RIVERON

Guiding a Successful de-SPAC Process Through Vision and an Actionable Plan

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A successful special purpose acquisition company (SPAC) merger requires visionary commitment paired with an actionable transformation plan, a capable team, and a sustained ability to manage change.

Taking a company public via a SPAC is an exciting and all-encompassing journey which involves robust preparation and collaborative efforts across finance, technology, and operations. If managed well, this journey can help companies build momentum and uncover new potential.

Advancing to the final stages of the SPAC lifecycle

Timing is of the essence when an organization enters into a SPAC merger (or "de-SPAC") process. Once formed, a SPAC has 24 months from the date it goes public to de-SPAC. This means it must identify, negotiate, and merge with a private enterprise, while following stringent reporting requirements for the target company.

A de-SPAC transaction is complex. Beyond the SPAC merging with a target private business within a tight timeframe and under strict reporting guidelines, it also involves refining and enacting the strategic vision and shareholder value proposition. These components must be realized through a transformational mindset that fully integrates technology, processes, and team composition.

"The process is more of a marathon than a sprint and doesn't happen overnight," outlines Sasha Morozova, a managing director at Riveron, who guides businesses through complex financial and accounting matters, "A lot of preparation needs to take place while the company is still performing its day-to-day operations. Therefore, taking note of priorities and understanding what is more important and needs greater focus is vital."

Morozova notes the success drivers, saying companies should map out "a robust plan before undergoing the SPAC merger transaction. Companies also need to have a good understanding of reporting requirements related to both *going* public and *being* a public company. And the right team must be in place to make it happen."

Starting the de-SPAC process with a clear vision and culture

Having a clear vision of the company's transformation journey and a well-articulated shareholder value proposition are among some of the most critical dimensions of an effective de-SPAC process.

"Establishing a strategic vision allows a target company to be more proactive," explains Kshipra Pitre, a director at Riveron who advises companies on digital transformation and technology enablement, "When it comes to setting the vision, transformation is best viewed on a long-term basis, shaping the organization from a strategic perspective, rather than just meeting targets from one quarter to the next."

Pitre encourages teams to frame the vision within its overall context, stressing how vision can be realized by maintaining an ongoing, integrated mindset. "New habits take a long time to form, especially good ones. Therefore, having the patience and wherewithal to continue to look at the vision and that aspirational state shapes an organization's sustainable, long-term transformation."

With a vision in place, companies seeking to enable future success will fine-tune the private company culture and modes of operating that occurred prior to the de-SPAC process. For instance, targets of a SPAC deal need to establish and maintain internal control over financial reporting and disclosure controls and procedures.

Jason von Holstein, a managing director and business process improvement expert at Riveron, points out that implementation of internal controls can represent one of the biggest potential impacts to organizational culture: "This impact must be managed appropriately. When rolling out an internal controls program it is critical for companies to be very clear and transparent about not only what needs to happen, but why it needs to happen." Establishing a feedback loop with this kind of transparency can improve the speed and quality of adoption of such changes, which may have been well off the radar of a SPAC target mere months prior.

