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DEALMAKERS

REDEFINING LIQUIDITY ALTERNATIVES

IPOs, Direct Listings, and SPACs

MARCH 2021

The new three-track (or four-track) approach to the public markets

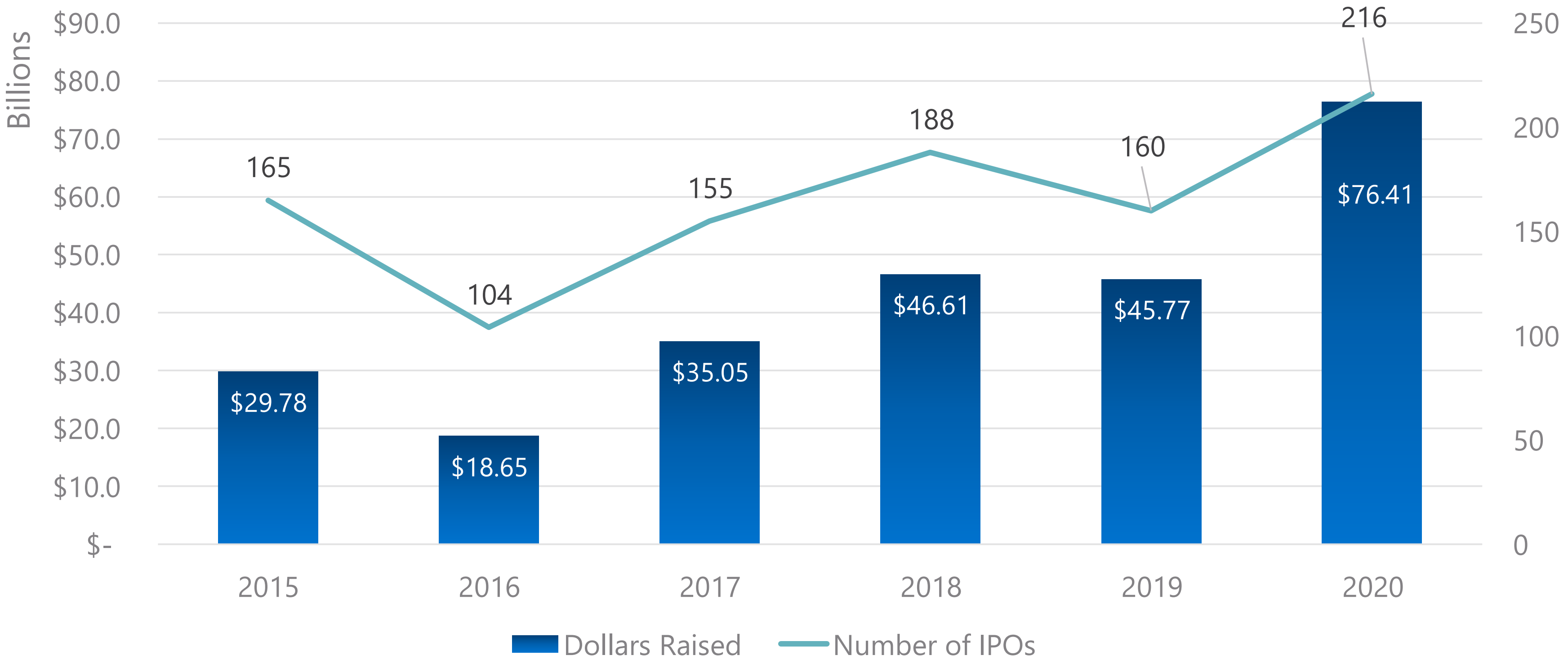
- Once upon a time…
  - When companies considered going public, they weighed the costs and benefits associated with being a public company
  - In recent years, being a US public company has fallen out of favor. The private markets have become incredibly robust, yielding billions of dollars in private placements and leading to the rise of unicorns
  - Legislators and regulators have lamented the decline in the number of US public companies and have taken steps to encourage more companies to go public, through measures like the JOBS Act, and by making it less burdensome to be public
  - The public markets also have undergone significant changes
  - An IPO is no longer the only choice…

The new three-track (or four-track) approach to the public markets

- Now, almost every client thinking about a liquidity opportunity considers:
  - An IPO,
  - A merger with a SPAC,
  - A direct listing, or
  - An outright sale/merger.

