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Valuation and Strategic Synergies in the CoStar Group - Matterport Acquisition

The SPAC Boom and Burst:

Analysis of 18-month Post-merger Performance in SPAC Transactions

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Abstract

This work project examines CoStar Group's February 2025 acquisition of Matterport, assessing value creation and potential overpayment. Valuation and strategic rationale are analyzed using discounted cash flow, adjusted present value, market-based multiples, and scenario-based synergy analysis. Results show intrinsic overvaluation of Matterport, with value creation contingent on synergy realization. The project also studies 18-month post-merger performance of 307 U.S. deSPACs from 2020 to 2024, documenting widespread underperformance driven primarily by structural SPAC features rather than firm fundamentals.

Keywords

M&A, Company Valuation, Intrinsic Valuation, Relative Valuation, Synergies, Digital Twin Technology, Real Estate, Long-run Performance, Post-merger underperformance, Structural dilution, Special Purpose Acquisition Companies, SPACs

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1. Introduction

"Matterport's cutting-edge 3D capture and AI-powered property insights have already transformed how residential and commercial properties are marketed and experienced. By integrating Matterport's groundbreaking digital twin technology with our vast property data and online marketplaces, we are creating an unparalleled solution for buyers, sellers, and renters to explore properties with greater depth and insight than ever before."

Andy Florance, Founder and CEO of CoStar Group

This work project examines the acquisition of Matterport, Inc. by CoStar Group, Inc., with the objective of assessing whether the transaction was priced appropriately or overpriced. This strategic acquisition process of Matterport commenced with the signing of an agreement and plan of merger on April 21, 2024 and was completed on February 28, 2025, at a total transaction value of USD 1.9 billion.

The study reviews key theories in Mergers and Acquisition (M&A), with a particular focus on deal rationale, acquisition premium, and value creation. This theoretical foundation is complemented by a detailed overview of the business models and strategic positioning of both CoStar Group and Matterport, which serves to contextualize the strategic motivation underlying the transaction. In addition, a market overview outlines the ongoing digitalization of the built environment and its implications for the real estate industry.

CoStar Group operates as a leading provider of real estate information, analytics, and online marketplaces, while Matterport specializes in spatial data and 3D digital twin technology. The combination of Matterport's digital twin capabilities with CoStar's extensive data infrastructure and marketplace platforms is intended to enhance how real estate assets are captured, analyzed, and marketed, thereby generating potential strategic benefits.

The analytical section of the project develops a comprehensive financial forecast and estimates the cost of capital, which form the basis for the application of several valuation approaches, including discounted cash flow (DCF) and adjusted present value (APV). Additionally, market-based comparable company and transaction analysis are conducted.

2. Literature review – Mergers and Acquisitions

2.1. M&A rationale

Understanding why firms engage in M&A is central to explaining corporate growth and strategic behavior. The dominant view, rooted in shareholder value maximization, holds that companies merge to increase overall firm value (Friedman, 1970). Yet, as Trautwein (1990) demonstrates, the motives behind these transactions are diverse and often reflect differing managerial, strategic, and financial objectives.

He identifies seven major categories of merger motives: efficiency, monopoly, raider, valuation, empire-building, process, and synergy motives. Synergies, the most cited justification, occur when the combined entity is worth more than the sum of its parts, due to cost savings, revenue enhancements, or financial efficiencies (DePamphilis, 2019). These effects can stem from economies of scale, scope, or improved resource utilization. However, capturing synergy requires effective integration, which is frequently more challenging than anticipated in the deal rationale.

Another important motive is diversification, which aims to stabilize cash flows by spreading risks across industries or product lines. From a managerial standpoint, diversification can reduce firm-specific volatility, but it may also lead to inefficiencies. Lins and Servaes (1999) show that diversified conglomerates often trade at a discount compared with focused peers, suggesting that markets penalize firms for complexity and lack of transparency. In such cases, diversification may reflect managerial self-interest - rather than value creation.

A further rationale involves valuation or undervaluation motives, grounded in market inefficiencies. According to the Q-theory of mergers, firms with high market valuations (high Q) acquire undervalued firms (low Q) to reallocate assets to more efficient owners (Jovanovic and Rousseau, 2002). This motive helps explain why merger waves tend to coincide with economic expansions, when valuation disparities are greatest.

Recent literature has broadened these classical explanations. Drnevich et al. (2025) highlight the growing relevance of innovation and capability acquisition, as firms increasingly use M&A to access technology, talent, and intellectual property. Likewise, cross-border transactions often combine strategic motives with learning objectives (Gu, Tripathy, and Mishra, 2021).

Overall, the evidence suggests that M&A activity arises from a complex interplay of efficiency, strategic, and behavioral factors. While the pursuit of synergies remains the central narrative, managerial ambition, valuation gaps, and innovation needs frequently coexist as parallel drivers. Understanding these intertwined motives is essential before evaluating whether mergers ultimately create or destroy shareholder value.

2.2. M&A premium

The M&A premium - the amount paid by an acquiring firm above the target's pre-announcement market value - captures investors' expectations regarding future value creation, control benefits, and anticipated synergies. While conventional valuation theory suggests that this premium compensates target shareholders for expected post-merger gains, empirical evidence shows that deal-specific and behavioral factors also play significant roles.

In efficient markets, the premium should equal the present value of anticipated synergies and control benefits (DePamphilis, 2019). However, the observed variation in premiums across industries and transactions suggests that multiple determinants shape acquisition pricing. One major financial determinant is taxation. Ayers, Lefanowicz, and Robinson (2003) demonstrate

that capital-gains taxes materially affect premiums - higher expected tax burdens reduce the acquirer's willingness to pay, leading to smaller mark-ups. Such findings highlight the influence of fiscal structures on corporate valuation and negotiation dynamics.

Beyond pure financial reasoning, competitive pressures in the takeover market are a strong driver of acquisition premiums. Hussaini and Loureiro (2023) provide international evidence showing that intense bidding contests among acquirers push prices upward, often beyond synergy-based valuations. This "winner's curse" dynamic can result in overpayment, especially when managers are driven by strategic urgency or prestige rather than disciplined financial analysis.

Premiums are also influenced by macroeconomic and behavioral factors. Lindermayer (2022) decomposes acquisition premia into market-related and deal-specific elements, finding that investor sentiment and over-optimism during bullish cycles inflate prices beyond fundamentals. These patterns underscore that acquisition decisions are partially shaped by prevailing market psychology.

Recent literature further emphasizes the role of social and relational capital. Nguyen et al. (2021) show that managerial networks and reputation can reduce information asymmetry and negotiation friction, leading to more favorable acquisition prices. Connected acquirers often pay lower premiums because personal and institutional ties enhance trust and facilitate information exchange.

Overall, the M&A premium reflects a complex interplay between financial logic, strategic competition, and human behavior. While theoretically tied to synergy expectations, in practice it also captures risk perceptions, governance quality, and managerial confidence. Distinguishing justified premiums from overpayment remains critical for evaluating whether mergers ultimately generate or erode shareholder value.

2.3. M&A value creation

A central question in M&A research is whether such transactions actually create value for shareholders. While mergers are often justified by the promise of synergies and strategic complementarity, empirical evidence remains mixed. Studies consistently show that target firms enjoy substantial positive abnormal returns around announcement dates, whereas acquiring firms often experience negligible or even negative short-term reactions (Alexandridis, Petmezas, and Travlos, 2010).

The theoretical rationale for value creation lies in synergy realization. When two firms combine, they may benefit from economies of scale, enhanced market power, or improved resource allocation (DePamphilis, 2019). However, whether these potential gains translate into realized value depends on execution quality. Alexandridis et al. (2013) demonstrate that transaction size and premium structure matter: larger, more carefully priced deals tend to yield better long-term outcomes, suggesting that disciplined valuation and post-deal integration are vital.

Research also highlights the role of experience and learning effects. Fuller, Netter, and Stegemoller (2002) find that firms conducting multiple smaller acquisitions outperform those engaging in infrequent large takeovers, implying that managerial learning and acquisition capability contribute to sustained value creation. At a broader level, Gugler et al. (2003) reveal that post-merger efficiency gains vary widely across countries, reflecting differences in governance quality and competitive environments.

Beyond financial and structural factors, the managerial dimension of integration is increasingly recognized as decisive. Graebner (2004) provides rich evidence that leadership dynamics and acquired-firm managers play a critical role in capturing value, especially in technology-driven deals. Effective communication, retention of key talent, and mutual trust between merging organizations strongly influence whether synergies are realized or lost.

M&A outcomes also exhibit cyclical patterns. Caiazza and Volpe (2022) show that merger activity tends to cluster during economic expansions, when optimism and abundant liquidity fuel high valuations - conditions that can lead to overpayment and value erosion for acquirers.

In summary, value creation in M&A depends on a delicate balance between strategic intent, deal structure, timing, and managerial integration. While synergy remains the theoretical foundation, empirical evidence underscores that successful mergers require not only sound financial analysis but also capable leadership and disciplined execution.

3. Company overview

3.1. The acquirer – CoStar Group

CoStar Group, Inc. (NASDAQ: CSGP) is a global leading provider of information, analytics, online marketplaces and 3D digital twin technology for real estate. The group operates 16 brands, and each one satisfies user's needs across the real estate industry. The company is included in both S&P 500 and NASDAQ 100, reinforcing their leadership in real estate and technology. Founded in 1986 by Andy Florance, the current CEO. It operates in 21 countries with headquarters located in Arlington, Virginia, US.

Over the years, CoStar Group has made a lot of strategic acquisitions to expand their business and meet the needs of the real estate industry. Its core business focuses on information and analytics services, providing data and insights on real estate markets and online marketplaces that connect industry professionals and consumers. The company has the most comprehensive property database and operates the largest research department in the commercial real estate industry, integrated across all its platforms. CoStar Group innovative technology, accurate data and comprehensive property intelligence enables informed decision-making. Emphasizing its mission to digitalize the world's real estate, empowering all people to discover properties, insights and connections that improve businesses and lives (CoStar Group, 2024).

3.1.1. History

The year 1986 marks the beginning of the global digitalization of real estate. Andy Florance, in his Princeton dorm, created a real estate data service collecting all the data manually from building owners and brokerage firms. In 1987, with the help of Michael Klein, a lawyer, Reality Information Group was born. Through a successful IPO, CoStar Group became public in 1998, which allowed them to expand even further their business by investing in technology and acquiring more related businesses. In 1999, they renamed the company to CoStar focusing on data, analytics and market research. In 2012, CoStar Group acquired LoopNet, an online commercial real estate marketplace, which marked a change in their business model and strategy. In 2025, they acquire Matterport, strategically moving into 3D digital twin technology.

3.1.2. Business Model Overview and Brand Portfolio

CoStar Group makes operating decisions and evaluations in two segments: North America (U.S. and Canada); International (Europe, Asia-Pacific and Latin-America). North America represents a bigger percentage of the total revenue (95%), but the International segment has been increasing in the last years, from 3.5% to 5%, showing a geographic market expansion.

CoStar Group operates 16 brands (Table A1.1), which cover the real estate industry and expand their market share. They generate revenue through two drivers: Subscriptions-based and Transaction-based services. Subscription-based license or membership agreements are the core revenue driver, representing 96% of the total revenue in 2024. The price of the Subscriptions depends on the platform used and subscription characteristics. Usually, they are annual and renewed automatically. Transaction-based services are recognized when the service is delivered, or transactions are closed.

3.2. The acquiree – Matterport

Matterport, Inc. (NASDAQ: MTTR) is a U.S.-based spatial data company focused on the digital representation and indexation of physical spaces through the creation of three-dimension digital models, commonly referred to as digital twins. Founded in 2011 by Dave Gausebeck, Matt Bell and Mike Beebe. The company operates globally across more than 177 countries, and is headquartered in Sunnyvale, California. R.J. Pittman currently serves as Chief Executive Officer and Chairman of the Board.

The company's mission is to digitalize the built world by making physical spaces easy to capture, share and explore through immersive 3D digital twins. Matterport aims to transform how individuals and organizations can access, understand and interact with the real-world environments by bridging the gap between the physical and digital worlds. Moreover, the company enables customers to make more informed decisions by enriching physical spaces with spatial data and insights.

Matterport's core business centers on converting physical spaces, captured using a wide range of devices, into accurate and photorealistic digital twins. Their spatial data technology provides subscribers with detailed building information, visualizations, and analytical insights that can be used to design, build, operate, market, and better understand their spaces.

Overall, Matterport can be characterized as a software-oriented platform company operating at the intersection of spatial data, cloud-based analytics, and digital visualization.

3.2.1. History

Matterport has contributed to the digitalization of the built world, as a pioneer in 3D capture technology. In 2014, Matterport launched their first high quality professional camera, Matterport Pro 3D Camera. This was a breakthrough in how people interacted with physical

spaces. Matterport Cloud 3.0 Platform and Cortex AI engine were introduced in 2019, enabling upload, manage and share of AI-powered 3D Models of physical spaces. This marked the shift toward a Subscriptions-based model. In April 2024, Matterport reached the one million subscribers mark, a 75x subscriber growth in the last 5 years. Matterport went public in 2021 via a SPAC merger with Gores Holding VI. In 2025, Matterport became a subsidiary of CoStar Group.

3.2.2. Business Model Overview and Strategy

Matterport's strategy is built around a go-to-market strategy, which prioritizes the business unit Subscriptions and makes the company less dependent on Capture devices. Their main revenue driver is Subscriptions. They see this form of recurring revenue as continuing driver of growth.

This go-to-market strategy uses a multiple-channel and targeted approach, where each sales channel is optimized by customer segment. This allows Matterport to serve businesses of all sizes and across diverse industries and geographies. Firstly, this strategy includes online direct sales, offering immediate purchase and activation of the Matterport platform, apps, and devices for enterprises, small businesses, and individual property owners. Next, direct sales, which provide large enterprise subscribers with specialized teams and offer industry expertise and technical support. Finally, channel sales, where strategic partnerships between partners and resellers extend global reach and provide deep vertical market knowledge.

Matterport serves a board range of industries: residential and commercial real estate, travel and hospitality, retail, architecture, engineering, construction, insurance, multi-family, government and manufacturing. This diversity strengthens its market position and continuous growth.

3.2.3. Product and Services Portfolio

Matterport generates revenue from three primary sources: Subscription-based access to its spatial data platform; sales of Capture devices and related hardware; and Services, including technician-led capture services and in-application purchases.

In 2024, Subscription revenues accounted for approximately 59% of total revenue. Matterport offers five Subscription tiers (Table A1.2), with pricing structures primarily based on the number of users and the volume of active spaces. Subscriptions are generally non-refundable and non-cancellable, are payable either monthly or annually in advance, and are subject to automatic renewal. The company's Subscription revenue base is relatively diversified, with approximately 10% of Subscription revenues generated by the ten largest customers.

Matterport's Capture solutions are compatible with a wide range of devices, including proprietary cameras such as the Matterport Pro2 and Pro3, as well as third-party 360-degree cameras and smartphones. This device-agnostic approach is intended to reduce entry barriers for users and support broader adoption of the Subscription platform. In addition to cameras, Matterport generates hardware-related revenue through the sale of accessories and equipment kits, including tripods, battery packs, charging solutions, and protective carrying cases.

To facilitate the capture and distribution of digital spaces, Matterport provides a mobile application that enables users to create and share digital twins using supported devices. Complementing this application, the company offers the Matterport Axis, a motorized smartphone mount designed to automate rotational image capture and standardize scanning processes.

Matterport's Services segment comprises on-demand capture services and add-on purchases available through the application or subscriber portal. These add-on services include products such as schematic floor plans, the MatterPak™ Bundle, E57 files, Matterport TruePlan™, and

Matterport Sketch files. Capture services allow enterprise customers to commission digital twins through trained technicians, with pricing typically dependent on property size and geographic location.

