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Becoming a U.S. Public Company: The New Three-Track Process

December 1, 2020



BMO



Capital Markets



Agenda

- During today's webcast we will discuss:
 - Market structure changes
 - The U.S. IPO market in 2020
 - Measures taken by the SEC to promote public offerings and make being public less burdensome
 - Direct listings
 - SPACs and merging with a SPAC to become a public company
 - What's on the horizon?

Changing Dynamics

Changing dynamics in the U.S. capital markets

- There has been a well-documented decline in the number of U.S. public companies
 - The numbers vary based on different periods and sources; however, the trend is clear. Consider that in the mid-1990s there were approximately 8,000 listed companies and in 2018 there were approximately 4,000.
 - More significant, perhaps, is the decline in the number of smaller public companies
- Many reasons have been advanced to explain the decline
 - The increased risk of litigation costs and litigation costs associated with public company status
 - The limitations on operating flexibility and perceived focus by the investment community on short-term results over longer term investments
 - The decline of equity research
 - Reduced institutional investor interest in micro-and small-cap stocks
 - The burdens (and costs) associated with public company status
 - The growth of private capital markets

Changing dynamics

- Undoubtedly, in recent years we've seen more and more companies stay private longer and more (as a percentage) IPOs undertaken by larger cap companies
 - In 2020, through November 15th, there have been 182 IPOs which have raised \$60.1 billion in aggregate
 - Of these 182 IPOs, 38% of issuers have a market cap of \$1 billion and above, 30% had a market cap of between \$500 million and \$1 billion, and 23% had market caps between \$100 million and \$500 million*

* This excludes SPAC IPOs

Changing dynamics *(cont'd)*

- That said, we've seen few M&A exists involving unicorns, and a significant number of unicorn IPOs
- The paths to public company status have changed
- Once upon a time, companies seeking a liquidity opportunity considered an IPO and an M&A exit (the "dual track" approach)
- More often than not now, our conversations involve a three-track (or four-track) approach):
 - IPO
 - Merging
 - Direct listing
 - (Potentially an M&A exit - but this approach may not be available to the largest public companies)
- We'll explore the challenges to the traditional U.S. IPO model

U.S. IPO Market in 2020

After Extreme Volatility in the First Half, Equity Markets Rebounded Quickly...

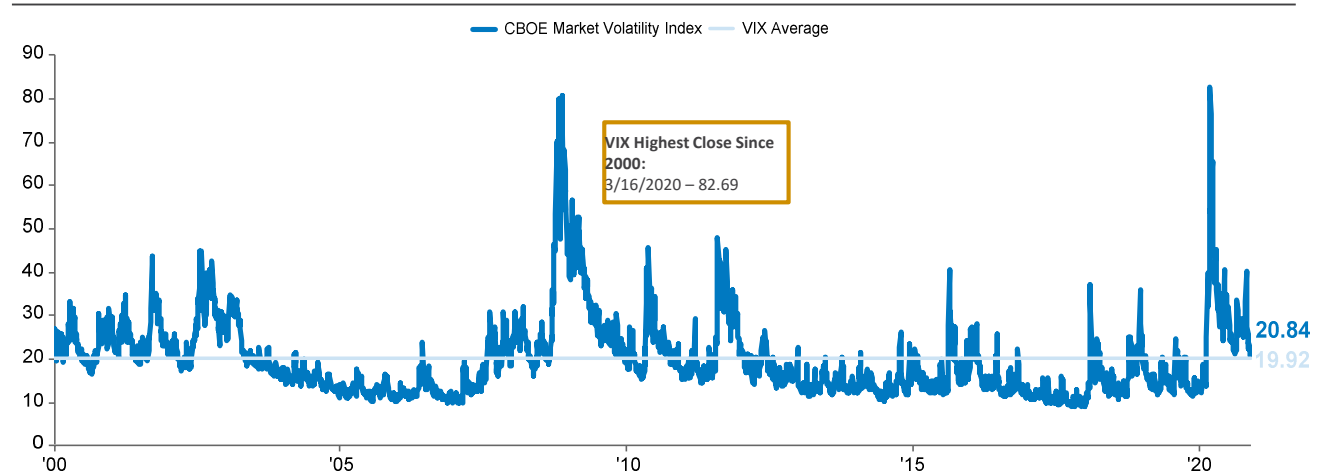
MARKET THEMES

- After tumbling over (30%) in March, U.S. equity markets rebounded strongly for a third straight quarter in Q4 that's seen the S&P 500, DJIA and Nasdaq repeatedly hit record highs
- Following the election results volatility has subsided as markets are bullish on a split congress and Democratic White House
 - The biggest concerns right now include resurgent coronavirus cases and accompanying mitigation measures and lack of near-term fiscal stimulus
- Despite broader market headwinds, the issuance market remains robust due to strong investor appetite and solid performance of recent transactions

MAJOR INDICES POSTED RECORD PERFORMANCE LAST WEEK

	% Change					
Index	Current	Last Week	Since Mkt. High (2/19)	Since Mkt. Bottom (3/23)	2020	2019
North American Equity Indices						
Dow Jones Industrials	29,910	2.2%	1.9%	60.9%	4.8%	22.3%
S&P 500	3,638	2.3%	7.4%	62.6%	12.6%	28.9%
Nasdaq Composite	12,206	3.0%	24.3%	77.9%	36.0%	35.2%
U.S. 10-Year	0.81	1.6%	(48.2%)	6.0%	(57.4%)	(29.1%)
CBOE Market Volatility Index	21	(12.1%)	44.9%	(66.2%)	51.2%	(45.8%)
S&P 500 Sector Indices						
Materials	450	2.7%	18.3%	86.0%	16.5%	21.9%
Industrials	749	2.4%	5.7%	81.7%	8.9%	26.8%
Consumer Discretionary	1,280	3.0%	22.1%	79.3%	29.8%	26.2%
Technology	2,154	2.1%	19.6%	73.8%	33.7%	48.0%
Financials	472	4.6%	(8.5%)	60.6%	(7.8%)	29.2%
Energy	290	8.5%	(29.6%)	60.2%	(36.5%)	7.6%
Telecommunications Services	217	2.7%	12.4%	57.5%	19.5%	30.9%
Health Care	1,273	0.5%	5.1%	46.1%	7.1%	18.7%
REITs	226	(0.5%)	(11.2%)	42.4%	(5.4%)	24.3%
Consumer Staples	687	0.6%	3.7%	37.1%	6.2%	24.0%

VIX HAS SUBSIDED POST-ELECTION

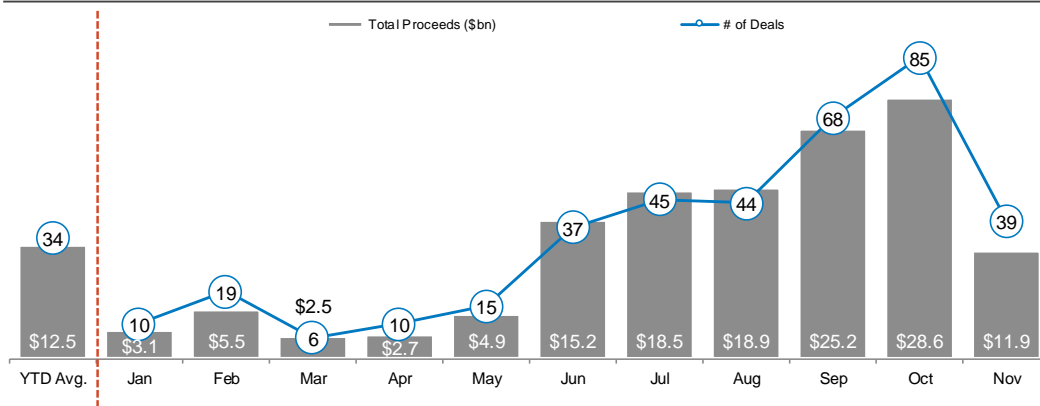


Source: Dealogic, Factset.

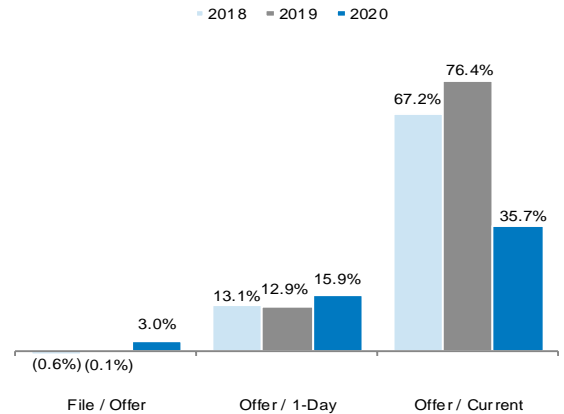
Note: Market and issuance data as of 11/27/2020.

