



MIDDLE EAST
VENTURE PARTNERS

Building MENA Technology Market Leaders

Intro to SPACs – *the case study of Anghami*

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Introduction to the SPAC process

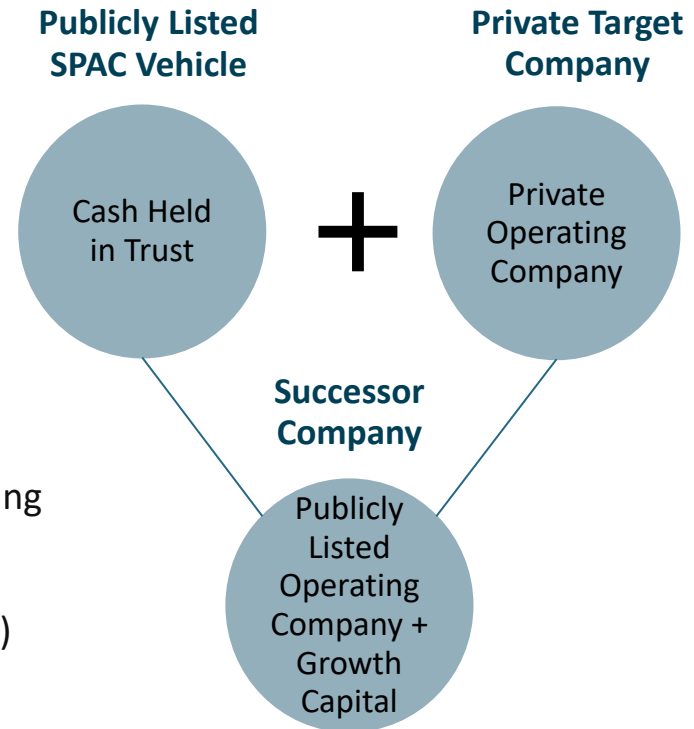
An alternative to the traditional IPO – SPACs provide substantial growth capital

What is a SPAC?

- A SPAC (Special Purpose Acquisition Company) is a shell company, formed to raise capital through an IPO to acquire a private operating company
- SPACs are typically formed by Sponsors with expertise in an industry, with the intention of pursuing an investment (through a merger with a private company) in that area of expertise
- Sponsors cost to launch a SPAC = 3-5% of capital raised
- Sponsors receive c. 20% free shares in the SPAC (*but not in the whole merged company*)

How does a SPAC work?

- Non-operating listed platform looking to merge with an operating company
- Proceeds raised through IPO are held in a Trust until an acquisition is consummated (with additional capital thru a PIPE)
- SPAC has 12-24 months after the SPAC IPO to identify several private target operating companies:
 - High growth private companies
 - Sectors include Tech, EV, Agritech, Gaming, etc.



A SPAC transaction combines the benefits of an IPO with the structural flexibility of an Acquisition through a Merger

SPACs suitable for growth-stage private companies in high-growth volatile sectors (Technology, EV, Renewables, Space, etc.)

Traditional IPO

VS

SPAC IPO

+ Pros	– Cons
Efficient ⁽¹⁾: For large and mature firms	Uncertain: Long lead time, affected by markets
Capital Access: Optimal price range attracts investors	Volatile: Trading in public markets post IPO
Shareholder: Building a base through marketing	Pricing: Typically underprices market demand
Buyout: Option to sell secondary shares for liquidity	

+ Pros	– Cons
Efficient ⁽²⁾: Faster access to capital for small transactions	Complex: Execution, structures and filings
More Certain: Not affected by market conditions	Costly: High transaction expenses >10% ⁽³⁾
Reduced Volatility: In valuation process	Dilution: 20% free SPAC shares to sponsors + warrants
Attractive Valuation: High valuation potential for SPAC target ⁽⁴⁾	Buyout: Limited or no secondary share sale for SPAC target shareholders

Notes:

- 1) Efficient in the case of large companies that have the required access to capital and are looking for more liquidity.
- 2) Efficient in the case of smaller companies that have limited access to capital markets.
- 3) % of proceeds raised in SPAC IPO.
- 4) SPAC target (typically private high-growth company) valued on 2-3 year forward business plan with substantial available growth capital. Attractive to shareholders of SPAC target.

Source: MEVP data and research.

