

US Special Purpose Acquisition Companies: Market 2020 Review



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



SPAC IPO vs Traditional IPO

SPAC IPOs have emerged as popular alternatives to the traditional IPOs for companies seeking certainty in pricing and speed in listing or those companies without proven business models.

In 2020, SPAC IPOs finally beat traditional IPOs in terms of both capital raised and the number of deals.



SPAC IPO Momentum

In 2020, 248 black-check companies raised USD83 bn, another banner year.

The TMT, Generalist, and Consumer sectors led the listings in 2020, accounting for 60% of total capital raised.



SPAC IPO and Initial Business Combination (IBC) Outlook

Surging interest among private companies and investors would continue to drive the momentum of SPAC IPOs in 2021.

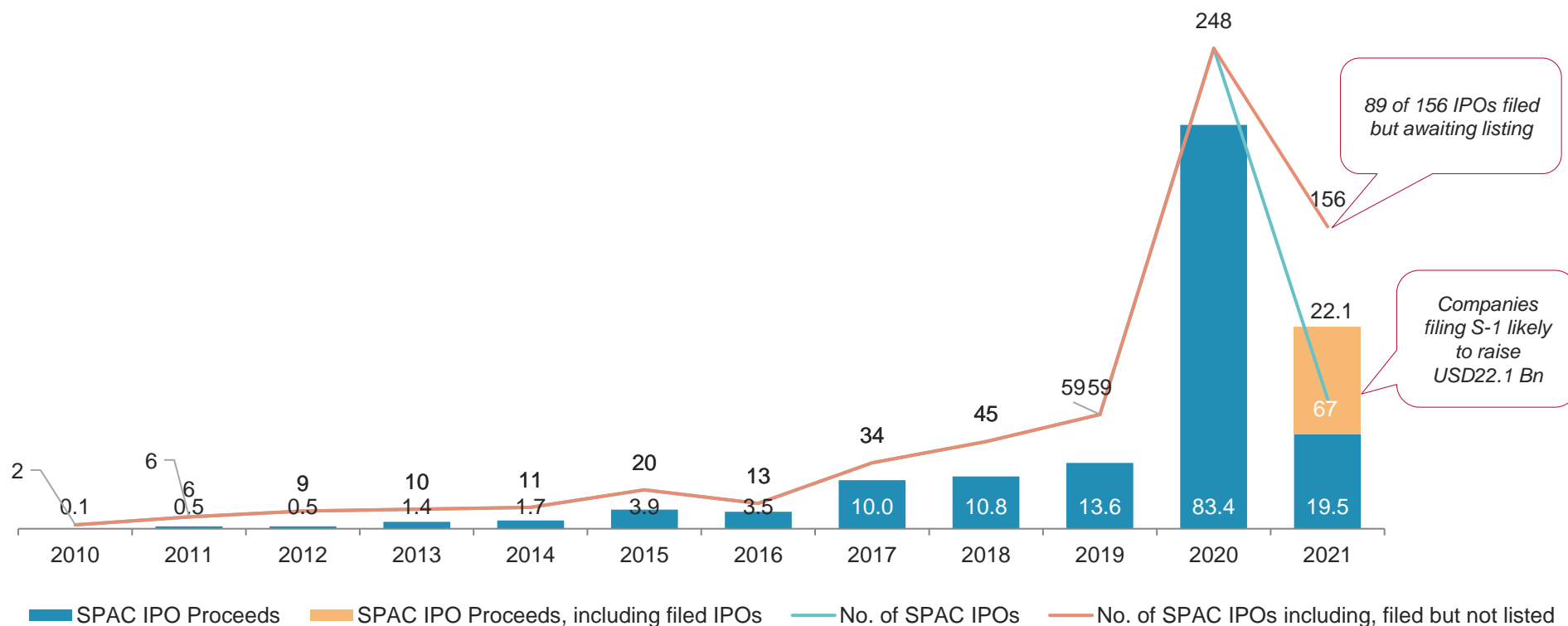
However, with the growing number of SPACs and a limited pool of pre-IPO companies, competition is expected to become fierce.