The IPO market

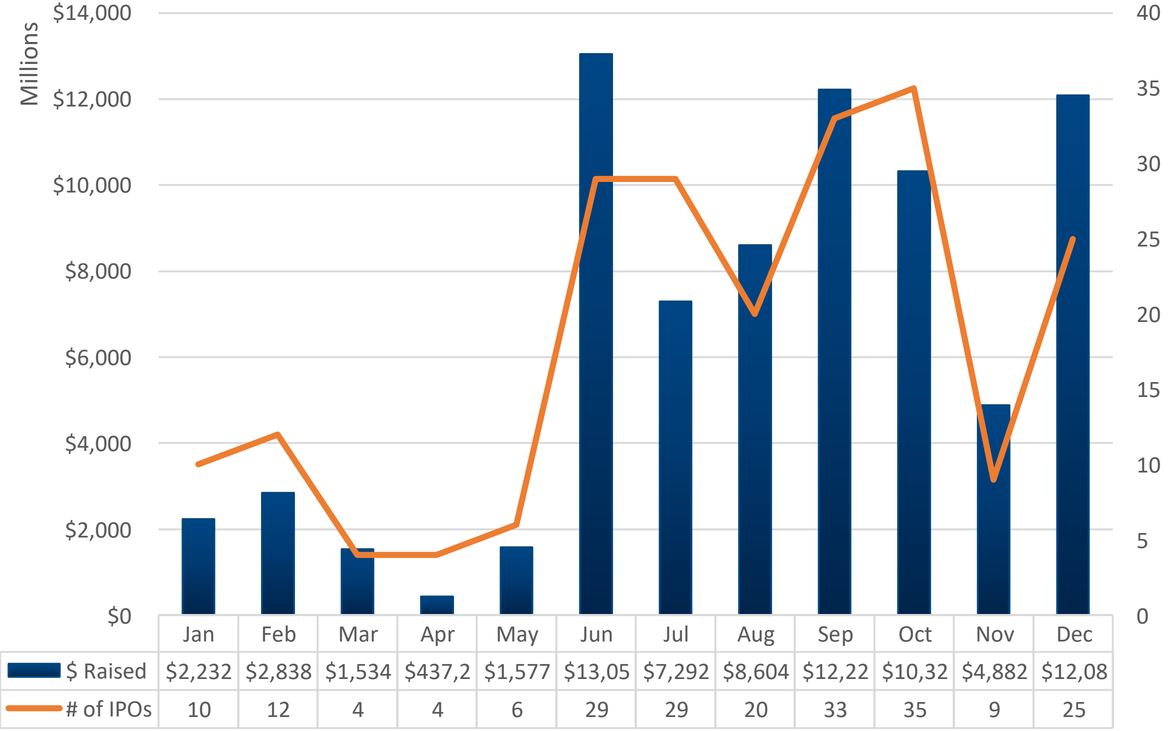
The IPO market over the years



Source: Wolters Kluwer IPO Vital Signs; Data excludes SPAC IPOs

