

WHITE PAPER



Alpha IR Group

Special Purpose Acquisition Companies (SPACs)

Investor Relations Critical to Ensuring Success



ATTRACTING
QUALITY SELL-SIDE
ANALYSTS

THE FINANCIAL
GUIDANCE
CONUNDRUM

PREPARING FOR
BUY-SIDE
TRANSITIONS

SPACs: Investor Relations Takeaways & Tips

Proactive Thinking Pre- & Post-Transaction

Alpha IR Group interacts with Special Purpose Acquisition Companies (SPACs) at all stages of the deal process and has over a decade of experience advising these unique organizations. These companies face many of the same challenges as larger, more established public companies, but on a tighter schedule and with less liquidity and visibility in the marketplace. Further, these companies necessitate two sets of messages: one for the investors who support the initial transaction, and one for the post-transaction operating company – again, in a shorter time frame and with limited internal resources. **With this in mind, we prepared a list of the top seven SPAC IR tips to shed light on the pre- and post-deal difficulties they are likely to face, as well as some ways to overcome them.**

1. BROADENING THE INVESTOR BASE

To survive and thrive in the post-deal world, SPACs will need to be prepared to engage with numerous shareholders with varied agendas. This includes IPO and deal-oriented shareholders that are simply playing the potential volatility of the ultimate M&A deal(s), as well as new potential shareholders that are less interested in the transaction and more interested in the long-term vision and operational efficiency of the company. This is a consistent issue for SPACs, as many companies have struggled to cultivate relationships beyond their initial deal-focused investors, including event-driven hedge funds. For a young company to compete effectively, and win the competition for capital, a management team of a small- to mid-cap company will spend on average almost 300 hours annually engaging with existing and new investors via non-deal roadshows, investor conferences, phone calls, and other time-consuming engagement forums. SPACs have to be prepared to face this challenge if they wish to gain the attention of more conventional institutional audiences, including mutual funds, pension funds, and family offices. Sophisticated and consistent engagement with the investment community is critical to maintaining a fair valuation through the first two years of post-deal operations, which is a sensitive time for the stock as valuation frameworks and expectations are established that often times perpetuate longer-term.



2. SOLICITING SELL-SIDE COVERAGE

Broadening the company's visibility on Wall Street is an essential focus for management and IR teams well before the completion of the transaction to an operating company. This includes identifying and obtaining sell-side coverage in an increasingly difficult environment created by dramatic competitive challenges and new regulations that are beginning to affect sell-side economics globally. Understanding how the sell-side works and being ready to support those firms and their analysts with banking opportunities and access to management remains critical to attaining and maintaining coverage. Leaders of SPAC-related companies need to understand that they are not executing a traditional IPO. As a result of the non-traditional nature of the SPAC model, the company is likely to be underfollowed during its first two years as a public company. Therefore, until proper coverage can be obtained, SPACs should plan to supplement their investor outreach with internally-driven relationship building. This can be accomplished through the use of supplemental, expert resources such as Alpha IR.



3. DRIVING VISIBILITY THROUGH AN INVESTOR DAY

Elevating visibility on the Street is often most effectively accomplished by hosting an Investor Day event. These events are critical components of being an operational, public company, as they provide a unique setting for the buy- and sell-side to gain comprehensive insight into the operations, segments, and end markets of a business. It also provides an opportunity for the Street to meet and interact with leaders across the organization in an environment that cannot be accommodated by traditional investor conferences or roadshows. Hosting an Investor Day in the immediate months after deal-close is an unparalleled way to garner visibility and is a great way to say to the Street, "We've arrived."



4. DEVELOPING ROADSHOW STRATEGIES

The universe of sell-side analysts is shrinking. This has ramifications on all aspects of the capital markets, but particularly on smaller companies and SPACs. It is becoming increasingly incumbent upon the management team and its IR department to drive its own roadshow strategy and buy-side targeting. The task of connecting with the buy-side to drive visibility has traditionally been reserved for covering sell-side analysts, but that burden will likely fall internally, at least until the company gains a broader following. We encourage our SPAC clients to host and/or participate in at least one-to-two IR events per quarter to maintain appropriate investor visibility and manage expected shareholder churn.



5. MANAGING GUIDANCE AFTER DEAL CLOSE

One of the most important ways to reinforce management credibility is accurately guiding and forecasting business operations and then achieving those objectives in the first few quarters as a trading, operating entity. When possible, we favor annually-focused guidance programs as they keep investors focused on the long-term. This is not an easy task for SPACs given the new structure of the business, but with limited sell-side coverage and an event-driven audience of mostly hedge-funds on the buy-side, effective use of guidance can be a helpful tool in establishing and managing Street expectations. If employed effectively over time, successful guidance practices should support higher valuation multiples. SPACs need to think creatively and conservatively guide their key operating forecasts to maintain both the credibility of management team and the confidence of the investor base. One unique feature of the SPAC structure that will affect guidance is the number of warrants tied to each unit share of the SPAC post-deal. Outstanding warrants are effectively future dilution and their presence needs to be effectively communicated, especially when guiding to per-share metrics. If companies cannot efficiently guide their business, it conveys a perception of mismanagement and incompetence. This ultimately leading to the orphaning of many SPACs before they are able to prove the efficacy of their business strategy.

6. MESSAGING

Transitioning from a blank-check company to an operational company contains numerous strategic initiatives, few of which are more important than the need to clearly communicate with the Street and message the company's value proposition to investors. Effectively conveying your vision and strategy to the Street begins early in the deal cycle and carries through to every future Street engagement. These crucial engagements include: earnings releases and conference calls, non-deal roadshows, investor conferences, non-earnings press releases, and other less structured interactions with the Street. Ineffective messaging campaigns can create messaging gaps and misperceptions, which can create credibility issues and ultimately lead to a poor valuation. To avoid common messaging pitfalls, it's critical to prepare, rehearse, assess, and refine your message routinely. It's our experience at Alpha IR that a proactive effort, from day one, leads to the type of feedback that ensures message resonance and maximizes effectiveness.



