Investment Research & Analytics

US Special Purpose Acquisition Companies: IPO Market Overview

aranca

Momentum in SPAC market to remain strong owing to big ticket deals, high profile mergers, and growing investor interest

What is a SPAC?

A Special Purpose Acquisition Company (SPAC) is a publicly traded investment vehicle that raises funds via an initial public offering (IPO) to complete a targeted acquisition.

SPAC IPO Momentum

YTD 2020, 138 black-check companies are expected to raise USD47 billion, on track to register another banner year.

The TMT, Generalist and Consumer sectors have led listings in 2020 so far.

SPAC IPO and initial business combination (IBC) Outlook

The recent big-ticket IPOs (backed by well-known sponsors) and high-profile company mergers have attracted the attention of the financial community.

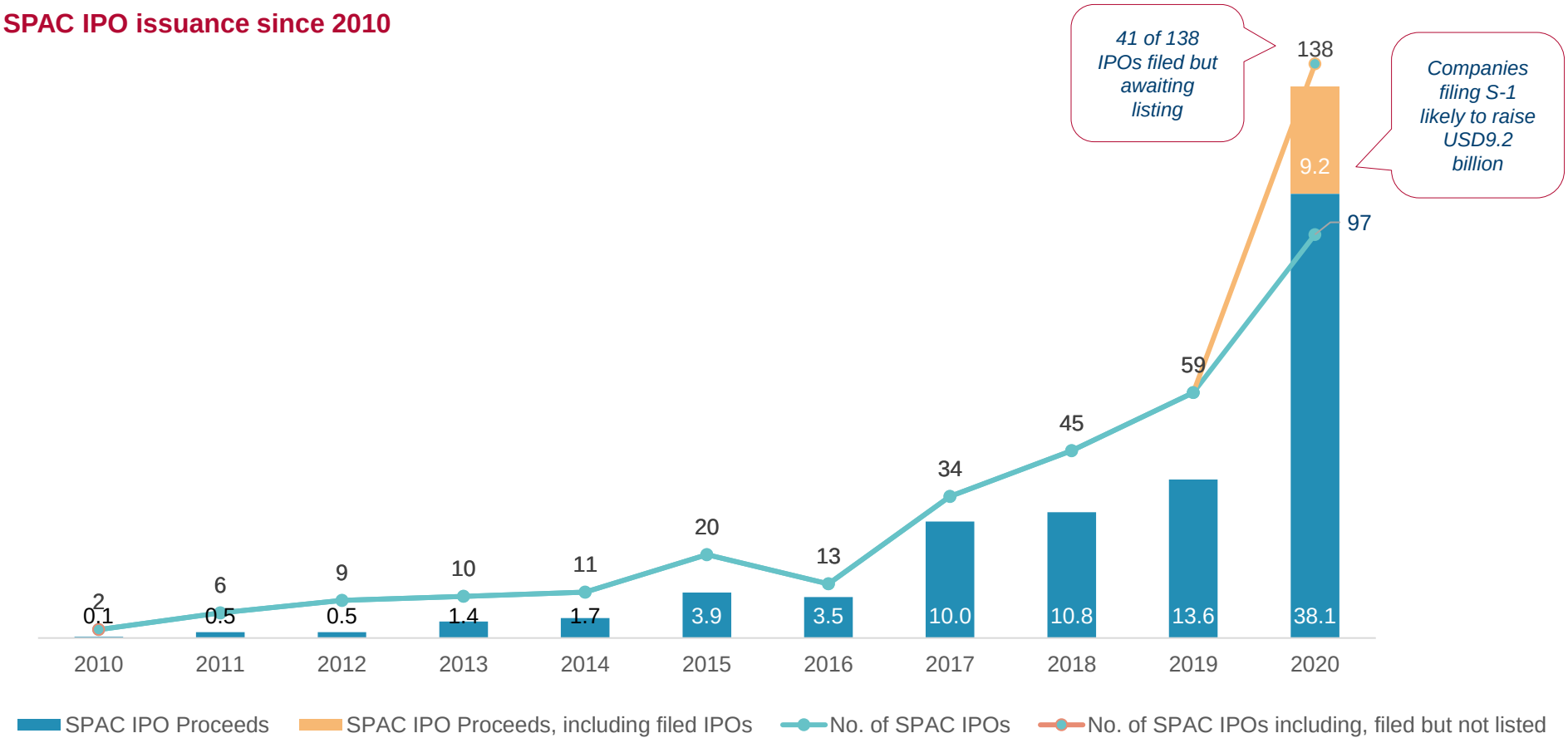
The surging interest in SPACs among private companies and investors is expected to accelerate the momentum of SPAC IPOs in 2020.

