

# The specs of SPACs

How do special purpose acquisition companies, or SPACs, work?



## 1 SPAC formation and IPO



A shell company is formed by sponsors to take an existing business public. Sponsor invests in units and contributes "at-risk capital" to set up the SPAC.



SPAC offers units to institutional and retail investors typically at S\$5 each. A unit usually comprises one share and a fraction of a warrant exercisable at S\$5.75, or 15% over IPO price.



Gross proceeds are placed in a trust. The sponsor would also get up to 20% shares for a nominal sum as compensation, known as the promote. How this is structured and vested may vary.

## 2 Search for company 2 years + possible 1 year extension



Sponsor finds a company to acquire, agrees on terms with them, and seeks approval. The majority of shareholders and independent directors must vote in favour.



### If rejected

Continue search for company. If one can't be found by the deadline, SPAC is dissolved and shareholders get their money back



### If approved

The merger, or de-SPAC process, starts

## 3 De-SPAC



Sponsors can raise more money for the acquisition through a private investment in public equity (PIPE) deal



Regardless of how they voted, SPAC shareholders can opt to redeem their shares and keep their warrants



Companies may choose to go public via a SPAC for greater certainty of price and execution. The time required may potentially be shorter than that for an IPO. After regulatory approval, ticker changes to reflect acquired company