SPAC Transaction Structure

Key success factor is raising a sufficiently large PIPE

Sponsor(s)

- Sponsors provide capital to launch the SPAC and receive on average 20% free shares in the SPAC
- Sponsors also anchor the PIPE (see below) to offset redemptions
- SPAC sells units in the IPO:
 - ✓ 1x share +
 - ✓ % of 1x detachable out-of-the-money warrant convertible into shares
- The amount raised in the SPAC IPO is held in a Trust until completion
- Additional shares are issued by the SPAC to merge with the target
- Typical redemptions out of the fund in the Trust of c. 40-50%, which push Sponsors to raise a PIPE

Warrants, Redemptions, Dilution and Expenses

Warrants

- A contract that gives the holder the right to purchase a certain number of additional shares of common stock in the future (3-5 years) at a certain pre-agreed price

Characteristics

- Issued at a premium to the current stock price
- 15-20% premium (*i.e., out of the money option*)
- 3-5 years tenor

Dilution and Transaction Expenses

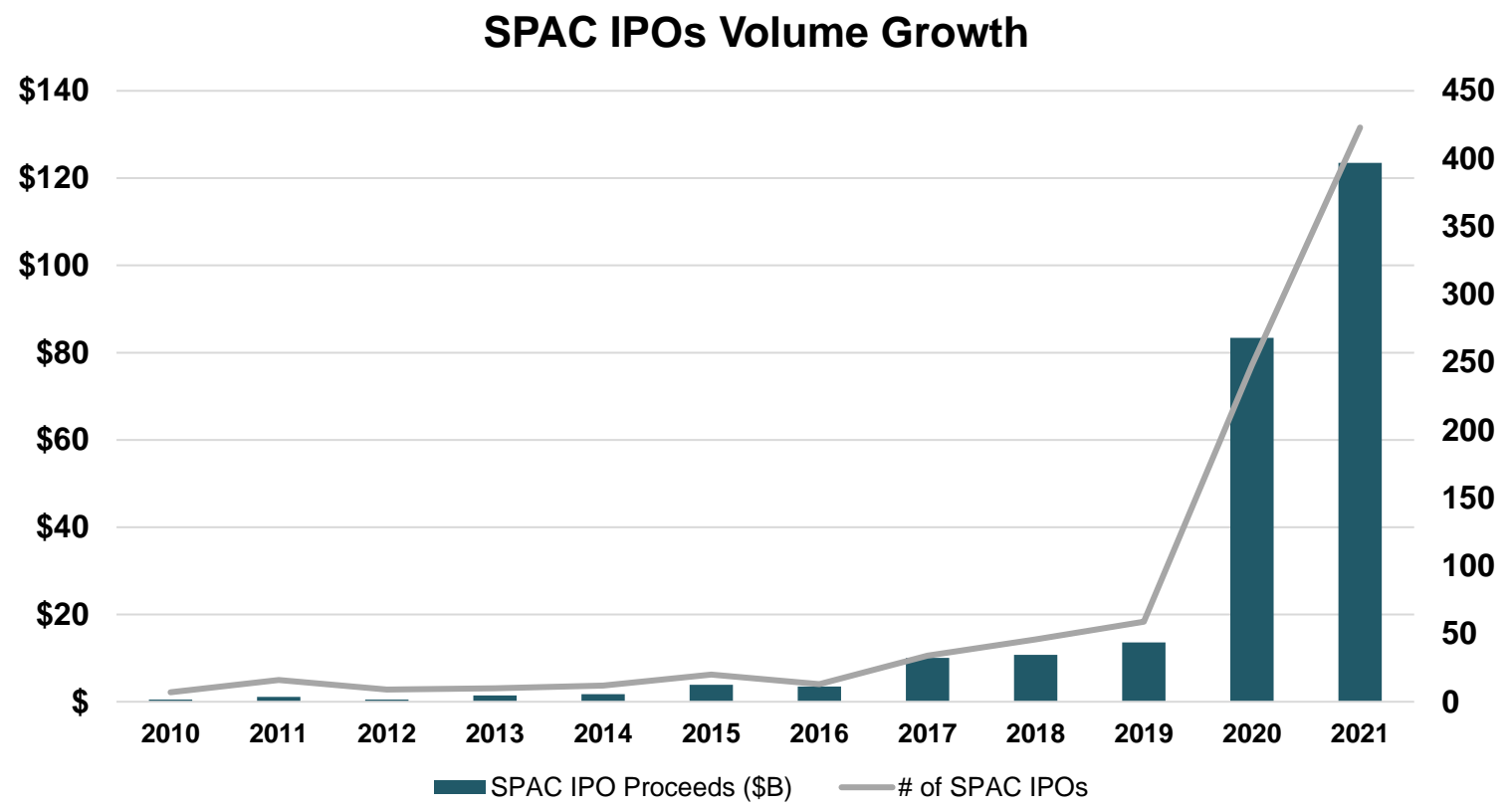
- There are 3 sources of dilution inherent in a SPAC :
- Sponsors free shares (the “promote”), c. 20%
 - Dilution from the warrants (however, brings in cash)
 - Redemption of shares for the full price with interest
 - SPACs pay an underwriting fee based on IPO proceeds, even though some shares sold in the IPO will be redeemed at the time of the merger
 - Other expenses: M&A, Legal, Audit, PIPE underwriting