In 2022, Matterport acquired VHT Studios, a real estate marketing company providing digital media solutions to brokerages and agents. This acquisition expanded Matterport's service capabilities, particularly in the area of professionally produced capture and marketing content. Building on this integration, Matterport launched the Matterport Marketing Cloud in 2025, a platform designed to centralize media management, digital property listings, and analytics for real estate professionals. The offering includes Digital Pro packages, which combine professional capture services with high-resolution photography, schematic floor plans, 3D tours, and supplementary marketing materials.

3.3. Rationale behind CoStar Group's acquisition of Matterport

CoStar Group and Matterport have a common mission to digitalize real estate world. By combining CoStar Group property database with Matterport spatial data library and AI-powered 3D digital twin technology, they aim to invest in innovation through AI, computer vision and machine learning to further develop property analytics and intelligence.

The acquisition strengthens CoStar Group position by gaining a competitive differentiator in the commercial and residential real estate markets. Matterport's immersive virtual tours are an innovative property marketing, facility management, design and construction tools. They want to transform how properties are captured, analyzed and marketed.

With the incorporation of 3D digital twin technology in online marketplaces, users are able to virtually explore spaces with precise spatial awareness, gaining a more transparent and engaging view of residential properties. Agents can more easily promote their properties, by improving costumer experience. For instance, in March 2024, apartments listed in

Apartments.com with Matterport 3D tours available showed that consumers spent 20% more time viewing them. For commercial real estate, Matterport's technology helps firms to scan and manage their properties portfolio, enhancing operational visibility and planning quality.

Matterport spatial data library includes over 14 million properties and more than 50 billion square feet digitalized. Their property intelligence enables users to explore properties with deep detail: take instant and accurate measures to help user understand the property scale; up-to-date information; visualize and edit the space for renovations. CoStar Group can enhance the depth and precision of its analytics platforms.

Also, 3D virtual tours can optimize operational efficiency by enabling remote property access anytime, reducing the need for physical staging and open houses, and allowing agents to sell properties at a lower operational cost.

3.4. Operational synergies

The acquisition of Matterport by CoStar Group creates significant potential for operational synergies through the combination of complementary technology and data platforms. CoStar operates extensive property information and marketplace systems, while Matterport contributes advanced 3D digital-twin visualization technology. Their integration enables cross-platform monetization, technological efficiencies, and economies of scale. This section quantifies the resulting operational synergies under three distinct scenarios - Base Case, Optimistic, and Pessimistic - each reflecting different synergy input assumptions and terminal growth expectations. The relative amounts of synergies, which are expected to occur in these three scenarios are displayed in Table 1.1.

Table 1.1: Operational Synergies - Synergy Assumptions

Inputs: Synergies Assumptions	Base	Optimistic	Pessimistic
Revenue synergies % of MTTR revenue	3.0%	4.0%	2.0%
Cost synergies % of combined revenue	8.0%	10.0%	6.0%
Integration cost % of deal value	2.0%	1.0%	3.0%

Furthermore, the financial inputs, in which the assumptions above are dependent, are shown in Table 1.2.

Table 1.2: Operational Synergies - Financial inputs

Inputs: Financials in $M	
Deal value	$1,900.00
Revenue MMTR 24A	$169.70
Revenue CSGP 24A	$2,736.00
Combined revenue	$2,905.70

Operational synergies are divided into three categories: revenue synergies, cost synergies, and integration costs. Revenue synergies stem from cross-selling and bundling Matterport's visualization tools within CoStar's real-estate marketplaces (LoopNet, Apartments.com, Homes.com, etc.). According to McKinsey & Company (2023), roughly 30 percent of cross-selling potential is typically realized in the first year, 60 percent in the second, and full realization within three years. Based on this ramp-up profile and a synergy range of 2-4 percent of combined revenues, the incremental annual revenue uplift at full integration is estimated between USD 58 million and 116 million.

Cost synergies arise mainly from overlapping R&D, data infrastructure, and SG&A functions. Bain & Company (2022) reports that technology and information-services transactions typically achieve cost savings of 6-10 percent of the target's revenue, with 40-50 percent realized in the first year, 70 percent by the second, and full realization by the third year. For Matterport, with 2024 revenue of USD 169.7 million, this translates into recurring cost reductions between USD 10 million and 17 million.

Integration costs represent one-time expenditures required to capture these synergies. EY-Parthenon (2023) finds that integration costs typically account for 1-3 percent of total deal value, with most costs incurred in the first two years. For CoStar's USD 1.9 billion acquisition, this corresponds to total integration expenses of USD 19-57 million, distributed as 50 percent in 2025, 35 percent in 2026, and 15 percent in 2027.

These assumptions form the basis of the three scenario analyzes built in the synergy model (Table A1.7 - Table A1.9).

Each scenario reflects different levels of integration success and synergy capture. The optimistic case assumes rapid cross-selling adoption and highly efficient integration with minimal one-time costs, while the pessimistic case models slower realization and higher implementation expenses.

After-tax net synergy cash flows were discounted using Matterport's weighted average cost of capital (WACC = 9.83%) and the respective terminal growth rates: 3.75 percent (optimistic), 2.37 percent (base) and 1.00 percent (pessimistic). The resulting Net Present Values (NPVs) of USD 723 million (optimistic), USD 527 million (base), and USD 333 million (pessimistic) indicate a robust synergy contribution across all cases.

Importantly, these synergies are not treated as one-time effects, but as recurring operational improvements that persist beyond the explicit forecast period. Once fully realized by 2027, the incremental cash flows are assumed to continue indefinitely, reflecting the ongoing efficiency and revenue benefits embedded in the combined business model. Consequently, a terminal value is calculated to capture the perpetual contribution of these synergies beyond 2029.

4. Market overview

4.1. Market Evolution: From Niche Tool to Mainstream Platform

At its core, digital twin technology involves creating virtual replicas of physical spaces that enable capturing, processing, storaging and analysis of spatial information. In this value chain, agents use cameras or smartphones for capture, software or AI engines to produce 3D models, cloud platforms to host and analyze and, finally, applications that range from marketing to facilities management.

The digital twin market has undergone a significant transformation, evolving from a specialized engineering tool reliant on expensive hardware and one-time project fees into the consolidation in a scalable software-centric platform. This shift is characterized by two key trends: the consolidation of the value chain into integrated solutions and the widespread adoption of the Software-as-a-Service (SaaS) model. This consolidation refers to the integration of previously separate stages of the process, such as data capture, 3D rendering, storage, and analytics, into unified platforms operated by a single provider. Instead of relying on different companies or tools for each step, firms now offer end-to-end ecosystems that manage the entire digital twin lifecycle. This integration improves interoperability, reduces costs, and allows for continuous innovation across all stages of production and usage (Penazzo et al., 2024).

This technical consolidation has catalyzed explosive market growth. Grand View Research (2024) estimates that the global digital twin market was valued at USD 24.97 billion in 2024 and is projected to expand at a compound annual growth rate (CAGR) of 34.2% to reach approximately USD 155.8 billion by 2030 (Figure A1.1). This robust growth is underpinned by the increasing recognition of digital twins as a critical tool for operational efficiency, remote collaboration, and data-driven decision-making across industries.

4.2. Matterport's Core Market: The Digitalization of the Built Environment

While digital twins have applications across industries, the built environment, which encompasses residential, commercial, and industrial real estate, represents Matterport's primary addressable market and a key growth vector. The value proposition here has shifted from simple visualization to becoming a fundamental data layer for operational analytics, virtual tours, and space planning. The digitalization of the sector, accelerated by the need for remote collaboration, has created massive demand for scalable spatial data solutions, a need that Matterport's platform is designed to address. This demand is quantified by Matterport's own market analysis, which estimates the current serviceable addressable market to include approximately "1.3 billion spaces worldwide, primarily from the real estate and travel and hospitality sectors" (Matterport, 2024). This figure underscores the vast, immediate opportunity that is currently being targeted. Furthermore, the company's spatial data library, which contained approximately "14.1 million spaces under management" as of December 31, 2024, demonstrates both significant early penetration and a massive remaining growth runway, representing just over 1% of its serviceable market (Matterport, 2024).

Looking forward, the long-term opportunity is even more substantial. Matterport estimates its total addressable market extends to more than 4 billion buildings around the world, which translates into a USD 240 billion market opportunity (Matterport, 2024). This valuation is based on the potential to digitize the global building stock. The company further predicts that as its unique spatial data library grows and enables new property data services, this opportunity could expand to over USD 1 trillion, reflecting the untapped value creation possible from the comprehensive digitization and datafication of physical spaces worldwide (Matterport, 2024).

4.3. The Platform and SaaS Model: Matterport's Commercial Engine

The SaaS model has become the dominant commercial engine for digital twin platforms operating in the built environment. Matterport's business model is structured around a cloud-

based SaaS architecture, which provides recurring and scalable revenue streams that are highly valued by investors for their predictability and long-term visibility. According to KPMG (2016), the SaaS model allows companies to generate stable, recurring income while continuously funding innovation and delivering regular product updates to customers.

The global SaaS market itself has expanded rapidly, reflecting the structural preference for Subscription-based models. It was valued at USD 257.5 billion in 2022 and is projected to reach approximately USD 1.3 trillion by 2030 (Konopliov, 2024). Figure A1.2 illustrates the projected global SaaS market size.

This widespread adoption of SaaS solutions demonstrates how recurring revenue platforms have become the dominant model across industries, providing a stable foundation for digital transformation. In the context of the built environment, this scalability is particularly valuable, as digital twin applications depend on frequent software updates and large-scale cloud processing.

This model replaces high upfront costs with more flexible operational expenditure, and at the same time, lowers adoption barriers for small and medium-sized enterprises (SMEs), making professional-grade digital twin technology accessible to a broader audience. Gujral (2024) notes that emerging digital tools and AI applications are “democratizing access” to advanced technologies across industry by reducing cost and deployment barriers. This broader accessibility supports the same structural trend seen in SaaS adoption, where Subscription-based platforms like Matterport’s make analytics and visualization capabilities available to a wider range of users, reinforcing its market strategy.

4.4. Competitive Landscape: Positioning Matterport in the Digital Twin Ecosystem

Matterport operates in a rapidly evolving competitive environment shaped by the convergence of spatial data capture, cloud computing, and real estate digitization. Its core products position

it uniquely among both traditional AEC software providers and emerging Property Technology (PropTech) platforms.

The competitive landscape includes firms specializing in Building Information Modeling (BIM), such as Autodesk and Bentley Systems, which offer robust design and engineering tools but often require technical expertise and manual workflows. Matterport differentiates itself through ease of use, mobile accessibility, and automated processing, making it more suitable for non-technical users and scalable across property portfolios.

At the same time, Matterport competes with newer entrants focused on real estate visualization and virtual tours, including Cupix, iGuide, and Zillow's 3D Home. These platforms often focus on narrower, more specialized purposes, such as residential listings or construction monitoring, while Matterport provides a more comprehensive system that combines visualization, spatial analytics, and data integration for multiple professional applications.

4.5 Adjacent Segments and Strategic Synergies

Beyond the built environment, digital twin technology is gaining traction in adjacent sectors such as logistics, retail and infrastructure management. These industries have similar needs for intelligence, operational transparency, and remote monitoring, all of which are capabilities that Matterport's platform can support.

In logistics, digital twins are increasingly used to simulate and optimize supply chain operations, allowing companies to make better decisions by virtually testing scenarios under real-world constraints such as inventory, transportation capacity, and delivery timelines (Gesing et al., 2019). These capabilities extend to practical applications such as warehouse layout optimization, transport route planning, and predictive maintenance of fleet assets. The global digital twin in logistics market was valued at approximately USD 2.6 billion in 2023 and is expected to expand at a CAGR of around 12% until 2030 (Global Market Insights, 2024).

Matterport's spatial capture tools, when integrated with real-time data streams, could support these functions by providing accurate 3D representations of physical logistics environments.

In retail, digital twins are increasingly used to enhance store layout planning, inventory visualization, and customer experience design. Saurabh Singh (2015) characterizes digital twins in retail as a "virtual mirror" of a business, enabling retailers to simulate changes in store design, product placement, and customer flow before implementing them physically. For businesses with more than one location, being able to remotely check out and compare real spaces can make operations run more smoothly and cut down on site visits, especially in retail formats that change quickly. Research done by DataIntelo (2024) valued the global retail digital twin market size at USD 2.85 billion in 2024 and forecasted it to reach more than USD 30 billion in 2033, showcasing the viability and utility of the digital twins in the retail sector.

Infrastructure management is another area where digital twins are becoming increasingly useful, especially for asset monitoring and maintenance planning. Although Matterport's platform is not specifically designed for large-scale infrastructure projects, its ability to accurately document buildings and spaces can help facility managers monitor changes over time, detect signs of deterioration, and plan maintenance activities more efficiently. As noted by Priya and Reethika (2024), digital twins are increasingly used in sectors like transportation, aerospace and construction to "predict maintenance needs" and "reduce maintenance and energy costs". These examples highlight the versatility of Matterport's platform and indicate strong potential for expansion beyond its main focus on real estate.

Together, these adjacent sectors show how broadly Matterport's technology can be applied and how CoStar Group could potentially leverage its 14.1 million spaces to create a defensible data advantage. Although the built environment remains its main focus, the platform's flexibility and user-friendly design make it suitable for many other industries that need spatial insights and greater operational efficiency.

5. Financial Forecast

This section presents a financial forecast for Matterport developed under three scenarios - baseline, pessimistic, and optimistic - each grounded in financial data from 2019 to 2024. All estimates are Matterport stand-alone; acquisition-related synergies are valued separately and not embedded here.

5.1. Revenue

From 2019 to 2024, Matterport revenues showed a strong and consistent growth, although at a decelerating rate (Table A1.3) - with an average historical growth rate of 32.4%. Over this period, revenue was influenced by external factors, like COVID-19 pandemic and Matterport 2021 SPAC merger. As mentioned before, Matterport's revenue streams are Subscriptions, Capture Devices and Services (Table A1.4 -Table A1.6).

The biggest business unit is Subscriptions, representing more than 50% in the recent years. By contrast, Capture Devices have been highly volatile, with negative growth in the last years and gradual decline in their share of total revenue. Services have demonstrated consistent increases, but at slower rates. Overall, Services still have been a meaningful driver to the revenue. This reflects Matterport's shift into a Subscription-first business model and expansion of their value-added Services.

Matterport's future revenue growth will depend in to a significant extent on their ability to retain their existing customers and increase the number of subscribers (Matterport, 2024). To forecast Matterport's revenue growth between 2025 and 2029, projections are based on the estimated growth of their business units.

For the base scenario (Table 1.3), Matterport's revenue is expected to grow between 10% in 2025 and 6% in 2029, with a slower growth rate reflecting the company maturation. It is assumed that Subscriptions would grow in line with the trend line observed over the past five

years. This is consistent with Matterport's Subscriptions-first strategy and historical Subscriptions performance. Given the importance of accessibility in Matterport's products and services, Capture devices' revenue is projected to be stable over the next 5 years. Services are forecasted to grow with inflation expectations for 2025-2029, due to slower growth in the last years.

Table 1.3: Revenue Growth Estimations - Base Scenario

Year	Subscriptions	Capture Devices	Services	**Total**
2025	15.8%	0.0%	3.0%	10.0%
2026	12.3%	0.0%	2.6%	8.2%
2027	11.0%	0.0%	2.1%	7.5%
2028	9.9%	0.0%	2.0%	7.0%
2029	9.0%	0.0%	2.0%	6.5%

The optimistic scenario (Table 1.4) assumes that Matterport's revenue will grow between 17%, in 2025 and 8% in the final forecasted year, 2029. Subscriptions are forecasted to grow in line with the historical trend line plus an additional average of about 2%, which reflect optimistic projections of the digital twin industry. Capture devices will increase 0.5% each year over the forecasted period, which is justified by customers' demand for better digital twin 3D quality. Services are forecasted to grow in line with the trend line observed over the last three years.

