# SPACs

## What Is A SPAC?

### Special Purpose Acquisition Company

An alternative process to an IPO

### SPAC vs IPO

| | |
|---|---|
| Take a private company public (like an IPO) | Shareholders can exit (like an IPO) |
| Able to raise money (like an IPO) | But quicker, easier and less scrutiny than an IPO |

1. A shell company (or SPAC) is set up with minimal funds by a sponsor

2. ShellCo does an IPO and outside investors provide funds

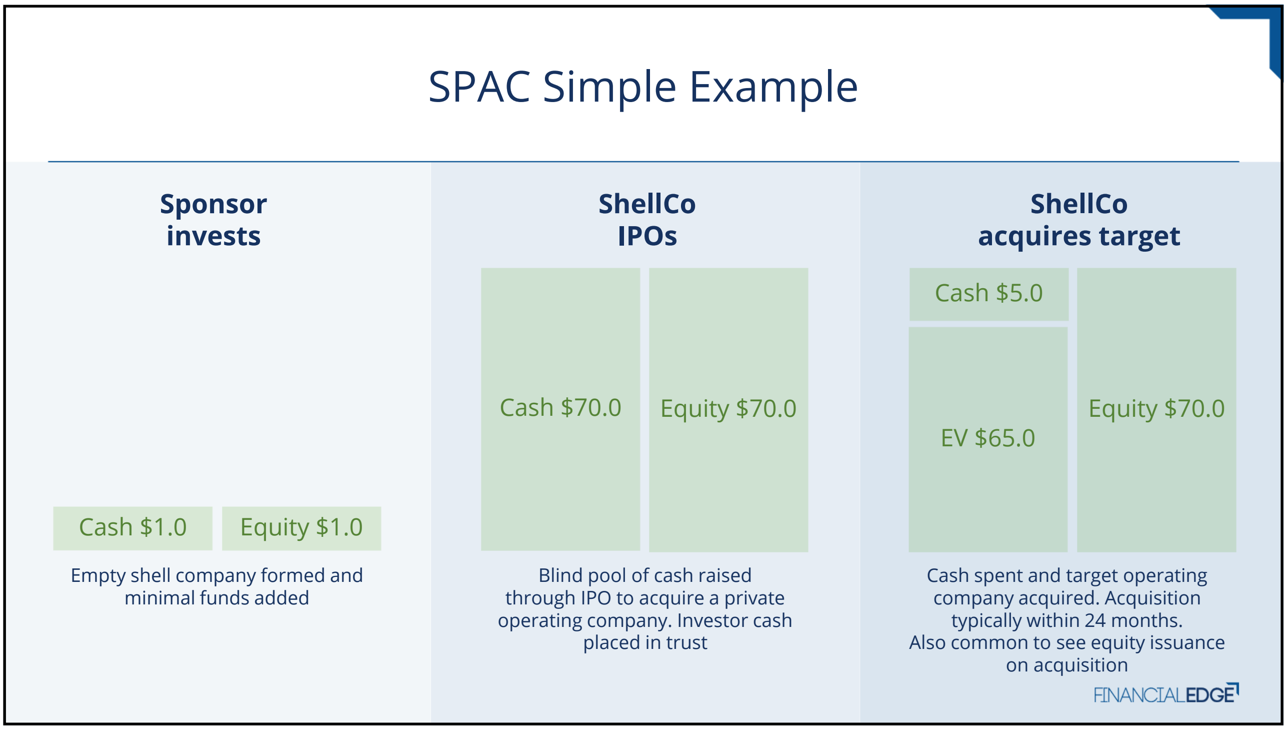
Sponsor

Shell company (SPAC)
$

Outside investors
$$$$$$$$$$$$

3. ShellCo uses funds to acquire target

Target operating company


SPAC Simple Example
Sponsor invests
Cash $1.0
Equity $1.0
Empty shell company formed and minimal funds added
ShellCo IPOs
Cash $70.0
Equity $70.0
Blind pool of cash raised through IPO to acquire a private operating company. Investor cash placed in trust
ShellCo acquires target
Cash $5.0