...Which Led To Historic Levels of IPO Issuance

IPO ISSUANCE HAS SPIKED SINCE THE MARKET LOWS IN MARCH

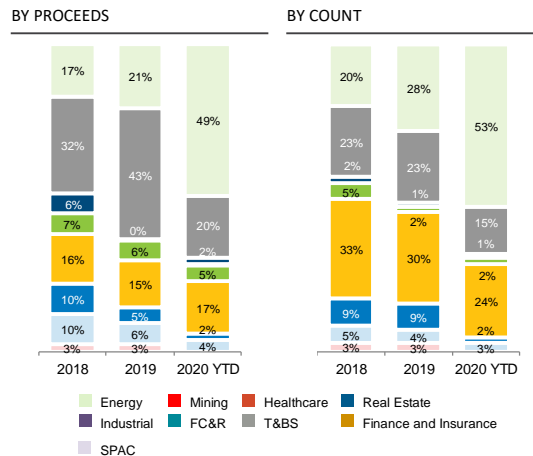


RECENT DEALS HAVE PRICED AND PERFORM BETTER THAN HISTORIC AVERAGES

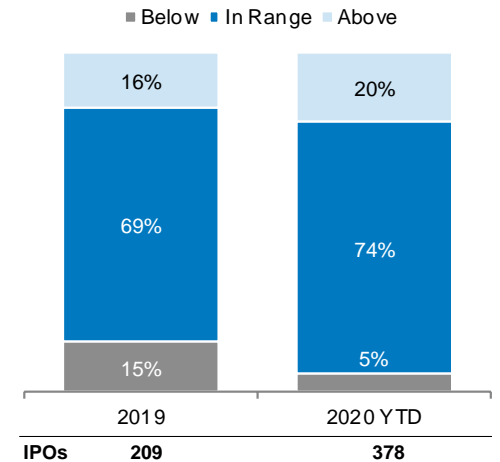


- Despite a lull in issuance early in the year, the strong market rebound has helped continue robust IPO issuance through 2020
 - The IPO market in 2020 has already significantly surpassed last year by deal count and proceeds and is on track to be the most active year since 2000
- Recent deals continue to price and perform well:
 - 95% of IPOs have priced within or above the marketing range since March
 - Average 1-day performance of 2020 IPOs is well above 2019 averages
- SPAC issuance continues to dominate by volume and on a proceeds basis, with 200 issuers coming to market in 2020 alone

HISTORICAL SECTOR BREAKDOWN



PRICING OUTCOMES REMAIN ROBUST

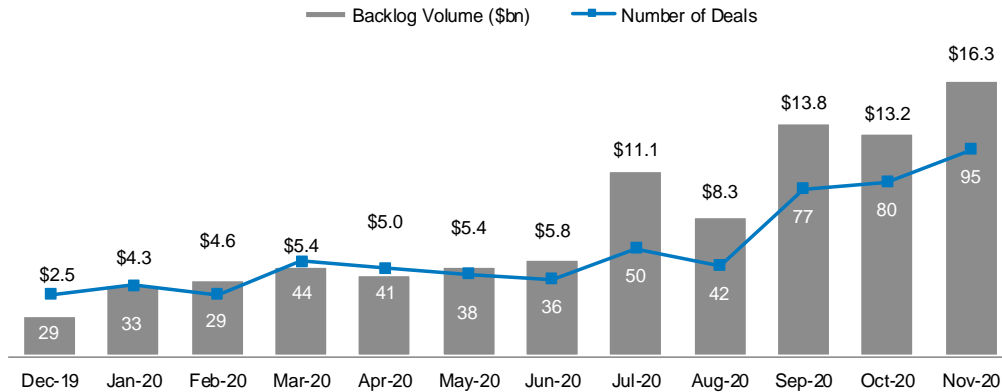


Source: Dealogic, FactSet, IPO Intelligence

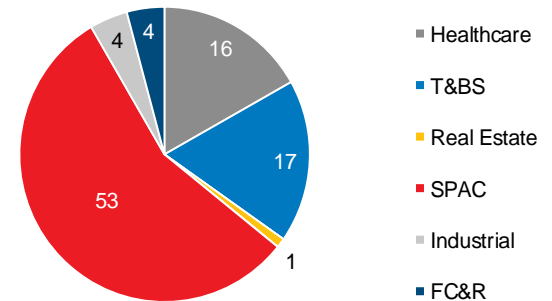
Note: Excludes deals under US\$20 million. Market data as of 11/27/2020. Blue shading denotes BMO an underwriter on the IPO.

Robust IPO Backlog Promises A Healthy December Funding Window

LTM IPO BACKLOG



IPO BACKLOG BY SECTOR



SELECT ISSUERS IN THE PUBLICLY FILED BACKLOG



IPO BACKLOG

- Despite a myriad of pandemic-related headwinds, the US IPO backlog has remained robust supporting a record year of issuance
 - SPACs have represented an outsized share of the backlog throughout 2020
- The backlog has grown post-Labor Day and post-election as issuers look to take advantage of strong, supportive market conditions before year-end
- Currently there are 95 issuers in the publicly filed backlog looking to raise in excess of \$16bn promising a strong window of issuance in December

Source: Dealogic, IPO Intelligence

Note: All charts exclude deals under US\$20 million. Backlog refers to U.S. IPOs filed or revised in the last 180 days.

The Balancing Act...

The SEC's balancing act

- The JOBS Act through its Title I (the IPO On-Ramp) provisions was intended to promote IPOs
- The SEC had already embarked on its disclosure effectiveness initiative – trying to modernize outdated SEC disclosure requirements and retroactive public company reporting obligations
- At the same time, the SEC has also addressed securities exemptions and the private markets

The SEC's balancing act *(cont'd)*

- "It is very important to emphasize that it is not accurate to describe our financial market ecosystem as a 'binary' public-private system."
- "While encouraging companies to go public and conduct securities offerings on a registered basis is important, not every company is meant to be public and not every transaction is mean to be registered."
- "A focus of my tenure has been making the public markets more attractive for companies."

Measures to Make Being Public Less Burdensome

Expanded Ability to Engage in Test the Waters Communications

- In September 2019, the SEC extended the ability to “test the waters” to all issuers by adopting new Rule 163B. Prior to Rule 163B, the ability to test the waters was limited to EGCs.
- Testing the waters communications may solicit nonbinding indications of interest but may not solicit a binding commitment or customer order.
- Testing the waters communications can be oral or written and may occur either prior to or following the date of filing of a registration statement.

Expanded Ability to Engage in Test the Waters Communications *(cont'd)*

- Under Rule 163B, any issuer, or person authorized to act on behalf of the issuer (including an underwriter), may engage in exempt oral or written communications with potential investors that are, or are reasonably believed to be, qualified institutional buyers ("**QIBs**") or institutional accredited investors ("**IAs**") to determine whether such investors might have an interest in a contemplated registered securities offering.
 - **QIB definition**: Any institutional investor that qualifies as an accredited investor under Rule 501 of Regulation D under the Securities Act of 1933 (the "Securities Act"), acting for its own account or the accounts of other QIBs, that owns and invests on a discretionary basis at least \$100 million in securities of unaffiliated issuers. Banks and certain other specified financial institutions must also have a net worth of at least \$25 million. A registered broker-dealer is a QIB when it owns and invests on a discretionary basis at least \$10 million in securities.
 - **IAI definition**: Any institutional investor that qualifies as an accredited investor under Rule 501 of Regulation D under the Securities Act (generally, an entity with total assets in excess of \$5 million).

Expanded Ability to Engage in Test the Waters Communications *(cont'd)*

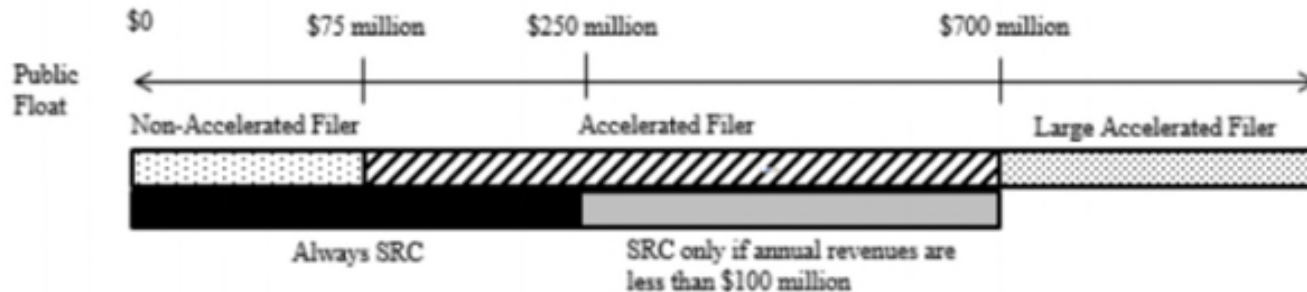
- The rule is non-exclusive and issuers may rely concurrently on other Securities Act communications rules or exemptions when determining how, when, and what to communicate in relation to a contemplated securities offering.
- The rule is also available to registered investment companies and business development companies ("BDCs").
- Rule 163B contains no legend or filing requirements, but does require that testing the waters communications not conflict with information in the registration statement for the related offering.
 - Statements made in any Rule 163B communications must not contain material misstatements or omissions at the time such statements are made.

