

KSA Nomu SPACs: Expanding Capital Market Frontiers



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SPACs Explained

Blank-cheque vehicles that raise capital first and acquire an operating business later



What is a SPAC?

A company with no commercial operations, products or services. Its sole purpose is to raise money through an IPO, then acquire or merge with a private business.



The Appeal

- Faster and more efficient than a traditional IPO
- Greater valuation certainty through negotiated terms
- A streamlined route to public markets for high-growth firms



The Risks

- Sponsor incentives may not align with shareholders
- Valuation assumptions can become overly aggressive
- Some firms list before they're ready for public scrutiny

The SPAC Lifecycle

From blank-cheque listing to a completed deal — or liquidation and returned funds



IPO & Capital Raise

A shell company lists and raises cash before it has a target.



Funds Held in Trust

Capital sits in escrow while the sponsor hunts for a business.



de-SPAC Merger

The SPAC merges with a private firm, taking it public.



Complete — or Liquidate

No deal within ~3 years? The SPAC unwinds and returns cash.

Source: Aranca Research

Why KSA Is Introducing SPACs on Nomu?

Deepen the market and widen private-sector financing

Stated Objectives

- 1 Diversify the investment products available in the market
- 2 Expand financing avenues for private-sector companies
- 3 Increase the range of market offerings
- 4 Improve market liquidity
- 5 Open access to high-growth private companies that were previously hard to reach



Why Nomu, Specifically?

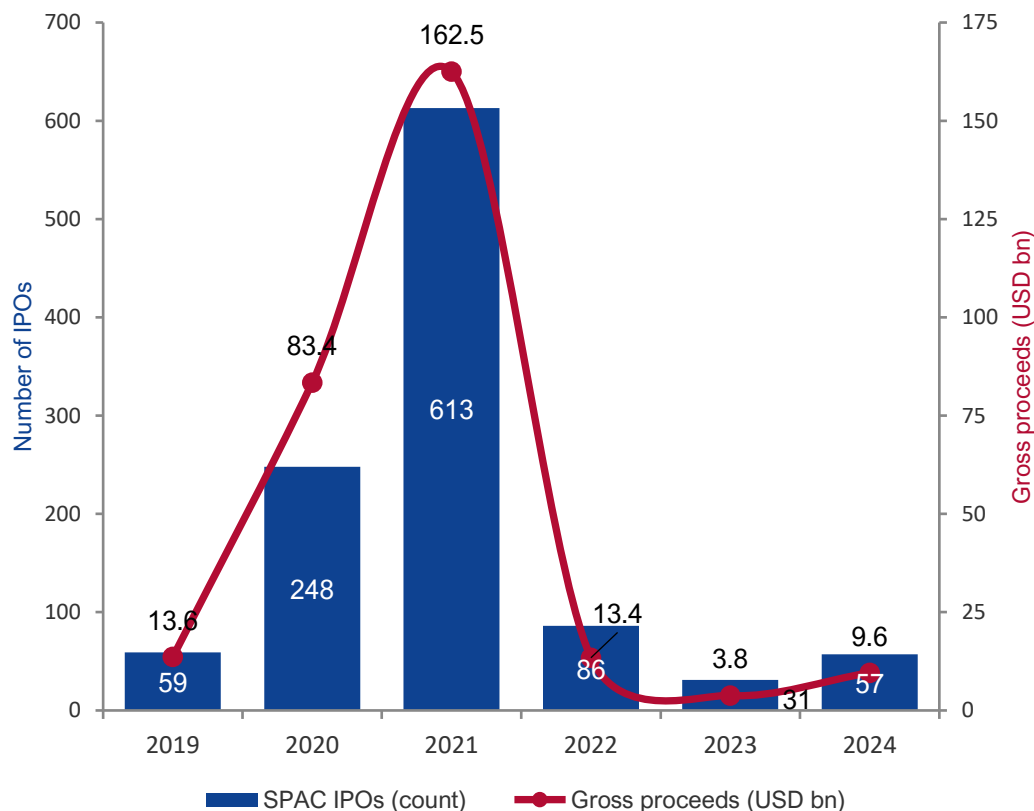
- Nomu is a **growth-oriented parallel market** with lighter requirements and lower thresholds than the Main Market, open to qualified investors with higher risk tolerance and longer horizons.
- That makes it a natural home for earlier-stage, fast-growing companies whose business models are still evolving, and for whom a traditional IPO can be restrictive.
- It aligns with Vision 2030 priorities in fintech, healthcare, logistics, tourism, industrial technology and energy transition, sectors that are capital intensive and often need growth funding well before mature profitability.
- Introducing SPACs here, rather than on the Main Market, keeps the mechanism inside a controlled, institutionally oriented setting.