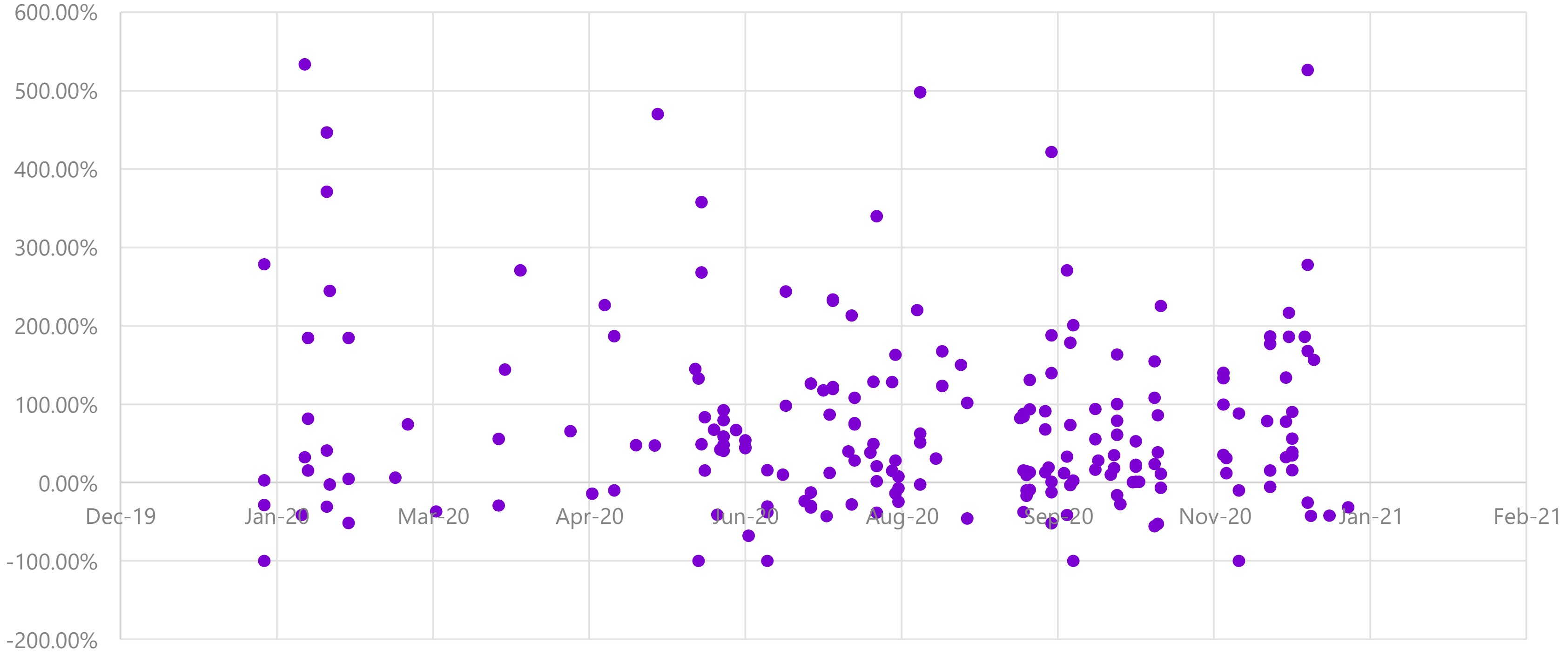
IPOs in 2020

Issuer Market Cap in 2020	% of IPOs
$1 billion +	38%
$500 million-$1 billion	30%
$100 million-$500 million	23%
Below $100 million	9%