Source: Aranca Research

SPAC Momentum continues in 2021, with 67 SPAC IPOs and 89 applications filed and waiting for listing in January

In 2020, 248 SPAC IPOs raised USD83.4 Bn in proceeds, surpassing the previous all-time high recorded in 2019

SPAC IPO issuance since 2010 (in USD Bn, Units)



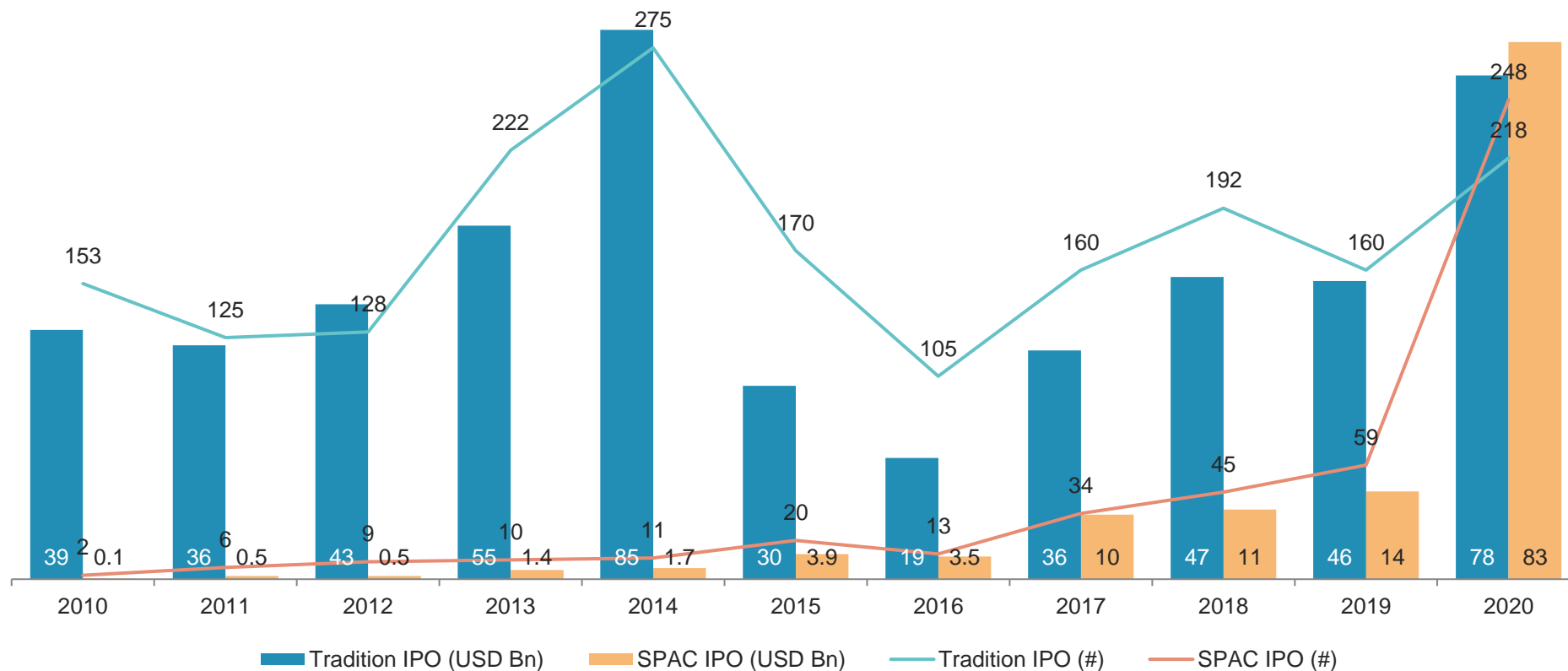
Source: S&P Capital IQ, SPAC Alpha, SPAC Insider, Aranca Research

Note: Data as of 28th January 2021

SPAC IPOs have been gaining popularity over the years and have become a mainstream alternative to the traditional IPO for listing

In 2020, SPACs have raised 7% more funds and issued 14% more IPOs than traditional IPOs