Source: Nasdaq, Aranca Research

Significant growth in SPAC market makes it mainstream alternative to traditional IPOs

As of September 2020, 138 SPAC IPOs raised USD47.0 billion in proceeds, surpassing the previous all-time high reached in 2019.

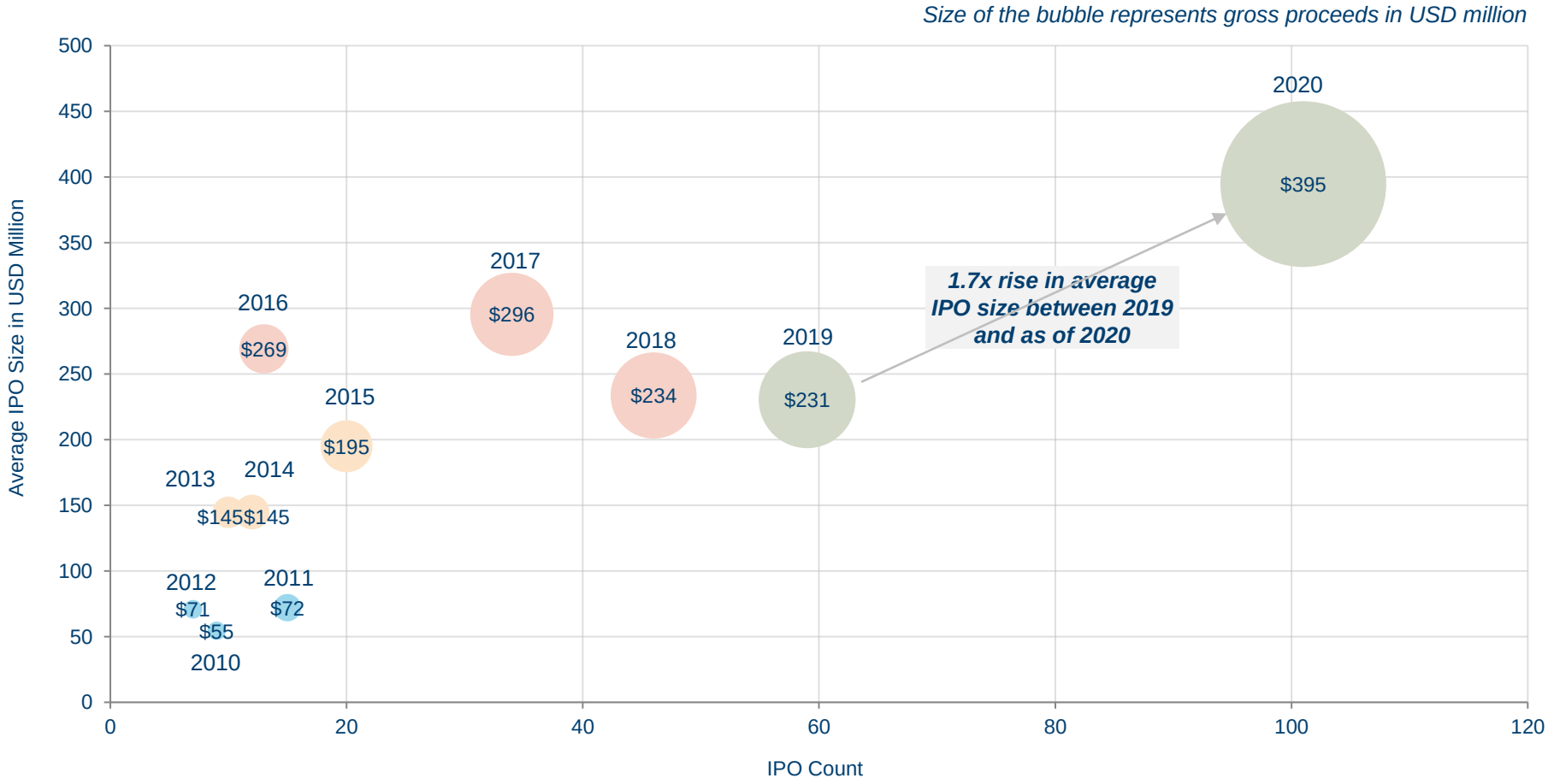
SPAC IPO issuance since 2010



Source: S&P Capital IQ, SPAC Alpha, SPAC Insider, Aranca Research
Note: Data as off 15th September 2020

SPAC IPOs increase rapidly; average ticket size rises 1.7 times in 2020 versus 2019

The average size of SPAC IPOs increased to USD395 million in 2020 from USD231 million in 2019 and USD55 million in 2010, driven by multiple big ticket billion-dollar IPO transactions.