Expanded Confidential Review of Registration Statements

- In June 2017, the SEC announced that all issuers would be permitted to submit draft registration statements for SEC review on a nonpublic basis (*previously only applicable to emerging growth companies*)
- Includes initial public offering registration statements and registration statements for an offering within a year of the effectiveness of the company's initial registration statement
 - For follow-on offering registrations, the SEC will only review the first draft submission confidentially, not subsequent amendments
- Company conducting a follow-on offering must publicly file its registration statement and its non-public draft submission of the registration statement no later than 48 hours prior to any requested effective date and time
- Draft registration statements must be substantially complete when submitted, however, an issuer may omit financial information that it reasonably believes will not be required at the time the registration statement is publicly filed

Amendments to definitions of certain issuers

- The SEC amended the definition of “accelerated filer” and “large accelerated filer”
- Definitions prior to amendments:



- **Now:** If a registrant has less than \$100 million in revenue and less than \$700 million in public float, it is a non-accelerated filer
- **Effects:** (i) no longer required to obtain attestation of their ICFR from their auditor and (ii) more generous reporting deadlines

Disclosure requirements for acquired business

- To simplify the requirements, the SEC amended the “significance” test to determine when additional historical financial information and pro forma information about an acquired business is required
 - Investment test compares investment to market value of acquirer’s equity (as opposed to total assets)
 - Income test now requires both income (pre-tax) and revenue of target to be at least 20% of acquirer’s
- The SEC also modified the requirements relating to the number of years of financial statements required, and to otherwise rationalize the requirements for separate financial statements and for pro forma financial information

Modernization of Regulation S-K

- Throughout the last few years, the SEC has amended the disclosure requirements under Regulation S-K to:
 - Eliminate duplicative requirements
 - Eliminate disclosures already required by GAAP/IFRS to be addressed in the notes to financial statements
 - Modernize the disclosures of Business, Risk Factors and Legal Proceedings
 - Modernize the requirements for MD&A

The Direct Listing Alternative

What is a Direct Listing?

- A direct listing is an alternative process to a traditional IPO that private companies use to list on public stock exchanges.
- During this process, the company's existing shares are listed on a stock exchange without either a primary or secondary underwritten offering.
- All, or substantially all, existing shareholders become free to sell their shares once the registration is declared effective (but are not obligated to do so).
- Direct listings are not new or completely different than other processes companies have pursued.
 - For example, multiple real estate investment trusts have directly listed as a means to provide liquidity to their shareholders.
 - Spin-offs, whereby an existing public company distributes shares, versus selling a minority interest in a subsidiary (as was the case when eBay spun off Paypal in July 2015) are also somewhat similar.



The Direct Listing Process

- The company files an S-1 registration statement with the SEC, typically through a confidential filing.
 - The SEC reviews the S-1 like a typical IPO S-1 filing, makes comments and will typically ask clarifying questions of the filing company.
 - Early in the process, the company may conduct “testing the waters”.
- There is also a quiet period (same as an IPO) while the company is in registration, during which all public statements made from the company and affiliates must avoid “hyping the stock”.
- After the initial review period, the company will then flip to a public filing (the company decides when), where investors, and the public, will see the amended S-1 registration statement, still in draft form, for the first time.
 - Additional amendments may also occur during this time period.
- Company must wait at least 15 days before commencing an investor day and other roadshow activities.
- The Company holds an Investor Day where it can invite investors and analysts.
- The SEC will declare the registration statement effective.
 - Once the registration statement is declared effective the Company can provide forward looking guidance.
- Once a final prospectus is filed, trading on a stock exchange can begin.



2020 Direct Listings

Company	Listing Date	Private Stock Price - MRQ			Reference Price	Direct Listing Pricing			Public Stock Price		
		Low	High	VWAP		Sh Price (Open)	% Change (vs Ref.)	Sh Volume (Opening Day)*	Sh Price (Day 1 Close)	% Change (vs. Open)	% Change (vs Ref.)
 asana	9/30/2020	\$14.24	\$28.00	\$25.11	\$21.00	\$27.00	28.6%	40,826	\$28.80	6.7%	37.1%
 Palantir	9/30/2020	\$4.17	\$11.40	\$6.45	\$7.25	\$10.00	37.9%	338,584	\$9.50	-5.0%	31.0%
 thryv	10/1/2020	\$10.17	\$10.56	\$10.48	\$10.17	\$14.00	37.7%	10	\$11.08	-20.9%	8.9%

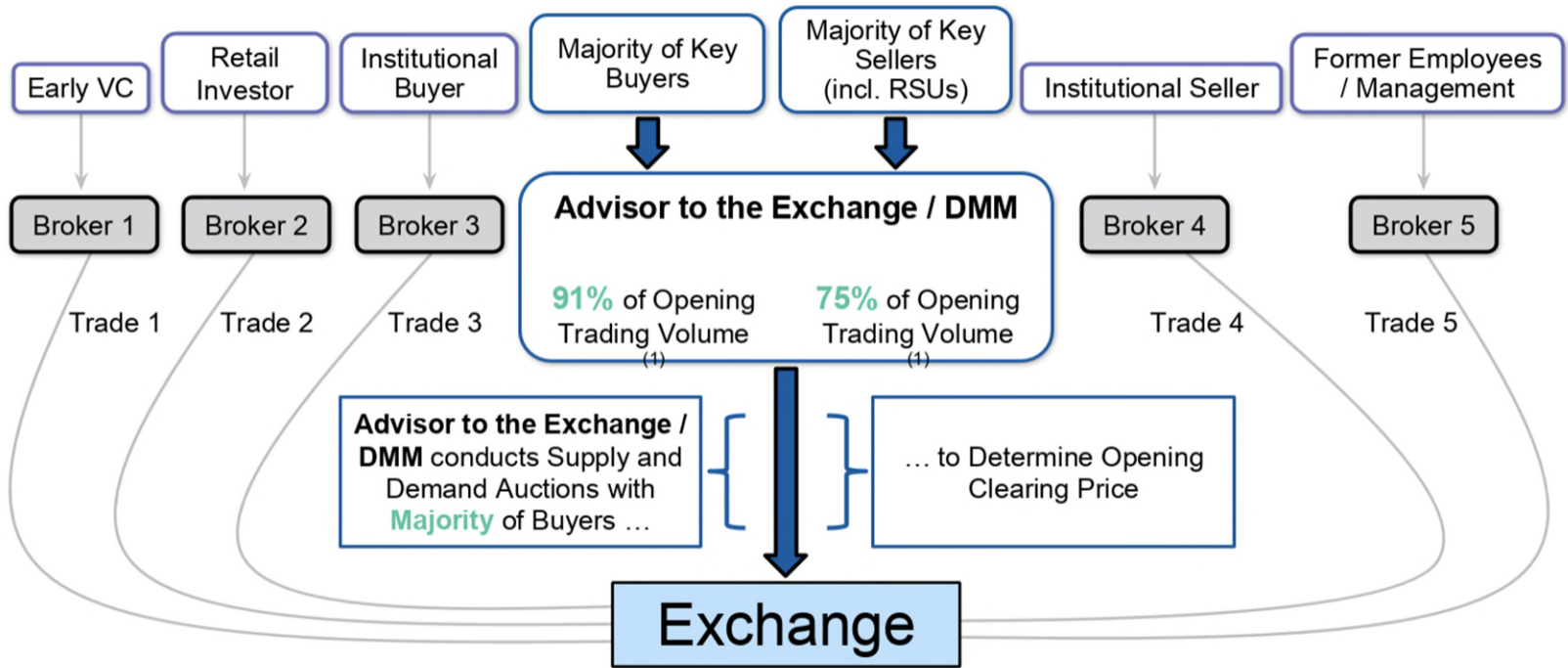
*Note: Market capitalization in millions. Share volume in thousands.



How does trading begin?



How does trading begin?