Table 1.4: Revenue Growth Estimations - Optimistic Scenario

Year	Subscriptions	Capture Devices	Services	**Total**
2025	19.2%	0.5%	19.7%	16.2%
2026	11.9%	0.5%	14.2%	10.8%
2027	10.4%	0.5%	12.4%	9.6%
2028	9.8%	0.5%	11.0%	9.0%
2029	9.0%	0.5%	9.9%	8.3%

Lastly, Matterport's revenue growth in the pessimistic scenario (Table 1.5), corresponding to a situation where internal, but also external factors deteriorate (e.g. macroeconomic slowdown/recession). Thus, revenue growth is expected to slow down from 2% to 1% over the forecast period. Services and Captured devices are assumed to be stable, while Subscription

revenues are projected to grow only in line with inflation over the forecast period, implying no real growth.

Table 1.5: Revenue Growth Estimations - Pessimistic Scenario

Year	Subscriptions	Capture Devices	Services	**Total**
2025	3.0%	0.0%	0.0%	1.8%
2026	2.6%	0.0%	0.0%	1.5%
2027	2.1%	0.0%	0.0%	1.3%
2028	2.0%	0.0%	0.0%	1.2%
2029	2.0%	0.0%	0.0%	1.2%

5.2. Cost of goods sold

We forecast COGS at the business-unit level - Subscriptions, Devices, and Services - using a ratio-to-revenue specification. Each series is anchored at the last documented actual year, 2024A (Subscriptions 33%, Devices 90%, Services 69%), and then evolves multiplicatively from the prior year: the COGS/Revenue ratio in year t equals the ratio in t-1 multiplied by (1 + Δ); unit COGS are revenue times the projected ratio. This parsimonious, driver-based setup accords with standard valuation practice, which projects operating items from stable operating relationships while allowing for disciplined mean reversion and scenario analysis (Damodaran, 2025a). It also preserves a transparent link from unit-level assumptions to the income-statement build and, ultimately, the cash-flow inputs applied in the valuation.

The evolution of Subscriptions reflects SaaS operating leverage and systematic cloud cost optimization. Annual changes of –1.0% / –2.5% / +1.0% (Base/Optimistic/Pessimistic) span outcomes from rigorous architecture right-sizing, storage tiering and egress control to a downside in which hosting intensity and provider pricing pressure lift the ratio (Amazon Web Services, 2025; FinOps Foundation, 2025).

For Devices, we apply –2.0% / –4.0% / +1.5%, consistent with learning-curve and scale effects in hardware manufacturing under benign supply conditions, versus reversals when component or logistics volatility erodes unit efficiencies. The empirical link between cumulative output

and declining unit cost is well established - from Wright's seminal study to modern cross-technology evidence (Wright, 1936; Nagy et al., 2013; Vera et al., 2023).

For Services, –1.5% / –3.0% / 0.0% captures utilization gains (outsourcing, scheduling) and workflow automation - including AI-assisted capture and quality control - in favorable states, with a flat path when wage and contractor inflation absorb process improvements. Large-scale analyzes of task automation support the view that routine service steps exhibit meaningful efficiency potential over time (McKinsey Global Institute, 2017). Licenses are not projected because the line is discontinued.

Under the Base and Optimistic trajectories, the gradual compression of Subscriptions and Services ratios translates into a measured expansion of gross margin from roughly 49% in 2024A to the mid-50s by 2029; in the Pessimistic case, headwinds from cloud, supply-chain and labor intensity keep margins broadly flat, so any improvement stems mainly from mix rather than structural cost relief - an outcome that underscores why a clear, driver-based specification of COGS is essential for interpreting the valuation that follows (Damodaran, 2025a).

5.3. Operating Expenses

Matterport's operating expenses consist primarily of selling, general and administrative (SG&A) and research and development expenses (R&D) expenses, while personnel costs are the most significant component. (Matterport, 2024).

SG&A expenses have been highly volatile in the last years. In 2023, these expenses decrease 16%, due to the implementation of the July 2023 Restructuring Plan. To achieve it, Matterport reduced the workforce by approximately 30% and accelerated amortization costs to real estate operating lease right-of-use assets, primarily related to the cease use of certain leased office spaces (to align with their operation needs and due to remote-work changes). By December

2023, Matterport had completed the restructuring plan, which resulted in total costs of USD 4.3 million and contributed to a reduction of operating expenses. In 2024, there were not any significant restructuring charges incurred, confirming the 2023 Plan was fully executed and future reductions would reflect structural efficiencies.

Non-cash items consist primarily of stock-based compensation as well as depreciation and amortization (D&A) expenses. Since D&A is forecasted separately, non-cash items were assumed to only include stock-based compensation. The 2023 restructuring plan reduce the operating cost related to stock-based compensation. Following the CoStar Group acquisition, the 2021 Employee Stock Purchase Plan was terminated in February 2025, and stock-based compensation are now administrated by CoStar Group. Therefore, we assumed that non-cash items will be equal to zero from 2025 to 2029.

In 2024, SG&A expenses included non-recurring integration costs of USD 15.9 million due to the merger with CoStar Group.

The forecast of SG&A expenses does not take into consideration values before 2023, and it deducts non-cash items and the 2024 transaction cost. For the base scenario, the SG&A growth rate is the 2023 and 2024 average growth, -25.24%. In the pessimistic scenario, a stronger cost reduction was estimated, -29.02%. For the optimistic scenario, Matterport invests more to grow, a smaller reduction was estimated, -21.45%.[1]

Matterport has been evaluating its need to invest in R&D continuously, as the spatial data market represents a changing environment. In recent years, however, it has shown a declining trend, both in absolute terms and relative to revenue, partially because of the 2023 Restructuring

[1] Another option for this analysis would be to consider, in the optimistic scenario, a situation where there is a higher efficiency, which would reduce cost; similarly, in the pessimistic scenario, one could assume a higher difficulty in reducing cost (aggravating the financial situation arising from lower revenue).

Plan, whose objective was to lower operational cost, which include workforce and personnel related expenses within the R&D function. As a result, the restructuring not only simplified the cost structure but also contributed to the continued decline of R&D as the company transitioned towards a more mature and less development intensive operating model. Between 2023 and 2024, total R&D fell by 9.48 percent, and this rate was used to project total R&D for the 5-year forecast used in the baseline valuation. The decline reflects the expectation that the company will gradually shift from intensive product development to a more stable investment policy as it matures.

In line with the valuation framework applied throughout the model, two alternative scenarios were also constructed. In the optimistic case, the annual reduction in R&D is assumed to be more moderate relative to the base assumption, reflecting the possibility that Matterport may reinvest more heavily into product improvements in line with the possible market evolution. In the pessimistic case, the decline in R&D is assumed to be steeper, capturing a situation in which cost reduction needs to be intensified. These adjustments are proportional to the base growth rate of minus 9.48 percent and allow the model to reflect a reasonable range of outcomes around the central forecast.

5.4. Depreciation and amortization

Depreciation and amortization are forecasted separately from operating expenses to isolate non-cash charges from the cost structure. This follows the standard valuation framework described by Damodaran (2012), who shows that separating those expenses from operating costs ensures that the free cash-flow (FCF) measures the actual cash available to investors.

On December 31, 2024, D&A represented a total of approximately USD 23.3 million. Matterport also disclosed expected future amortization of acquired intangibles amounting to about USD 5.63 million from 2025 to 2029 (Table A1.19), although this amount declines over

time, since the company does not expect to acquire new intangible assets during the projection period.

Forecasting D&A requires - first of all – to estimate the future assets that will generate these charges. To do this, the analysis begins by projecting capital expenditures (CapEx), which are forecasted by applying the average ratio of CapEx to Revenue observed from 2019 to 2024, following standard valuation practice (Koller, Goedhart and Wessels, 2020). Over this period, the firm's CapEx represented approximately 0.58 percent of revenue, and this percentage was applied to the projected revenues.

The second component of the asset base is the portion of R&D that qualifies for capitalization under US GAAP *ASC 350 40* criteria. This amount is estimated by applying the portion of capitalized R&D expenses, which in Matterport's own reports is equal to the software development costs, relative to total R&D from over the 2021 to 2024 period. This ratio has been relatively stable at around 14.4% and is therefore the baseline ratio for the forecasting window. Earlier years were excluded because the company was still private and heavily focused on initial product development, during which a larger proportion of R&D met the capitalization criteria.

Although academic literature suggests that R&D may be treated as a capital investment, for valuation purposes, this adjustment is not applied in this model. Instead, R&D is kept under the accounting treatment defined by US GAAP *ASC 350 40 criteria* and reflected in Matterport's filings. This approach is consistent with the methodology used by Refinitiv and Bloomberg and with the company's financial statements.

Applying the 0.58 percent CapEx-to-revenue ratio yields the annual additions to Property, Plant and Equipment (PPE). Depreciation is then computed using a five-year useful life, chosen as the midpoint of Matterport's stated range of three to seven years for machinery and equipment, which account for over 90% of PPE (Matterport, 2024).

Since Matterport does not expect to acquire new intangible assets during the forecast horizon, the only amortization requiring projection is that of capitalized R&D. The company applies a three-year amortization period to software development costs, reflecting the expected economic life of internally developed technologies, and this period was applied consistently to the projected capitalized R&D stock.

This methodology ensures consistency between Matterport's disclosures, established valuation principles and the modelling structure. It also creates a transparent link between CapEx, R&D, capitalization assumptions, and the resulting depreciation and amortization used in the discounted cash flow valuation.

5.5. Net interest expense and marginal tax rate

Matterport has maintained a net cash position throughout the historical period, with only minor fluctuations prior to going public. As shown in the Debt & Cash Forecast (FY19A-FY29E), the company reported positive net cash already in FY19A and FY20A, while the cash position increased substantially following the firm's public listing via SPAC merger in 2021. This transaction provided a significant liquidity injection, which resulted in a pronounced rise in available cash in the subsequent years. Since then, Matterport has consistently held sizeable cash reserves, while its gross debt remained at zero.

Because the firm does not rely on financial debt and no borrowing is expected in the foreseeable future, net interest expense is assumed to remain zero across the entire projection horizon. This assumption is supported not only by the company's strong liquidity position but also by the absence of any indication in Matterport's financial reports that management plans to introduce debt financing. Accordingly, the forecast does not anticipate any future net debt build-up, and the company is expected to remain unlevered over the long term.

Regarding taxation, the valuation applies the current U.S. federal statutory corporate income tax rate of 21 percent as the base assumption. To reflect reasonable uncertainty about future fiscal developments, the analysis considers a scenario range between 19 percent and 23 percent. In an optimistic scenario, the tax rate may decline to 19 percent due to favorable regulatory shifts or effective tax benefits. Conversely, in a pessimistic scenario, the effective tax burden may increase to 23 percent, reflecting the possibility of higher statutory rates or reduced deductibility of certain items.

5.6. Net Working Capital

To forecast the Change in net working capital, it is necessary to project the change in accounts receivable (AR), inventories, accounts payable (AP) and accrued expenses (AE).

In accounts receivable, no individual customer accounted for more than 10%, both in 2023 and 2024 (Matterport, 2024), showing a diversified and low-risk customer base. Matterport's transition to a Subscription-based business model in the last years, a recurring revenue billed in advance, reduces credit risk exposure. Consequently, the value of AR and allowances for doubtful accounts will decrease as a percentage of total revenue.

Given this, AR relative to revenue is expected to continue decreasing in the future years. In the base scenario, AR/Revenue decreases 4% annually. For a pessimistic scenario, where Subscriptions revenue grows with inflation and both Capture devices and Services remain stable, AR/Revenue is expected to decrease more, representing a 7% decrease. Contrarily, the optimistic scenario assumes a 0.5% decline, as accounts receivable expand with stronger growth in revenue streams.

Between 2022 and 2024, Matterport's inventories showed a significant decrease. In 2022, inventories suffered a big increase, reaching USD 11.1 million, due to excess and obsolete inventory and "non-cancelable, and unhedged inventory purchase commitments in excess of

anticipated demand" (Matterport, 2022). Consequently, Matterport recorded a USD 1.0 million provision and a USD 4.0 million liability. In 2023, inventories decreased to USD 9.1 million, reflecting the recognition of USD 1.7 million provision for obsolete inventory and a USD 0.1 million liability for firm purchase commitments. In 2024, Inventories continued to decrease to USD 5.6 million with no provision or liability were recorded, suggesting inventories had become aligned with demand.

Given Matterport's Subscriptions-first strategy, where Capture devices are unstable and not a growth driver, and assuming that inventory continues to be aligned with demand, inventories would decline slightly. Therefore, in the base scenario, it is assumed that the change in inventories would decrease 1.5% per year, reflecting gradual optimization. For the pessimistic scenario, the decrease is 0.15 percentage points smaller, while for the optimistic scenario, it is 0.15 percentage points higher.

To forecast the change in AP, projections were based on the historical AP and CoGS relation. From 2022 to 2024, AP/CoGS ratio remained mainly stable. Therefore, it was decide to assume the 3 year average ratio of 9.75% as the base scenario AP/CoGS growth rate. For the pessimistic scenario, reflecting lower revenue, AP are forecasted to increase, consequently AP/CoGS ratio rises to 11.21%. The opposite is verified in the optimistic scenario, accounts payable are expected to rise slower than CoGS, causing AP/CoGS ratio to decrease to 8.28%.

For accrued expenses, the AE / (SG&A+R&D expenses) ratio is used, resulting in a 3.14% ratio. Again, only the years 2023 and 2024 are considered for the SG&A forecast and, additionally, the ratio itself has been stable since 2022. Also, the AE/(SG&A+R&D) ratio is kept constant in the different scenarios; the components change from across scenarios, but the ratio is kept constant across them.

6. Cost of Capital

The cost of capital represents the required rate of return for investors providing financing to a company. It reflects both the riskiness of the firm's cashflows and its capital structure. In valuation models, it serves as the discount rate for future free cash flows, capturing the opportunity cost of capital. For Matterport, the weighted average cost of capital (WACC) is derived based on market data for equity and debt, using the standard corporate finance framework (Brealey, Myers, and Allen, 2020).

6.1. Capital structure

Matterport maintains a net cash position and has no outstanding interest-bearing debt, implying that the firm's operations and growth are entirely financed through equity. As of December 2024, Matterport reported approximately USD 247 million in net cash, confirming that leverage is neither currently used nor planned in the forecast period, according to debt and cash forecast in Table A1.10.

Given this position, the target debt-to-enterprise value (D/EV) ratio is set to 0%, meaning the company's cost of capital equals its cost of equity. This reflects both Matterport's strong liquidity and the theoretical baseline proposed by Modigliani and Miller (1958), who demonstrate that in the absence of leverage, taxes, or financial distress, a firm's value and overall cost of capital remain unaffected by its financing mix. The absence of debt thus simplifies the WACC computation and avoids distortions from leverage effects.

6.2. Cost of debt

Although Matterport currently holds no interest-bearing debt, a synthetic cost of debt is estimated to benchmark potential borrowing costs under market conditions. Refinitiv's credit risk model (active from March 6, 2025, to July 20, 2025) implies a B rating, corresponding to

a five-year probability of default (PD) of around 11 percent, consistent with Bloomberg's estimates for similar issuers (Bloomberg, 2025).

Because corporate bonds trade infrequently, debt betas are difficult to estimate empirically. Schaefer and Strebulayev (2009) provide indicative average debt betas by rating, showing a β_d of 0.26 for B-rated bonds. This value reflects the moderate systematic risk carried by speculative-grade debt.