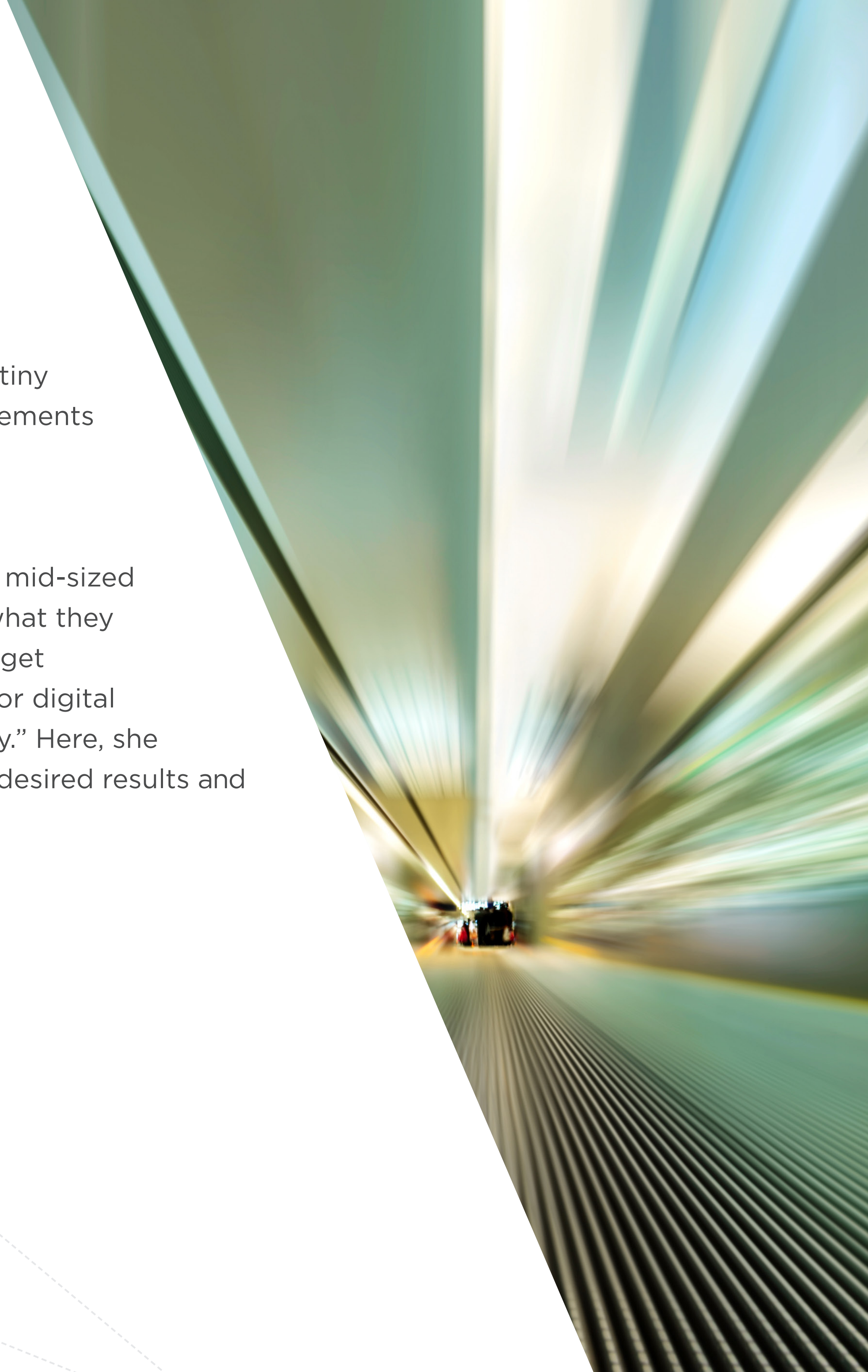
Mapping the right road to a successful merger

While it is critical to define a strategic vision to guide and govern an effective SPAC merger process, successful companies will need to create a complete map of the journey. A company's vision is most effective when translated to actionable tasks that support a newly public company in realizing desired value. When facing a de-SPAC process, Von Holstein notes how some may underestimate the difficulty and level of effort needed to meet the reporting requirements of a newly public company: "The internet is a helpful starting point, but it might offer only a partial picture of what needs to be done. Initially, an existing financial reporting function might seem ready to meet SEC reporting requirements, but the reality might present deeper levels of complexity. In many cases, our advisory teams have worked with companies to ask a lot of 'what if' questions so these organizations can anticipate the path forward and set themselves up for success."

Von Holstein suggests companies create a comprehensive de-SPAC map by asking questions such as, "Do our processes and technologies enable the team to report in a timely fashion? Do the in-place policies and procedures provide confidence that the company is treating complex accounting transactions in the right way? Is the internal control environment strong and mature enough that the company's leadership will feel comfortable personally certifying the financials?"

On the financial reporting side, Morozova details how target companies will be subject to a Public Company Accounting Oversight Board (PCAOB) level audit: “Private companies are used to working with auditors in a more intimate setting,” and when the organization evolves because of the SPAC lifecycle, “the independence and scrutiny of a PCAOB audit is probably one of the most surprising elements private companies face.”

In terms of assessing technology needs, Pitre identifies the importance of questions related to budgets: “We often see mid-sized and large organizations set their IT budgets according to what they spent the previous year. In these cases, it helps to shift budget conversations toward the broader framework or the need for digital capability transformation in particular parts of the company.” Here, she suggests companies can best align by mapping out future desired results and planning budgets and overall approaches accordingly.



Paving a path to success with the right team and approach

Once a plan exists to help realize a clearly defined vision, a pivotal challenge in preparing a company for a merger with a SPAC revolves around internal capabilities and appointing the right individuals to lead the efforts. Pitre highlights: “When guiding these transformations in-house, successful organizations understand that their incumbent people already carry out valuable day jobs, and additive efforts require mobilizing a team focused on transformational initiatives.”

