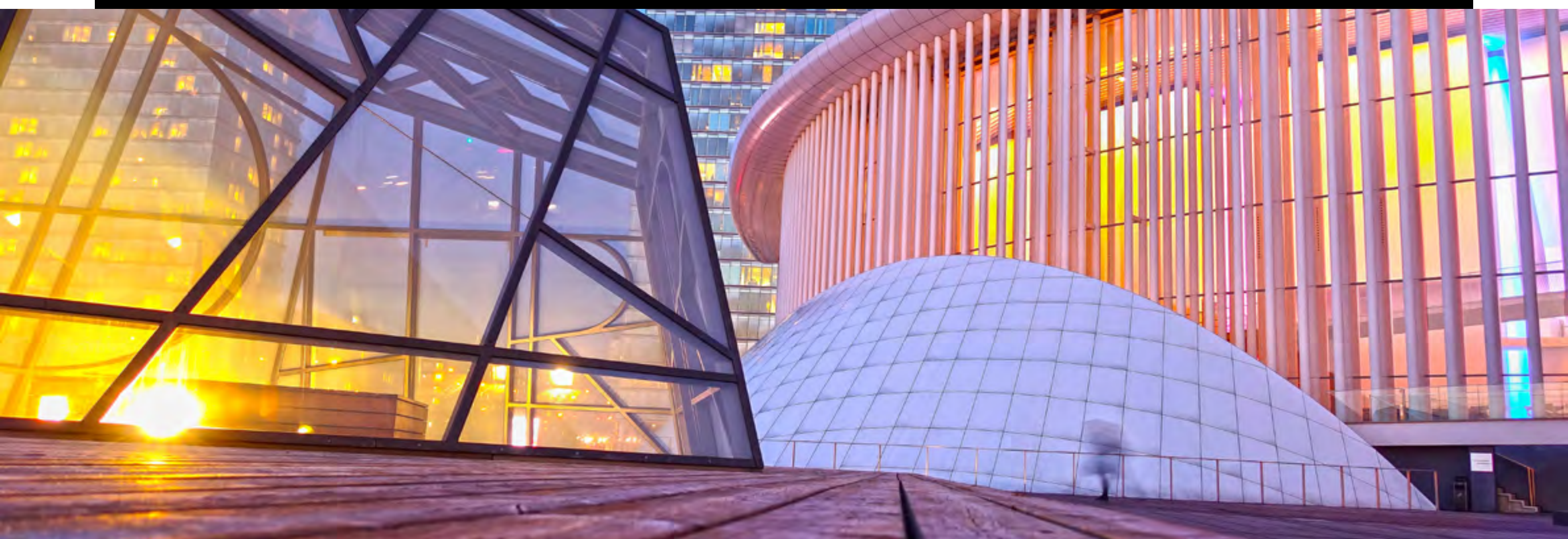
Our approach is very flexible, with you in control, ensuring that our involvement leverages and complements the capabilities of your team.



Why Luxembourg?

The re-birth of SPACs in Luxembourg, after the first one was launched more than ten years ago, highlights the attractiveness of Luxembourg in this space due to its:

- business-friendly environment;
- focus on investment;
- capital markets expertise;
- versatility of company law and corporate governance rules;
- accessibility of the regulator; and
- international environment.



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