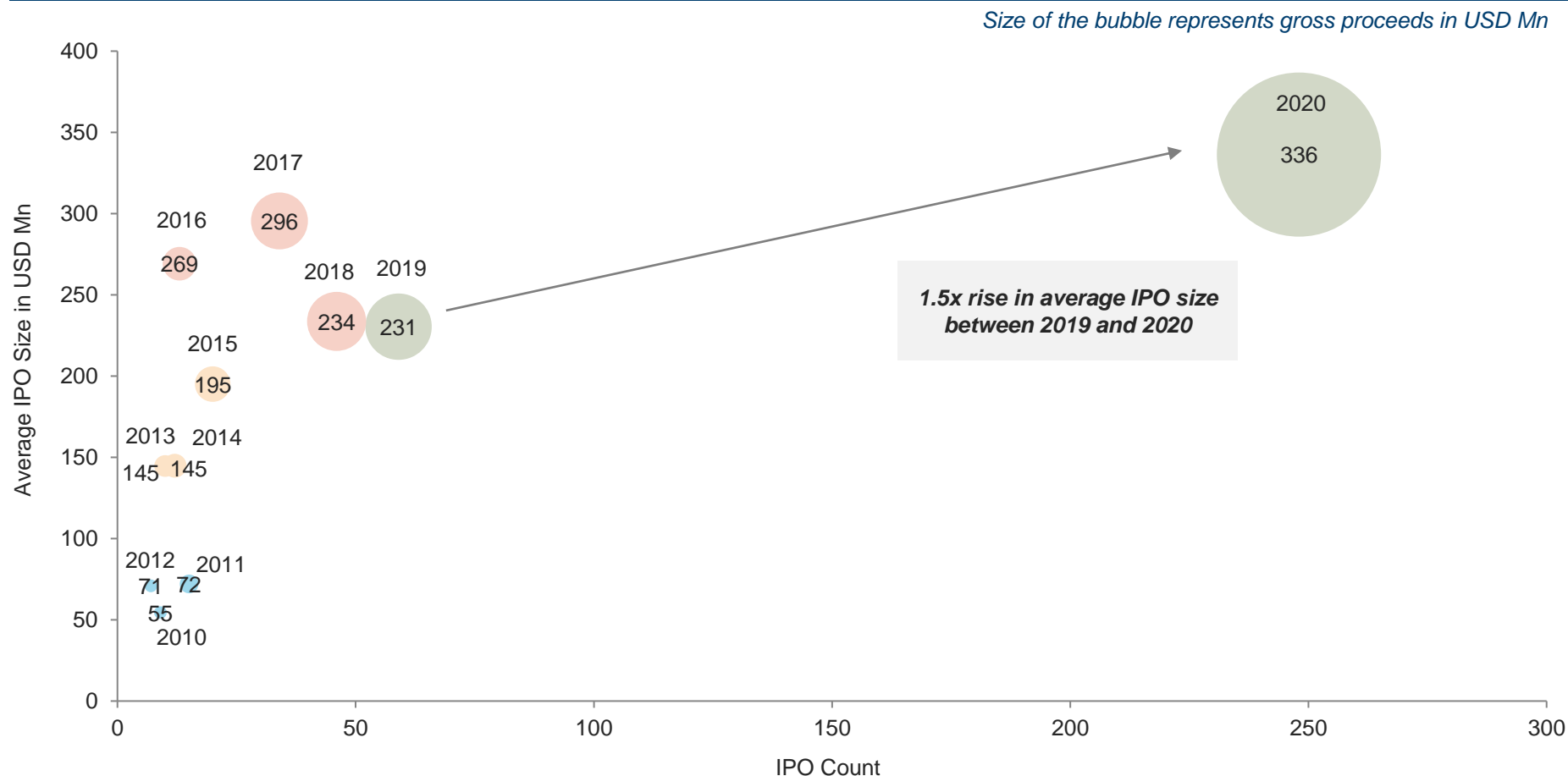
SPAC IPOs vs Traditional IPOs since 2010



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

Rapid increase in SPAC IPOs; average ticket size rising 1.5x in 2020 versus 2019

The average size of SPAC IPOs increased to USD336 Mn in 2020 from USD231 Mn in 2019 and USD55 Mn in 2010, driven by multiple big ticket billion-dollar IPO transactions