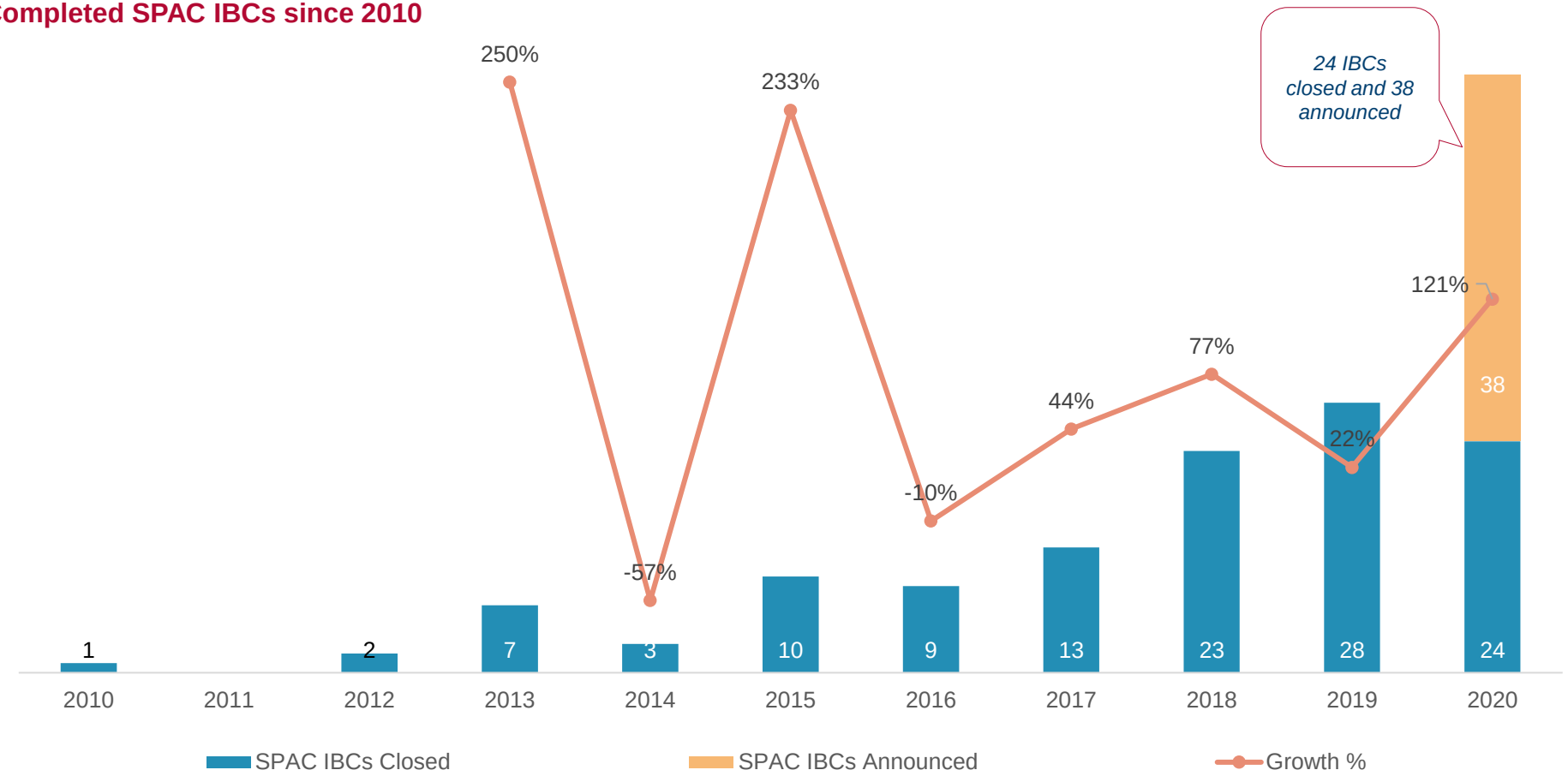


Source: S&P Capital IQ, SPAC Alpha, SPAC Insider, Aranca Research

Successfully completed SPAC mergers at all-time high; highly viable public market liquidity route for private companies

Since 2019, 52 SPACs have completed mergers and 38 have announced initial business combination agreements.