The pre-tax cost of debt is derived using a CAPM-based relationship – as described by Sharpe. (1964) and Lintner (1965):

$$R_d = R_f + \beta_d * (R_m - R_f) \quad (1)$$

Where $R_f = 4.58\%$ (10-year U.S. Treasury yield; Federal Reserve Bank 2025), $\beta_d = 0.26$, and $R_m - R_f = 4.33\%$ (NYU Stern 2025). Substituting these values yields:

$$R_d = 4.58\% + 0.26 * 4.33\% = 5.71\% \quad (2)$$

After applying the 21 percent corporate income tax rate, the post-tax cost of debt equals 4.51 percent. Since Matterport's target leverage ratio (D/V) is zero, this result is reported for completeness but does not influence the final WACC.

6.3. Cost of equity

The cost of equity represents the return required by shareholders for bearing the company's systematic risk. It is estimated using the CAPM model:

$$R_e = R_f + \beta_e * (R_m - R_f) \quad (3)$$

where $R_f = 4.58\%$ (10-year U.S. Treasury yield; Federal Reserve Bank 2025), $R_m - R_f = 4.33\%$, and Matterport's levered beta = 1.21. Given the assumption of a zero target debt-to-value ratio, the re-levered equity beta equals the unlevered beta.

Substituting these parameters yields:

$$R_e = 4.58\% + 1.21 * 4.33\% = 9.83\% \quad (4)$$

This result represents the required return on Matterport's equity, consistent with comparable growth-stage PropTech firms with moderate market exposure and above-average risk profiles.

6.4. Weighted Average Cost of Capital (WACC)

The WACC represents the blended expected return required by both equity and debt holders (Brealey, Myers, and Allen, 2020):

$$WACC = \frac{E}{D+E} * R_e + \frac{D}{D+E} * R_d * (1-T) \quad (5)$$

Given Matterport's target debt ratio (D/V) of 0 percent, the formula simplifies to:

$$WACC = R_e = 9.83\% \quad (6)$$

Therefore, Matterport's post-tax WACC equals its cost of equity. Although Modigliani and Miller (1963) later demonstrated that leverage can reduce WACC through tax shields, this effect does not apply to Matterport due to its unlevered structure. Consequently, the 9.83 percent WACC provides a theoretically grounded and empirically consistent discount rate for valuation.

7. Valuation

7.1. Discounted Cash Flow

The DCF approach is used to determine Matterport's enterprise value (EV) by calculating the present value of all future free cash flows to the firm (FCFF). FCFF represents the cash generated by the company's operations after accounting for taxes, investments in working capital, and capital expenditures, but before any distributions to equity holders or hypothetical debt holders. As such, it reflects the cash available to all providers of capital and forms the basis for enterprise-value valuation.

The DCF approach evaluates operating performance independently of the firm's financing structure and provides a coherent framework for estimating intrinsic value. In this setting, EV corresponds to the sum of discounted FCFF over the explicit forecast horizon and the discounted terminal value (TV), which captures the continuation of operations beyond the projection period. The enterprise value at time zero is calculated as:

$$EV_0 = \sum_{t=1}^{n} \frac{FCFF_t}{(1+WACC)^t} + \frac{TV}{(1+WACC)^n} \tag{7}$$

where n denotes the final forecast year.

The terminal value is determined using the Gordon growth model (Gordon, 1959), which assumes that FCFF grows at a constant rate in perpetuity once the firm reaches long-run maturity. The corresponding expression is given by:

$$TV_{Gordon} = \frac{FCFF_n * (1+g)}{WACC - g} \tag{8}$$

This formulation is consistent with established corporate-finance theory (Berk and DeMarzo, 2016) and widely applied in practice (Koller, Goedhart, and Wessels, 2020). For Matterport, the post-tax weighted average cost of capital is held constant at 9.83 percent across all scenarios, reflecting the company's unlevered capital structure (see Chapter 6). Differences in valuation therefore arise solely from variation in projected FCFF and long-run growth assumptions, which depend on the forecast assumptions that are stated in Table 1.6.

Table 1.6: Forecast Assumptions for DCF

Forecast Model Assumptions	Base	Optimistic	Pessimistic
Subscriptions: CoGS (as % of revenue) growth rate	-1.00%	-2.50%	1.00%
Devices: CoGS (as % of revenue) growth rate	-2.00%	-4.00%	1.50%
Services: CoGS (as % of revenue) growth rate	-1.50%	-3.00%	0.00%
Licenses: CoGS (as % of revenue) growth rate	0.00%	0.00%	0.00%
SG&A growth rate	-25.24%	-21.45%	-29.02%
Effective tax rate	21.00%	21.00%	21.00%
Non-cash items (as % of revenue)	0.00%	0.00%	0.00%
Change in AR/Rev growth rate	-4.00%	-0.50%	-7.00%
Change in Inventories growth rate	-1.50%	-1.28%	-1.73%
AP/CoGS growth rate	9.75%	8.28%	11.21%
AE/(SG&A+R&D) growth rate	3.14%	3.14%	3.14%
Terminal growth rate	2.37%	3.75%	1.00%
Statutory tax rate	21.00%	19.00%	23.00%
TLCF utilization period	7	5	10
Total R&D growth rate	-9.48%	-8.06%	-10.90%
CAPEX (as % of revenue)	0.58%	0.66%	0.49%
R&D Capitalization Rate	14.40%	14.40%	14.40%
Depreciation Period	5 years	5 years	5 years
Amortization Period	3 years	3 years	3 years

To apply this framework, FCFF are forecasted from FY25E through FY29E and discounted at the WACC. The terminal value is anchored in the non-discounted FCFF in FY29E, which represents the firm's expected economic performance at the end of the explicit horizon. In the Table A1.11 to Table A1.13 in the appendix, the DCF models for the base, optimistic and pessimistic case are shown. The long-run growth rate g is guided by macroeconomic reference values for the United States. The real potential GDP growth rate is estimated at 1.75 percent (Federal Reserve Bank of St. Louis, 2025), and the Federal Reserve's medium-term inflation objective is approximately 2 percent (Federal Reserve, 2025). Together, these values imply a long-run nominal benchmark around 3.7 to 3.8 percent.

Against this backdrop, the base case assumes a perpetual growth rate of 2.37 percent, reflecting a conservative interpretation of nominal long-term expansion given Matterport's firm-specific risk profile. The optimistic case adopts a perpetual growth rate of 3.75 percent, which is close to the macroeconomic benchmark and reflects stronger scalability and structural growth in the spatial-data and digital-twin market. By contrast, the pessimistic case applies a long-run rate of

1.00 percent, consistent with a subdued macroeconomic environment and more cautious expectations about Matterport's long-term margin expansion.

These growth rates correspond to terminal-year FCFF of USD 111.65 million in the base case, USD 126.39 million in the optimistic case, and USD 65.54 million in the pessimistic case. Discounting these cash flows and their associated terminal values produces distinct enterprise valuations. In the base case, the present value of FCFs equals USD 222 million, and the discounted terminal value amounts to USD 960 million. Including USD 87 million from the present value of tax-loss carryforward benefits results in an EV of USD 1.18 billion. After adjusting for Matterport's net cash position of USD 247 million, the equity value amounts to USD 1.43 billion. Dividing this figure by 327 million shares outstanding yields an implied share price of USD 4.37.

In the optimistic case, stronger efficiency gains, higher FCF scalability, and elevated long-term growth expectations increase the implied valuation to USD 5.63 per share. Conversely, the pessimistic case produces a materially lower implied share price of USD 2.61, driven by more subdued profitability and slower long-run growth.

Overall, the three scenarios yield an intrinsic-value range between USD 2.61 and USD 5.63 per share, with a central estimate of USD 4.37. This corridor reflects the sensitivity of DCF valuation to assumptions regarding terminal-year cash flow performance and long-run growth dynamics. The Gordon growth framework therefore offers a transparent and analytically consistent basis for assessing Matterport's long-term value potential under varying operating and macroeconomic scenarios.

7.2. Adjusted present value

The APV model decomposes firm value into two components: the value of operations assuming an all-equity-financed capital structure and the value of financing side effects, most notably the

tax benefits arising from debt financing. By valuing operating cash flows independently of financing decisions, APV allows financing effects to be incorporated separately, which is particularly useful when a firm's capital structure is expected to change over time (Koller, Goedhart and Wessels, 2020).

$$Enterprise\ Value\ (APV) = Unlevered\ EV + Present\ Value\ of\ Tax\ Shield \quad (9)$$

Matterport maintains a fully equity-financed capital structure both historically and throughout the forecast horizon. Consequently, the present value of interest tax shields is zero. The APV collapses to the unlevered EV, calculated as the present value of unlevered FCF discounted at the cost of equity. As a result, the APV yields the same firm value as the DCF approach.

7.3. Comparable companies' analysis

Comparable companies' analysis (CCA) aims to evaluate a given company based on the financial metrics of its own peers (Lou, 2025). The logic behind it is that similar companies provide a good reference point to value the company that we are targeting. It relies on the current market price of publicly listed companies and, therefore, no financial forecasts are necessary, making this valuation method notably straight-forward (Meitner, 2006). The strength of this approach is the reliance on real-time market data, reflecting the sentiment of investors on the future prospects of an entire sector (Damodaran, 2012). On the other side, its accuracy is highly contingent on the careful selection of a peer group that shares fundamental business and financial characteristics with the target company (Koller et al., 2020). For Matterport, this involves identifying firms that mirror its unique position on the Saas landscape.

7.3.1. Peer Group Selection and Rationale

This section details the construction of the peer group, a foundational step that determines the validity of the entire comparable analysis. A significant challenge in valuing Matterport is the unique nature of its business. As a pioneer in spatial computing and digital twins, it operates in

a niche sector with very few direct public competitors. This absence of perfect product-level matches is a common obstacle when analyzing innovative technology firms and necessitates a more sophisticated selection methodology.

Consequently, this analysis adopts a hybrid selection strategy. This approach integrates the empirical findings of Hørsholt and Kristensen (2024). Their research indicates that a combined method, often called *INDSARD*, can be optimal. This method first restricts the universe with an industry filter before applying a fundamentals-based screen. It leverages the strengths of both approaches to identify the most relevant peers.

Guided by this principle, the selection process is executed in three structured phases. The initial phase defines the candidate universe by applying an industry filter. The pool is limited to the "Software and IT Services" sector. This crucial first step establishes a boundary of operational relevance. It ensures all potential peers share the core DNA of a software-based business model before any financial comparison begins.

The second phase applied a rigorous, multi-dimensional financial screen inspired by a fundamental-based framework. Guided by the variables highlighted by Hørsholt and Kristensen (2021), such as profitability, growth, size, and margin, we applied the following criteria: negative earnings per share, aligning with Matterport's high-investment growth phase; an EV between USD 500 million and 4.5 billion to ensure similar scale and market perception; and a minimum forward revenue growth threshold of 10 percent, which narrows the group on firms, where valuation is tied to expansion potential. This screening creates a sample of companies that is financially homogeneous.

The final phase involves a qualitative review of the remaining companies. This is a critical sanity check recommended to capture strategic nuance. We assess each company to confirm its status as a pure B2B SaaS provider with a Subscription-oriented model (Table A1.14).

This process yields a final peer group of four companies that collectively provide a robust framework for benchmarking Matterport's valuation: Asana Inc. (ASAN), Alkami Technology Inc. (ALKT), Braze Inc. (BRZE) and Freshworks Inc. (FRSH). The four companies' main fundamentals are reported in Table A1.15.

This group is selected not to find identical companies, but to construct a spectrum of key valuation drivers within the B2B SaaS sector. It allows for a comparative analysis that reveals how growth, profitability and margins systematically influence valuation multiples, creating a contextual framework against which Matterport's specific position can be critically evaluated. For instance, Alkami represents a more advanced growth-stage company nearing profitability, providing a view of the potential valuation re-rating Matterport could experience, while Asana and Braze offer direct parallels to its current high-investment growth phase.

7.3.2. Multiples Analysis and Valuation

With a defensible peer group established, this section develops a relative valuation framework for Matterport by applying revenue-based trading multiples derived from comparable listed companies. The analysis follows a dual-perspective approach that combines both trailing and forward-looking revenue multiples. The EV to Last Twelve Months (LTM) revenue multiple serves as an anchor for assessing Matterport's valuation based on actual historical performance, while the EV to Next Twelve Months (NTM) revenue multiple captures market expectations regarding future growth and profitability. This approach is widely recognized in the valuation of high-growth, unprofitable technology firms, where earnings-based multiples are often unreliable due to the reinvestment intensity typical of early-stage SaaS companies (Hessellund and Sørensen, 2019). The use of the EV/Revenue multiple as the core valuation metric is justified by the nature of Matterport's business model and by broader empirical evidence across the SaaS sector. It offers a stronger proxy for EV, reflecting recurring revenue capacity and potential operating leverage (McKinsey & Company, 2021).

The peer group establishes a spectrum of valuation multiples. ALKTA stands at the upper bound of this range with an LTM EV/Revenue multiple of approximately 10.7x, reflecting the annual growth of 25%. (Alkami Technology Inc., 2024). The market rewards this balance between expansion and financial sustainability with a clear valuation premium. BRZE follows with an LTM multiple of around 7.2x, reflecting its continued strong expansion, driven by an increase of sales to corporate clients and growing recurring revenue from messaging usage fees (Braze Inc., 2025). Although Braze remains unprofitable, investors seem to believe in the scalability of its business model and the high client base, which supports premium growth expectations. ASAN and FRSH complete the lower half of the spectrum, trading at approximately 6.2x and 5.3x LTM revenue, representing mid-range multiples typical for growth-stage SaaS companies. However, it is important to acknowledge that Matterport's observed trading multiples may be partially influenced by the timing of data collection. The company's EV and market capitalization figures are based on December 2024, which coincides with the period following the public announcement of its acquisition by CoStar Group. As documented in valuation literature, M&A announcements often lead to temporary deviations between a firm's market price and its fundamental value, as investors incorporate the expected acquisition premium and potential synergies into the share price (Damodaran, 2012). This effect implies that Matterport's trading multiples may not fully represent its intrinsic valuation as a standalone company. Instead, they may embed a portion of the strategic premium arising from the anticipated transaction. Consequently, while Matterport's LTM multiple of approximately 7.6x positions it between Braze and Alkami, this comparison should be interpreted with caution. Adjusting for the acquisition-related valuation premium, the company's justified multiple would likely fall closer to the lower end of the peer range, reflecting its comparatively lower gross margins and slower revenue growth.

Applying median multiples of 6.67× (LTM) and 5.81× (NTM) to Matterport's revenue of USD 169.7 million and USD 182 million, respectively, produces implied enterprise values of USD 1.13 billion and USD 1.06 billion. Deducting the negative net debt of USD 246.6 million yields an implied equity value of USD 1.38 billion and USD 1.30 billion, corresponding to a per-share value of USD 4.22 and 3.99. For a more robust approach and a larger share price range, we also applied the 25 and 75 percentiles of the multiples to Matterport's revenue. The pessimistic case yielded a share price of 3.84 and 3.76, while the optimistic case generated a range between 4.36 and 4.94. NTM-based valuation yielded, therefore, slightly lower ranges, consistent with Matterport's growth trajectory.

Overall, this valuation supports an implicit share price ranging from USD 3.99 to 4.22 on the base scenario. This analysis indicates that Matterport's current market valuation is not supported by its standalone financial performance and that the stock is overvalued by roughly 15%, when compared to the median of the two values above, which means that its price is likely being sustained by the anticipated acquisition.