**Notes:**

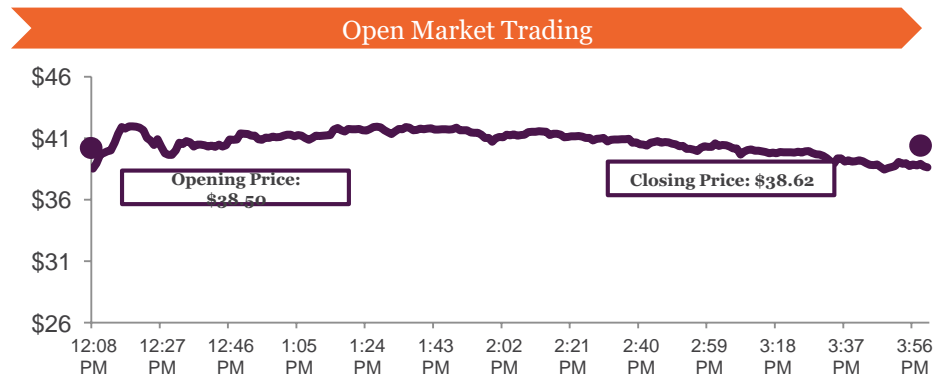
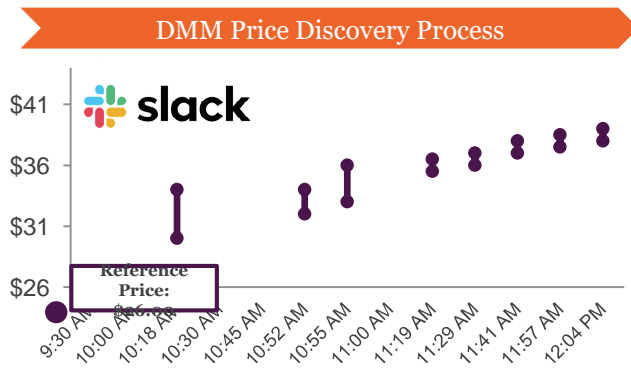
1. Advisor to the Exchange / DMM estimated to have opened approximately 8.6MM of 9.5MM Spotify shares and 35.8MM of 47.7MM Slack shares at opening trade; source Bloomberg advertised trade volumes

Source: [TechCrunch November 21, 2019](#) and Morgan Stanley

How does trading begin?

Slack Technologies, Inc. listed on the New York Stock Exchange on June 20th, 2019 by way of an NYSE Direct Listing

- NYSE established a reference price of \$26.00 the evening prior to trading
- Indications narrowed as the DMM weighed supply and demand to ensure strong liquidity at the equilibrium price
- Slack opened at 12:08 PM at \$38.50 on 45.5M shares, valuing the company at \$19.4B and the first trade at \$1.8B



Source: New York Stock Exchange



What do the experts say regarding Direct Listings?

- **CNBC September 12, 2019 - Tech investor Bill Gurley**

"I think Silicon Valley has been on the bad end of a bad joke for about four decades now, in terms of the way the traditional IPO process works," Gurley said. "The more I study and contrast it with direct listings, the more I realize that."

- **IFR ECM Briefing – November 2019 – Direct Listings**

The direction the debate is heading nevertheless reflects a convergence of private and public capital markets, raising questions about the role of lock-ups and whether they are really necessary when pre-IPO shareholders are a diverse bunch and are not strictly insiders...This latest development reinforces the suspicion that the absence of lock-ups is the true benefit of a direct listing from the perspective of a pre-IPO shareholder.

- **Renaissance Capital Research - October 4, 2019 - The IPO Market's Winners & Losers**

"Direct listings are nirvana for VCs where the game plan is to create a buzz about the company, price above the last round, and then quickly exit. In contrast, the IPO process is designed to balance the liquidity needs of issuers with protections for investors."

- **Fortune - October 2019 - VCs Can't Get Enough of Direct Listings**

"But many of today's startups, rich already with private capital, don't need cash – they're primarily looking for an efficient way for early investors to sell some of their stakes."



What do the experts say regarding Direct Listings?

- William Blair & Company, Carl Chiou, Equity Capital Markets, "Things We Think You Should Know", October 2020

"Direct listing is the purest and most efficient price discovery mechanism, as Palantir and Asana have showed by trading in a +/- 10% range out of the gate. Who should use direct listing? That is a company-specific decision based on objectives; however, more alternatives to go public (direct listing, modified Dutch auction, traditional IPO or SPAC) are a good thing. For companies primarily focused on minimizing or eliminating the "pop" and ok with not selecting their initial public equity investors, a direct listing may be an attractive option."

- Andreesen Horowitz, Jamie McGurk, - All About Direct Listings, July 2, 2019

"Since the decision to be public today is often driven by considerations outside of capital needs or investors, Direct Listings offer a more evolved route to the public markets."



What do the experts say regarding Direct Listings?



Why Direct List?

“Many people have speculated about why Spotify is pursuing a Direct Listing. We think it is best that you hear directly from us why we think this is the right approach for the people at Spotify. From where we sit, there are five key reasons:

- First, to list without the Company having to sell shares.
- Second, to offer liquidity for shareholders.
- Third, to provide equal access to all buyers and sellers.
- Fourth, to conduct the process with radical transparency.
- And fifth, is to enable market-driven price discovery through the New York Stock Exchange....”

- CEO Daniel Ek, March 16, 2018





What do the experts say regarding Direct Listings?

NEW YORK STOCK EXCHANGE

- The NYSE worked closely with the SEC, Spotify and legal counsel to write the rules for the modern day direct listing: one that can seamlessly list large companies directly on the NYSE without any prior trading or IPO price.
- The NYSE was chosen for both Spotify and Slack, in part, due to the unique role of its Designated Market Maker, or DMM.
- The DMM has two key roles in a Direct Listing, both of which are critical given the absence of a stabilization agent:
 - The first is opening the stock at the right price, which involves a thorough price-discovery process.
 - The second is maintaining price continuity with reasonable depth and minimizing the effects of temporary disparity between supply and demand by supplying their own capital, both at the open and through the early days as a public company. Given the absence of a stabilization agent, both of these roles are critical.
- While some look at the long term performance of a direct listing or in the resulting shareholder base, the first day of trading on the NYSE of both SPOT and WORK were flawless and can be described as nothing less than a complete success.
- Large amounts of stock moved during the first trade after a thorough price discovery process and traded with minimal volatility throughout the day.

SPOT and WORK were among the six largest opening trades of all time.

Symbol	BABA	FB	<u>WORK</u>	UBER	GM	<u>SPOT</u>
First Trade	\$4.5B	\$3.2B	<u>\$1.8B</u>	\$1.4B	\$1.3B	<u>\$940M</u>

Direct Listings Resources from NYSE

[NYSE's Direct Listings Website](#)
[NYSE's Latest Rule Filing on Direct Listings](#)

[Vice Chairman John Tuttle on Direct Listings](#)
[President Stacey Cunningham on Direct Listings](#)
[with Andreessen Horowitz](#)

Source: New York Stock Exchange

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What do the experts say regarding Direct Listings?



- Nasdaq's multiple market model is transparent and fair, with equal incentives across participants and no one individual overrides the community.
- Nasdaq Head of Capital Markets, partners with the Financial Advisor(s) to communicate throughout the opening process.
- The Nasdaq Bookviewer provides full transparency to the Financial Advisor(s) to allow them to effectively communicate with buyers and sellers and ensure a smooth and unconflicted opening
- The Bookviewer Price Highlight tool allows the Financial Advisor(s) to run scenario analysis of the buy/sell orders required to open the stock at a given price in real time
- Leading up to a Direct Listing, Nasdaq Private Market provides a platform to provide controlled secondary transactions and has facilitated over \$25B in transactions
- Nasdaq's IR Insight platform enables companies and their advisors to directly schedule meetings with investors and analysts via the ConnectIR technology



Source: Nasdaq

Direct Listings Resources from Nasdaq

[Nasdaq's Direct Listings Website](#)
[Nasdaq's Latest Rule Filing on Direct Listings](#)

[Nasdaq BookViewer Overview](#)
[CNBC Video on Why Companies Choose a Direct Listing](#)





Designated Market Makers (DMM) play an important role



CITADEL | Securities

Provide Meaningful
Liquidity to
Investors and
Shareholders

Facilitate Orderly
Trading During Key
Liquidity Events

Act as Key Contact
for Market
Intelligence

Citadel Securities expanded role in NYSE direct listings:

1. Pre-listing education

- Shareholders
- Market participants

2. Pre-listing planning

- Financial advisor discussions
- Trading assessments

3. Heightened opening oversight

4. Enhanced post-opening liquidity and risk management

5. Post-listing issuer communication

- Stock and sector activity, retail participation, ETF and option flows, borrow/loan activity



New NYSE rule approved by SEC allows companies to raise primary capital



"Companies have different objectives and should chose a path to the public markets that serves them the best. We will continue to innovate on direct listings, SPACs and new structures to create more options for our clients."

- Will Connolly, Head of Technology Equity Capital Markets, Goldman Sachs

Overview

- On August 26, 2020, the SEC approved NYSE proposed listing rule changes that will permit companies to raise capital as part of a Direct Listing through a "Primary Direct Floor Listing"
- Primary issuance is achieved through a new order type called an Issuer Direct Offering Order ("IDO Order"), which is a limit order that is traded only in the opening auction
- As the lead advisor to Spotify and Slack, Goldman Sachs will continue to push for innovation to create more paths to the public markets for our clients
- We expect a continued expansion of listing formats and flexibility to be available to companies

Rule Summary

- Disclosure in the Primary Direct Floor Listing includes:
 - Number of shares to be sold
 - Price Range
- The IDO Order requires:
 - Only one IDO Order may be entered on behalf of the issuer
 - The limit price must be equal to the lowest price of a price range published in the Registration Statement. If the auction price is above or below the range, the listing would not proceed. The Company could re-file and run a new auction.
 - The IDO Order must be for the number of shares disclosed in the effective Registration Statement
 - The Order cannot be modified or cancelled
 - The Order must be executed in full



Though approved, raising primary capital through a Direct Listing is on pause

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NYSE Direct Listings Hit Snag as Investor Group Raises Concerns

Council of Institutional Investors says it will ask SEC commissioners to review plan

The New York Stock Exchange's plan to let companies raise capital through direct listings is on pause after an influential group of institutional investors took an unusual regulatory step in a last-ditch effort to block it.