Source: Wolters Kluwer IPO Vital Signs; Data excludes SPAC IPOs

IPO aftermarket performance

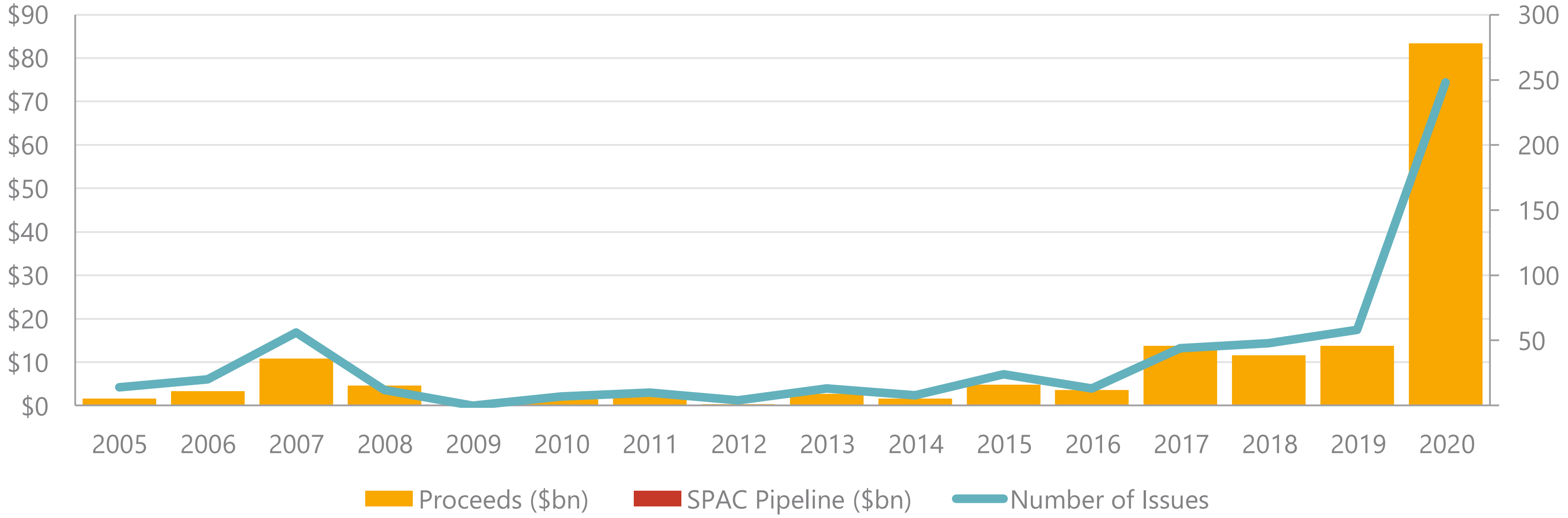


Source: Wolters Kluwer IPO Vital Signs; Excludes
TIAN RUIXIANG Holdings Ltd (2010.80%)

SPACs

SPACs surge

- US-listed SPAC volumes rose 275% year over year to all-time high of $51.5 billion in 2020



*Excludes deals less than $50m in proceeds
Source: Refinitiv and SPAC Alpha

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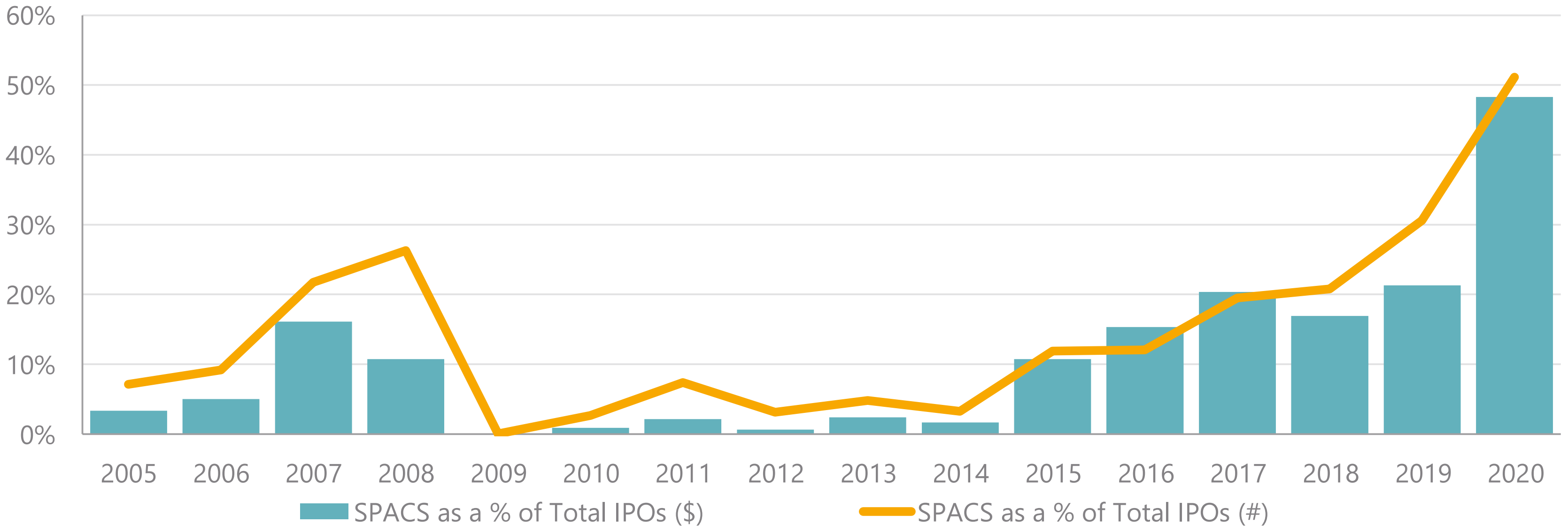
US-listed SPAC IPO activity

- By volume, US-listed SPAC IPOs accounted for more than half of overall US-listed IPOs in 2020 and 48% of proceeds raised



*Excludes deals less than $50m in proceeds
Source: Refinitiv and SPAC Alpha

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SPAC activity continues in 2021

Social Finance, Inc. ("SoFi"), founded in 2011, is a one-stop shop for financial services, including loan refinancing, mortgages, personal loans, credit cards, insurance, investing and deposit accounts.