Completed SPAC IBCs since 2010

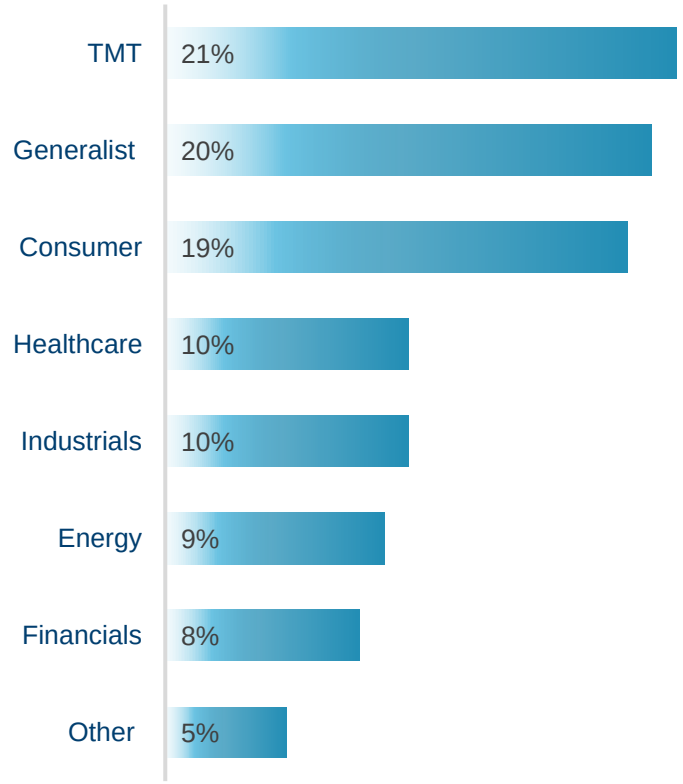


Source: S&P Capital IQ, SPAC Alpha, SPAC Insider, Aranca Research

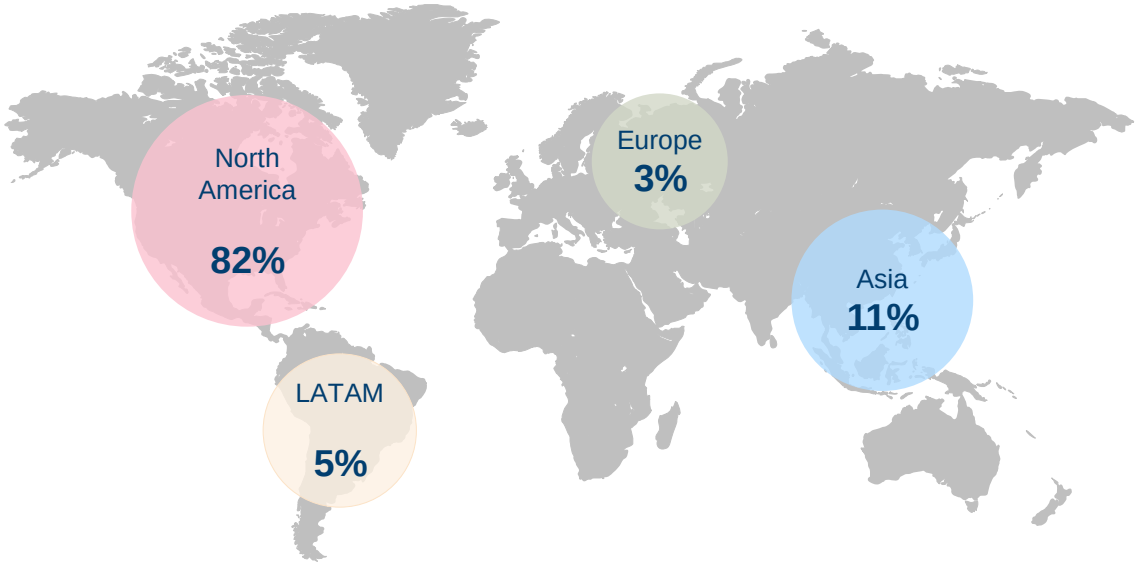
TMT sector records highest SPAC activity; most targets located in North America

*The highest SPAC acquisition activity was witnessed in the TMT sector (21%), followed by the Generalist (20%) and Consumer (19%) sectors. More than 80% of acquisition targets were headquartered in North America**

Classification of SPACs by sector focus**



Classification of SPACs by geographic focus**



Source: S&P Capital IQ, SPAC Alpha, SPAC Insider, Aranca Research
*Notes: *1. by disclosure in S-1 filing if no deal announced during 2015−20; *2. Classified by HQ location and industry of SPAC target*

Highest Listing Day Gains of IPOs in 2020

	IPO Price	First Day Closing Price	Percentage Change
BIGCOMMERCE	$24	$72.27	201%
ncino	$31	$91.59	195%
BERKELEY LIGHTS	$22	$65.45	197.5%
agora	$20	$50.50	152.5%
Lemonade™	$29	$69.41	139%

Source: Crunchbase, Aranca Research

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countries where we have delivered projects