7. SHAREHOLDER ACTIVISM PREPAREDNESS & DEFENSE

With both the number of campaigns and the volume of assets held under management by activist investors on the rise, having an actionable activist preparedness and defense plan in place has become a vital component of being a public company. This is especially true for post-deal SPACs, as their small size and potential for operational missteps early on can be blood in the water for the sharks of the investment community. To ensure our clients are fully prepared for the unexpected, Alpha IR offers tailored activist preparedness programs to our clients that are regularly updated to reflect the changing realities of Wall Street and your company's vulnerabilities.



Alpha IR Group helps public companies build sophisticated messaging/positioning platforms, a healthy shareholder base, and an Investor Relations infrastructure throughout the SPAC process. This work includes:

1. As a SPAC, your pre-transaction shareholders will likely not be shareholders 12-to-18 months after the transaction is complete. Alpha IR helps build a pipeline of quality investors who can create demand in the marketplace when the original investors exit.
2. Alpha also helps companies transition from a “transaction” message to an “operating” message that will appeal to a broader investor base.
3. Alpha works in teams of both senior and junior resources, allowing us to create and manage an overall IR infrastructure within the new operating company, from strategic messaging and counsel, to day-to-day tactical management:
 - α Overall IR strategic plan
 - α Earnings scripts and financial news releases
 - α Investor presentations
 - α Annual reports and fact sheets
 - α Strategic targeting to improve both buy-side and sell-side coverage
 - α Conference and NDR advice and scheduling
 - α Guidance and Corporate Governance best practices
 - α Vendor management (conference call providers, surveillance, proxy solicitors, etc.)
 - α Current regulatory guidance to management (SEC, ISS, Glass Lewis, Exchanges)
 - α Website creation and management

4. Alpha's reputation is well-regarded on the Street, and we gain consistent feedback to adjust and clarify messages over the course of the corporate life cycle.
5. Alpha has significant experience with communications to other stakeholders: employees, customers, suppliers, regulators, media, and debt holders.
6. Alpha provides regular communications vehicles to boards of directors that keeps them abreast of shareholder issues and concerns.
7. Alpha regularly trains senior management teams on how to structure and present their messages to Wall Street, employees, and the media, all within the regulatory requirements of Reg FD.
8. Alpha has significant crisis/event experience and can help when unexpected crises arise (C-level transitions, restatements, restructurings, activism, short campaigns).
9. For any future M&A deals, we provide messaging support in advance of, at time of, and post deal (successful or otherwise), along with fast-acting issues management around the usual hurdles that accompany the deal cycle.
10. Our partnership programs, research capabilities and project services are designed to protect and enhance our clients' reputations, credibility, and ultimately, their valuation.



WE KNOW INVESTOR RELATIONS

- α Our senior leadership has **100+ years** of combined strategic IR, transaction, and crisis consulting experience
- α We carry a national reputation for helping clients **design** and **execute high-ROI investor relations programs**
- α Our team understands the core components of a holistic investor relations program must include variables from all four critical areas: **messaging, visibility, tactics** and **peer benchmarking/ valuation**

Selected IPO, M&A and SPAC Experience

 <p>Prepared the corporate communications for the merger announcement and newly combined entity post SPAC deal.</p>	 <p>Primary communications partner pre- & post-IPO, outsourced IR function.</p>	 <p>2016 purchase of China-based Qingdao Ge Rui Da Rubber Co., Ltd. in December 2015.</p>	 <p>Over a dozen bolt-on acquisitions since its successful IPO in 2006, which we supported.</p>
 <p>Advised client through its first Wall Street engagements following the successful \$6.1B spin-off from Biogen.</p>	 <p>Built strategic IR platform immediately post-IPO, which included pro-active strategy to exit prior PE ownership position.</p>	 <p>Counsel on numerous printing transactions, including purchase of Vertis and Brown Printing.</p>	 <p>Guided through tripling of revenue during purchase of Hi-Tech (Nasdaq: HITK) & Versa-Pharm.</p>
 <p>Primary communications partner pre- & post-IPO with an outsourced IR function.</p>	 <p>Drove all comms. on acquisition of Luvata in Sept. 2016, including investor, customer and employee messaging.</p>	 <p>Advised on acquisition of Houston Interests, LLC in December of 2016.</p>	 <p>Drove full IPO process for this industrial company, including pre-IPO analyst day in NYC to drive potential sell-side coverage.</p>
 <p>Disposition non-core assets and the acquisitive entry into continental Europe.</p>	 <p>Drove all comms. for both through GP purchase of NTI by WNR.</p>	 <p>Consulted on delivery of key messages for strategic fitness purchase of Cybex International.</p>	 <p>Developed full spinoff and IPO strategy for Delek Logistics, an MLP spun out of Delek, Inc.</p>



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About Alpha IR Group:

Alpha IR Group is a full-service investor relations consulting firm that partners with companies to deliver best-in-class investor relations, from strategic insights to daily, tactical execution. Alpha IR offers a range of tailored programs, as well as sophisticated insights and significant experience with activist preparedness, investor day preparation and execution, earnings support, M&A/transaction support, perception studies, and more. The firm's leaders have over 100 years of combined sell-side, buy-side, investment banking, and IR consulting experience. Alpha's growing staff supports a client base that spans seven industry verticals and represents over \$100 billion of equity value trading on public exchanges in North America.



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