Private Investment in Public Equity (PIPE)

- Involves buying shares of a public company in a private placement below market price but with a lock-up (*not always*)
- A SPAC can raise a PIPE tranche if it needs to raise additional capital to close a merger transaction, usually to cover redemptions or when the cost of acquiring a target company exceeds the funds in its trust account

In 2020, the number and proceeds of SPAC IPOs surged

Year-to-date 2021 SPAC IPO volume has already surpassed 2020

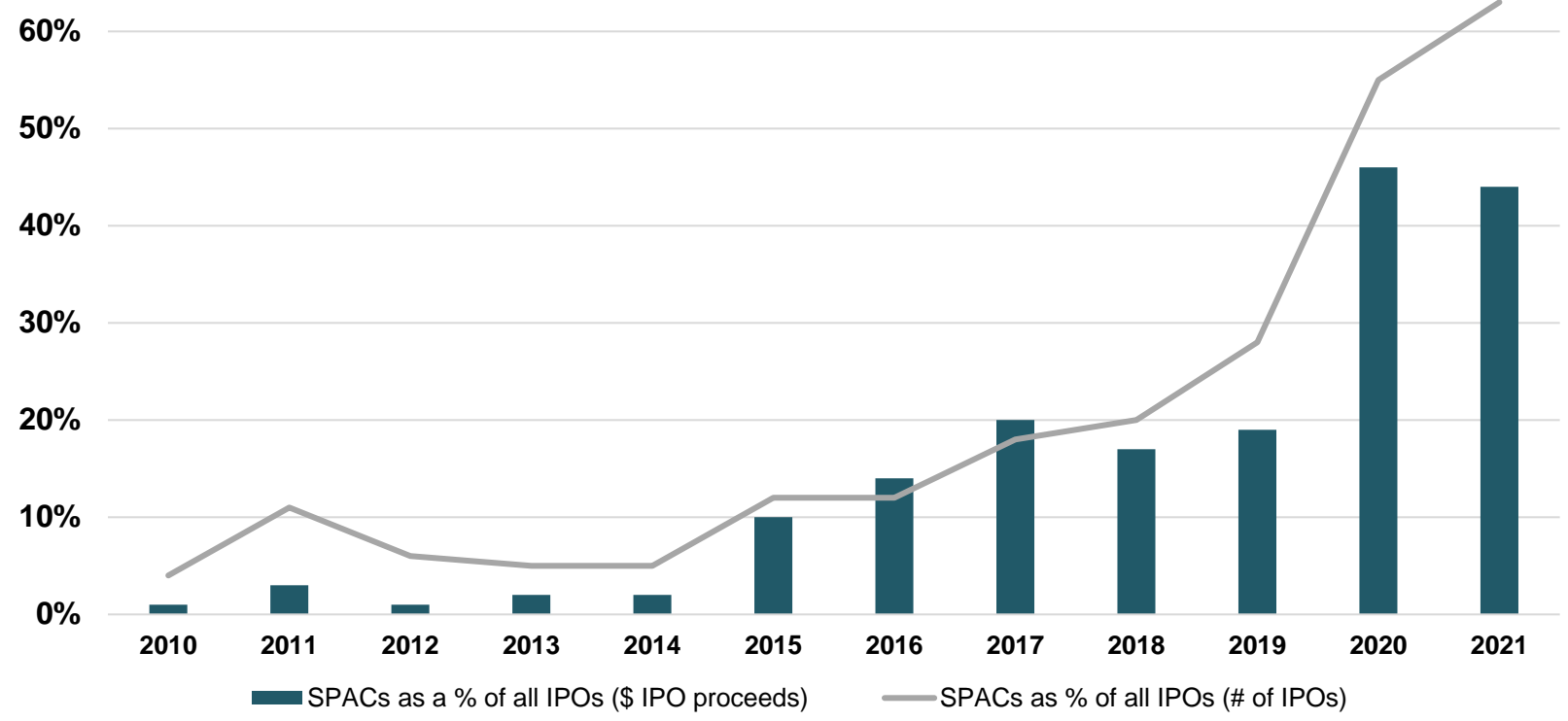


Notes:

- 1) Excludes deals less than \$40m in proceed.
- 2) Proceeds: gross proceeds and Includes over-allotment proceeds.
- 3) Source: Data from www.spacinsider.com
- 4) Last updated: Sep 07, 2021.