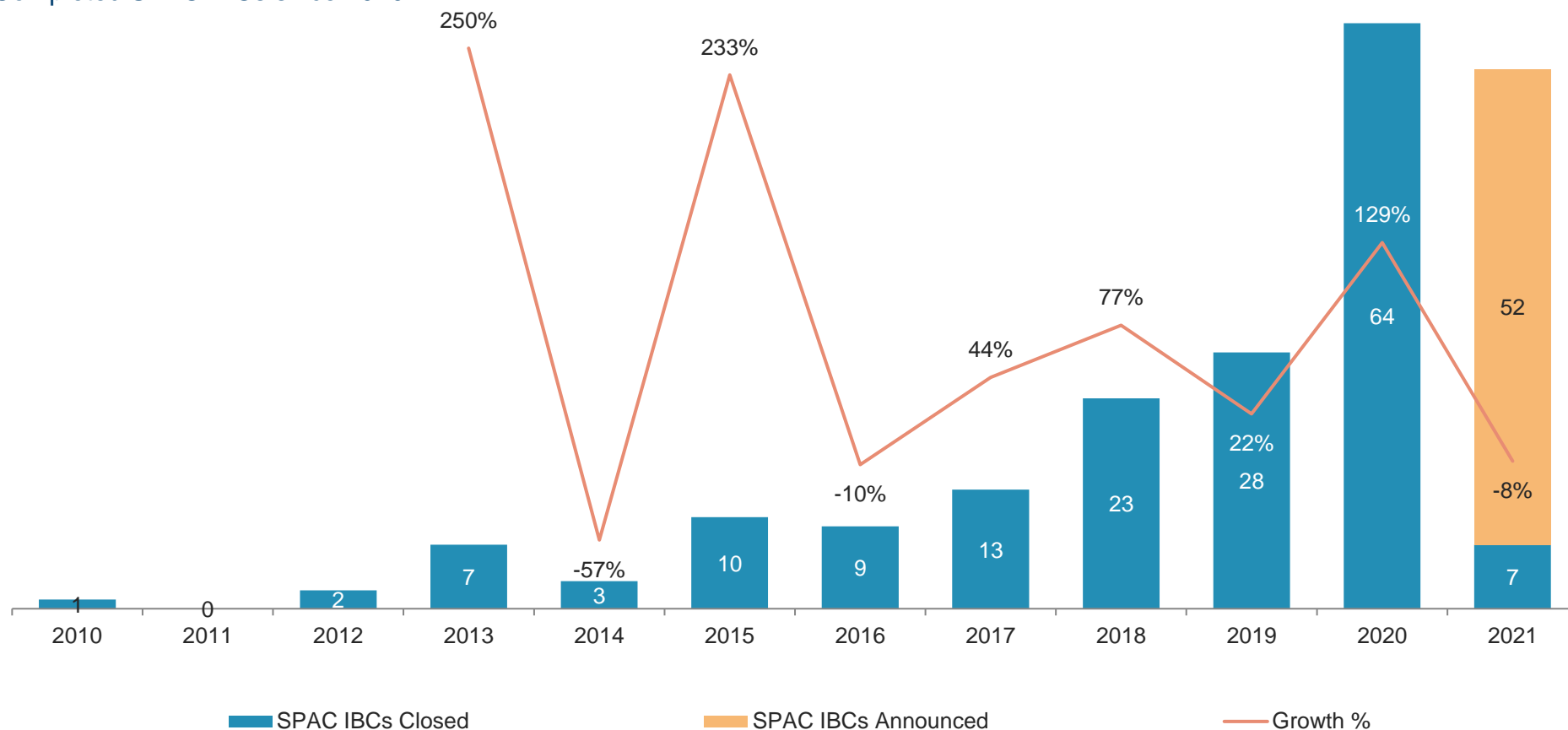


Source: S&P Capital IQ, SPAC Alpha, SPAC Insider, Aranca Research

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

In the beginning of 2021, 7 SPACs have completed mergers and 52 have announced initial business combination agreements