7.4. Comparable transactions analysis

The Precedent Transaction Analysis (PTA) provides another critical market-based perspective on valuation by examining the prices at which comparable companies were acquired in the past. This methodology is particularly relevant as it reflects the premium that strategic or financial acquirers are willing to pay for a company. Academic research has shown that this approach frequently yields the highest valuation benchmarks among the rest, since it accounts for the inclusion of the control premium and values the firm as an acquired asset, as opposed to general trading multiples, which reflect the fundamental and standalone value of a company (Shaffer, 2023).

7.4.1. Transactions selection

Similarly to the CCA, the integrity of this valuation method lies on the selection of an appropriate peer group. The primary criteria to find this group focused on finding companies that, like Matterport, were operating as high-growth, unprofitable SaaS platforms at the time of their acquisition. This specific financial and operational profile is crucial, as valuation metrics for such companies differ significantly from those of mature, profitable software firms. The selected transactions all occurred within a relevant timeframe of 2021 to 2023, capturing the modern SaaS M&A environment. Furthermore, all acquisitions were completed transactions where the acquirer bought a controlling interest, ensuring the inclusion of a control premium in the reported deal values.

This process resulted in the identification of four highly comparable companies. Duck Creek Technologies, a provider of SaaS solutions for the property and casualty insurance industry, was acquired by Vista Equity Partners. ForgeRock and Ping Identity, both leading platforms in the identity and access management space, were acquired by Thoma Bravo, who also acquired Talend, a provider of cloud data integration services. These four companies are exceptionally well-suited for comparison. Each company was a loss-making, high-growth SaaS provider with a platform-based business model and Subscription-based revenue streams, and they were all acquired by a financial sponsor that specializes in software and technology focused investments, making the multiples paid a credible benchmark for Matterport. Table A1.16 highlights the main financial metrics for the four selected targets.

7.4.2 Analysis and Valuation

A critical distinction in precedent transaction analysis is between Enterprise Value and Deal Value, which are both quite informative. The EV multiples allow for a pure comparison of operational value against peers, while the Deal Value multiples reflect the full acquisition cost. For instance, in a transaction where a target carries significant debt, the deal value will be

substantially lower than its EV, as the acquirer is effectively taking on that liability. This was a relevant factor for several companies in the initial comparable set, many of which were acquired in leveraged buyouts by private equity firms. For Matterport, the proximity of its EV and Deal Value indicated minimal net debt, meaning the premium paid by CoStar was directed almost entirely to the shareholders for the equity of the operating business itself.

The multiples used from the selected transactions establish a clear market baseline. Again, we will focus on the EV to LTM revenue, as it is a standard metric in SaaS valuations and it compares the value of the operations independently of the capital structure, as opposed to the Deal Value to Revenue, that would likely distort comparability because equity values are influenced by variations in debt and cash levels across different targets.

Across the four selected transactions, the EV to LTM Revenue multiples range from 7.5 times to 9.3 times, with a median of 8.1 times. When the median multiple is applied to Matterport's actual revenue as of December 31, 2024, we could conclude that Matterport's Enterprise Value and Equity Value are approximately USD 1.37 and USD 1.62 billion, respectively, which results in an implied share price of USD 4.94.

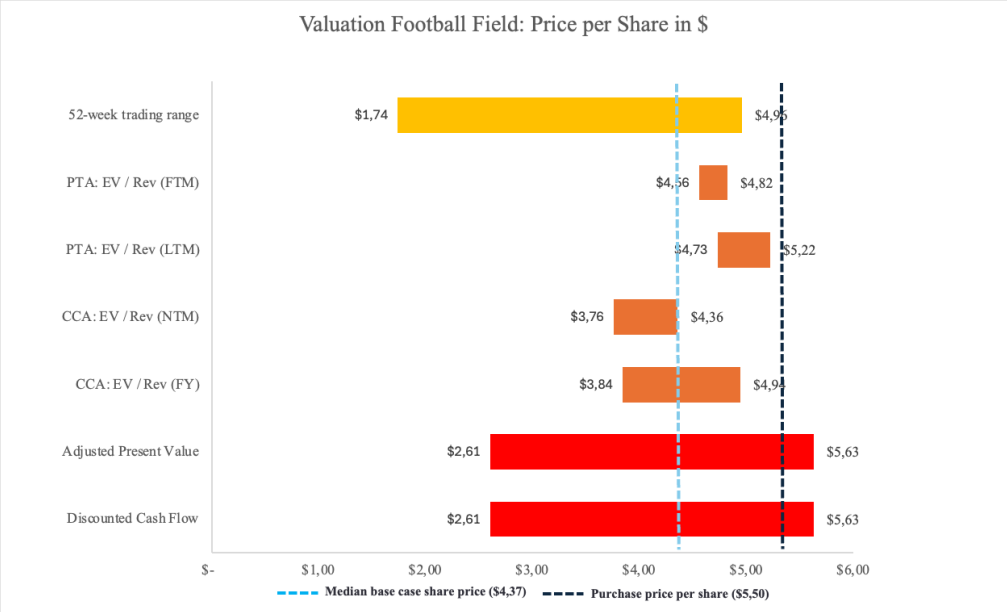
Given that our valuation date is December 31, 2024, but the CoStar Group acquisition was announced in April, we can analyze the actual deal multiples. Based on the final terms of the acquisition, the transaction implied an Enterprise Value of approximately USD 1.54 billion. Relative to the company's LTM Revenue at the time of the announcement, this corresponds to an EV/Revenue multiple of around 9.6x. When compared with the median multiple of 8.1x derived from the selected precedent transactions, the valuation reflects a premium of about 19 percent. This premium is consistent with the strategic rationale of the deal and the unique positioning of Matterport within the spatial data and digital twin market.

Although precedent transaction analysis provides a direct and market-based indication of value, it also presents some limitations. The number of highly comparable transactions in emerging sectors such as spatial data and digital twins is limited, and the multiples observed in each acquisition can reflect buyer specific expectations regarding synergies or strategic fit that may not generalize to other potential acquirers. For this reason, PTA should be interpreted as a complementary valuation approach that enhances the overall robustness of the analysis, rather than a standalone measure.

8. Conclusion

The valuation analysis performed in this work project provides a comprehensive assessment of whether Matterport was under- or over-valued relative to the USD 1.9 billion price paid by CoStar Group, which agreed to acquire all outstanding shares in a cash (USD 2.75) and stock (USD 2.75) transaction, for a total consideration of USD 5.50 per share.

Figure 1. 1: Valuation Football Field - Price per Share in $



Across the intrinsic valuation methods, the implied equity value estimates fall below the consideration paid by CoStar, except for the optimistic scenario in the DCF and APV method, where the APV equals the unlevered DCF value due to Matterport's fully equity-financed

structure. The analysis yields a range of USD 2.61 to USD 5.63 per share, with a base case of USD 4.37. These values reflect Matterport's long-term cash-flow potential under reasonable assumptions.

The relative valuation approaches reinforce this conclusion. The comparable companies and comparable transactions analysis generate valuation ranges that remain largely within the intrinsic valuation interval. The share price range for comparable companies stands between USD 3.76 and USD 4.94, whereas for the transaction analysis it is USD 4.56 and 5.22. These methods capture how the market prices firms with similar growth profiles, profitability, and business models. The fact that both multiple-based valuations cluster around the DCF and APV midpoint (USD 4.37) further strengthens the view that Matterport's standalone market value is materially lower than the consideration paid.

As previously mentioned, except for the optimistic scenario for DCF and APV, every method places Matterport's implied equity value below CoStar's offer price, with no methodology delivering a valuation that clearly exceeds the USD 1.9 billion transaction value. The midpoint across all methods and scenarios stands below the consideration price (Table A1.20). This consistency across approaches is striking and underlines the robustness of the conclusion.

Despite this apparent overvaluation on a standalone basis, the acquisition must be interpreted within CoStar's broader strategic context. Matterport brings proprietary 3D spatial-data technology, millions of digitized properties, and a highly scalable SaaS platform that complements CoStar's data-intensive marketplaces. The operational synergy analysis estimates a net present value between USD 333 million and USD 723 million, suggesting that a significant share of the acquisition premium may be justified through cross-selling, enhanced data products, reduced operating costs, and expanded long-term market opportunities. From CoStar's perspective, these synergies, not Matterport's current financial profile, are the primary drivers of the deal's rationale.

Nevertheless, this analysis is subject to several limitations, which should be acknowledged when interpreting the results. First, Matterport's long-term revenue trajectory cannot be reliably projected due to the rapidly evolving nature of the digital-twin market and potential shifts in competitive dynamics. Second, the comparable companies' analysis is limited by the niche nature of Matterport's business model. Most direct competitors are privately held or operate in adjacent segments, while listed peers differ materially in scale, maturity, or end-market focus. Consequently, the constructed peer group represents an approximation rather than a perfect benchmark, which constrains the interpretability of relative valuation multiples. Third, the precedent transaction analysis is restricted by the limited number of truly comparable deals in the emerging digital-twin and spatial-data sector. The scarcity of acquisitions involving firms with similar product characteristics and SaaS-based business models reduces the robustness of historical transaction benchmarks. Finally, the valuation assumes broadly stable macroeconomic and regulatory conditions over the forecast horizon. Changes in capital-market conditions, interest rates, or technology-related regulation could materially affect both operating performance and valuation outcomes, representing an additional source of uncertainty.

In conclusion, the valuation results indicate that Matterport was overvalued on a standalone basis at the time of the acquisition, as consistently shown across all methods except for the optimistic scenario of intrinsic valuation. However, when viewed through the lens of strategic fit and synergy potential, the transaction may still create value for CoStar in the long term. The deal therefore reflects a strategic acquisition rather than a purely financial one: CoStar paid a premium not for Matterport's present-day fundamentals, but for the transformative capability of integrating advanced 3D digital-twin technology into its dominant real-estate data ecosystem.

The SPAC Boom and Burst:

Analysis of 18-month Post-merger Performance in SPAC Transactions

Individual Part – Gaspar Ribeiro

1. Introduction

Special Purpose Acquisition Companies (SPACs) became unexpectedly popular during 2020 and 2021, with hundreds of reverse mergers happening in a short time span. They were presented as a faster and more flexible alternative to traditional IPOs, offering private firms the opportunity to go public without the usual complexity. However, the rapid expansion of SPAC activity was followed by an equally rapid collapse, characterized by severe delistings and widespread investor losses. This thesis examines the post-merger performance of 307 SPAC deals completed between 2020 and 2024 and evaluates their 18-month buy-and-hold abnormal returns (BHAR) relative to the Russell 2000 index. This benchmark is appropriate because SPAC targets typically resemble small-cap firms in terms of size, risk and financial maturity.

The results indicate dramatic value destruction. To investigate whether this collapse is driven by firm fundamentals, market timing or structural flaws of the SPAC mechanism, accounting data was collected at the merger date and, where available, 18 months later. By combining return-based measures with detailed operating fundamentals, the study aims to provide a more comprehensive evaluation of why SPACs performed the way they did and to clarify whether long-run investor outcomes can be explained by firm characteristics or by the design of the SPAC process itself.

2. Literature Review and Hypotheses Development

The academic discourse on SPAC performance centers on whether the structure creates value for public investors or primarily benefits sponsors and early participants. The theoretical framework compares the assumption of an efficient market, which suggests that market prices

reflect all available information (Fama, 1970), to the views of behavioral finance, which focus on the expectations of investors.

A substantial number of empirical research documents establish underperformance among deSPAC firms. Klausner et al. (2022) analyze 47 SPACs merging between 2019 and 2020, documenting median 12-month returns of -19.3%. Similarly, Gahng et al. (2021) examine 152 SPACs from 2010 to 2020, finding that SPACs underperform the market by approximately 30.7 percent in a 1-to-3-year window after the merger is completed. Both studies attribute poor performance to structural dilution and misaligned incentives, noting that inflated pre-merger valuations significantly contribute to negative outcomes.

Evidence from earlier SPAC cycles reinforces the same conclusion. Kolb and Tykvová (2016) analyze SPACs from 2003 to 2015 and find severe underperformance relative to the market and their industry peers, particularly over long horizons of 24 to 60 months. Jog and Sun (2007) also examine the pre-crisis SPAC cohort and conclude that sponsor incentives can motivate acquisitions of low-quality targets, which later translates into weak post-merger returns. Their findings suggest that this misalignment persists across market cycles.

The methodological approach for long-term performance measurement typically employs BHAR, as established by Barber and Lyon (1997). This methodology controls for general market movements while capturing compound return effects. Since deSPAC outcomes often exhibit large cumulative losses driven by prolonged price declines rather than short-term volatility, BHAR is particularly suitable for capturing these trajectories.

A parallel line of research focuses on valuation dynamics and market behavior of SPACs around the merger date. Lewellen (2009) documents that SPAC prices tend to rise above net asset value during the pre-merger period due to investor optimism, but these gains reverse sharply once the merger is completed.

Survival outcomes for deSPAC firms have also been examined in recent SPAC literature. Dimitrova (2017) shows that many firms that go public via SPACs exhibit high rates of post-merger delisting, which she attributes to weak profitability and high uncertainty at the time of acquisition. Floros and Sapp (2011), looking at the previous generation of SPACs, similarly find high underperformance probabilities among companies that had been brought public through these structures. They suggest that SPACs disproportionately attract unprofitable companies, which value the opportunity to raise capital quickly and obtain a public listing easily. Together, these studies suggest that the survival risk is a persistent feature of SPAC mergers, consistent with the high failure rates in the post-merger period.

Based on the literature review, the following hypotheses are tested: **H1:** SPAC mergers from the 2020-2024 period generate significant negative BHAR during the 18-month post-merger period. **H2:** SPAC performance varies significantly across merger years, with the boom-period mergers expected to exhibit the weakest outcomes. **H3:** SPAC failure rates, measured through eventual delisting, are unusually high and represent a defining characteristic of the post-merger landscape. **H4:** Operating fundamentals at the merger date, as well as subsequent changes in profitability and cash flow, significantly explain cross-sectional variation BHAR.

3. Data and Methodology

This chapter describes the dataset, variable construction and empirical methodology used to analyze the post-merger performance of the 307 SPACs included in the sample. Table A2.1 summarizes the filters applied to refine the initial dataset of 378 companies.

The sample includes all SPAC mergers completed between 2020 and 2024 in the United States, where the acquired company became public and for which return data could be obtained or manually reconstructed. From the 307 companies analyzed, 70 are delisted by the time of this study. These firms were retained in order to avoid survivorship bias. When delisting occurred

before the 18-month horizon, the final available price was used to compute returns. This approach follows methodologies established in long-term performance studies to avoid artificially optimistic results (Barber and Lyon, 1997). This inclusion of failed and distressed entities is crucial because SPAC mergers exhibit abnormally high delisting rates compared with traditional IPOs, and excluding them would severely distort performance assessment.

Performance is measured using the buy-and-hold return over the 18-month period following the merger date and the corresponding BHAR relative to the Russell 2000 index.

Additional variables include the year and quarter of the merger, a delisting indicator, indicating whether a company has been delisted within or after the 18-month window, and an industry classification variable based on Refinitiv's Mid Industry metric. Because the raw industry categories are highly vast, only the eight most frequent industries are retained individually while the remainder are consolidated into a single category labelled "Other".

Operating fundamentals collected manually include return on assets (ROA), EBITDA margin, ratio of operating cashflow to assets, and the ratio of cash to assets. Because firms do not publish financial statements exactly at the merger date or at the eighteen-month horizon, these metrics were drawn from the fiscal year closest to each reference point.

Data availability represented a significant challenge, especially among firms that were later delisted. In many cases, post-merger information was incomplete. Several delisted companies lacked full price histories on standard sources, requiring partial reconstruction. Financial reporting was even more inconsistent. Many deSPAC companies were early-stage and disclosed limited accounting information, which meant that many financial metrics were available for only a subset of firms. As a result, the regressions that include fundamentals rely on a reduced subsample of roughly 190 to 195 firms, whereas the return-based analyzes use the full sample.