Source: Aranca Research, Capital Market Authority (CMA), Saudi Exchange

Lessons from the US SPAC Cycle (1/3)

US issuance surged in 2021, then fell sharply as structural flaws surfaced

US SPAC IPOs: Count and Gross Proceeds, 2019 to 2024



The Boom

From a niche route in 2019 (59 IPOs, USD 13.6bn) to a peak in 2021 (613 IPOs, USD 162.5bn), driven by abundant liquidity, low rates and strong appetite for high-growth sectors.



Why Did It Not Last?

Too much capital chased too few quality targets. Sponsor promotes rewarded completion, warrants diluted holders, and fees plus high redemptions left targets short of cash.



The Correction

Issuance fell to 86 IPOs in 2022 and 31 in 2023. The SEC then tightened disclosure on incentives, conflicts, dilution and projections, moving SPACs closer to IPO standards.

Source: Aranca Research, SPAC Research, Deloitte, SPACInsider

Lessons from the US SPAC Cycle (2/3)

Saudi Arabia embedded guardrails into the Nomu framework from the outset

Rather than replicate the US boom, the framework introduces SPACs with protection, discipline and alignment designed in from the start.

Safeguard		What It Requires?
	Redemption rights	Shareholders can exit before an acquisition if they do not support the proposed deal.
	Escrow of proceeds	IPO proceeds are held in escrow until a qualifying acquisition completes.
	Minimum capital	A minimum post-offering capital of SAR 100mn is required.
	Deal deadline	A deal must close within 24 months, extendable once by 12 months with shareholder approval.
	Target size rule	The acquisition target must represent at least 80% of the escrowed funds.
	Retained ownership	Existing SPAC shareholders must retain at least 30% of the combined entity.
	Conflict controls	Sponsors and their affiliated funds cannot hold interests in the target company.

Source: Aranca Research, Capital Market Authority (CMA)

Lessons from the US SPAC Cycle (3/3)

Each weakness observed in the US maps to a specific Saudi rule

US SPAC Market Challenge	Saudi Regulatory Response	Expected Market Impact
Misaligned sponsor incentives	Sponsors and sponsor-managed funds cannot own interests in the target.	Aligns sponsor and investor interests and lifts confidence in deal quality.
Poor quality or overvalued targets	The target must represent at least 80% of escrowed funds.	Encourages disciplined valuations and a focus on businesses with real scale.
Limited investor protection	Shareholders are granted redemption rights before completion.	Strengthens protection and encourages institutional participation.
Weak capital discipline	Proceeds held in escrow; a deal must close within 24 months, plus 12.	Protects capital while enforcing a disciplined execution timeframe.
Low post-merger alignment	SPAC shareholders must retain at least 30% of the combined entity.	Maintains alignment, supports liquidity and encourages long-term ownership.
High retail speculation	SPACs are listed on Nomu, accessible only to qualified investors.	Creates a more institutionally driven market with less speculation.

SPACs in KSA should either be registered with the CMA or sponsored by a large, reputable and regulated financial institution to mitigate credibility and governance risks

Source: Aranca Research, Capital Market Authority (CMA)

Market Impact and Sector Opportunities (1/3)

Benefits could accrue across companies, investors, Nomu and sponsors



For Companies

A faster, more flexible route to public capital, especially for high-growth businesses that do not yet fit a traditional IPO profile.



For Investors

Regulated access to private-market-style opportunities, with redemption rights acting as an important downside protection.



For Nomu

More listings, trading activity, institutional participation and sector diversity, strengthening Nomu as a bridge to the Main Market.



For Sponsors and Institutions

A new role for licensed capital-market institutions, private equity firms, sector specialists and family offices with real origination capability.



Tied to Vision 2030: used selectively, SPACs can help credible companies in national priority sectors scale, improve capital allocation and deepen the equity-financing culture. The best outcome is genuine capital formation, not speculative listing activity.

Source: Aranca Research

Market Impact and Sector Opportunities (2/3)

Fintech, healthcare, logistics and tourism stand out under Vision 2030

	Sector	Why Relevant	Growth Drivers	Potential Beneficiaries
	Fintech	High-growth firms need capital to scale before reaching profitability.	Digital payments, open banking, SME lending, embedded finance, CMA and SAMA support.	Digital banks, payment platforms, lending fintechs, wealth-tech.
	Healthcare	Expansion needs heavy investment in hospitals, diagnostics and digital health.	Population growth, insurance penetration, privatisation, Vision 2030 reforms.	Hospital operators, diagnostics, telemedicine, medical technology.
	Logistics and Supply Chain	Capital-intensive, with long investment cycles that suit faster access to public capital.	E-commerce growth, logistics hubs, ports, National Transport Strategy.	Warehousing, freight forwarding, cold-chain, last-mile delivery.
	Tourism and Hospitality	Projects require substantial upfront investment before stable cash flows.	Vision 2030 tourism targets, mega-projects, religious tourism, entertainment.	Hotels, travel platforms, destination operators, hospitality services.