When enacting changes that support a company’s journey to go public and realize new potential, Pitre adds that “leaders and teams need to understand what skill sets are required to perform these transformations. Understanding and fulfilling missing skill sets play a pivotal role in making sure the desired capabilities are delivered and that the deals are successful.”

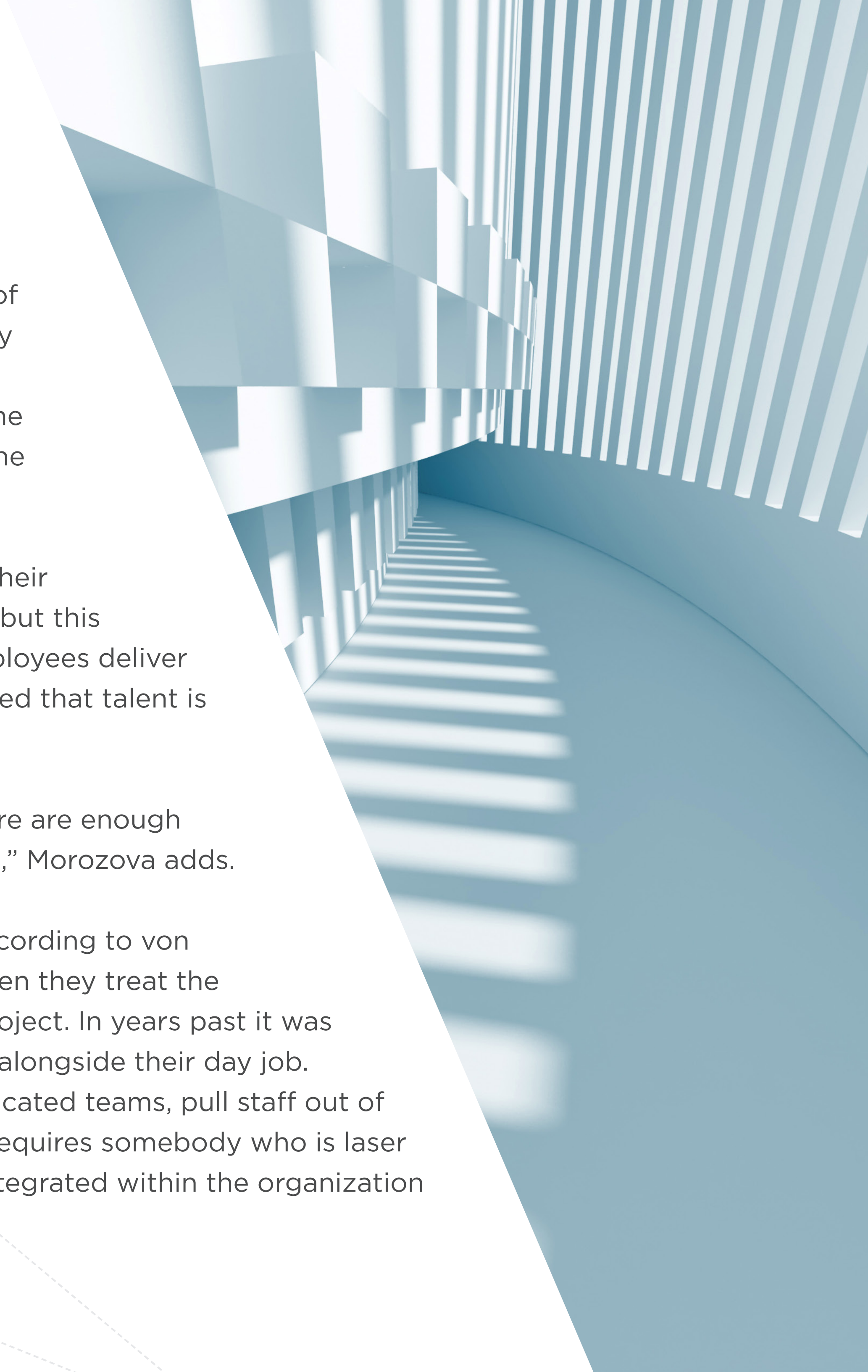
Once the necessary skills are identified, a company must decide whether to use existing staff or hire new resources to carry this forward. Von Holstein says Riveron tends to advocate for a hybrid approach: “It’s generally easier and less disruptive to backfill existing staff with contract-type resources. However, there are few organizations which have all the necessary experience and capabilities to run through this process themselves. And although companies need to build a team of accomplished people interconnected across the organization, they generally need to supplement this with some external support. Often, the main transformation team will be primarily made up of internal resources with some external subject matter experts to supplement any experience gaps.”