The Council of Institutional Investors, which was behind the maneuver, raised concern that the NYSE's plan would let companies circumvent protections built into the initial public offering process, ultimately harming investors.

The council filed a notice with the Securities and Exchange Commission on Monday that it would petition for a review of the plan by the SEC's commissioners. The SEC's staff [approved the plan last week](#), opening the door to a new, cheaper alternative to the IPO for companies seeking to go public.

But the council's maneuver has at least temporarily closed the door again. The SEC notified the NYSE in a letter posted on the agency's website that its approval of the NYSE's plan had been stayed until further notice.

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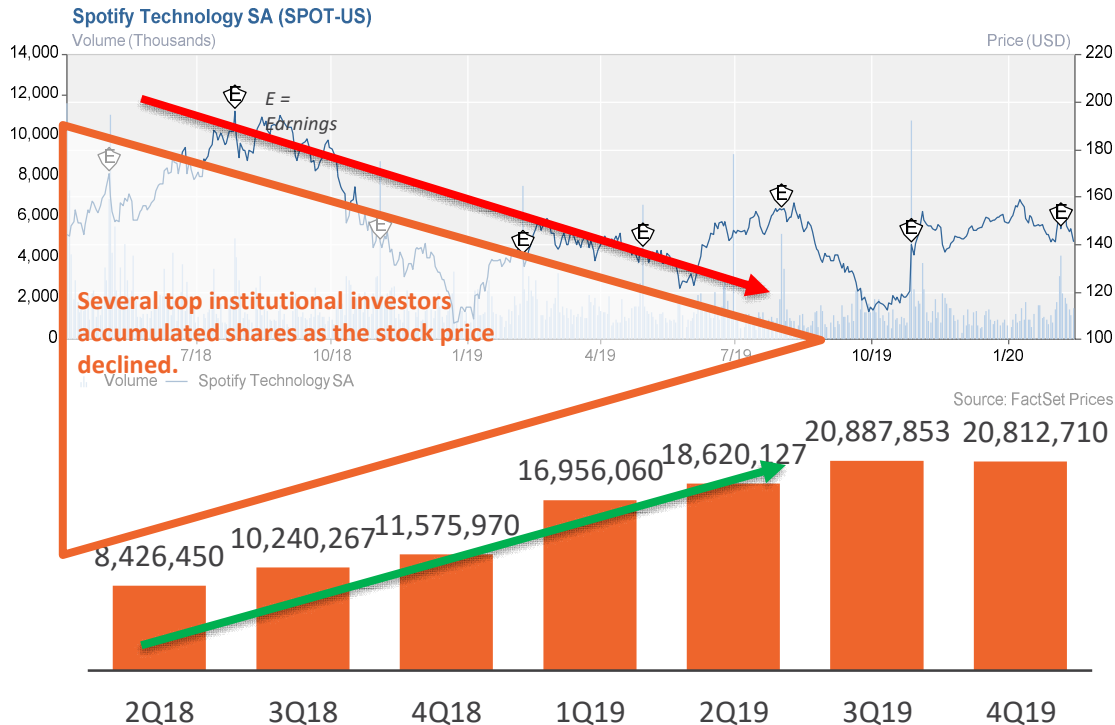


Case Studies: Post-listing issues and observations





Spotify Performance



Note: Total SPOT ownership from five sample holders: FMR, JPMorgan, Morgan Stanley, T. Rowe, Wellington

Reference Price	\$132.00	
Opening Price		\$165.90
T + 1 day	9%	(13%)
T + 1 month	22%	(3%)
T + 6 months	37%	9%
T + 1 year	9%	(13%)
First Day Close	\$149.01	
Current Price (10/6/20)	\$248.54	



Spotify Guidance



Spotify Technology S.A. Releases Financial Outlook for First Quarter and Fiscal Year 2018 Monday, March 26, 2018 11:30:00 AM (GMT)

Spotify Technology S.A. ("Spotify," "we," "us" or "our") is releasing its financial outlook for its first quarter and full year 2018. These forward-looking statements reflect Spotify's expectations as of March 26, 2018 and are subject to substantial uncertainty. In the future, we will update our financial outlook on each quarterly earnings call.

First Quarter 2018 Financial Outlook

- **Total Monthly Active Users ("MAU")¹:** 168-171 million, up 28-31% Y/Y
- **Total Premium Subscribers²:** 73-76 million, up 41-46% Y/Y
- **Total Revenue:** €1.10-1.15 billion, up 22-27% Y/Y. We anticipate changes in foreign exchange rates will have a negative impact of approximately €95-105 million in the quarter³
- **Gross Margin:** 23-24%. This includes a 60 bp benefit from a one-time estimated accrual adjustment associated with prior periods
- **Operating loss:** €50-€80 million

Full Year 2018 Financial Outlook

- **Total MAUs¹:** 198-208 million, up 26-32% Y/Y
- **Total Premium Subscribers²:** 92-96 million, up 30-36% Y/Y
- **Total Revenue:** €4.9-5.3 billion, up 20-30% Y/Y. We anticipate changes in foreign exchange rates will have a negative impact of approximately €260-300 million for the full year³
- **Gross Margin:** 23-25%
- **Operating loss:** €230-330 million. This includes an estimated total cost for the direct listing of roughly €35-40 million which we expect to expense in Q2

Full filings can be found [here](#)

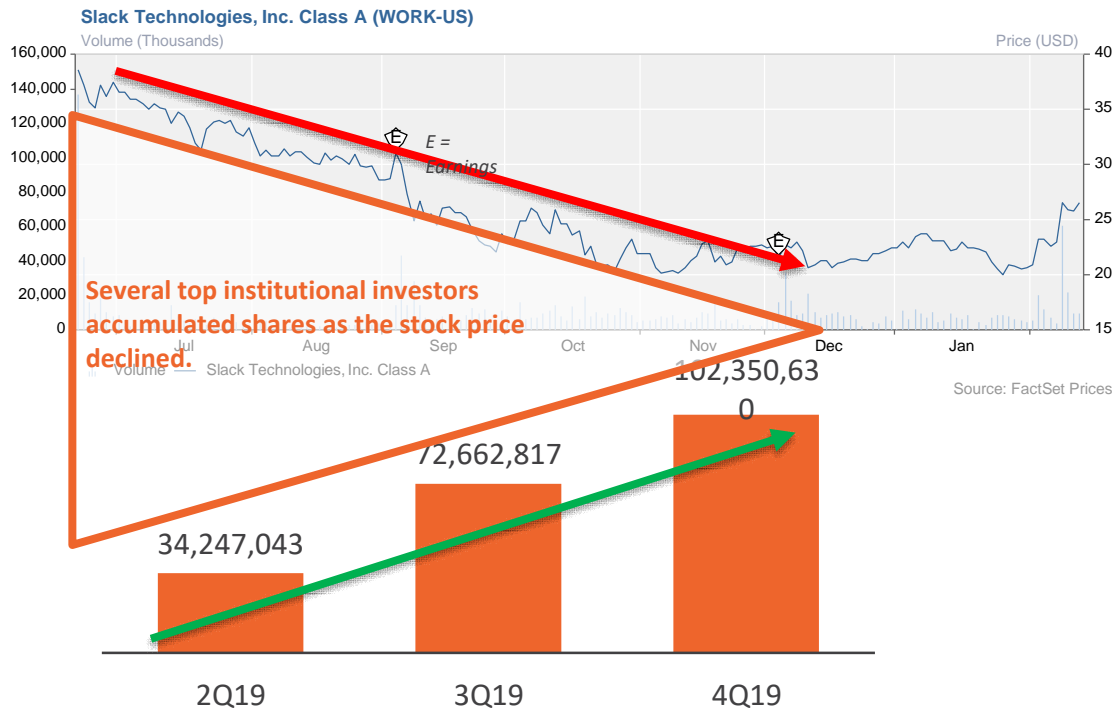
Estimates
varied widely

High to low
gap closed
slowly





Slack Performance



Note: Total WORK ownership from five sample holders: FMR, JPMorgan, Morgan Stanley, T. Rowe, Wellington

Reference Price	\$26.00	
Opening Price		\$38.50
T + 1 day	43%	(3%)
T + 1 month	20%	(19%)
T + 6 months	(20%)	(46%)
T + 1 year	7%	(28%)
First Day Close	\$38.62	
Current Price (10/6/20)	\$28.45	





Slack Guidance



Target goals: Potential for longer term profitability

% of revenue Non-GAAP ¹	FY 2019	"Growth phase" targets	Long-term targets
Gross margin	87%	86–88%	86–88%
Sales and marketing expense	58%	50–47%	33–30%
Research and development expense	37%	32–30%	23–20%
General and administrative expense	26%	14–11%	10–8%
Operating margin	(33)%	(10)–0%	20–30%
Free cash flow margin ²	(24)%	0%+	30%+

From Slack's investor day on 5/13/19

- “Given our strong unit economics and our strong balance sheet, growth will continue to be the top priority for Slack.”
- “We expect to see leverage in G&A expenses in particular, while maintaining significant investment in sales & marketing, and R&D.”
- “Over the long term, we expect our strong unit economics will enable the business to generate free cash flow margins north of 30%.”