Starting in 2020, US-listed SPAC IPOs accounted for more than 50% of the number of all US-listed IPOs in 2020 and 46% of IPO proceeds raised

SPAC IPOs vs All IPOs



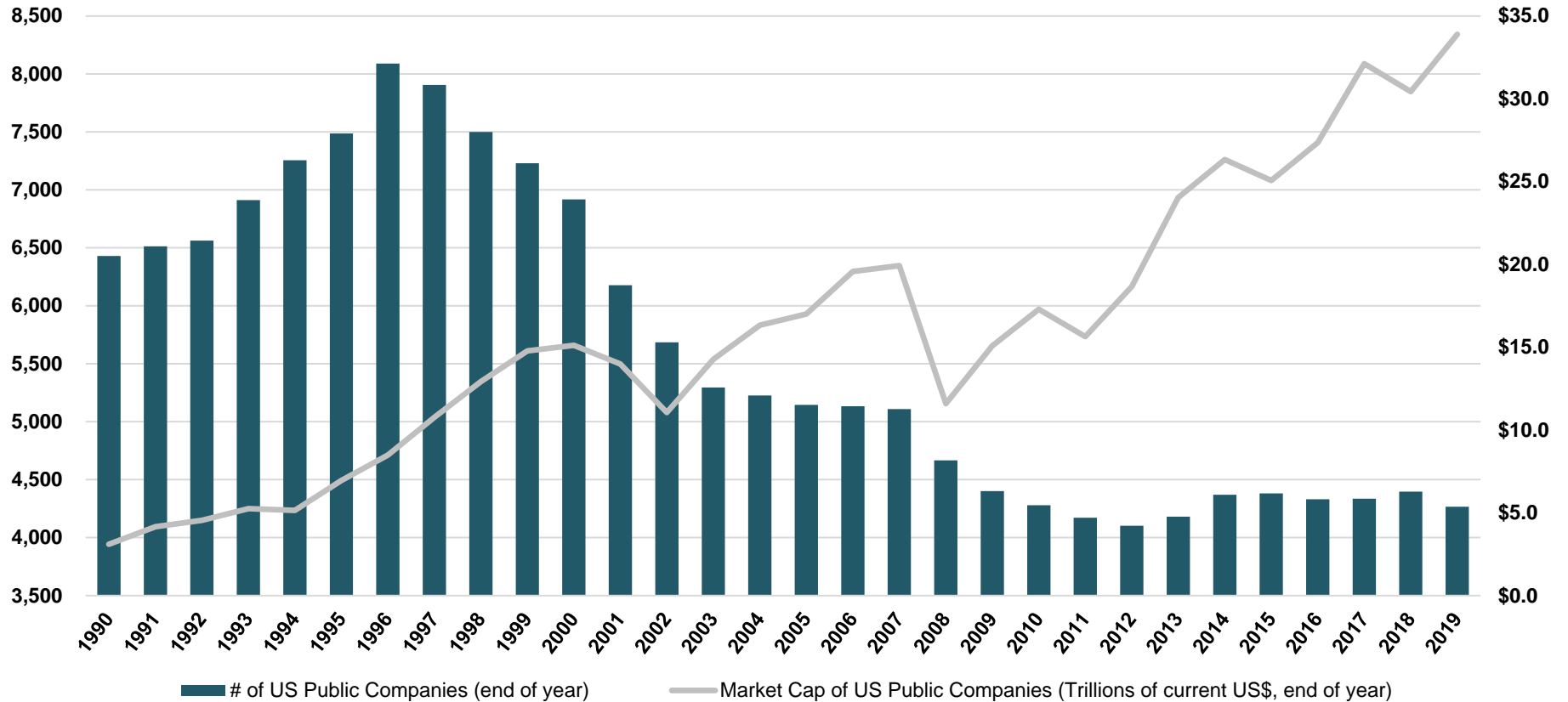
Notes:

- 1) Excludes deals less than \$40m in proceeds and excludes direct listings.
- 2) US SPAC IPOs vs All US IPOs.
- 3) Source: Data from spacanalytics.com
- 4) Last updated: Sep 07, 2021.

Sharp Decline in the number of Public Companies in the US since 1995 Peak

SPAC IPOs “replenish” the declining number of US public companies

















Public Companies in the US



Source: World Bank data.









We have seen several prominent companies exit/list through US SPACs

Targets typically are high growth firms with a technology flavor

	SPAC	Target	Amount Raised*	Valuation of Target	Target Location	Exchange
	Proptech IPO 2.0 SOCIAL CAPITAL HEDOSOPHIA HOLDINGS		\$1.14B	\$4.8B	US	NASDAQ
	Fintech IPO 2.0 SOCIAL CAPITAL HEDOSOPHIA HOLDINGS		\$2.4B	\$8.65B	US	NYSE
	Industrial Tech manufacturing TRINE		\$575M	\$2.5B	US	NYSE
	D2C ecommerce consumer goods OAKTREE OAC OAKTREE ACQUISITION CORP.		\$280M	\$1.6B	US	NYSE
	Insuretech C & CO IAC INSURANCE ACQUISITION CORP.		\$294M	\$1.3B	US	NYSE
	Spacetech IPO 2.0 SOCIAL CAPITAL HEDOSOPHIA HOLDINGS		\$450M	\$2.3B	US	NYSE
	Healthtech IPO 2.0 SOCIAL CAPITAL HEDOSOPHIA HOLDINGS		\$1.2B	\$3.7B	US	NYSE
	EV Spartan Energy Acquisition Corp.		\$1B	\$2.9B	US	NYSE