- Expected to go public through the SPAC route in the first quarter of 2021
- The SPAC raised approximately $800 million in an IPO in 2020
- Transaction values SoFi at an equity value of $8.65 billion post-money and is expected to provide up to $2.4 billion in cash proceeds, including a fully committed PIPE of $1.2 billion

Sources: SoFi; Buisinesswire; The Motley Fool

BARK, founded in 2012, has a subscription service for dogs, BarkBox, providing toys, treats, home products and health services to 6.5 million customers, with 1.1 million active subscriptions.

- Expected to go public through the SPAC route in the second quarter of 2021
- For the fiscal year ending March 31, 2021, the company projects revenue of approximately $365 million and gross profit of approximately $221 million
- Transaction values BARK at an enterprise value of approximately $1.6 billion

Source: PR Newswire

Appharvest, founded in 2017, is a US-based agricultural technology that runs high-tech indoor farms.

- Expected to go public through the SPAC route in the first quarter of 2021
- AppHarvest decided to go public through a merger with a SPAC to raise $475 million in funding
- Will value the company at $1 billion based on a price of $10 per share for its stock, since the company expects the proceeds from private investment in valued equity transactions worth $375 million from new and existing investors

Source: Market Realist

Notable SPAC deals involving Israeli companies

Multi-asset investing and trading platform eToro announced recently it will go public via a merger with SPAC FinTech Acquisition Corp. V in a $10.4 billion deal.

The transaction includes commitments for a $650 million common share private placement.

The overall $10.4 billion implied equity value of the merger arrangement includes an implied enterprise value for eToro of $9.6 billion.

Sources: TechCrunch

Thoma Bravo's blank-check firm has reached an agreement to take app software company ironSource public through a merger that values the combined business at $11.1 billion.

Under the terms of the deal, ironSource shareholders will receive $10 billion, including $1.5 billion of cash and a majority of shares in the combined company. ironSource is expected to have $740 million of cash upon completion.

Source: Yahoo! Finance

Fintech start-up Payoneer says it will merge with a special purpose acquisition company, or SPAC, backed by Bancorp founder Betsy Cohen.

The merger with Cohen's SPAC, FTAC Olympus Acquisition Corp., values Payoneer at $3.3 billion.

The transaction also includes a $300 million private investment in public equity (PIPE).

Source: CNBC

Notable SPAC deals involving Israeli companies in the autonomous vehicle sector

Otonomo, the cloud-based software startup that help companies capture and monetize connected car data, is headed to the public market.

The Israeli-based startup said it has agreed to merge with special purpose acquisition company Software Acquisition Group Inc. II with a valuation of $1.4 billion.

Otonomo said it raised $172.5 million in private investment in public equity, or PIPE.

Source: TechCrunch

REE Automotive, an electric vehicle technology provider, has reached a deal to merge with blank-check company 10X Venture Capital Acquisition.

The agreement gives REE an enterprise value of $3.1 billion and includes a $300 million PIPE investment.

The company makes technology that allows vehicle drive components to be packed into the wheel arch to create a flat chassis.

Source: PitchBook

Israeli 4D Imaging radar developer Arbe Robotics and Houston-based Industrial Tech Acquisitions (ITAC) (Nasdaq: ITAC) have announced a merger agreement.

After the merger is completed, Arbe Robotics will trade on Nasdaq under the 'ARBE' ticker.

The merged company will have a valuation of $722 million.

The deal will deliver up to $177 million of gross proceeds, including the contribution of up to $77 million of cash held in ITAC's trust account and a $100 million fully-committed PIPE.

Source: Globes

Innoviz Technologies Ltd., an Israeli lidar startup backed by two of the world's largest automotive suppliers, is going public in a $1.4 billion reverse merger with Collective Growth Corp.

The SPAC provided $150 million in cash and raised $200 million from investors in the deal that gives the combined company a $1.4 billion equity value.