The empirical strategy consists of four regression models designed to test the hypotheses outlined earlier. Each model uses the buy-and-hold abnormal return as the dependent variable.

The first specification tests whether delisting status and timing effects explain the variation in abnormal returns beyond industry differences. It can be shown below:

$$BHAR_i = \alpha + \beta_1 DelistedDummy_i + \sum_{k=2}^{K} \gamma_k Year_{ik} + \sum_{j=2}^{J} \delta_j Industry_{ij} + \varepsilon_i \quad (1)$$

The second specification incorporates quarter effects to test whether the timing of the merger within the year is related to post-merger performance:

$$BHAR_i = \alpha + \beta_1 DelistedDummy_i + \sum_{k=2}^{K} \gamma_k Year_{ik} + \sum_{j=2}^{J} \delta_j Industry_{ij} + \sum_{q=2}^{4} \theta_q Quarter_{iq} + \varepsilon_i \quad (2)$$

The third specification introduces operating fundamentals at the merger date, where possible, or at the closest fiscal year to the merger date:

$$BHAR_i = \alpha + \beta_1 DelistedDummy_i + \beta_2 ROA_i + \beta_3 EBITDA\_Margin_i + \beta_4 OCF\_to\_Assets_i + \beta_5 Cash\_to\_Assets_i + \sum_{k=2}^{K} \gamma_k Year_{ik} + \sum_{j=2}^{J} \delta_j Industry_{ij} + \varepsilon_i \quad (3)$$

The fourth regression replaces the fundamentals at the merger date with their change between the merger date and the 18-month horizon, or the value at their closest fiscal year:

$$BHAR_i = \alpha + \beta_1 DelistedDummy_i + \beta_2 \Delta ROA_i + \beta_3 \Delta EBITDA\_Margin_i + \beta_4 \Delta OCF\_to\_Assets_i + \sum_{k=2}^{K} \gamma_k Year_{ik} + \sum_{j=2}^{J} \delta_j Industry_{ij} + \varepsilon_i \quad (4)$$

The change in cash to assets was not included in the final regression because, unlike the other fundamentals, the cash ratio behaves very differently following a SPAC merger. The amount of cash available to the firm immediately after the merger is mechanically determined by the redemption rate and the structure of the SPAC transaction rather than by operational outcomes.

As a result, the change in cash between the merger date and the 18-month horizon largely reflects mechanical flows such as the use of merger proceeds, financing transactions, or acquisitions, rather than changes in the underlying economic performance of the firm.

These models allow us to evaluate whether fundamentals improve model fit and whether they significantly predict abnormal performance. All regressions are estimated using ordinary least squares with a constant term.

4. Results

This chapter presents the empirical findings, beginning with descriptive performance statistics, followed by fundamental characteristics, hypothesis testing and regression analysis.

The descriptive statistics reveal severe underperformance. Across the 307 mergers, the mean 18-month raw return is -67.31 percent, with the mean abnormal return being -63.06 percent. Only eight firms achieved a positive raw return. These results indicate widespread value destruction shortly after the merger. Table 2.1 presents the performance statistics for the entire sample.

Table 2.1: *Summary Statistics*

Variable	Mean	Median	St. Dev.	Min	Max
Return	-0.673	-0.824	0.598	-1.000	5.117
Russel Return	-0.043	-0.121	0.173	-0.295	0.611
BHAR	-0.631	-0.703	0.610	-1.557	4.944

The distribution of fundamentals shows that SPAC targets were in weak financial condition at the time of the merger. Return on Assets has a mean of -381 percent. EBITDA margin and operating cashflow ratios are similarly negative, as demonstrated in Table 2.2. These magnitudes reflect the presence of companies with negligible assets and substantial operating expenses, a common feature of early-stage ventures taken public through SPACs. Although

these figures point to financial fragility, the regression results below show that fundamentals do not significantly explain the variation in abnormal performance.

Table 2.2: *Summary statistics by fundamental metric*

Variable	Mean	Median	St. Dev.	Min	Max
ROA	-3.813	-0.173	46.942	-789.16	1.136
EBITDA Margin	-10.424	-0.266	46.914	-519.82	0.615
OCF/Assets	-0.873	-0.117	7.408	-123.70	1.149
Cash/Assets	0.283	0.158	0.317	0.00	2.290

Performance varies significantly across merger years. Mergers completed in 2023 produce the worst outcomes, with an average BHAR of approximately -85 percent. Earlier cohorts perform slightly better but still show large negative values. A formal Analysis of Variance (ANOVA) test confirms that year effects are statistically significant. Figure A2.1 shows the average abnormal return by merger year, highlighting a clear deterioration in outcomes until 2023.

Hypothesis testing confirms the pattern suggested by the descriptive statistics. The mean abnormal returns are significantly less than zero at the 1 percent level, confirming Hypothesis 1. The ANOVA test confirms statistically significant differences across years, with a p-value of 0.016 (Figure A2.2), supporting Hypothesis 2. With respect to Hypothesis 3, the delisting rate of 22.8 percent is high for newly listed firms, and delisted firms exhibit substantially worse abnormal returns. Moreover, the delisting dummy is statistically significant in the regression models, indicating that delisting is not only frequent but also materially associated with performance outcomes. Both findings support Hypothesis 3. Finally, Hypothesis 4 receives only weak support. Although fundamentals at the merger date and their subsequent changes were incorporated in Regressions 3 and 4, none of these variables were statistically significant, and they added little explanatory power to the models. This suggests that operating fundamentals do not meaningfully predict cross-sectional variation in BHAR within the sample.

Table A2.3 to Table A2.6 report the results for all the regressions described in the methodology chapter. Across the four regressions, explanatory power remains modest, with adjusted R-square values ranging roughly from 0.02 to 0.09. This indicates that although certain variables are statistically significant, they collectively explain only a small portion of performance variation.

In Regression 1, the delisting dummy coefficient is negative and statistically significant at the 5 percent level, supporting the view that firms that eventually delist destroy considerably more value in the post-merger window. The coefficient suggests that delisted companies underperform by roughly 17 percentage points relative to currently active firms.

In Regression 2, which incorporates quarter-of-merger effects, the delisting dummy becomes marginally insignificant, although the coefficient remains negative and of similar magnitude. In this regression, fixed effects seem to be of greater importance. First, Year 2023 shows statistical significance at the 5 percent level and Quarter 2 shows a statistically significant positive effect relative to Quarter 1, although the practical interpretation in this case is limited and likely reflects short-term market dynamics.

Regression 3 introduces profitability and operating fundamentals measures at closest fiscal year to the merger date. None of these variables are statistically significant, and the adjusted R-squared increases only marginally. This result implies that poor fundamentals alone cannot explain the severe post-merger losses, possibly because many SPAC targets lack mature financial profiles that would allow fundamentals to serve as informative predictors.

In regression 4, fundamentals were replaced by their change from the merger date and their value at fiscal year closets to the 18-month mark and, similarly to the previous model, none of the delta variables are significant. Although the coefficient for the change in ROA is positive,

suggesting that improvements in profitability may help mitigate losses, the effect is imprecisely estimated. The delisting dummy remains negative and close to statistical significance.

Together, the four regressions indicate that the underperformance of SPAC mergers is broad-based and not easily attributable to firm fundamentals. Instead, the results point to systemic drivers such as structural dilution, misaligned incentives, and optimistic pre-merger valuations. Importantly, the low explanatory power across all regressions reinforces the conclusion that SPAC outcomes are shaped more by structural market factors than by observable financial characteristics.

5. Conclusion

This thesis examined the 18-month post-merger performance of 307 SPAC mergers completed between 2020 and 2024. The results provide strong evidence of systematic value destruction. Average abnormal returns relative to the Russell 2000 are deeply negative, and only a very small fraction of firms generated positive returns. These findings confirm Hypothesis 1 and align with earlier academic literature that documents substantial long-run SPAC underperformance.

Across the sample, firms exhibit weak profitability and limited operating maturity at the time of the merger. However, the regression analysis demonstrates that fundamentals do not meaningfully explain cross-sectional variation in abnormal returns. This suggests that the poor performance of SPACs cannot be easily attributed to the financial health of individual target firms. Instead, the patterns observed are consistent with structural critiques of the SPAC mechanism, including dilution from sponsor compensation, optimistic marketing, and weak screening incentives.

The regressions also show that delisting is a statistically significant predictor of underperformance. Yet, even non-delisted firms experience substantial value losses, indicating

that delisting reflects an extreme outcome within a broader pattern of negative returns. The consistently low R-squared values across the regressions imply that much of the variation in SPAC outcomes remains unexplained by observable accounting or classification variables.

These findings carry important implications. SPACs, as structured during the 2020–2021 boom, did not provide a reliable mechanism for taking companies public in a way that protected long-term shareholder value. The high failure rate and substantial abnormal losses observed in the dataset suggest that fundamental reforms may be necessary before SPACs can operate as an efficient alternative to traditional IPOs. Enhanced disclosure requirements, tighter sponsor alignment rules, and greater regulatory oversight could help mitigate some of the structural risks documented in this study.

Finally, the research process itself highlights the operational challenges of analyzing SPAC outcomes. Missing data, inconsistent reporting, and the frequency of early delistings required substantial manual data collection and reconstruction. These limitations mean that future research might benefit from longer return horizons, alternative benchmarks, or qualitative assessments of deal quality. Nonetheless, the results presented here underscore a central conclusion: the SPAC model during the 2020–2024 period was characterized by poor performance, structural fragility and weak long-term investor protections.

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Appendix Common Part

Table A1.1: CoStar Group product portfolio

Segments	Brand	Core Business	Add. Information	Acquisition Date
Commercial Real Estate Data & Analytics	CoStar	Commercial property data and analytics: Property inf (Listings, Property Records, Tenants, etc.), Sales and Lease Comps, Market Analytics, Lease Analysis, News.	Industry's largest Research and Data team	-
	STR	Hospitality performance data, benchmarking, analytics and marketplace insights	Global leader in Hotel Data and Insights	2019
Information Services	THOMAS DAILY	Database and analytics for Commercial Real Estate in Germany	-	2016
	Business Immo	French Real Estate information and database	-	2022
Commercial Marketplaces	LoopNet	Online Commercial Real Estate Marketplace for lease and sale	World's #1 Commercial Real Estate Marketplace	2012
	BureauxLocaux	Commercial Real Estate Marketplace in France for buying and leasing	French's Leading Professional Real Estate Platform	2021
Business Marketplace	BizBuySell	Business and Franchise for Sale Marketplace and comparable's for-sale and sold Database	US Largest Marketplace for business transactions; Part of LoopNet portfolio	2012
Transaction Platform	Ten-X	Online Platform for Real Estate Auctions an Negotiated Bids. Available on LoopNet.	#1 Transaction Platform for Commercial Real Estate Sales; Integrated with LoopNet and CoStar	2020
Residential Marketplaces	Home.Com	Online Residential Real Estate Marketplace	-	2021
	Apartments.com	Online Rental Marketplace for multifamily housing and apartments	US Online Apartments Rental Network	2014
	Domain	Australia's Property Marketplace: Real Estate information, tools and services	-	2025
	OnTheMarket	UK's Residential Property Marketplace	-	2023
Land Real Estate	Land.com	Online Rural Real Estate Marketplace	US land marketplace leaders	2017
Lease and Portfolio Management	CoStar Real Estate Manager	Software platform for Lease Administration, Accounting and Portfolio Management	-	-
	Visual Lease	Lease Administration and Accounting focused on efficiency, compliance and streamlined reporting	#1 lease optimization software; Complements CoStar Real Estate Manager	2024
Digital twin	Matterport	3D Digital Twins and Spatial Data Technology	Digitalization Leader of Built World	2025

Table A1.2: Matterport subscriptions plans

	Free	Starter	Professional	Business	Enterprise
Active Spaces	1	20-50	20-150	100-300	Custom
Users	2	3	10	50	Custom
Supported Cameras (unlimited nº)	iOS, Android, 360 Cameras	iOS, Android, 360 Cameras	+360 Cameras, Matterport Pro2 and Pro3, Leica BLK360	+360 Cameras, Matterport Pro2 and Pro3, Leica BLK360	+360 Cameras, Matterport Pro2 and Pro3, Leica BLK360
Space size limit (scan points)	200	500	Unlimited	Unlimited	Unlimited
Price	0€/forever	13€/mo	65€/mo	332€/mo	*Contact Sales for price
Additional information	Individuals or small businesses.	Individuals or small businesses that need all of the essential features.	Small businesses and teams that need more advanced functionality.	Businesses that need more spaces, collaboration, and integration capabilities.	Organizations that need enterprise-grade features, scale, reporting and support.

Table A1.3: Matterport Historical Revenue Growth

Year	Revenue (in $M)	%Change
2019	46.01	
2020	85.88	86.66%
2021	111.17	29.45%
2022	136.13	22.45%
2023	157.75	15.88%
2024	169.70	7.58%
5yr average		**32.40%**

Table A1.4: Historical Revenue of Business Units (in USD M)

Year	Subscriptions				Capture Devices	Services	License
	Free	Paid	Total	**Total amount**			
2019	-	-	-	-	-	-	-
2020	-	-	-	41.56	33.12	7.70	3.50
2021	0.45	0.06	0.50	61.28	32.55	12.59	4.76
2022	0.64	0.06	0.70	73.79	34.97	27.27	0.10
2023	0.87	0.07	0.94	87.24	32.78	37.62	0.11
2024	1.08	0.08	1.15	99.59	28.85	41.26	-

Table A1.5: Historical % Change in Revenue Split by MTTR's Business Units

Year	Subscriptions	Capture Devices	Services	License
2019	-	-	-	-
2020	-	-	-	-
2021	47.44%	-1.74%	63.49%	36.03%
2022	20.42%	7.45%	116.55%	-97.96%
2023	18.23%	-6.27%	37.97%	13.40%
2024	14.16%	-12.00%	9.68%	-

Table A1.6: Historical Revenue Shares of MTTR's Business Units

Year	Subscriptions	Capture Devices	Services	License
2019	-	-	-	-
2020	48.39%	38.57%	8.97%	4.08%
2021	55.12%	29.28%	11.33%	4.28%
2022	54.20%	25.69%	20.03%	0.07%
2023	55.30%	20.78%	23.85%	0.07%
2024	58.69%	17.00%	24.32%	-

Table A1.7: Operational Synergy Model – Base Case

Inputs: Financials | Currency $M	
Deal value	1,900.00
Revenue MMTR 24A	169.70
Revenue CSGP 24A	2,736.00
Combined revenue	2,905.70

Inputs: Synergies | Currency $M	Base	Optimistic	Pessimistic
Revenue synergies % of MTTR rev	3%	4%	2%
Cost synergies % of combined rev	8%	10%	6%
Integration cost % of deal value	2.0%	1.0%	3.0%

Currency: $m	FY25A	FY26A	FY27A	FY28A	FY29A
% of revenue synergies realized	30.0%	60.0%	100.0%	100.0%	100.0%
Revenue synergies	26.15	52.30	87.17	87.17	87.17
% of cost synergies realized	40.0%	70.0%	100.0%	100.0%	100.0%
Cost synergies	5.43	9.50	13.58	13.58	13.58
% of integration costs realized	50.0%	35.0%	15.0%	0.0%	0.0%
Integration costs	(19.00)	(13.30)	(5.70)	-	-
Net synergy cash flow (pre-tax)	12.58	48.51	95.05	100.75	100.75
Tax rate	21%	21%	21%	21%	21%
Net synergy cash flow (after tax)	9.94	38.32	75.09	79.59	79.59
PV of synergies	**9.05**	**31.77**	**56.68**	**54.71**	**49.81**
Terminal value					519.00
PV of terminal value					**324.83**
NPV of synergies					**526.85**