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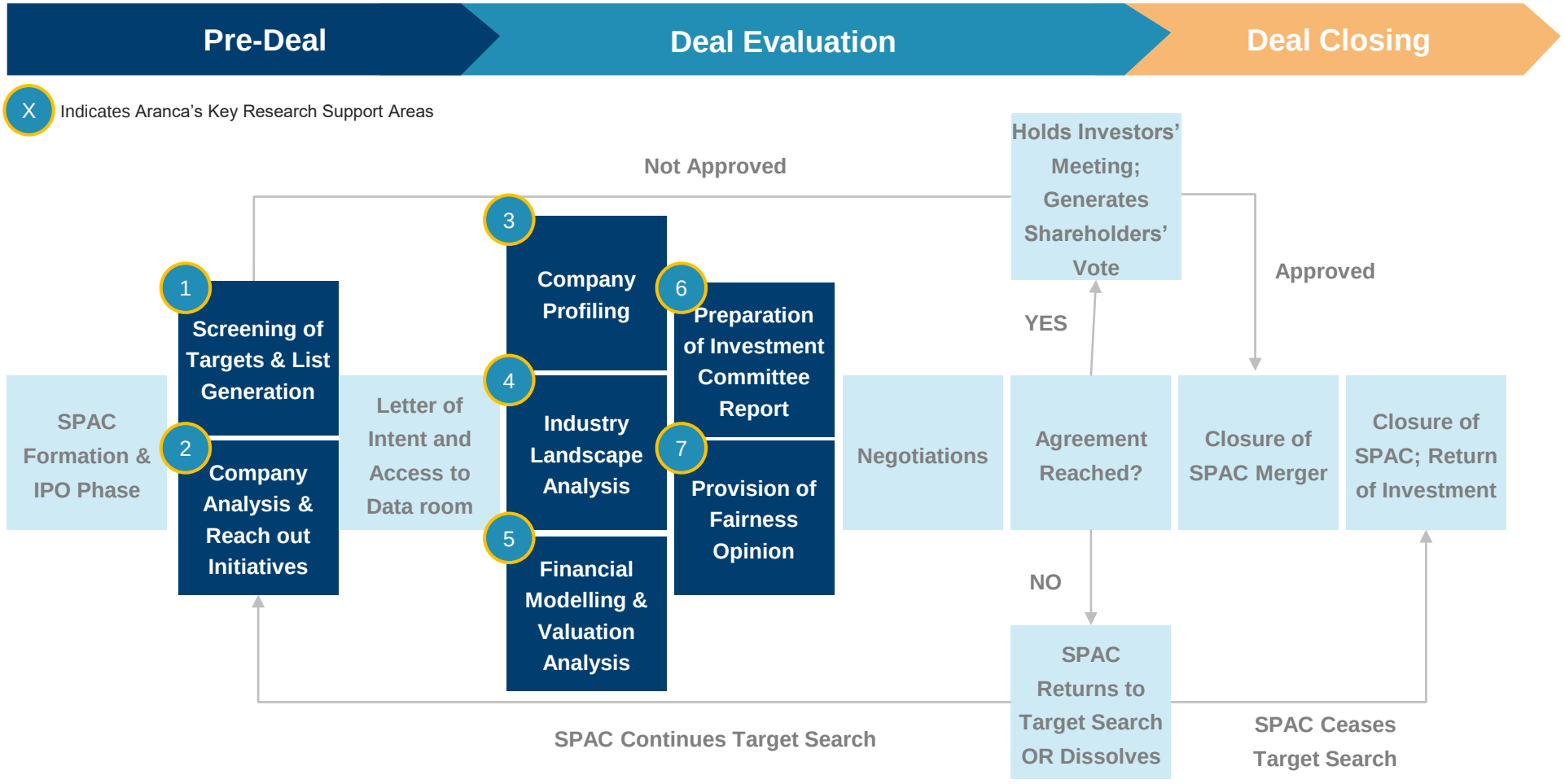
Investment research expertise leveraged across deal cycles of SPAC transactions



Note: Indicative SPAC life cycle based on 12–24 months timeline to complete a merger

SPAC-Focused Services

Enabling partners to focus on core deal-making activities

SPAC Verticals	Aranca's Key Research Support Areas
1 Screening of Targets & List Generation	▪ Screening the industry's ecosystem comprehensively to define and map potential opportunity segments ▪ Generating a comprehensive list of target companies for each segment; specifying logic for each target to derive short list for immediate action and continuous tracking
2 Company Analysis & Reach out Initiatives	▪ Analyzing the company and comparing it with the shortlisted target companies ▪ Initiating email campaigns to reach out to potential target companies for SPAC opportunities
3 Company Profiling	▪ Gathering in-depth information on best-fit target companies and providing intrinsic analysis of their market and financial positions
4 Industry Landscape Analysis	▪ Conducting a comprehensive industry landscape analysis to provide rich insights and perspectives supported by inputs from various secondary and primary research solutions
5 Financial Modelling & Valuation Analysis	▪ Gauging the company's overall financial health using key financial ratios, analysing performance business segments, critically evaluating key assumptions to assess the quality of forecasts, providing indicative valuation of target companies using valuation methods such as DCF and Comparable Analysis
6 Preparation of Investment Committee Report	▪ Presenting to the SPAC board of directors an Investment Committee Report, which would include a summary of the opportunity, comprehensive investment thesis, and strategic plans of target companies
7 Provision of Fairness Opinion	▪ Providing in-depth analysis and opinions that could withstand scrutiny from shareholders, lenders, and regulatory authorities ▪ Offering an objective view on the key financial parameters of a transaction

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