Completed SPAC IBCs since 2010

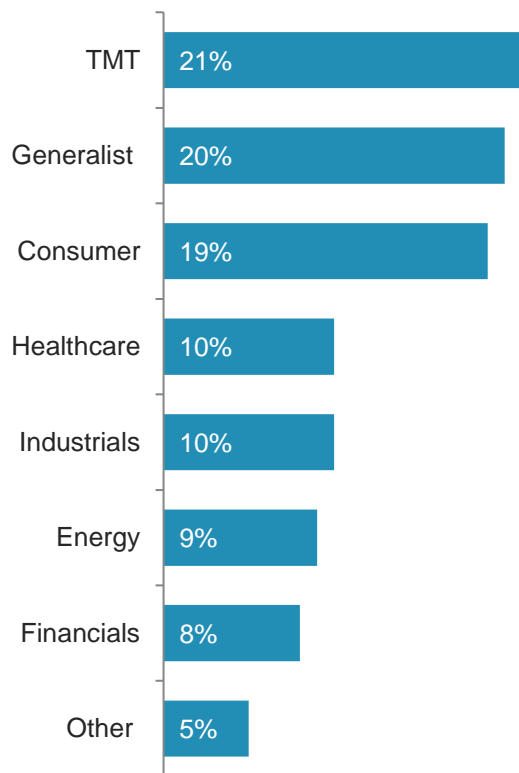


Source: S&P Capital IQ, SPAC Alpha, SPAC Insider, Aranca Research

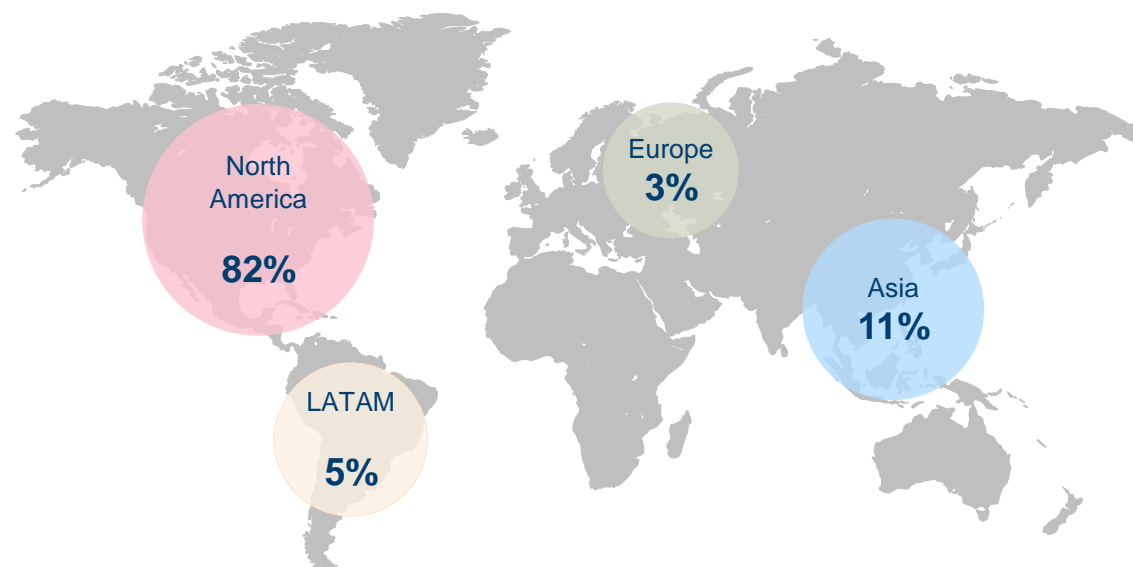
TMT sector recording highest SPAC activity; most targets located in North America