Estimates
varied widely

High to low
gap closed
slowly



Spotify and Slack - Lessons Learned

- Companies pursuing a direct listing have to appreciate that it is critical to provide quantitative and qualitative information that can help analysts and institutional investors model the business effectively.
 - *It is critical to have investor relations advisors that know the sector, that understand the modeling process, and can help a company formulate a disclosure strategy that will help sell-side analysts and investors better understand and model the business. Public investors must have confidence in their own ability to model growth and margins, and if the company cannot give them that confidence early on, it can negatively impact valuation and the breadth of public demand for stock.*
- Targeting the best institutional investors is critical when a material amount of shares could be sold post-listing. Direct investor interaction needs to be combined with investor education. This appears to have been lacking compared to traditional IPOs.
 - *Completing a detailed investor targeting exercise, including top peer shareholders, highly active IPO buyers and other potential investors should be an integral component of direct listing planning and execution.*
- On a traditional IPO, equity capital markets desks are obtaining daily feedback from one-on-one meetings to share with management teams. This critical information is utilized to adjust messaging and address deal concerns. Investment banking advisors can not obtain this information on a direct listing.
 - *Companies need a trusted advisor that has a team with institutional relationships, the domain expertise, and the arms and legs to help an Issuer obtain and analyze this feedback.*

SPACs and Merging with a SPAC

SPACs Have Become a Viable Alternative to Traditional IPOs

Recent improvements to the structure and broader market participation have helped improve IPO and de-SPAC transaction outcomes

HIGHER QUALITY SPAC TEAMS

- World class operators with well known track records in specific industries (ex-founders, CEOs, CFOs)
- Financial sponsors (blue chip and middle market) that have proven track records of creating shareholder value



LOWER DILUTION PROFILE

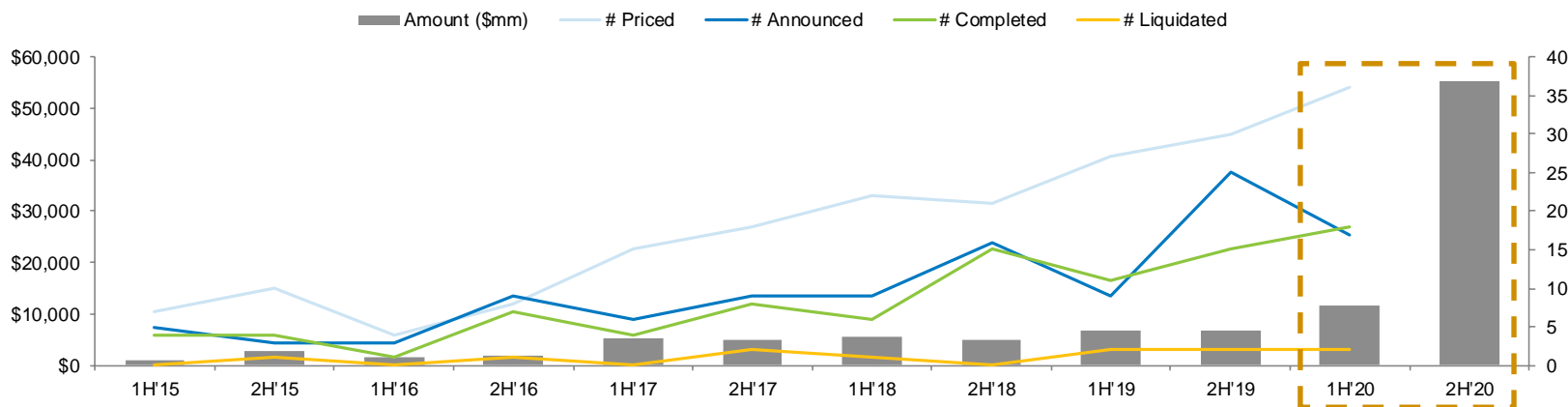
- Just a few years ago, the average SPAC IPO came to market with warrant coverage of close to 100% whereas today the average is less than half that
- Lower dilution impact has made the structure more attractive to potential target companies
- In today's market, SPAC sponsor teams are also more willing to negotiate or restructure their "upside" in order to optimize a transaction

INCREASED BUY SIDE PARTICIPATION

- While there has been a uptick in buy side participation in SPAC IPOs, the more meaningful development in the market has been on the back end "de-SPAC" process
- High quality institutional investors are now supporting transactions through concurrent capital raises (PIPEs) which help de-risk the transaction and guarantee proceeds to potential sellers



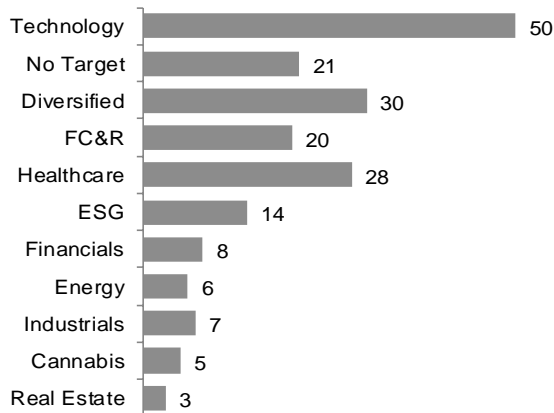
THE SPAC MARKET IS ON PACE FOR ANOTHER RECORD YEAR



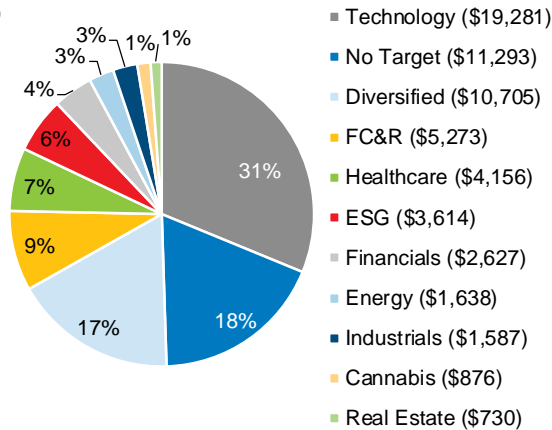
Higher quality teams, lower dilution and an increase in buy side participation has made the vehicle a more viable alternative to an IPO.

Overview of SPACs Seeking Acquisitions

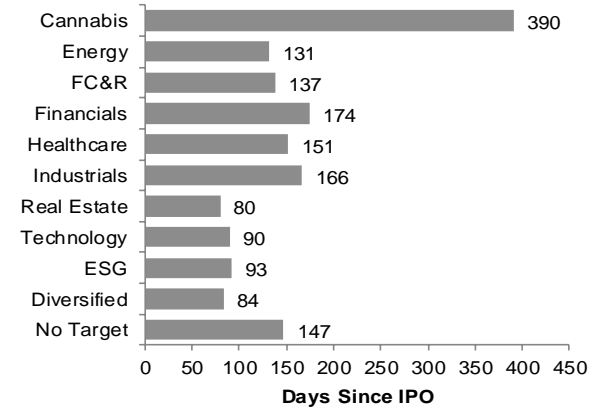
NUMBER OF SPACS



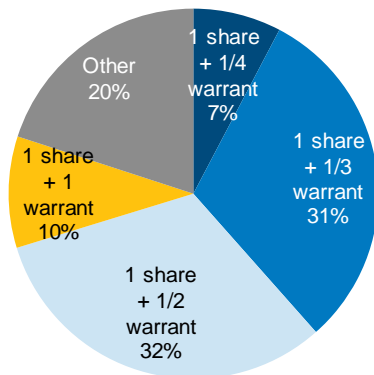
AMOUNT RAISED (\$MM)



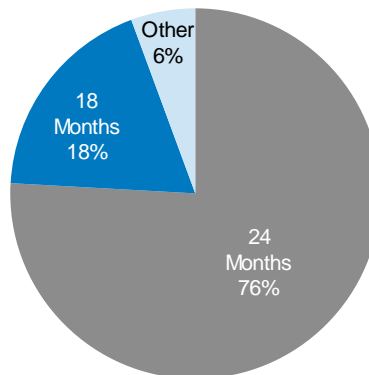
PROCEEDS WEIGHTED AVERAGE AGE⁽¹⁾



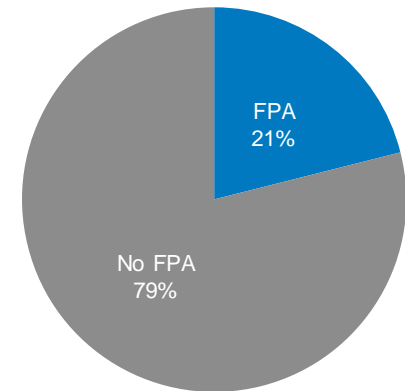
UNIT STRUCTURE



MONTHS TO LIQUIDATION



FORWARD PURCHASE AGREEMENT



Average Days to Acq. Annc. (Completed Deals): **457**

Source: Company filings

Note: Only includes US SPAC IPOs > \$50mm.