EV $65.0
Equity $70.0
Cash spent and target operating company acquired. Acquisition typically within 24 months.
Also common to see equity issuance on acquisition
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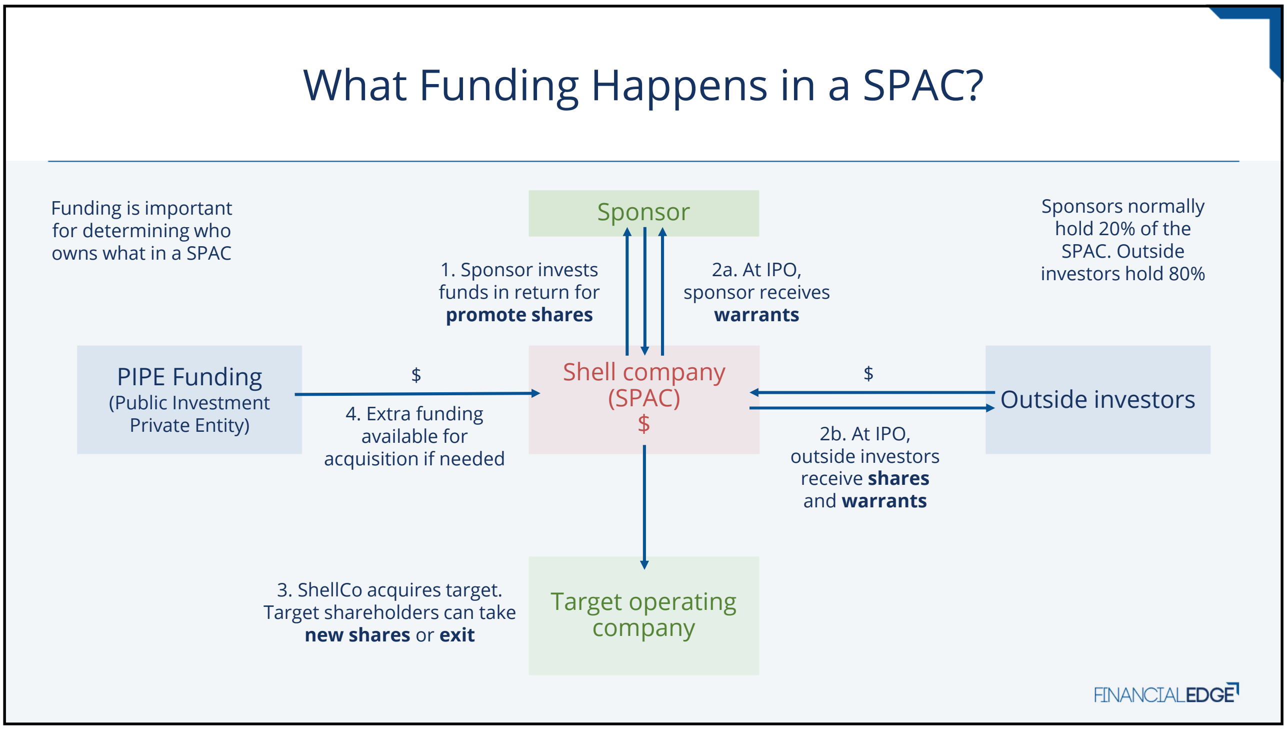
What Funding Happens in a SPAC?
Funding is important for determining who owns what in a SPAC
Sponsor
1. Sponsor invests funds in return for **promote shares**
2a. At IPO, sponsor receives **warrants**
Sponsors normally hold 20% of the SPAC. Outside investors hold 80%
PIPE Funding
(Public Investment Private Entity)
$
4. Extra funding available for acquisition if needed
Shell company
(SPAC)
$
$
Outside investors
2b. At IPO, outside investors receive **shares** and **warrants**
3. ShellCo acquires target. Target shareholders can take **new shares** or **exit**
Target operating company
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# SPAC