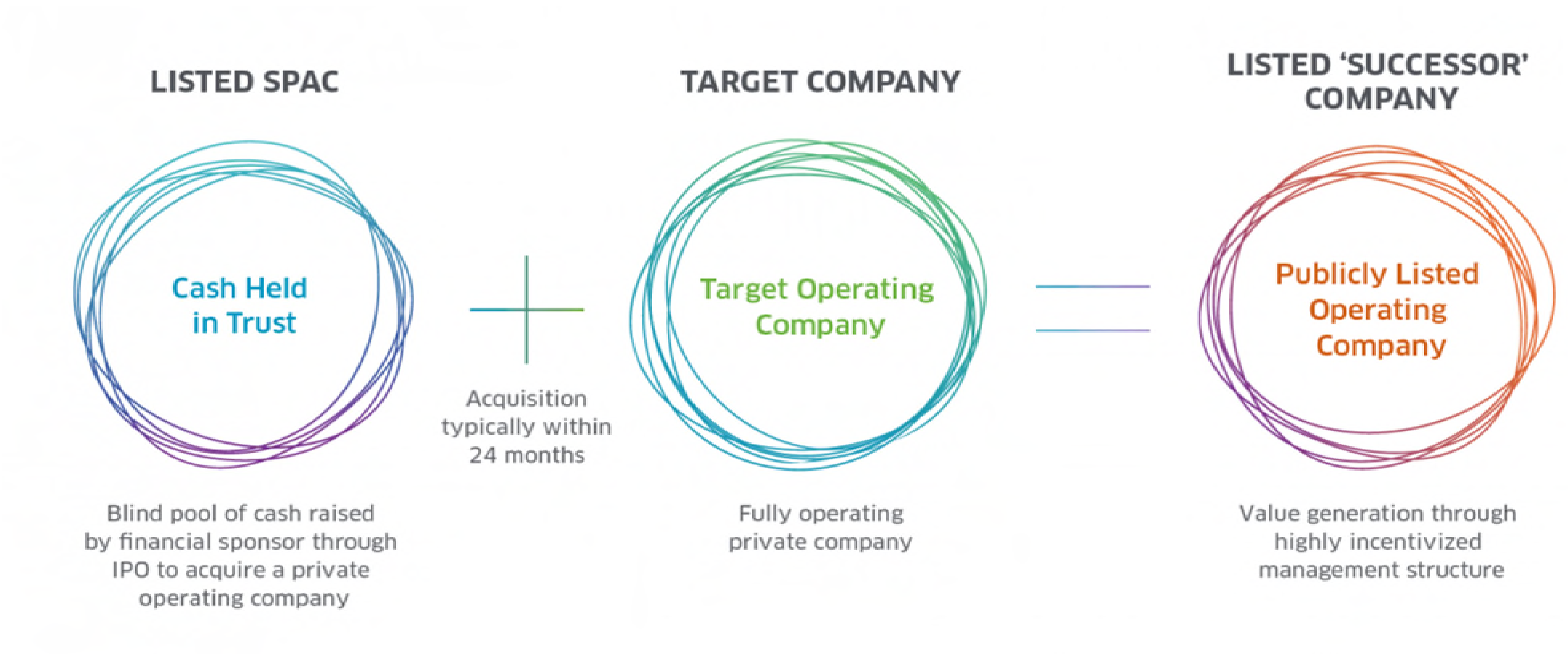
Source: Bloomberg

SPAC activity continues in 2021 *(cont'd)*

- In 2021 to date, there have been a total of **276 SPAC IPOs** and **$90 billion** of capital raised – surpassing 2020's record breaking full-year totals on all accounts in just 3 months.
- There have been **21 SPAC initial business combinations**, valued at almost **$40 billion**.

Source: ICR Capital and SPAC Alpha

How does a SPAC work?



SPACs: Special Purpose Acquisition Companies Listing a SPAC on Nasdaq, Nasdaq (June 2020)

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What are the advantages of merging with a SPAC?

- Merging with and into a SPAC may be faster than a traditional IPO
  - However, that will depend on:
    - Nature of negotiations between SPAC and operating company target
    - Shareholder approval process
  - Will also require significant management time and resources
  - Entails negotiation of merger agreement and related ancillary documents
  - Operating company will also be required to prepare required proxy or proxy/prospectus disclosures (similar to what is required for a traditional IPO)
- Going public via SPAC may provide greater certainty than IPO
  - Merger consideration and valuation set when merger agreement executed
  - Repricing may be possible due to market volatility or other reasons
  - A SPAC may be willing to undertake a transaction with a company that is earlier stage than the typical IPO candidate
- May provide flexibility regarding content and timing of communication
  - Fewer restrictions on business combination discussions than IPO discussions

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What are some disadvantages of merging with a SPAC?