Table A1.8: Operational Synergy Model – Optimistic Case

Inputs: Financials | Currency $M	
Deal value	1,900.00
Revenue MMTR 24A	169.70
Revenue CSGP 24A	2,736.00
Combined revenue	2,905.70

Inputs: Synergies | Currency $	Base	Optimistic	Pessimistic
Revenue synergies % of MTTR rev	3%	4%	2%
Cost synergies % of combined rev	8%	10%	6%
Integration cost % of deal value	2.0%	1.0%	3.0%

Currency: $M	FY25A	FY26A	FY27A	FY28A	FY29A
% of revenue synergies realized	30.0%	60.0%	100.0%	100.0%	100.0%
Revenue synergies	34.87	69.74	116.23	116.23	116.23
% of cost synergies realized	40.0%	70.0%	100.0%	100.0%	100.0%
Cost synergies	6.79	11.88	16.97	16.97	16.97
% of integration costs realized	50.0%	35.0%	15.0%	0.0%	0.0%
Integration costs	(9.50)	(6.65)	(2.85)	-	-
Net synergy cash flow (pre-tax)	32.16	74.97	130.35	133.20	133.20
Tax rate	21%	21%	21%	21%	21%
Net synergy cash flow (after tax)	25.40	59.22	102.97	105.23	105.23
PV of synergies	**23.13**	**49.10**	**77.74**	**72.33**	**65.86**
Terminal value					695.38
PV of terminal value					**435.21**
NPV of synergies					**723.37**

Table A1.9: Operational Synergy Model – Pessimistic Case

Inputs: Financials | Currency $M	
Deal value	1,900.00
Revenue MMTR 24A	169.70
Revenue CSGP 24A	2,736.00
Combined revenue	2,905.70

Inputs: Synergies | Currency $M	Base	Optimistic	Pessimistic
Revenue synergies % of MTTR rev	3%	4%	2%
Cost synergies % of combined rev	8%	10%	6%
Integration cost % of deal value	2.0%	1.0%	3.0%

Currency: $M	FY25A	FY26A	FY27A	FY28A	FY29A
% of revenue synergies realized	30.0%	60.0%	100.0%	100.0%	100.0%
Revenue synergies	17.43	34.87	58.11	58.11	58.11
% of cost synergies realized	40.0%	70.0%	100.0%	100.0%	100.0%
Cost synergies	4.07	7.13	10.18	10.18	10.18
% of integration costs realized	50.0%	35.0%	15.0%	0.0%	0.0%
Integration costs	(28.50)	(19.95)	(8.55)	-	-
Net synergy cash flow (pre-tax)	(6.99)	22.05	59.75	68.30	68.30
Tax rate	21%	21%	21%	21%	21%
Net synergy cash flow (after tax)	(5.52)	17.42	47.20	53.95	53.95
PV of synergies	**(5.03)**	**14.44**	**35.63**	**37.09**	**33.77**
Terminal value					347.11
PV of terminal value					**217.25**
NPV of synergies					**333.14**

Table A1.10: Debt and cash forecast

Currency: $M	FY19A	FY20A	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E	FY28E	FY29E
(=) Net Operating Profit After Tax (NOPAT)	(30.40)	(11.57)	(147.77)	(275.48)	(214.24)	(178.86)	3.41	32.60	57.93	81.25	101.68
(+) Add back: D&A (2)	4.22	4.80	5.82	13.30	19.50	23.30	10.60	13.23	14.58	14.15	13.82
(-) CapEx	0.55	0.03	0.81	1.73	0.14	0.25	1.08	1.17	1.25	1.34	1.43
(-) Change in working capital	-	1.28	(5.48)	17.67	0.75	(8.71)	(0.93)	(2.50)	(2.68)	(2.82)	(2.91)
(+)Non-cash items	1.84	2.50	289.05	(9.53)	119.96	113.96	-	-	-	-	-
(=) Unlevered Free Cash Flow (UFCF)	**(24.89)**	**(5.58)**	**151.77**	**(291.11)**	**(75.67)**	**(33.14)**	**13.86**	**47.16**	**73.94**	**96.88**	**116.98**
(-) Interest Expense / Debt Service	1.25	1.48	(1.13)	(6.28)	(6.41)	(11.61)					
(-) Dividends Paid	-	-	-	-	-	-	-	-	-	-	-
(-) Share Repurchases	(31.86)	(43.25)	(612.85)	-	-	-					
(+/-) Debt Issuance / (Repayment)	1.87	6.71	(13.07)	-	-	-					
(=) Change in Cash	**7.59**	**42.90**	**752.68**	**(284.83)**	**(69.26)**	**(21.53)**	**13.86**	**47.16**	**73.94**	**96.88**	**116.98**
Cash Balance	**8.42**	**51.85**	**139.52**	**472.94**	**388.17**	**246.60**	**225.07**	**238.93**	**286.09**	**360.03**	**456.91**
Gross Debt	14.38	12.72	0.00	0.00	0.00	0.00					
Net Debt	**5.96**	**(39.13)**	**(139.52)**	**(472.94)**	**(388.17)**	**(246.60)**	**(225.07)**	**(238.93)**	**(286.09)**	**(360.03)**	**(456.91)**

Table A1.11: Discounted cash flow model – base case

Currency: $M	FY19A	FY20A	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E	FY28E	FY29E
Total revenue	**46.01**	**85.88**	**111.17**	**136.13**	**157.75**	**169.70**	**186.6**	**202.0**	**217.1**	**232.2**	**247.3**
(-)Total cost of goods sold	23.86	37.95	51.20	84.28	87.26	86.79	**91.4**	**95.4**	**99.2**	**102.8**	**106.4**
(=)Gross profit	**22.15**	**47.93**	**59.97**	**51.85**	**70.49**	**82.91**	95.21	106.54	117.90	129.34	140.87
(-)Selling, general & administrative expenses	48.33	54.70	201.92	314.03	265.23	238.47	**81**	**61**	**45**	**34**	**25**
(=)EBITDA	**(26.18)**	**(6.77)**	**(141.95)**	**(262.18)**	**(194.74)**	**(155.56)**	**14.01**	**45.83**	**72.51**	**95.40**	**115.50**
(-)Depreciation & amortization	4.22	4.80	5.82	13.30	19.50	23.30	10.60	13.23	14.58	14.15	13.82
(=)EBIT	**(30.40)**	**(11.57)**	**(147.77)**	**(275.48)**	**(214.24)**	**(178.86)**	**3.41**	**32.60**	**57.93**	**81.25**	**101.68**
(-)Effective Tax Payment	-	-	-	-	-	-	-	-	-	-	-
(=)Net Operating Profit After Tax (NOPAT)	**(30.40)**	**(11.57)**	**(147.77)**	**(275.48)**	**(214.24)**	**(178.86)**	**3.41**	**32.60**	**57.93**	**81.25**	**101.68**
(+)Add back: D&A	4.22	4.80	5.82	13.30	19.50	23.30	10.60	13.23	14.58	14.15	13.82
(+)Non-cash items	1.84	2.50	289.05	(9.53)	119.96	113.96	-	-	-	-	-
(-)Change In NWC	-	1.28	(5.48)	17.67	0.75	(8.71)	(0.93)	(2.50)	(2.68)	(2.82)	(2.91)
(-) CapEx	0.55	0.03	0.81	1.73	0.14	0.25	1.08	1.17	1.25	1.34	1.43
(-) R&D expenses	4.32	4.85	7.20	12.59	9.77	9.32	7.94	7.19	6.51	5.89	5.33
(=)Unlevered Free Cash Flow (UFCF)	**(29.21)**	**(10.43)**	**144.57**	**(303.70)**	**(85.44)**	**(42.46)**	**5.91**	**39.97**	**67.43**	**90.99**	**111.65**
Discount period	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.00	2.00	3.00	4.00	5.00
PV of Unlevered FCF	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**5.39**	**33.14**	**50.90**	**62.54**	**69.88**

Currency: $M	
Terminal Growth Rate	*2.37%*
Post-Tax WACC	*9.83%*
Terminal Value	**1,534**

(Continuation of Table A1.11)

Implied Valuation of MTTR	
PV of UFCF	222
PV of Terminal value	960
PV of Tax loss carry forward benefit	87
Implied Enterprise Value	**1,182**
Less: Net debt	(247)
Less: Noncontrolling interest	-
Implied Equity Value	**1,428**
# Shares outstanding (in M)	327
Implied Share Price	**$4.37**

Table A1.12: Discounted cash flow model – optimistic case

Currency: $M	FY19A	FY20A	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E	FY28E	FY29E
Total revenue	**46.01**	**85.88**	**111.17**	**136.13**	**157.75**	**169.70**	**197.1**	**218.4**	**239.4**	**260.9**	**282.5**
(-)Total cost of goods sold	23.86	37.95	51.20	84.28	87.26	86.79	**95.7**	**101.8**	**107.4**	**112.8**	**117.8**
(=)Gross profit	**22.15**	**47.93**	**59.97**	**51.85**	**70.49**	**82.91**	**101.41**	**116.57**	**131.97**	**148.09**	**164.69**
(-)Selling, general & administrative expenses	48.33	54.70	201.92	314.03	265.23	238.47	**85**	**67**	**53**	**41**	**32**
(=)EBITDA	**(26.18)**	**(6.77)**	**(141.95)**	**(262.18)**	**(194.74)**	**(155.56)**	**16.10**	**49.56**	**79.33**	**106.74**	**132.21**
(-)Depreciation & amortization	4.22	4.80	5.82	13.30	19.50	23.30	10.68	13.45	14.97	14.71	14.53
(=)EBIT	**(30.40)**	**(11.57)**	**(147.77)**	**(275.48)**	**(214.24)**	**(178.86)**	**5.41**	**36.11**	**64.35**	**92.03**	**117.68**
(-)Effective Tax Payment	-	-	-	-	-	-	-	-	-	-	-
(=)Net Operating Profit After Tax (NOPAT)	**(30.40)**	**(11.57)**	**(147.77)**	**(275.48)**	**(214.24)**	**(178.86)**	**5.41**	**36.11**	**64.35**	**92.03**	**117.68**
(+)Add back: D&A (2)	4.22	4.80	5.82	13.30	19.50	23.30	10.68	13.45	14.97	14.71	14.53
(+)Non-cash items	1.84	2.50	289.05	(9.53)	119.96	113.96	-	-	-	-	-
(-)Change In NWC	-	1.28	(5.48)	17.67	0.75	(8.71)	1.21	(1.70)	(1.79)	(1.81)	(1.83)
(-) CapEx	0.55	0.03	0.81	1.73	0.14	0.25	1.31	1.45	1.59	1.73	1.88
(-) R&D expenses	4.32	4.85	7.20	12.59	9.77	9.32	8.07	7.42	6.82	6.27	5.77
(=)Unlevered Free Cash Flow (UFCF)	**(29.21)**	**(10.43)**	**144.57**	**(303.70)**	**(85.44)**	**(42.46)**	**5.51**	**42.39**	**72.70**	**100.54**	**126.39**
Discount period	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.00	2.00	3.00	4.00	5.00
PV of Unlevered FCF	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**5.02**	**35.15**	**54.88**	**69.11**	**79.10**

Currency: $M	
Terminal Growth Rate	*3.75%*
Post-Tax WACC	*9.83%*
Terminal Value	**2,156**

(Continuation of Table A1.12)

Implied Valuation of MTTR	
PV of UFCF	243
PV of Terminal value	1,350
PV of Tax loss carry forward benefit	95
Implied Enterprise Value	**1,593**
Less: Net debt	(247)
Less: Noncontrolling interest	-
Implied Equity Value	**1,840**
# Shares outstanding (in M)	327
Implied Share Price	**$5.63**

Table A1.13: Discounted cash flow model – pessimistic case

Currency: $M	FY19A	FY20A	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E	FY28E	FY29E
Total revenue	**46.01**	**85.88**	**111.17**	**136.13**	**157.75**	**169.70**	**172.7**	**175.4**	**177.6**	**179.7**	**181.9**
(-)Total cost of goods sold	23.86	37.95	51.20	84.28	87.26	86.79	**88.5**	**90.1**	**91.6**	**93.1**	**94.6**
(=)Gross profit	**22.15**	**47.93**	**59.97**	**51.85**	**70.49**	**82.91**	**84.20**	**85.24**	**85.96**	**86.61**	**87.26**
(-)Selling, general & administrative expenses	48.33	54.70	201.92	314.03	265.23	238.47	**77**	**55**	**39**	**28**	**20**
(=)EBITDA	**(26.18)**	**(6.77)**	**(141.95)**	**(262.18)**	**(194.74)**	**(155.56)**	**7.11**	**30.53**	**47.12**	**59.04**	**67.69**
(-)Depreciation & amortization	4.22	4.80	5.82	13.30	19.50	23.30	10.51	13.00	14.18	13.58	13.08
(=)EBIT	**(30.40)**	**(11.57)**	**(147.77)**	**(275.48)**	**(214.24)**	**(178.86)**	**(3.40)**	**17.52**	**32.94**	**45.46**	**54.61**
(-)Effective Tax Payment	-	-	-	-	-	-	-	-	-	-	-
(=)Net Operating Profit After Tax (NOPAT)	**(30.40)**	**(11.57)**	**(147.77)**	**(275.48)**	**(214.24)**	**(178.86)**	**(3.40)**	**17.52**	**32.94**	**45.46**	**54.61**
(+)Add back: D&A (2)	4.22	4.80	5.82	13.30	19.50	23.30	10.51	13.00	14.18	13.58	13.08
(+)Non-cash items	1.84	2.50	289.05	(9.53)	119.96	113.96	-	-	-	-	-
(-)Change In NWC	-	1.28	(5.48)	17.67	0.75	(8.71)	(3.22)	(3.43)	(3.57)	(3.64)	(3.67)
(-) CapEx	0.55	0.03	0.81	1.73	0.14	0.25	0.85	0.86	0.87	0.88	0.89
(-) R&D expenses	4.32	4.85	7.20	12.59	9.77	9.32	7.82	6.97	6.21	5.53	4.93
(=)Unlevered Free Cash Flow (UFCF)	**(29.21)**	**(10.43)**	**144.57**	**(303.70)**	**(85.44)**	**(42.46)**	**1.66**	**26.13**	**43.61**	**56.27**	**65.54**
Discount period	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.00	2.00	3.00	4.00	5.00
PV of Unlevered FCF	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**1.51**	**21.66**	**32.92**	**38.68**	**41.02**

Currency: $M	
Terminal Growth Rate	*1.00%*
Post-Tax WACC	*9.83%*
Terminal Value	**750**

(Continuation of Table A1.13)

Implied Valuation of MTTR	
PV of UFCF	136
PV of Terminal value	469
PV of Tax loss carry forward benefit	75
Implied Enterprise Value	**605**
Less: Net debt	(247)
Less: Noncontrolling interest	-
Implied Equity Value	**852**
# Shares outstanding (in M)	327
Implied Share Price	**$2.61**

Table A1.14: Comparable companies' selection criteria (own creation)

Company	Saas / Recurring Model?	High Growth Stage?	B2B Focus?	Cloud-Native (Minimal HW/Services)?
Alkami Technology Inc	✓	✓	✓	✓
Appian Corp	✓	✗	✓	✗
Asana Inc	✓	✗	✓	✓
Braze Inc	✓	✓	✓	✓
DigitalOcean Holdings Inc	✓	✗	✓	✓
Freshworks Inc	✓	✓	✓	✓
PagerDuty Inc	✓	✗	✓	✓
Phreesia Inc	✓	✓	✓	✗
Sprinklr Inc	✓	✗	✓	✓
Xometry Inc	✗	✓	✓	✗
Sprout Social Inc	✓	✗	✓	✓