## SPAC Lifecycle

1. SPAC IPO
2. Cash raised placed into trust account
3. Target company identified, PIPE financing arranged
4. Cash is released when merger with target company is completed (at $10 per share), target company is now listed = DE-SPACing
5. SPACs typically have 2 years to find a private company target to merge with
6. If no suitable target is found or shareholders disagree with target, SPAC is liquidated

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# SPAC vs Traditional IPO Route

| | SPAC | IPO |
|---|---|---|
| **Timing** | 8 weeks to 4 months | Up to 24 months |
| **Cost** | Typically 2.0% underwriting<br>3.5% deferred fee at merger completion<br>Underlying cost to investors higher due to dilution from sponsor shares and warrants | Up to 7.0%<br>Underlying cost to company/selling shareholders higher due to "IPO pop" |
| **Forecasts** | Present forecasts for 5 – 10 year<br>Ideal for start up companies | Past financials only<br>Need a track record |
| **Risks** | Time limit of 2 years<br>Redemption option<br>Do not know target company – could be pre-revenue<br>SPAC shareholders need to approve merger | Size and price of IPO only determined post marketing |

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# SPAC Pros & Cons

## PROS

### SPAC Founders

Ability to raise capital / attractive returns

SPAC shareholders buy into the sponsor's experience in identifying targets and executing value add transactions

### Institutional Investors

Co-invest with successful founders / ability to redeem shares if desire to opt out of deal opportunity / tradable instruments (shares & warrants) / IPO proceeds held in trust / time limitation on business combination / SPAC merger allows for financial projections

### Target Business

Access to public markets without IPO process (avoiding market uncertainty, more flexible transaction structure for owners (earn-out/cash-out/rollover), include financial projections in proxy statement)

## CONS

- Final acquisition target unknown
- Target availability and readiness to be a public company
- Historically weaker returns compared to IPOs
- Bet on sponsor's capability to identify merger target
- Retail investors exposed to share price of SPAC and dilution from warrants
- Ability to bring in PIPE (private investments in public companies) investors to bridge cash needs of merged entity

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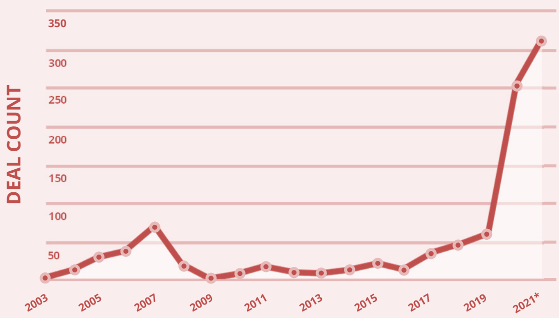
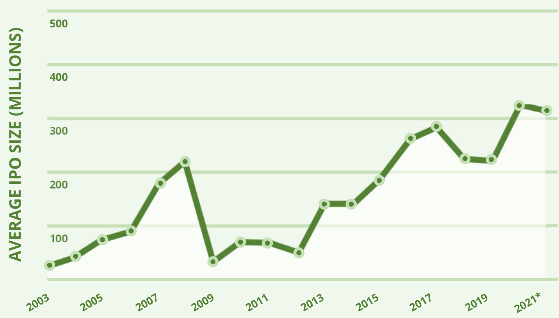
# SPAC Funds Raised

## SPAC IPO Deal Count by Year




*2021 as of: Apr 27, 2021

## Average SPAC IPO Size by Year




Source: spacinsider.com

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## Stable Road SPAC and Momentus

### Stable Road Acquisition Corporation

| | |
|---|---|
| **Total Public Proceeds at IPO ($mm):** | **$172.5** |
| **% Held in Trust:** | 100.0% |
| **$ Held in Trust per Unit:** | $10.00 |
| **Mgmt's Sector Expertise/Focus:** | Aerospace – Space Tracking |
| **IPO Date:** | **November 8, 2019** |
| Months to Complete: | 18 |
| Deadline Date: | June 7, 2021 |
| **Public Warrant Terms:** | |
| Exercise Price: | $11.50 |
| Redemption Price: | $18.00 for each/cashless |
| Redemption: Cash, Cashless or for Shares | Management's discretion |
| **Underwriters:** | |
| Book-runner(s) | Cantor Fitzgerald |
| Co-Manager(s) | $18.00 for each/cashless |
| FEE (Upfront/Deferred): | 2.0/4.0% |