1. Average days from IPO for each sector weighted by deal size.

SPACs With Announced Acquisitions

SPAC	Sponsor	IPO Pricing Date	IPO Size (\$mm)	Target Acquisition	Acq. Ann. Date	PIPE / Backstop (\$mm)	Acq. Size (\$mm)	Val. as Mult. of IPO Proceeds	Trust Val. Per Share	Prem. / (Disc.) to Trust	Returns Since IPO
Northern Genesis	Management	8/17/20	319	Lion Electric	11/30/20	200	1,505	4.7x	10.00	30.4%	30.4%
INSU II	Cohen & Company	9/2/20	230	Metromile	11/24/20	160	956	4.2x	10.00	36.1%	36.1%
Apex Technology	Management	9/17/19	350	AvePoint	11/23/20	140	1,738	5.0x	10.07	41.0%	42.0%
GigCapital2	Management	6/6/19	173	UpHealth and Cloudbreak Health	11/23/20	125	1,351	7.8x	10.10	1.5%	2.5%
Longview	Glenview Capital Mgmt.	5/21/20	400	Butterfly Network	11/20/20	175	1,457	3.6x	10.01	65.3%	65.5%
CIIG Merger	Mgmt., IIG, Magnetar, Atalaya	12/12/19	259	Arrival	11/18/20	400	5,392	20.8x	10.04	140.0%	141.0%
Roth CH	Roth, Craig-Hallum	5/4/20	75	PureCycle Technologies	11/16/20	250	826	11.0x	10.00	11.0%	11.0%
• Tuscan	Management	3/5/19	276	Microvast	11/13/20	--	n.a.	--	10.22	20.6%	23.3%
Jaws	Jaws Estates Capital	5/13/20	690	Cano Health	11/12/20	800	4,439	6.4x	10.00	13.2%	13.2%
InterPrivate	Management	2/3/20	242	Aeva	11/2/20	120	1,803	7.5x	10.06	8.1%	8.7%
dMY Technology II	Management	8/13/20	240	Genius Sports Group	10/27/20	330	1,500	6.3x	10.00	10.1%	10.1%
Acamar Partners	Management	2/21/19	306	CarLotz	10/22/20	125	827	2.7x	10.18	0.2%	2.0%
Panacea	EcoR1 Capital	6/30/20	125	Nuvation Bio	10/21/20	500	1,319	10.6x	10.00	1.0%	1.0%
South Mountain	Bernicker	6/19/19	250	Billtrust	10/19/20	200	1,293	5.2x	10.10	24.9%	26.1%
CC Neuberger I	CCCP, Neuberger Berman	4/23/20	414	E2open	10/14/20	520	2,565	6.2x	10.00	5.1%	5.1%
Replay	EMS Capital, Wertheim Group	4/3/19	288	Finance of America Equity Capital	10/13/20	250	1,912	6.6x	10.20	(0.5%)	1.5%
Churchill Capital II	M Klein and Company	6/26/19	690	Skillsoft and Global Knowledge	10/13/20	170	1,533	2.2x	10.10	(0.1%)	0.9%
Stable Road	Management	11/7/19	173	Momentum	10/7/20	175	1,200	6.9x	10.05	31.3%	32.0%
Social Capital III	Social Capital, Hedosophia	4/21/20	720	Clover Health Investments	10/6/20	400	3,702	5.1x	10.00	2.7%	2.7%
RMG	MKC / Riverside	2/7/19	230	Romeo Power Technology	10/5/20	150	993	4.3x	10.18	66.8%	69.8%
Live Oak	Management	5/5/20	200	Danimer Scientific	10/5/20	210	525	2.6x	10.00	17.6%	17.6%
Oaktree	Oaktree	7/17/19	201	Hims	9/30/20	75	1,592	7.9x	10.17	2.8%	4.5%
Novus	Management / Insiders	5/14/20	100	AppHarvest	9/29/20	200	550	5.5x	10.00	18.8%	18.8%
Switchback Energy	NGP	7/25/19	314	ChargePoint	9/24/20	225	2,400	7.6x	10.08	268.4%	271.3%
Gores IV	Gores Group	1/23/20	425	United Wholesale Mortgage	9/23/20	500	16,100	37.9x	10.02	1.1%	1.3%
Pivotal II	Mgmt., MGG Inv. Group	7/11/19	230	XL Fleet	9/18/20	150	1,087	4.7x	10.10	44.6%	46.0%
Social Capital II	Social Capital, Hedosophia	4/27/20	414	Opendoor	9/15/20	600	4,768	11.5x	10.00	118.0%	118.0%
Haymaker II	Management	6/6/19	400	ARKO Holdings (GPM Investments)	9/11/20	--	1,978	4.9x	10.13	(0.6%)	0.6%
Flying Eagle	Management	3/5/20	690	Skillz	9/2/20	159	3,500	5.1x	10.01	30.4%	30.5%
LF Capital	Management	6/20/18	155	Landsea Homes	8/31/20	--	631	4.1x	10.57	(0.4%)	5.3%
Trine	HPS Investments	3/14/19	300	Desktop Metal	8/26/20	275	1,836	6.1x	10.18	19.7%	21.9%
Gores Metrop.	Gores Group	1/31/19	400	Luminar	8/24/20	170	2,900	7.3x	10.16	51.5%	53.9%
Hennessy IV	Management	2/28/19	300	Canoo	8/18/20	323	1,841	6.1x	10.29	22.1%	25.6%
PropTech	Management	11/21/19	173	Porch.com	7/31/20	150	523	3.0x	10.04	6.1%	6.5%
dMY Technology	Management	2/20/20	230	Rush Street Interactive	7/27/20	160	1,725	7.5x	10.02	62.2%	62.5%
Insurance	Fertitta, Jefferies	5/6/19	316	Golden Nugget Online Gaming	6/29/20	--	745	2.4x	10.13	97.4%	100.0%

Trading above trust value

Trading below trust value

● Announced / Rumored LOI

Source: Company filings

Note: Includes transactions with acquisition size greater than \$500mm.

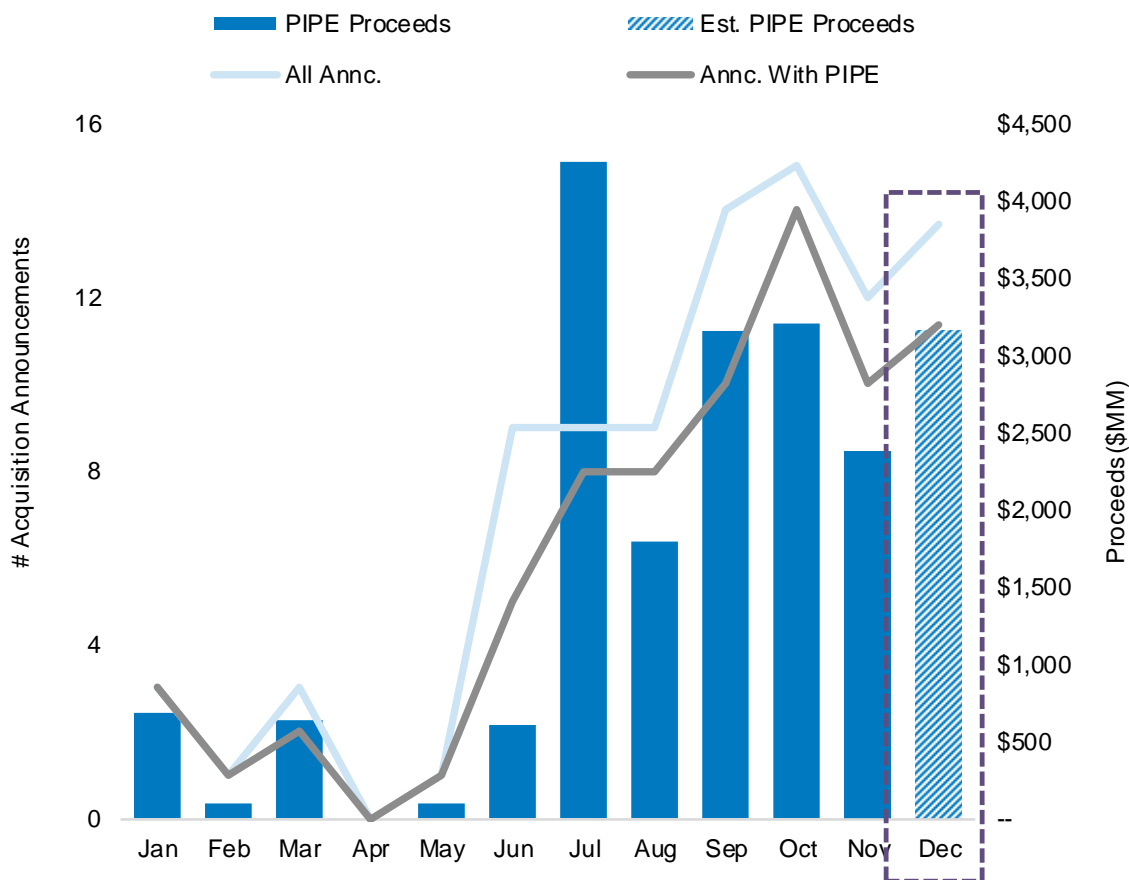
1. Trust value per share.