Source: Aranca Research

Market Impact and Sector Opportunities (3/3)

Industrial technology, clean energy, SaaS and agri-tech complete the map

	Sector	Why Relevant	Growth Drivers	Potential Beneficiaries
	Industrial Tech and Manufacturing	Firms investing in automation and advanced manufacturing need growth capital to scale.	Local manufacturing, Industry 4.0, localisation, industrial diversification.	Automation, industrial software, advanced manufacturing, robotics.
	Renewable Energy and Clean Infrastructure	Developers need long-term capital before stable operating cash flows emerge.	Net Zero 2060 targets, Saudi Green Initiative, renewable energy auctions.	Solar, wind, battery storage, EV infrastructure, energy services.
	Technology and SaaS	Fast-growing tech firms often prioritise growth over near-term profit, suiting a SPAC route.	Cloud adoption, AI, enterprise software, cybersecurity, digital transformation.	SaaS providers, AI companies, cybersecurity firms, enterprise software.
	Food and AgriTech	Businesses need investment to improve food security, supply chains and productivity.	Food security initiatives, controlled-environment farming, agri-technology adoption.	AgriTech, food processing, precision agriculture, supply-chain technology.

Source: Aranca Research

Which is Better – SPACs or Direct Nomu Listing?

Two routes to market; Different trade-offs in valuation, control and execution

Decision point	Better route	Why?
Simpler path to market	Direct Nomu IPO	The operating company lists itself. A SPAC requires a sponsor, a listed vehicle and a subsequent merger or acquisition.
Lower minimum listing size	Direct Nomu IPO	The general minimum market value for a Nomu offering is SAR 50mn; a SPAC needs at least SAR 100mn in capital and market value at listing.
Negotiating valuation and deal terms	SPAC	The target can negotiate consideration, ownership and funding terms with the SPAC. It must still secure the required approvals.
Known funding pool before the target deal	SPAC, with a qualification	The SPAC has raised funds in advance, but shareholder redemptions can reduce the cash available when the deal closes
Flexible exit for existing owners	SPAC	A transaction can be structured to provide cash to some owners while others retain shares. The benefit depends on the agreed deal
Avoiding deal deadlines and redemption risk	Direct Nomu IPO	A SPAC normally has 24 months to complete its transaction, with a possible 12-month extension, and investors have redemption rights in specified circumstances
Earlier eligibility to seek a Main Market transfer	Direct Nomu IPO	Nomu's two-year period runs from listing. For a SPAC combination, the transfer conditions apply from completion of the target transaction. Other transfer requirements also apply
Operating company with a short track record	Potentially SPAC	The initial listed SPAC has no operating business, whereas Saudi Exchange describes at least one year of operational and financial performance for a direct Nomu applicant. The target still faces scrutiny and disclosure during the combination

Source: Aranca Research

Implications for Asset Managers

SPACs open new products, a wider investable universe and lifecycle participation



New Products and Fee Income

Launch dedicated funds, event-driven strategies or thematic products, supporting AUM growth and additional management and performance fees.



A Broader Investable Universe

SPACs bring companies from underrepresented sectors, such as technology, healthcare, fintech and digital infrastructure, into public markets, aiding diversification.



Participation Across the Lifecycle

Managers can invest at IPO, after a target is announced, or post-merger. At the pre-merger stage, redemption rights offer a measure of downside protection.



Deeper Relationships and Capabilities

Participation strengthens ties with banks, exchanges, regulators and institutions, and builds capability in transaction analysis, valuation and special situations.

Caveat: the opportunity depends on strong governance, robust investor protection and the quality of the companies brought to market. Structure alone does not guarantee returns.

Source: Aranca Research

Aranca's View

Directionally positive, and best scaled with discipline



Our Assessment

- The goal should not be to recreate the US 2020 to 2021 boom. The better model is a controlled, sponsor-led and sector-selective SPAC market.
- Used this way, SPACs can support Vision 2030 priorities and strengthen Nomu as a bridge between private capital and the Main Market.
- **Most suitable sectors:** fintech, healthcare and health-tech, logistics and supply chain, tourism and consumer services, education and training, industrial technology, and selected energy-transition businesses.



Three Risks to Avoid

- Poor sponsor quality
- Valuation inflation, especially as deadlines approach
- Post-merger underperformance from weak governance, thin liquidity or unrealistic projections



Used selectively, SPACs can be a useful addition to the Saudi capital market toolkit. They are unlikely to become the main listing route and should not be treated as a shortcut around IPO discipline.

Source: Aranca Research

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