

LEVERAGING YOUR PERFORMANCE

■ *WORKING PAPER*

**US / European SPACs:
Overview of market stats
and de-SPACs share
price performance**



About this Working Paper

- SPACs have been a prominent feature of capital markets in the last years, presenting an attractive format to size non-listed acquisition opportunities in a variety of sectors. SPAC IPO volumes have been very significant in the US and have gained some momentum in Europe, as will be evidenced below.
- The capital structure of such listed acquisition vehicles has been designed to suit the multi-faceted nature of its sponsors, investors, future shareholders through merger. This has resulted in a relative complexity more tuned to investors with a thorough understanding of financial markets or professional investors. There is a substantial number of studies analyzing the functioning of SPACs and relative interests of shareholder categories, with some evidencing that there exist a risk of misalignment of interest between sponsors and ordinary shareholders such that the former might settle for an acquisition that does not deliver as much value per share as paid by the later.
- This Working Paper aims at taking an overall look at the key SPACs statistics (trends, volumes, nature of activity), as well as share price performance, in the US and Europe, including after they have merged with their target companies.
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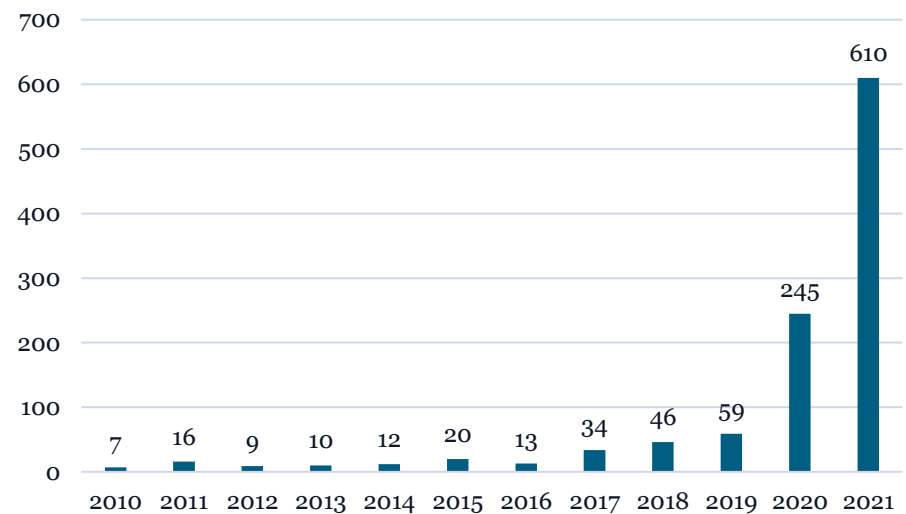
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SPACs – Special Purpose Acquisition Companies (or Blank Check Companies)

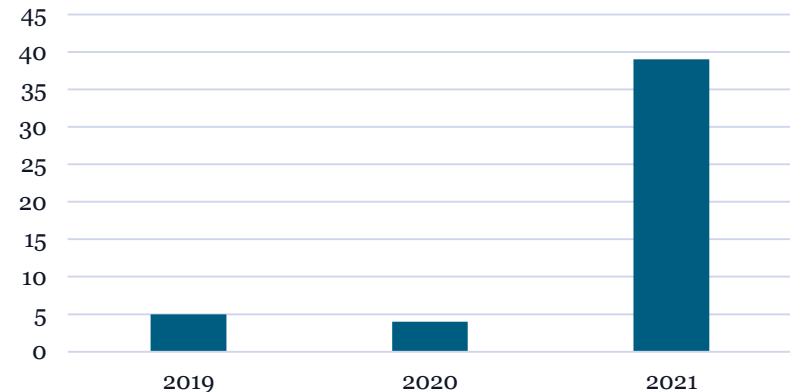
- A SPAC is a company with no operations whatsoever which is created solely to raise funds through an IPO with the purpose of merging(or acquiring) with an existing(non-listed) company
- A SPAC generally has a runway of two years to perform a merger/acquisition (generally known as business combination) before facing liquidation in which case the funds shall be returned to the investors
- The SPAC founders generally subscribe their Founder Shares at a substantial discount to the ordinary shares IPO price, in consideration of the associated risk of loss of their investment. Ordinary shareholders benefit, on the other hand, from the possibility to redeem their shares at the time the business combination takes place, pretty much for the price they paid for it.
- SPAC IPOs have been around for a long time, but they gained traction in recent years especially in 2021, when US IPO volumes reached \$153bn vs \$80bn in 2020
- Reasons advanced to explain this spike include fee levels at traditional IPO (7% of underwriting fees) vs. those at SPACs, ease and speed of execution for a SPAC IPO vs. a traditional one (diligence process can be sped up by as much as two to four months in comparison)