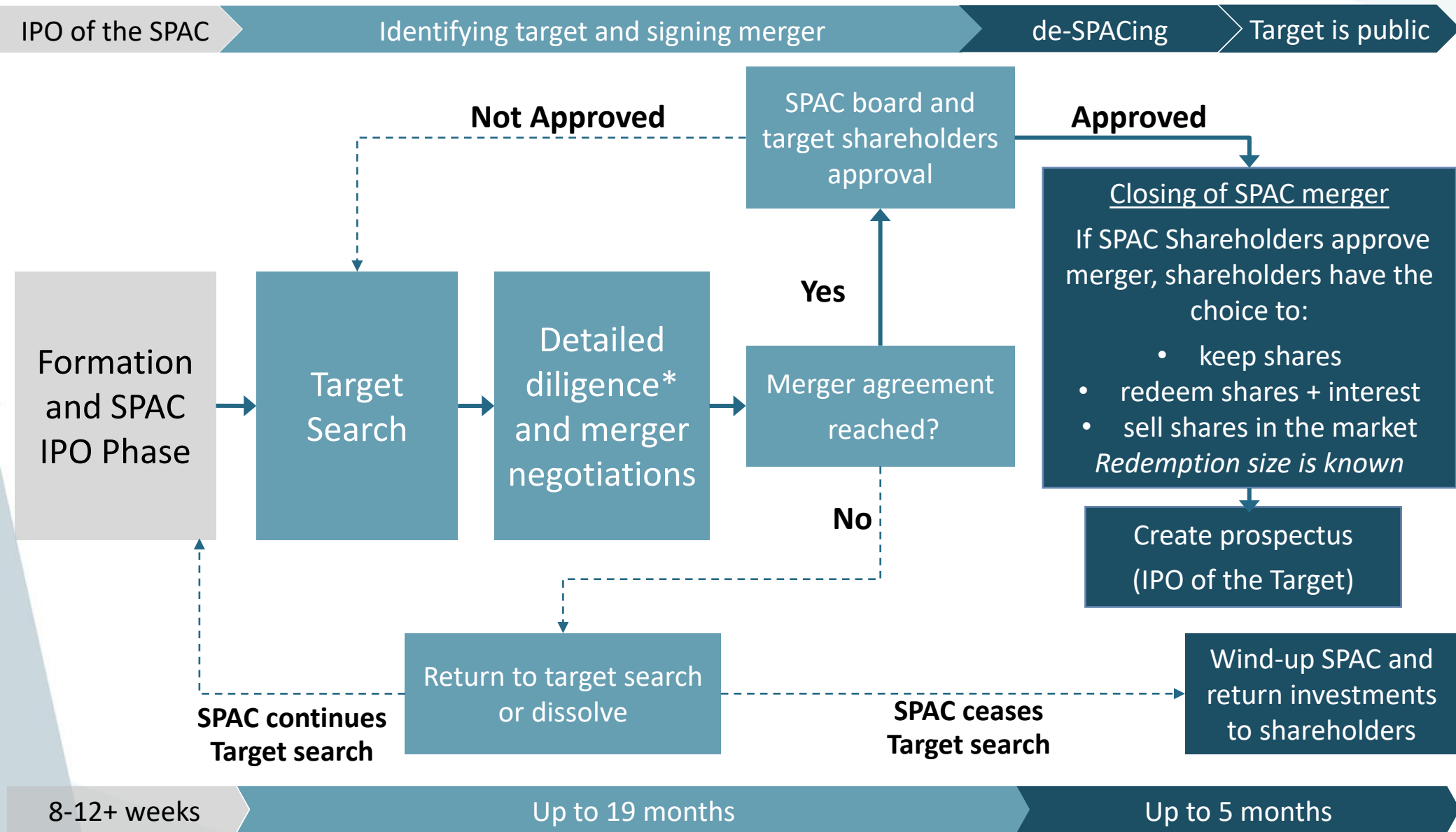
MEVP MENA SPAC Pipeline Tracker

SPAC activity is accelerating to fill the void of scarce local IPOs

	SPAC	Target	Amount Raised*	Valuation of Target	Target Location	Exchange	
	Music Streaming	 VISTAS MEDIA ACQUISITION COMPANY	 anghami	\$100M	\$180M	UAE	NASDAQ
	Ridesharing	 Queen's Gambit	 SWVL	\$445M	\$1B	Egypt	NASDAQ
	Energy Services	 NESR	 G-ENERGY [®] الشركة الخليجية للطاقة شمسية Gulf Energy SADC	\$229M	\$1.1B	MENA	NASDAQ
		 NPS					
	SPAC	Sponsor	Amount to be Raised	Exchange			
	Digital Economy	 FRONTIER INVESTMENT MANAGEMENT COMPANY	 FIM Partners	\$200M	NASDAQ		
	Technology and Media	Blue Whale Acquisition Corp I	 MUBADALA	\$200M	NASDAQ		
	TBD	TBD	 SHUAA	\$200M	TBD		