Table A1.15: Comparable companies' main metrics (own creation)

Company	Price /FY)	EPS /FY)	EPS FTM	Enterprise Value	Revenue LTM	Revenue FTM	3yr Revenue Growth
Asana Inc	$20.27	-$0.13	$0.24	$4,458.66	$723.88	$786.39	9.20%
Alkami Technology Inc	$36.68	-$0.41	-$0.44	$3,570.48	$333.85	$443.45	12.17%
Braze Inc	$41.88	-$1.02	-$1.08	$4,266.00	$593.41	$717.70	17.88%
Freshworks Inc	$16.19	-$0.32	-$0.11	$3,827.09	$720.42	$833.81	8.85%

Table A1.16: Comparable companies' valuation

	EV/Revenue		Price/(Revenue per share)
	FY	NTM	FY
25th percentile	5.95x	5.40x	6.69x
Mean	7.34x	6.06x	7.85x
Median	**6.67x**	**5.81x**	**7.04x**
75th percentile	8.07x	6.47x	8.20x
EV to Equity Bridge (FY)	**EV / Rev (FY)**	**EV / Rev (NTM)**	**Price/(Revenue per share)**
Implied Enterprise Value (in M)	$1,132.61	$1,056.85	$949.76
Less: Net Debt and non-controlling interests (in M)	-$246.6	-$246.6	-$246.60
Implied Equity Value (in M)	**$1,379.21**	**$1,303.45**	$1,196.36
Number of Shares Outstanding (in M)	326.86	326.86	326.86
Implied Share Price (Pessimistic Case)	$ 3.84	$ 3.76	$ 3.48
Implied Share Price (Base Case)	**$ 4.22**	**$ 3.99**	**$ 3.66**
Implied Share Price (Optimistic Case)	$ 4.94	$ 4.36	$ 4.27

Table A1.17: Precedent transactions' main metrics (own creation)

Company	Ann. Date	Enterprise Value	Deal Value (Equity Value)	Revenue LTM	Revenue FTM	EPS LTM	3YR Revenue Growth
Duck Creek Technologies Inc	1/9/2023	$2,313.09	$2,576.97	$310.08	$348.00	-$0.11	19.63%
ForgeRock Inc	10/11/2022	$1,884.64	$2,187.58	$201.89	$250.39	-$0.47	30.12%
Ping Identity	8/3/2022	$2,579.27	$2,497.48	$308.32	n.a	-$1.26	11.03%
Talend Inc	3/10/2021	$2,379.56	$2,394.28	$306.03	n.a	-$2.60	20.21%

Table A1.18: Precedent transactions valuation

	EV/LTM Rev	EV/FTM Rev	Deal Value/LTM Rev
25th Percentile	7.7x	6.8x	8.0x
Mean	8.2x	7.1x	8.8x
Median	**8.1x**	**7.1x**	**8.2x**
75th Percentile	8.6x	7.3x	8.9x

EV to Equity Bridge (LTM)	EV/LTM Rev	EV/FTM Rev	Deal Value/LTM Rev
Implied Enterprise Value (in M)	$1,369.57	$1,289.80	$1,145.87
Less: Net Debt and non-controlling interests (in M)	-246.6	-246.6	-$246.60
Implied Equity Value (in M)	**$1,616.17**	**$1,536.40**	**$1,392.47**
# Shares Outstanding (in M)	326.86	326.86	326.86
Implied Share Price			
Implied Share Price (Pessimistic Case)	$4.73	$4.56	$4.15
Implied Share Price (Median)	**$4.94**	**$4.70**	**$4.26**
Implied Share Price (Optimistic Case)	$5.22	$4.82	$4.64

Table A1.19: Estimated future amortization expenses (Matterport, Inc., 2024)

Year	Amount
2025	$1,770
2026	$1,770
2027	$705
2028	$690
2029	$690

Table A1.20: Share prices for each valuation method and each scenario

Valuation Model	Share Price			
	Pessimistic	Base	Optimistic	**Valuation Range**
Discounted Cash Flow	$2.61	$4.37	$5.63	$3.02
Adjusted Present Value	$2.61	$4.37	$5.63	$3.02
CCA: EV / Rev (FY)	$3.84	$4.22	$4.94	$1.10
CCA: EV / Rev (NTM)	$3.76	$3.99	$4.36	$0.60
PTA: EV / Rev (LTM)	$4.73	$4.94	$5.22	$0.49
PTA: EV / Rev (FTM)	$4.56	$4.70	$4.82	$0.26
52-week trading range	$1.74	$4.37	$4.96	$3.22
Average	$3.41	$4.42	$5.08	$1.67
Median	$3.76	$4.37	$4.96	$1.10

Figure A1.1: Grand View Research 2024 – Global digital twin market size evolution

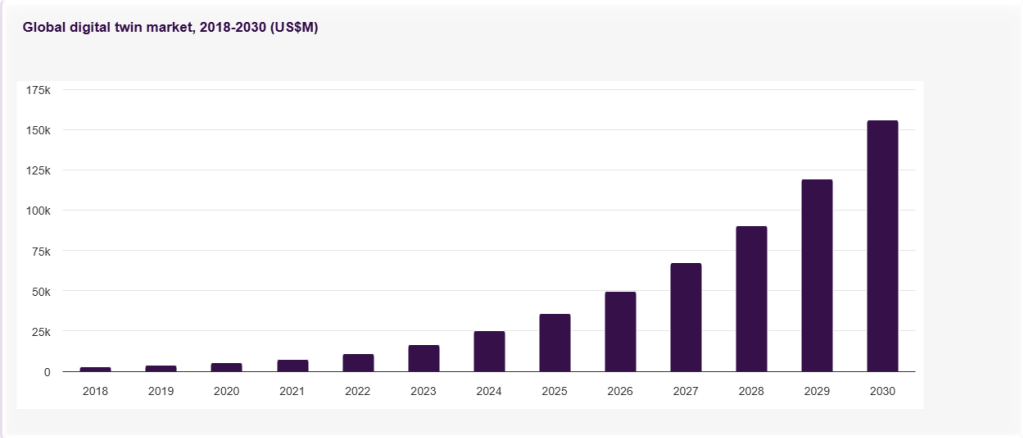
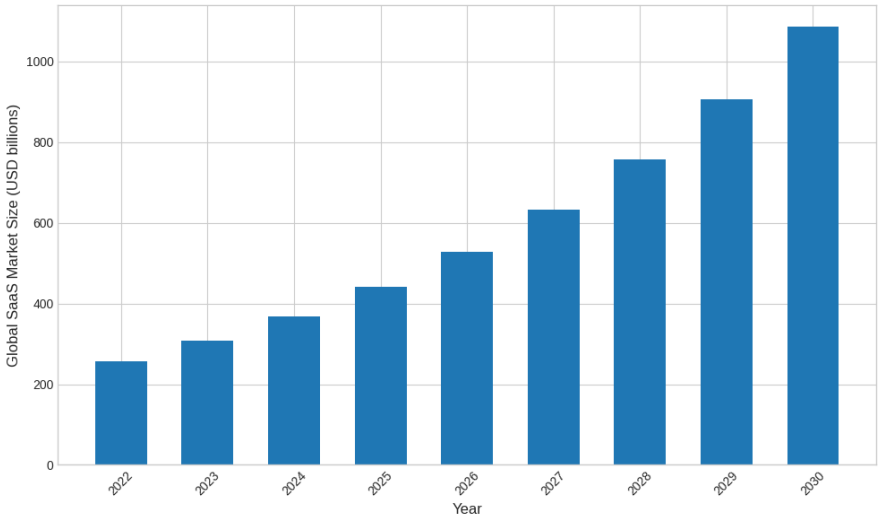


Figure A1.2: Global SaaS market size estimation (own creation)



Appendix Individual Part

Figure A2.1: Average 18-Month BHAR by Merger Year

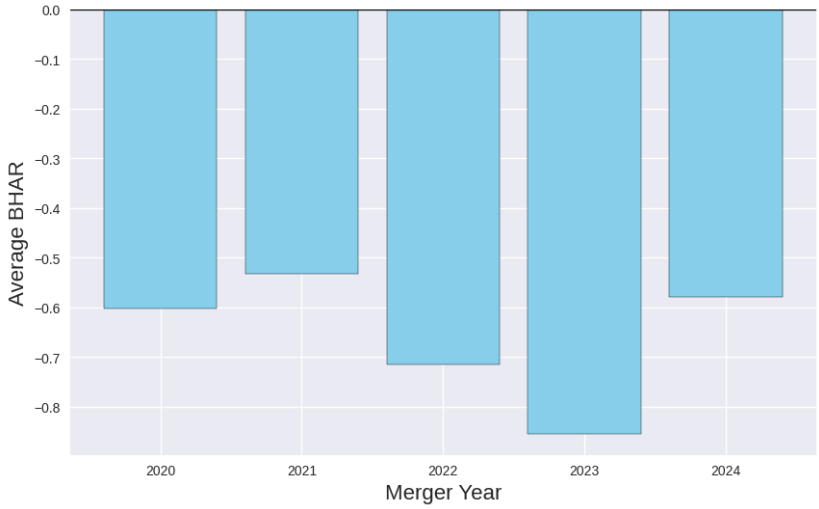


Figure A2.2: Distribution of 18-Month Abnormal Returns

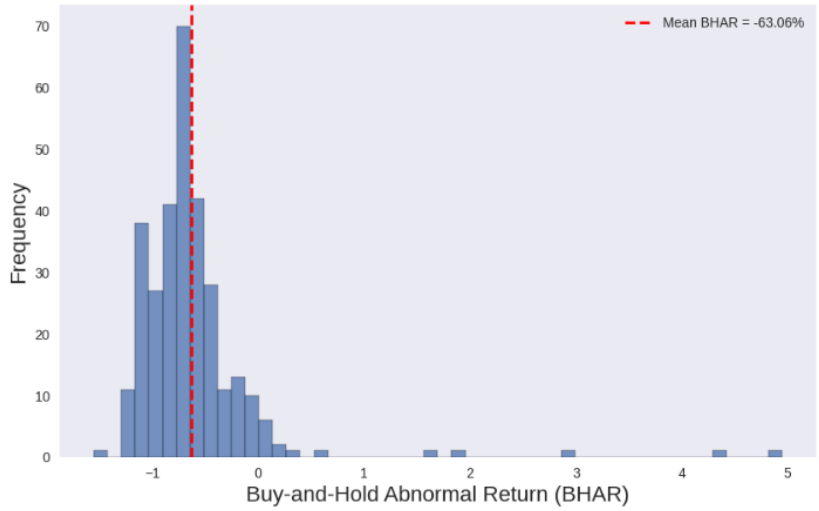


Table A2.1: Sample Selection Criteria

Filter Description	Number of Companies
Total US SPAC mergers	378
Deal Value > 100M	342
Firms with no price history	27
Target became public with the merger	314
The acquirer merged with more than 1 company	7
Total Companies to analyze	307

Table A2.2: ANOVA test results (H2: BHAR vs merger year)

F-statistic	3.076834492
Numerator DF	4
Denominator DF	302
P-value	0.016602142

Table A2.3: Regression 1 Results

BHAR	Coefficient	Robust St. Error	t	P > | t |
Delisted Dummy	-0.171	(0.065)	-2.620	0.009
Merger Year				
2021	0.042	(0.123)	0.340	0.732
2022	-0.159	(0.152)	-1.050	0.296
2023	-0.325	(0.147)	-2.210	0.028
2024	-0.076	(0.417)	-0.180	0.855
Industries				
Automobiles & Components	-0.061	(0.104)	-0.590	0.553
Biotechnology	0.019	(0.133)	0.140	0.886
Computers & Peripherals	-0.029	(0.120)	-0.240	0.807
Healthcare Equipment & Supplies	-0.031	(0.118)	-0.260	0.794
Other Energy & Power	-0.201	(0.101)	-1.990	0.048
Pharmaceuticals	0.025	(0.131)	0.190	0.848
Software	0.098	(0.084)	1.170	0.244
Intercept	-0.578	(0.128)	-4.500	0.000
Number of observations: 307				
R-squared: 0.063				

Table A2.4: Regression 2 Results

BHAR	Coefficient	Robust St. Error	t	P > | t |
Delisted Dummy	-0.134	(0.064)	-2.09	0.037
Merger Year				
2021	0.007	(0.130)	0.06	0.954
2022	-0.164	(0.158)	-1.04	0.298
2023	-0.312	(0.148)	-2.11	0.036
2024	-0.038	(0.461)	-0.08	0.935
Industries				
Automobiles & Components	-0.112	(0.116)	-0.97	0.335
Biotechnology	-0.017	(0.136)	-0.12	0.903
Computers & Peripherals	-0.048	(0.129)	-0.37	0.709
Healthcare Equipment & Supplies	-0.058	(0.123)	-0.47	0.638
Other Energy & Power	-0.188	(0.102)	-1.85	0.066
Pharmaceuticals	0.001	(0.130)	0.01	0.992
Software	0.063	(0.081)	0.78	0.438
Merger Quarter				
2	0.293	(0.208)	1.41	0.16
3	0.096	(0.109)	0.88	0.381
4	0.064	(0.098)	0.65	0.514
Intercept	-0.640	(0.154)	-4.16	0.000
Number of observations: 307				
R-squared: 0.085				

Table A2.5: Regression 3 Results

BHAR	Coefficient	Robust St. Error	t	P > | t |
Delisted Dummy	-0.210	0.07	-3.00	0.003
ROA	0.010	0.029	0.33	0.738
EBITDA_Margin	0.001	0.001	1.78	0.077
OCF/Assets	0.007	0.061	0.11	0.913
Cash/Assets	-0.034	0.258	-0.13	0.895
Merger Year				
2021	0.081	0.144	0.56	0.576
2022	-0.176	0.188	-0.94	0.351
2023	-0.401	0.163	-2.46	0.015
2024	0.375	0.701	0.54	0.593
Industries				
Automobiles & Components	-0.008	0.138	-0.06	0.956
Biotechnology	-0.077	0.107	-0.72	0.474
Computers & Peripherals	0.126	0.152	0.83	0.407
Healthcare Equipment & Supplies	-0.117	0.177	-0.66	0.509
Other Energy & Power	-0.094	0.099	-0.96	0.339
Pharmaceuticals	0.113	0.155	0.73	0.466
Software	0.158	0.094	1.67	0.097
Intercept	-0.621	0.144	-4.30	0.000

Number of observations: 192
R-squared: 0.115

Table A2.6: Regression 4 Results

BHAR	Coefficient	Robust St. Error	t	P > | t |
Delisted Dummy	-0.220	0.074	-2.97	0.003
ΔROA	0.047	0.033	1.44	0.151
ΔEBITDA_Margin	-0.001	0.001	-0.68	0.496
ΔOCF/Assets	-0.153	0.122	-1.26	2.11
Merger Year				
2021	0.069	0.142	0.49	0.627
2022	-0.187	0.177	-1.06	0.292
2023	-0.390	0.157	-2.48	0.014
2024	0.221	0.626	0.35	0.724
Industries				
Automobiles & Components	-0.048	0.157	-0.30	0.762
Biotechnology	-0.075	0.103	-0.72	0.472
Computers & Peripherals	-0.033	0.141	-0.24	0.813
Healthcare Equipment & Supplies	-0.020	0.175	-0.11	0.911
Other Energy & Power	-0.087	0.102	-0.85	0.396
Pharmaceuticals	0.079	0.161	0.49	0.623
Software	0.158	0.097	1.64	0.103
Intercept	-0.629	0.144	-4.37	0.000

Number of observations: 194
R-squared: 0.115