- Historically, concern with SPAC sponsor-stockholder interest alignment
- Sponsors typically receive founder’s shares for nominal consideration
  - Sponsors may profit even if future acquisition proves unsuccessful
  - Recently, some changes in SPAC structure; for example, Bill Ackman foregoing all founder’s shares
- SPACs create short-term arbitrage opportunities
  - SPACs allow investors to keep warrants even if they redeem shares
  - May impede long-term investing
  - SPACs traditionally attract hedge fund investors
- Redemption rights create inherent uncertainty about available funds
  - May mitigate this via issuing additional equity or equity-linked securities
  - Capital-raising transaction may also provide additional capital to grow

What are some disadvantages of merging with a SPAC? *(cont'd)*

- The market may not like the proposed initial business combination
  - Post-merger, over 50% of SPACs experienced poor aftermarket performance
  - Over time, this trend may reverse itself, especially with better sponsors
- SPACs may lack investment bank and institutional investor relationships
  - This may hinder equity research coverage and market making of securities
  - Investor outreach may not translate into institutional investor familiarity
  - IPOs (and private placements pre-IPO) usually create such relationships
- SPACs incur significant costs and the process for the operating company is no cheaper than an IPO

De-SPACing process overview

- The process from announcement of a definitive agreement (and proxy filing) to close, with multiple rounds of investor outreach, may take between two and five months (*not all that different from an IPO process*)

Step 1: Preparation

- Negotiate LoI
- Draft merger agreement
- Develop investor outreach plan
- Wall cross investors
- Conduct testing the waters
- Initiate private investment in public equity ("PIPE") *(if applicable)*
- Begin proxy preparation

Step 2: Public process

- Execute merger agreement and announce transaction
- Conduct announcement conference call and investor meetings
- File proxy statement with audited financials

Step 3: SEC review and marketing

- Receive and respond to SEC comments
- Continue selective (or broad) investor outreach
- Hold analyst day
- Retain proxy solicitor
- Set shareholder record and vote date
- Mail final proxy (~3 weeks prior to vote)

Step 4: Closing process

- Conduct final roadshow
- Regular calls with underwriters and advisors to track large shareholders
- Tabulate redemption requests (two days prior to vote)
- Hold vote
- Close transaction

Direct Listings

Highly publicized direct listings

Apr 3, 2018

"Spotify valued at nearly $30 billion in unusual Wall Street debut" *CNN*

Jun 20, 2019

"Slack shares surge 48% over reference price in market debut" *CNBC*

Sep 30, 2020

"Palantir Grabs $21 Billion Valuation, but Debut Comes With a Hiccup" *WSJ*

Sep 30, 2020

"Asana valued at $5.5 billion after direct listing debut" *LA Times*

Oct 1, 2020

"Thryv Holdings hits Nasdaq with direct listing; valuation reaches above $350 million" *Dallas Business Journal*

Mar 10, 2021

"Roblox goes public at $41.9 billion valuation in direct listing" *VentureBeat*

Why a direct listing?

1. List Without Selling Shares
2. Liquidity for All Shareholders
3. No Lock-ups
4. Auction-Based Price Discovery
5. Equal Access for All Buyers and Sellers
6. Transparency/ Financial Guidance

Primary direct listings with a capital raise

- Shortly before the end of his tenure as Chair of the Securities and Exchange Commission (SEC), Jay Clayton presided over the SEC as it considered and approved the New York Stock Exchange's (NYSE) proposed rule change modifying the NYSE's rules in order to permit primary issuances in connection with a direct listing of a class of the issuer's equity securities on the exchange.
- The NYSE rules contemplate that companies that have not previously had their common equity securities registered under the Securities Exchange Act of 1934 (Exchange Act) but that have sold common equity securities in a private placement may want to list their common equity securities on the NYSE at the time of effectiveness of a resale registration statement filed for the benefit of allowing their existing shareholders to sell their shares from time to time.

Primary direct listings with a capital raise *(cont'd)*

- The exchange defines this type of direct listing, which is already permitted by its rules, and which is the type of direct listing that already has been undertaken by several companies, as a "Selling Shareholder Direct Floor Listing."
- The NYSE proposed to recognize an additional type of direct listing in which a company that has not previously had its common equity securities registered under the Exchange Act would list its common equity securities on the exchange at the time of effectiveness of a registration statement pursuant to which the company itself would sell shares in an opening auction on the first day of trading on the NYSE in addition to, or instead of, facilitating sales by selling shareholders (a "Primary Direct Floor Listing").
- Under the amended rule, the NYSE would, on a case by case basis, exercise discretion to list companies through a Selling Shareholder Direct Floor Listing or a Primary Direct Floor Listing.

