

HyperloopTT to Become Public Company

By **DESTINY TORRES** *Staff Reporter*

Hyperloop Transportation Technologies, a transportation and technology licensing company, and Forest Road Acquisition Corp. II, a publicly traded special purpose acquisition company, have entered into a definitive merger agreement that is expected to result in HyperloopTT becoming a publicly listed company.

Directors of HyperloopTT and Forest Road have unanimously approved this transaction. The deal, which was announced on Nov. 22, is subject to customary closing conditions and is expected to close in the first half of 2023.

The Playa Vista-based technology company is focused on realizing the hyperloop, a system that moves people and goods sustainably by levitating capsules and moving them at the same velocity as airplanes, which is made possible by using passive magnetic levitation technology and a linear electric motor in a tube with minimal pressure, reducing resistance.



A Hyperloop TT capsule stationed in a hangar.

The merger transaction ascribes to HyperloopTT an equity value of approximately \$600 million and is expected to deliver up to \$330 million in net proceeds to the combined company at close.

The company developed a hyperloop test track in Toulouse, France. According to HyperloopTT, with the deployment of this test track, the company has built a portfolio relating to patents across levitation and propulsion, low-pressure tube transportation and passenger experience.

These patents are the basis of a technology that combines sustainability with the ability to reach destinations faster, which plays into HyperloopTT's goal of redefining the urban landscape, creating new economic opportunities, and disrupting the transportation industry.

HyperloopTT licenses its technology to its customers, which include governments, infrastructure operators, and transportation operators. Its technology licensing business model would enable three potential revenue streams: a one-

time license fee during system construction, annual license fees throughout the life of a system, and annual percentage of sales.

There are several hyperloop projects in various stages globally, including a prototype in Italy called the “Hyper Transfer Demonstrator project” which is awaiting final approval.

Red Flags?

Lloyd Greif, president and chief executive of the downtown-based investment bank Greif & Co., believes it is a risky deal.

“There is no IPO market right now,” Greif said. “You can hear a pin drop in the initial public offering markets here in the U.S. So, their next choice is, ‘We need access to capital. We think we can get access to capital on a more efficient basis and at a lower cost of capital if we’re publicly traded.’ Hence, merging into this blank check company.”

Greif continued, saying the company’s projects are “very early stage.” “They talk about hyper cargo solutions for Germany. They’re at precommercialization-ready technology, which means they’re not commercializing it,” Greif said.

Another concern is that the deal is being made with a special purpose acquisition com-

pany, or SPAC. According to Greif, SPACs have been on a sharp decline over the past year.

“The vast majority of SPAC deals trade down substantially after they go public. So, this is going to go public at \$10 a share. And then the question is, what’s it going to be one month after it goes public, or two months or three months or one year?” Greif said.

Greif’s opinion is that HyperloopTT is not ready for the public stage yet. “If you’ve got a high-tech company and the technology isn’t ready, so to speak, it’s still in the development stage. That’s a venture capital deal,” Greif explained. “It’s financed by sophisticated institutional investors who are there to take an idea through the product development stage and then when it’s in the process of being commercialized and actually generating revenues, they can then talk about going to the public markets and gaining access to capital. The public market is not supposed to be venture capital. Public markets are supposed to be for more mature, less risky growth companies,” he said.

Moving Forward

Andrés de León, chief executive of HyperloopTT, refutes that.

“Our company is definitely ready to go public,” De León said. “We have been thinking about this and we have been preparing ourselves. Of course, if we were not ready, we would not do (it). We also believe that the addition of Forest Road is going to help us.”

De León believes going public is the right step to making the company more legitimate, especially at a time when they are discussing constructing more projects around the world.

“The industry is taking some acceleration,” De León said. “We believe that being a public company is going to give us legitimacy. It’s going to make us more credible.” Despite the shaky economy, he believes now is the time to make this jump into the public markets.

“A lot of people told us a long time ago that it was not time for a hyperloop system and that we were never going to see a hyperloop system and we were never going to go through regulation,” De León said. “We like a challenge. We are innovators with a challenge, and we believe that that is the moment to (go public).”