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**



Classification of SPACs by geographic**



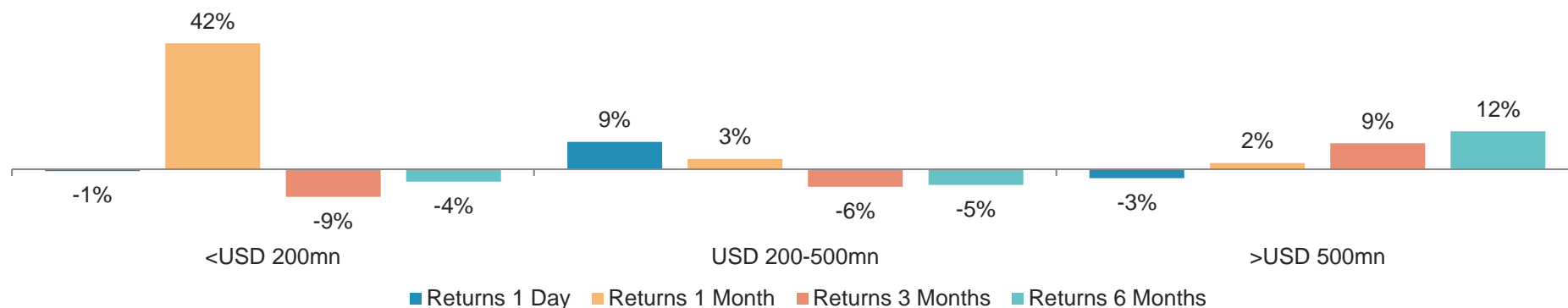
Source: S&P Capital IQ, SPAC Alpha, SPAC Insider, Aranca Research

Notes: *As per disclosure in S-1 filing if no deal was announced during 2015–20; **Classified by HQ location and industry of SPAC target

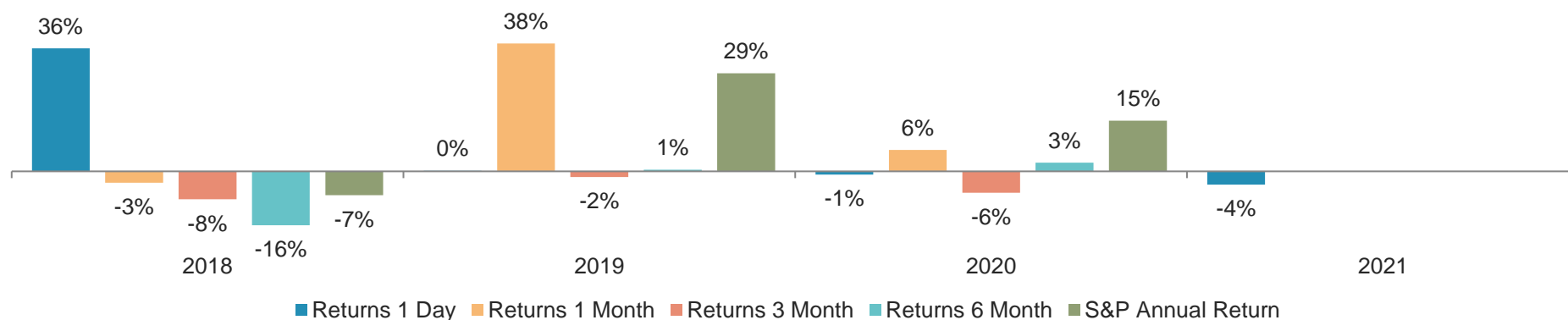
Post merger performance of recent IBC's have been mixed; there has been consistent share price growth recorded by SPACs raising more than USD500 mn vis-à-vis other fund sizes

IBC returns have not managed to outperform the S&P 500 index.

Post-merger IBC returns based on size of SPAC fund












Post-Merger IBC returns based on Year of Merger




Source: S&P Capital IQ, Aranca Research

Top performing mergers in 2020 by current trading price

SPAC Name	IPO Size (USD Mn)	Merged Entity	M&A Close Date	Price (USD)
 KENSINGTON	230	 QuantumScape	27/11/2020	53.99
 DIAMONDEAGLE ACQUISITION	400	 DRAFT KINGS	23/04/2020	53.70
 NEBULA Acquisition Corp	275	 OpenLending	10/06/2020	38.15
 FORTRESS VALUE ACQUISITION CORP.	345	 MP MATERIALS	18/11/2020	31.87
GORES METROPOULOS, INC.	400	 LUMINAR	03/12/2020	30.54

Source: UBS U.S. SPAC Market Monitor, Aranca Research

Top performing mergers in 2020 by EV/IPO

SPAC Name	IPO Size (USD Mn)	Merged Entity	M&A Close Date	EV/IPO (x)	Price (USD)
Orisun Acquisition	52	 UCOMMUNE	17/11/2020	17.3x	6.32
 VectoIQ	230	 NIKOLA™ MOTOR COMPANY	03/06/2020	14.5x	15.26
 KENSINGTON	230	 QuantumScape	27/11/2020	14.3x	84.45
CONYERS PARK II	450	 ADVANTAGE SOLUTIONS	28/10/2020	11.6x	13.17
 IPO 2.0 SOCIAL CAPITAL HEDOSOPHIA HOLDINGS	414	 Opendoor	18/12/2020	11.5x	27.73