## Stable Road SPAC and Momentus Merger

### STEP 1 – SPAC IPO
NOVEMBER 2020

Stable Road raised $173m

### STEP 2 – Reverse Merger
MARCH 2021

Momentus equity value: $1,513m

Cash on BS: $313m after expenses ($35m)
Stable Road cash: $173m
PIPE funds raised: $175m

### STEP 3 De-SPACing
MARCH 2021

**Momentus post merger**
(@$10 per share)

**Equity Value**: $1,513m
**Enterprise Value**: $1,200m

**Stable Road & PIPE Cash**
**$313m**

**Pro Forma Ownership**

SPAC investors: 11% ($173/$1,513)
SPAC sponsors: 2% (original shareholding
PIPE: 12% ($175/$1,513)
Momentus shareholders: 75%

**52 Week Share Price Performance (Stable Road)**

High: $29.18 | Low: $9.70 | Current: $14.86

## Target Company

### First Mover in Offering In-Space Transportation and Infrastructure Services

**SPACE TRANSPORTATION SERVICES**

First hub and spoke model of space, providing **last mile delivery in partnership with key launchers**, such as SpaceX

**SATELLITE AS A SERVICE**

Hosted payload services that significantly **decrease the cost of developing, launching and maintain satellites**

**IN-ORBIT SERVICES**

Maintaining, repairing and refuelling satellites in orbit

### Groundbreaking Water Propulsion Technology

that significantly reduces costs and is reusable

Successfully tested water based propulsion technology on a demo flight **launched mid-2019** – is still operational today.

Founded in **2017** in **Santa Clara, California**

**Source: Momentus Investor Presentation**

### Management Forecasted Financials

| ($ in Millions) | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|---|---|---|
| Satellite Transportation Services | $2.3 | $20 | $122 | $435 | $852 | $1,089 | $1,453 | $1,717 |
| Satellite as a Service | - | - | 30 | 153 | 319 | 721 | 1,192 | 1,650 |
| In-Orbit Services | - | - | - | 10 | 29 | 150 | 343 | 669 |
| **Revenue** | $2.3 | $20 | $152 | $598 | $1,200 | $1,960 | $2,987 | $4,035 |
| % Growth | *NM* | *NM* | *673%* | *293%* | *101%* | *63%* | *52%* | *35%* |
| Satellite Transportation Services | ($0.9) | $1 | $42 | $156 | $399 | $785 | $1,030 | $1,194 |
| Satellite as a Service | - | - | 21 | 70 | 158 | 505 | 796 | 1,031 |
| In-Orbit Services | - | - | - | 5 | 16 | 108 | 254 | 471 |
| **Gross Profit** | ($0.9) | $1 | $63 | $230 | $573 | $1,398 | $2,080 | $2,696 |
| % Margin | *NM* | *6%* | *42%* | *39%* | *48%* | *71%* | *70%* | *67%* |
| (-) SG&A | (12) | (15) | (21) | (27) | (36) | (46) | (59) | (76) |
| (-) R&D | (19) | (32) | (60) | (96) | (129) | (151) | (160) | (164) |
| **EBITDA** | ($32) | ($46) | ($18) | $107 | $409 | $1,201 | $1,861 | $2,455 |
| % Margin | *NM* | *NM* | *NM* | *18%* | *34%* | *61%* | *62%* | *61%* |
| (-) CapEx | ($4) | ($20) | ($6) | ($7) | ($51) | ($10) | ($10) | ($12) |
| (-) Change in NWC | 5 | 27 | (11) | 32 | 327 | 286 | 307 | (27) |
| (-) Income Tax Paid (Unlevered) | - | - | - | (1) | (84) | (250) | (389) | (513) |
| (-) Other | (7) | - | - | - | - | - | - | - |
| **Unlevered Free Cash Flow** | ($38) | ($40) | ($35) | $131 | $601 | $1,227 | $1,769 | $1,903 |

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