SPAC Process – 24 months option to find ideal Target and consummate merger

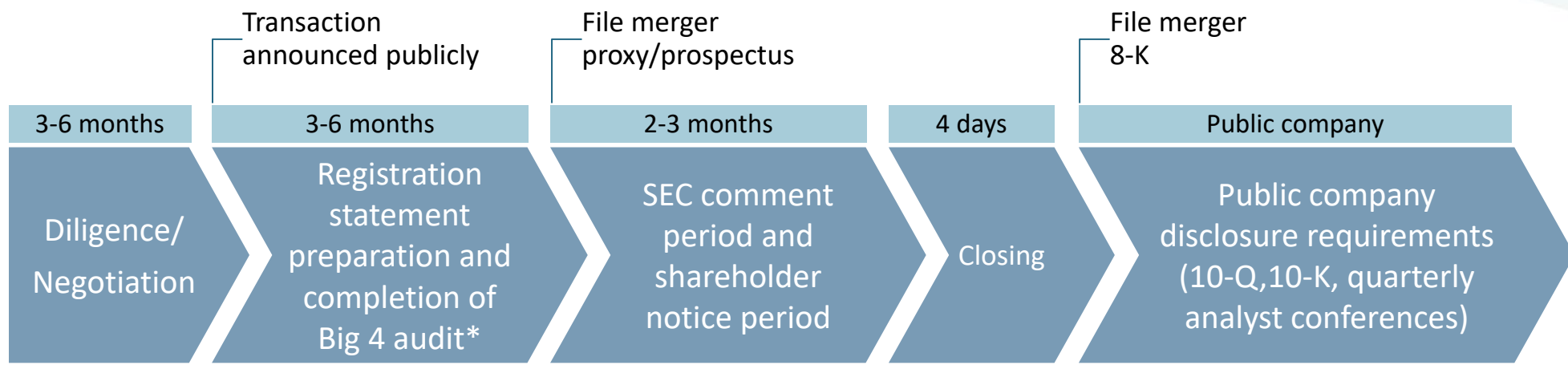
SPAC shareholders almost always approve merger to maintain value in warrants



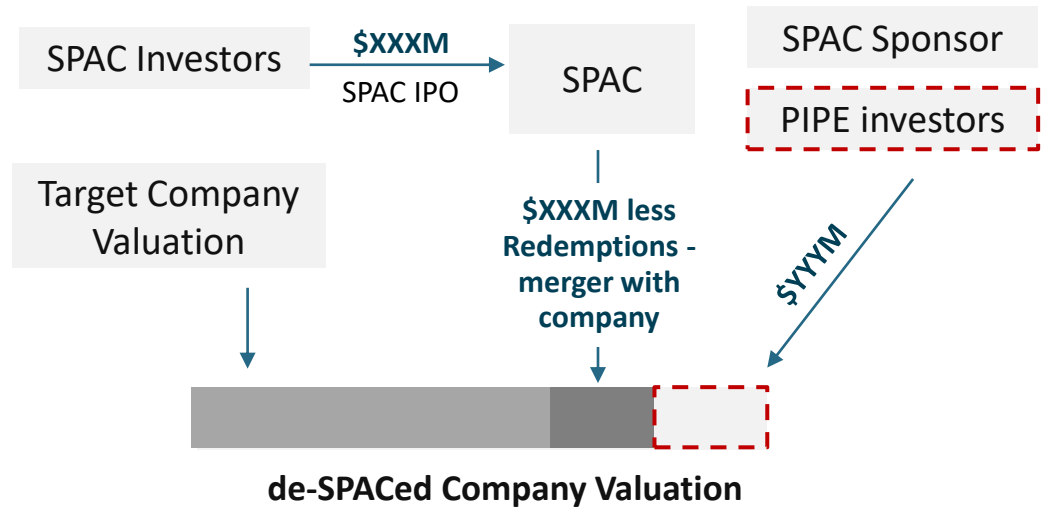
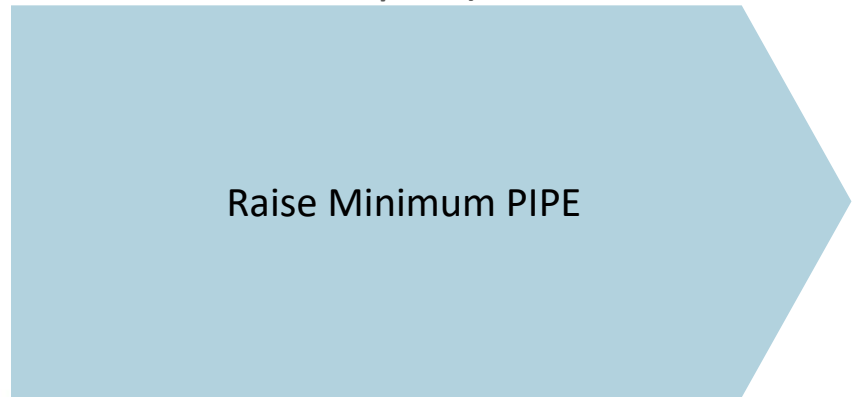
* Detailed diligence performed by the Board of the SPAC and their advisors on target company including operational, technical, legal, financial and valuation.