Having this balance also helps avoid burnout, which can happen if management is trying to carry out all the processes internally. Morozova comments: “Companies still need to do their day-to-day job so there is always the risk of burnout, especially in today’s virtual environment. Company management’s key objectives need to anchor on keeping employees motivated and making sure they can visualise the end goal of exciting growth and opportunities offered by the de-SPAC process.”

Pitre echoes the importance of organizations focusing on their employees: “Everyone talks about being customer-centric, but this cannot happen unless a company is employee-centric. Employees deliver the value, especially in the current market which has revealed that talent is a highly valued asset within an organization.”

“Assigning clear roles and responsibilities and ensuring there are enough people to do all the work is probably the biggest challenge,” Morozova adds.

The approach itself can also impact the team’s success. According to von Holstein: “We’ve seen organizations be most successful when they treat the de-SPAC process as a truly standalone, capital-intensive project. In years past it was considered part of the accounting world which people did alongside their day job. Now, we’re seeing more and more companies building dedicated teams, pull staff out of their roles and backfill those as necessary. Doing this well requires somebody who is laser focused on the process; someone who is connected and integrated within the organization but doesn’t have to balance a day job as well.”



Harnessing the pace of change and finishing strong

Addressing change is a key element which supports an effective de-SPAC process. Pitre advises: "The de-SPAC process is ultimately about change management. There are many proven change management practices in terms of identifying your stakeholders, championing the change, identifying change champions, and so forth. When a transformation journey occurs, and the related disruption becomes a major focus, additional channels for adding value continue to exist in parallel. Ideas can be formulated at the same time to enhance business continuity and limit risks. The two—transformation and day-to-day business efforts—are not mutually exclusive." For instance, Pitre explains that a company could be trying to achieve complex changes in process and technology due to a de-SPAC, and it could enhance companywide communication to highlight milestone successes which could energize business-as-usual flows and the transformation initiatives.

From his perspective, von Holstein says it helps target companies to seek a fitting pace of change: "Over the last year, many businesses have felt rushed because the entire deal flow is accelerating to unheard-of frequencies and cadences. There's additional pressure now and sometimes you have to sit back and admit that this pace is not sustainable.

"The desire to move fast has been compounded because there's this unspoken feeling that if they don't strike now, the market may not be there next week."

This industry push to go through these processes even faster than usual further underscores the need to focus on the long-term vision for the company and put a robust plan in place before mobilizing a de-SPAC deal.

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RIVERON

Riveron is a business advisory firm specializing in accounting, finance, technology, and operations. We partner with our clients to elevate performance and expand possibilities across the transaction and business lifecycle. Our thoughtfully integrated, multi-disciplinary teams bring deep functional expertise, first-hand industry knowledge, and experience-based creativity and perspective to generate tailored solutions to address any challenge. Founded in 2006, Riveron is headquartered in Dallas, Texas and has offices across the country.

Featured Experts

SASHA MOROZOVA

Sasha Morozova offers 16-plus years of experience across accounting advisory and audit, and she regularly advises clients on the accounting and reporting implications of complex scenarios such as SPAC transactions, spin-offs, and IPOs. She helps companies to become public, adopt new GAAP standards, navigate ongoing SEC reporting, and more. Morozova's advisory experience spans several industries, working with clients in multinational publicly traded companies and privately-held institutions. Prior to joining Riveron, she worked at "Big Four" firms providing client services across capital markets, accounting, and assurance.

KSHIPRA PITRE

As a technology enablement professional with 15-plus years of experience, Kshipra Pitre helps organizations to reach their goals by driving technology transformations. An expert in IT due-diligence, Pitre has served companies in many scenarios, including businesses facing the SPAC lifecycle. She supports companies to achieve their post-transaction goals by streamlining the technology environment and understanding the stakeholder impacts of change. Her background includes a mix of consulting and industry experience, and she has acted as senior leadership within private equity portfolio companies to guide transformations that drive value.

JASON VON HOLSTEIN

Jason von Holstein brings over 15 years of experience in management consulting and financial leadership roles, including pre- and post-close integration planning and execution, performance improvement, shared services design, and back-office assessment and transformation. He is a leader in designing and implementing global operating models that leverage integrated technology solutions, shared services, and outsourcing. von Holstein began his career focusing on business performance improvement and internal audit and uses his experience to assist public and private organizations across many industries, including consumer products, manufacturing, government contracting, and professional services.

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