As SPAC Issuance and Acquisition Announcements Have Picked Up, So Has the Need For PIPE Financing

TAKEAWAYS

- The number of SPACs raising PIPE financing for acquisitions has increased dramatically in the second half of 2020
- While investors have remained actively engaged, the outsized volume of deals has begun to create some fatigue among traditional PIPE investors
- This has led to broader PIPE participation from traditional IPO investors, strategic investors, growth equity investors, family offices, etc.

HISTORICAL AND PROJECTED SPAC PIPE ISSUANCE IN 2020⁽¹⁾⁽²⁾



Source: BMO Capital Markets, company filings

Note: Includes SPACs > \$50 IPO proceeds.

1. Includes third party equity and sponsor contributions.

2. Key assumptions: December projections based on average of PIPE issuance in the last three months

The Biggest Risks of Deal Closing are Stock Price and Shareholder Redemptions

Recently consummated SPAC acquisitions

Ann. Date	Close Date	IPO Size (\$MM)	Acquirer	Target	Target Ent. Val. (\$mm)	Val as Mult of IPO Proceeds	PIPE / Backstop (\$mm)	Min Cash (\$mm)	% Sponsor Shares Forfeited	% Sponsor Warrants Forfeited	Seller Earn-Out Shares (mm)	Share Price Rel to Liquid Val ⁽¹⁾	% Shares Redeemed	Offer / Current ⁽²⁾
06/19/20	10/01/20	233	Tortoise Acquisition Corp	Hyllion	1,097	4.7x	325	235	--	--	--	341.6%	0%	145%
09/03/20	11/27/20	230	Kensington Capital Acquisition Corp	QuantumScape	3,321	14.4x	500	300	--	--	--	270.0%	0%	270%
03/03/20	06/03/20	230	VectolQ Acquisition Corp	Nikola	3,324	14.5x	525	60	--	--	--	228.8%	0%	179%
07/02/20	09/29/20	244	Graf Industrial Corp	Velodyne Lidar	1,566	6.4x	150	200	58%	100%	2	142.2%	53%	61%
06/12/20	10/15/20	200	Forum Merger II Corp	Tattooed Chef	482	2.4x	--	50	--	--	5	131.4%	0%	58%
08/03/20	10/23/20	280	DiamondPeak Holdings Corp	Lordstown Motors	965	3.4x	500	300	--	--	--	79.4%	0%	165%
06/05/20	08/28/20	440	Collier Creek Holdings	Utz Quality Foods	1,561	3.5x	35	300	--	--	4	58.8%	0%	102%
03/17/20	07/01/20	144	ARYA Sciences Acquisition Corp	Immatics Biotechnologies GmbH	315	2.2x	104	150	--	100%	--	46.5%	--	3%
07/15/20	11/16/20	300	Fortress Value Acquisition Corp	MP Materials	1,044	3.5x	200	150	--	--	13	40.0%		117%
09/11/20	11/20/20	175	B Riley Principal Merger Corp II	Eos Energy Storage	550	3.1x	40	110	--	--	--	39.3%	37%	50%
01/06/20	06/10/20	275	Nebula Acquisition Corp	Open Lending	1,080	3.9x	200	295	--	100%	23	34.0%	40%	186%
06/29/20	10/13/20	151	Insurance Acquisition Corp	Shift Technologies	424	2.8x	185	100	--	--	6	17.9%		(8%)
06/29/20	11/10/20	253	Netfin Acquisition Corp	Triterris Fintech	674	2.7x	--	--		--	15	12.1%	3%	20%
08/03/20	10/16/20	345	FinTech Acquisition Corp III	Paya	1,300	3.8x	250	400		--	14	11.0%	17%	10%
09/17/19	07/01/20	144	Gordon Pointe Acquisition Corp	HOF Village	374	2.6x	--	--	33%	--	--	11.0%	57%	(87%)
01/16/20	08/28/20	633	Far Point Acquisition Corp	Global Blue	2,550	4.0x	411	90	16%	--	3	3.8%	77%	17%
08/03/20	11/17/20	275	CF Finance Acquisition Corp	GCM Grosvenor	2,175	7.9x	225	300		--	--	1.8%	38%	(5%)
08/11/20	10/14/20	150	Software Acquisition Group Inc	CuriosityStream	331	2.2x	25	60	--	--	--	0.6%	84%	(1%)
07/30/20	10/26/20	130	ARYA Sciences Acquisition Corp II	Cerevel Therapeutics	847	6.5x	320	--	--	--	--	0.1%	2%	44%
12/19/19	06/25/20	300	Act II Global Acquisition Corp	Whole Brand Earths	439	1.5x	75	210	40%	100%	3	(0.7%)	12%	(15%)
07/12/20	10/08/20	1,100	Churchill Capital Corp III	MultiPlan	11,138	10.1x	2,600	2,700	--	--	--	(1.9%)	8%	(25%)
05/04/20	08/21/20	414	Pure Acquisition Corp	HighPeak Energy	845	2.0x	100	50	52%	100%	--	(4.8%)	5%	(46%)
02/06/20	07/15/20	200	Leo Holdings Corp	Digital Media Solutions	757	3.8x	100	200	30%	50%	--	(6.1%)	3%	(29%)
07/29/20	10/30/20	250	Healthcare Merger Corp	SOC Telemed	721	2.9x	165	--		--	--	(8.4%)	n.a.	(17%)
09/10/20	10/28/20	450	Conyers Park II Acquisition Corp	Advantage Solutions	5,200	11.6x	700	1,150	--	--	--	(12.2%)	71%	4%
07/09/19	09/30/20	58	8i Enterprises Acquisition Corp	Diginex	276	4.8x	--	5		--	--	(12.6%)	60%	(6%)
07/13/20	10/29/20	552	Spartan Energy Acquisition Corp	Fisker	1,900	3.4x	500	--	3%	--	--	(13.2%)	4%	107%
09/21/20	11/20/20	300	Legacy Acquisition Corp	Onyx Enterprises	331	1.1x	--	--	40%	83%	--	(22.5%)	2%	(42%)
03/11/20	06/16/20	115	Proficient Alpha Acquisition Corp	Lion Financial Group	125	1.1x	--	--		--	--	(25.2%)	96%	(74%)
07/26/19	11/06/20	115	KBL Merger Corp IV	180 Life Sciences	--		10	40		--	--	(54.3%)	7%	(71%)
Mean		\$261			\$1,524	4.7x	\$275	\$249	12%	21%	3	43.6%	25%	37%
Median		\$239			\$846	3.5x	\$158	\$105	--	--	--	7.4%	7%	7%
Median - Above Liq.		\$232			\$1,044	3.5x	\$200	\$150	--	--	--	39.3%	3%	50%
Median - Below Liq.		\$264			\$721	3.2x	\$100	\$40	30%	--	--	(12.2%)	8%	(25%)

Source: BMO Capital Markets, Company Filings, FactSet, Bloomberg



NYSE SPACS



NYSE SPACS

YTD 2020:
100 listings raising \$41B

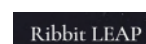
SPAC IPO proceeds 2020YTD



Strategic Growth Capital



Supernova Partners
Acquisition Company



70% OF SPAC IPO DEALS

Intercontinental Exchange





NYSE BUSINESS COMBINATIONS

hims*

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QuantumScape*

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E2OPEN*

skillz*

**FINANCE of AMERICA
- MORTGAGE -***

*Publicly announced

Intercontinental Exchange



What's on the horizon?

What's on the horizon?

- Will the SEC continue to move forward with the disclosure effectiveness initiative?
- Will the SEC move forward to approve a direct listing alternative that allows an issuer to concurrently raise capital?
- Is the SPAC boom a bubble?

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