SPAC Process – Target Company Side after Identifying Ideal Target

PCAOB Audit critical hurdle to finalize



If PIPE is required (PIPE reinforces the equity story and reduces redemptions)



* Foreign Issuers, listing on a US market (NASDAQ, NYSE), must undergo a re-audit following PCAOB (US Public Company Accounting Oversight Board) standards, a higher audit standard than IFRS.

Anghami agrees to merge with NASDAQ-listed VMAC SPAC

First SPAC merger out of MENA, announced March 2021

The SPAC



Vistas Media Acquisition Company Inc.
(NASDAQ stock ticker: VMAC)
(NASDAQ warrant ticker: VMACW)



\$100M SPAC IPO, listed Aug 2020
Cross-border, Multi Sector Specialist
Gateway to South Asia, Core Market



Targeting Emerging Markets
Streaming platforms for Media & Entertainment industry:

- Film, post-production, VR,
- Gaming and e-Sports

The Target



The leading music streaming platform in the Middle East & North Africa



9B
Streams per year



+100K
podcasts



57M
Song Catalogue



4M
Artists



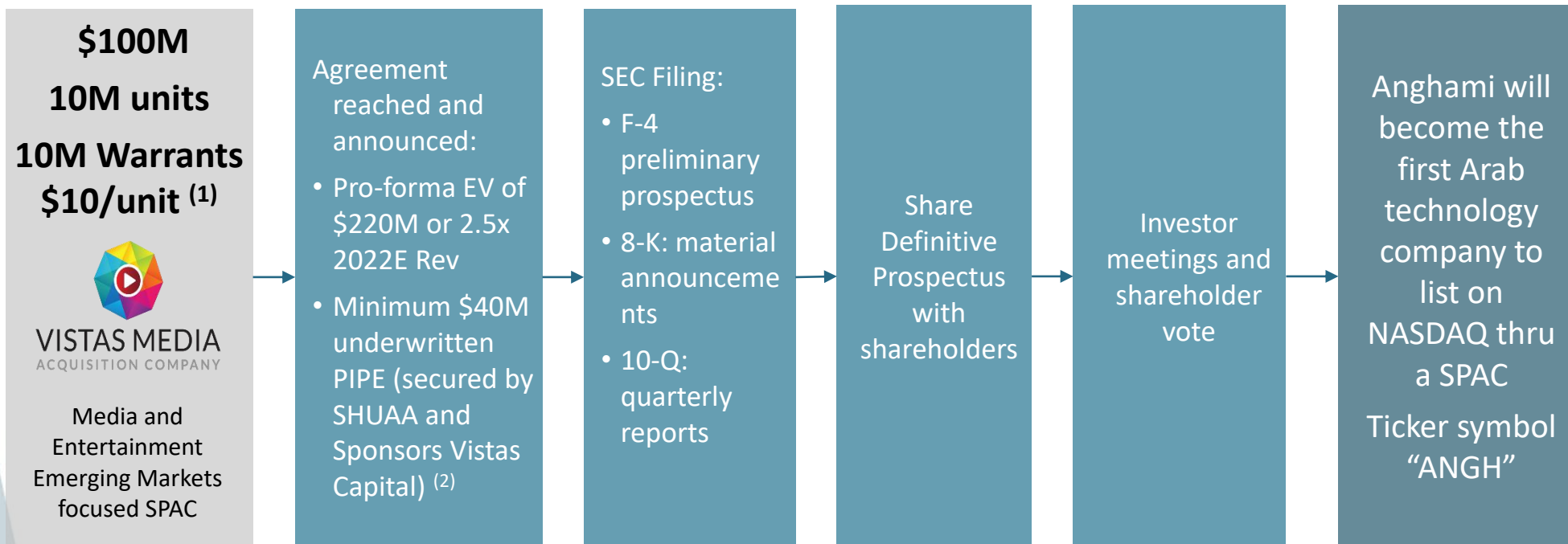
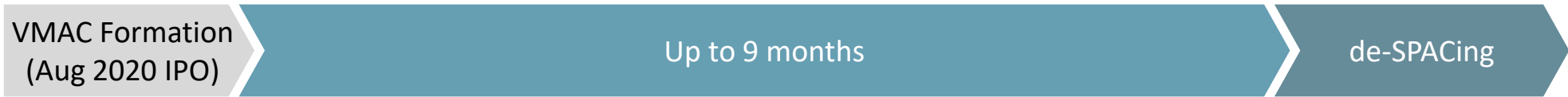
600K
Arabic Songs