What's on the horizon?

What's on the horizon?

- Will the SEC crack down on SPACs?
- Is the SPAC boom a bubble?
- Will we see any issuers undertake direct listings with capital raises?
- Will the SEC tackle the research rules and other aspects of market structure that have had a negative effect on the IPO market?

What others say about our capital markets practice…

Chambers Global – Leading firm for Capital Markets: Structured Finance, Securitisation and Derivatives (Europe-wide, Global-wide, UK, and US); Capital Markets & Finance (Cross-Border and International) (US, UK)

IFLR1000 – Leading firm in the United States for Capital Markets, ranked in the Debt, Equity, Derivatives, Structured Finance and Securitisation categories.

IFLR Americas Awards – Structured Finance and Securitisation Team of the Year, 2016, 2017

Chambers UK – Leading London firm for Capital Markets: Debt, Securitisation, Structured Finance & Derivatives

Chambers USA – Individuals ranked for Capital Markets: Debt & Equity. Leading firm for Capital Markets: Derivatives, and Securitisation

The Legal 500 – Ranked for Capital Markets: Debt, Equity, and Global Offerings categories for our advice to issuers and underwriters in the US.

Also ranked for Structured Finance: Derivatives & Structured Products, and Securitization. Ranked for Financial Products Tax. Ranked for Equity and Debt Capital Markets; Derivatives and Structured Products; and Securitisation in the UK.

U.S. News/Best Lawyers' *Best Law Firms* – Ranked for Derivatives and Futures Law; Securities/Capital Markets Law; Securitization/Structured Finance Law

GlobalCapital

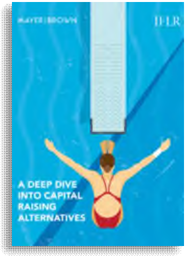
***GlobalCapital* Americas Derivatives Awards** – Americas Law Firm of the Year 2019, 2018; US Law Firm of the Year—Regulatory, 2017, 2016

***GlobalCapital* Global Derivatives Awards** – Global Law Firm of the Year—Overall, 2019; European Law Firm of the Year—Transactional, 2017, 2016

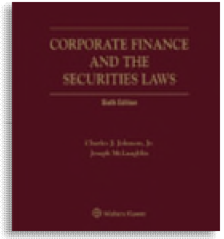
IFLR1000 US notes that Mayer Brown exhibits "…constant firm growth… and consistent work on large and creative transactions."

"The 'experienced and responsive' team at Mayer Brown provides a 'committed and client-oriented service.'" *The Legal 500 US*

Our lawyers are authors of various books & treatises, including:



A DEEP DIVE INTO CAPITAL RAISING ALTERNATIVES
International Financial Law Review (2020)



CORPORATE FINANCE AND THE SECURITIES LAW
Wolters Kluwer (6th ed., updated 2020)

EXEMPT & HYBRID SECURITIES OFFERINGS
Practising Law Institute (3rd ed.)

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Our focus on Israel

Learn more about our Israel practice

Mayer Brown lawyers have a long history of commitment to the Israeli market, including representation of Israeli companies and their financial advisers; placement agents and underwriters; and venture, private equity and other strategic and financial investors.

We advise Israeli companies globally, at every stage of development, and bring to bear industry experience in life sciences, healthcare, technology, cybersecurity and data protection, fintech and financial services, and automotive (including connected and electric vehicles), among other industries.

The Legal 500 US notes that our Equity Capital Markets practice "**…is also distinguished by [our] robust cross-border practice, which handles a significant volume of Israel-related transactions.**"

Our lawyers are ranked by *Chambers Global* as experts based abroad in the US for Israel Capital Markets and Israel Corporate/M&A.

Our work with Israeli companies is concentrated in the following areas:

- Capital Markets Transactions
- Late Stage and Pre-IPO Private Placements
- M&A and Strategic Transactions/Alliances
- Cybersecurity and Data Protection
- Intellectual Property Protection and Licensing
- Regulatory and Enforcement Advice
- Tax Advice
- Technology Transactions
- Real Estate
- Litigation and Dispute Resolution

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