Source: SPAC Alpha, UBS U.S. SPAC Market Monitor, Aranca Research

SPAC Popularity is expected to continue in 2021, with new opportunities and threats emerging

Key Trends in 2021

01

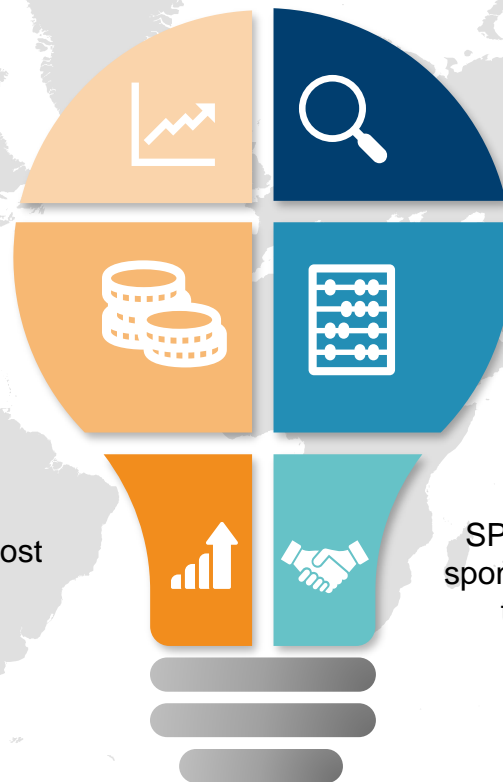
In 2021, SPAC activity would remain at least as strong as that in 2020

02

Increasing competition among dealmakers is likely to lead to friendlier terms offered and reduction in equity claims

03

Increasing competition will likely boost valuation and purchase prices



Interest rates are expected to remain low which will continue to make SPACs an attractive low-risk opportunity for returns

04

Surge in pre-IPO companies ready to go public in 2021 provides ample opportunities for SPACs

05

SPAC activity in Asia is set to grow, with sponsors reaching out to Southeast Asian tech, healthcare, and fintech start-ups

06

Source: Business Press, Aranca Research

The background is a complex collage. On the left, there are several stacks of silver coins. Overlaid on the top half are a yellow line graph and a white line graph. On the right side, there is a bar chart with blue bars. The bottom half of the image shows more stacks of coins and a grid of blue squares, some of which contain smaller images or patterns.

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global clients

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researched by our analysts

80+

countries where we have delivered
projects

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Investment Research & Analytics

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Research and Analytics Service Areas

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	Library Services Publication Support
1 Screening of Targets & List Generation	<ul style="list-style-type: none">Screening the industry's ecosystem comprehensively to define and map potential opportunity segmentsGenerating a comprehensive list of target companies for each segment; specifying logic for each target to derive short list for immediate action and continuous tracking	MARKET INTELLIGENCE & LIBRARY <ul style="list-style-type: none">Sector researchIndustry landscape analysisCompetitor and pricing trendsMaintenance of deal databaseNewsletters/periodicals
2 Company Analysis & Reach out Initiatives	<ul style="list-style-type: none">Analyzing the company and comparing it with the shortlisted target companiesInitiating email campaigns to reach out to potential target companies for SPAC opportunities	DTP & PUBLICATION <ul style="list-style-type: none">Editorial supportPresentation supportTemplates: reports and presentations layoutFormatting of reports and presentationsReport publication and workflow managementProofreading and print/digital coordination
3 Company Profiling	<ul style="list-style-type: none">Gathering in-depth information on best-fit target companies and providing intrinsic analysis of their market and financial positions	
4 Industry Landscape Analysis	<ul style="list-style-type: none">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	<ul style="list-style-type: none">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	<ul style="list-style-type: none">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	<ul style="list-style-type: none">Providing in-depth analysis and opinions that could withstand scrutiny from shareholders, lenders, and regulatory authoritiesOffering an objective view on the key financial parameters of a transaction	



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