39K
Arab Artists

VMAC + Anghami SPAC merger – fully de-risked with \$40M underwritten PIPE

Minimum SPAC merger closing conditions already satisfied on announcement



Notes:

- 1) Each \$10 Unit includes one \$10 Share + one Detachable Warrant (\$11.5 strike).
- 2) Minimum transaction closing condition already met on merger announcement thru the \$40M fully underwritten PIPE.

Latest SPAC News

Singapore finally announces SPAC listing regulations

Headlines	Date
<u>SPAC Attack: The 10 biggest in biotech</u>	Sept. 7, 2021
<u>Space infrastructure company Redwire stock surges on NYSE debut after closing SPAC deal</u>	Sept. 3, 2021
<u>SPAC Rout Erases \$75 Billion in Startup Value</u>	Sept. 2, 2021
<u>The Big SPAC Crackdown</u>	Sept. 2, 2021
<u>SPACs Have Run Out of Steam. That Has Created Some Opportunities for Investors</u>	Aug. 30, 2021
<u>SPAC – Singapore’s Placing Another Choice</u>	Sept. 7, 2021
<u>Will the UK see its own SPAC boom?</u>	Sept. 7, 2021
<u>Is the SPAC Party Over?</u>	Sept. 8, 2021
<u>Tikehau Capital joins race for Singapore's first SPAC</u>	Sept. 8, 2021
<u>Ready, Set, SPAC: Who Is Winning In This Latest Investment Trend?</u>	Sept. 5, 2021

Source: MEVP research of public info, as of Sept 2021.

Pershing Square Tontine Holdings (SPAC) + Pershing Square SPARC Holdings

A progressive “sparc” evolution of the standard SPAC model

Summary Description and Timeline

- July 22, 2020: Hedge Fund Pershing Square (“PS”) sponsors and lists SPAC Pershing Square Tontine Holdings (“PSTH”) by raising \$4BN*, 4x larger than the previous largest SPAC
- July 22, 2020: PS also offers, thru Pershing Square SPARC** Holdings, to each PSTH investor 1 warrant to acquire 1 free SPARC share at \$20
 - ✓ Opt-in SPARC structure: investors in PSTH would receive for free long-dated, transferable SPARC warrants (vs SPAC opt-out option)
- Objective: PSTH will acquire several minority stakes in large private companies (unlike SPACs that acquire 100% of 1 private target)
- Modified SPAC + SPARC attractive features:
 - ✓ No dilutive Sponsor shares (c. 20% of a typical SPAC)
 - ✓ No dilutive Sponsor warrants (c. 3% of a typical SPAC)
 - ✓ 20% votes for Sponsors thru 100 Class B shares (value \$2,000)
 - ✓ Incentive not to redeem: non-detachable PSTH warrants of redeeming investors are given to non-redeeming investors (redeeming SPAC investors keep detachable warrants)
 - ✓ Free SPARC warrants exercisable post final business combination
 - ✓ Avoids material underwriting fees (high fees for SPACs)
 - ✓ No time pressure to find appropriate target(s)
- Regulatory approval required: SEC has not yet approved the SPARC. Also, may require a NYSE rule change
- August 17, 2021: Shareholder lawsuit: claim that “PSTH has been operating an illegal investment company”
- August 19, 2021: PS letter to PSTH shareholders promising to modify the SPAC + SPARC structure and to defend against the lawsuit

* 200 million shares at \$20 per share.

** Special Purpose Acquisition Rights Company.

Source: Pershing Square Tontine Holdings public filings, Debevoise & Plimpton, LP., MEVP research.

Advantages of Pershing Square modified SPAC + SPARC

More Visibility:

Investors know into which companies they will invest

More Flexibility:

Can consummate multiple minority investments

Less Fees:

No need for high underwriting fees

No Time constraints:

Not subject to 2-year SPAC limitation

Less dilution:

No Sponsor shares, no Sponsor warrants

Eliminates Opportunity Cost:

SPARC warrants are issued for free

to be continued

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