Number of SPAC IPOs in US

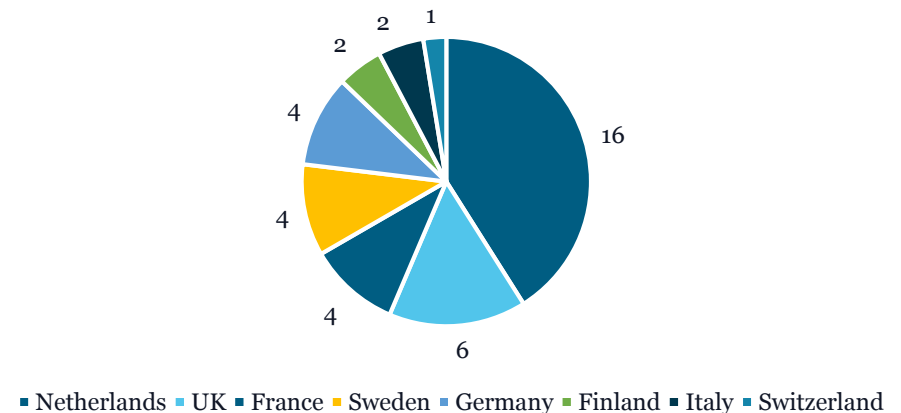


- European SPAC activity is of a much smaller size than the US one, with 2021 IPO volumes having reached \$8.5 Bn vs. \$153 Bn for the US.
- However, European stock exchanges saw a more than 9-fold increase in SPAC issuances between 2020 and 2021, from \$496 M to \$8.5 Bn. This was similar to the momentum observed with the US SPAC IPO.
- Netherlands emerged as the most attractive region for European SPACs listing in 2021 with listings raising a total of \$4.36 Bn
- UK stood 2nd in terms of number of issuances with 6 SPAC IPOs in 2021
- The German and French markets come next in line in terms of issuance by value with \$1.11Bn and \$1.06Bn respectively in 2021
- While the highest amount raised on a given SPAC in the US stands at \$4 Bn, it is of €500M in Europe

Number of SPAC IPOs in Europe



Number of SPAC listings in Europe by Country in 2021



Source: White and Case: European SPAC & De-SPAC Data & statistics roundup
<https://www.whitecase.com/sites/default/files/2022-01/european-spac-and-de-spac-data-statistics-roundup-web.pdf>

Major SPACs in Europe 2020 - 2022

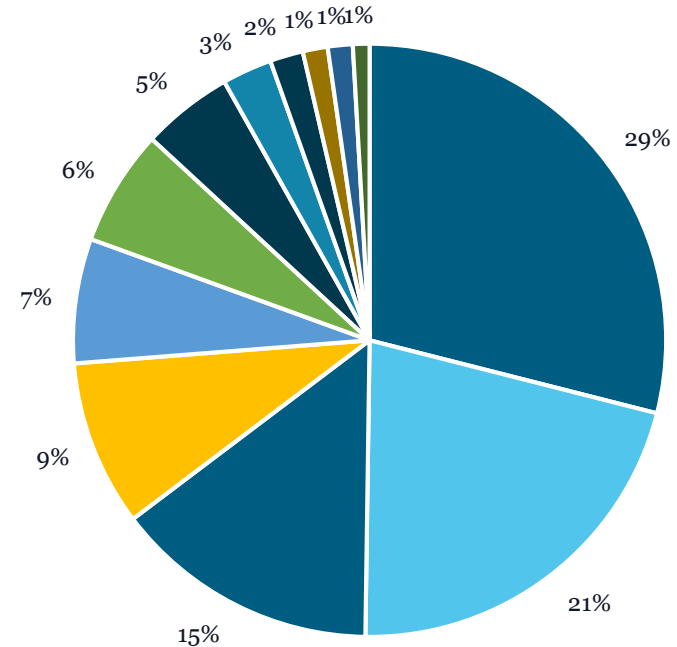
- Extract from Bloomberg/Dealogic
- Largest SPAC: Pegasus Europe Acquisition Co with €500 Million raised at IPO

IPO Date	Country	SPAC	Amount Raised
03/02/2022	LUXEMBOURG	GP BULLHOUND ACQUISITIO-CL A	200
02/02/2022	UK	HIRO METAVERSE AC-CLASS A	137
14/01/2022	GERMANY	468 SPAC II SE -CW27	210
14/12/2021	SWITZERLAND	VT5 ACQUISITION CO AG-REG A	192
10/12/2021	NETHERLANDS	PEGASUS ENTREPRENEURIAL-A	210
03/12/2021	CAYMAN ISLANDS	EPIC ACQUISITION CORP	150
30/11/2021	GUERNSEY	HAMBRO PERKS ACQ-CLASS A	174
18/11/2021	NETHERLANDS	EUROPEAN HEALTHCARE ACQUISITON	200
11/11/2021	NETHERLANDS	SPEAR INVESTMENTS I BV	175
19/10/2021	LUXEMBOURG	GFJ ESG ACQUISITION I SE - A	100
15/10/2021	FINLAND	LIFELINE SPAC I OYJ-A	100
07/10/2021	BRITAIN	DISRUPTIVE CAPITAL ACQUISITION	125
20/07/2021	FRANCE	I2PO SA	275
19/07/2021	ITALY	VAM INVESTMENTS SPAC BV	200
19/07/2021	NETHERLANDS	ENERGY TRANSITION PARTNERS	175
08/07/2021	ITALY	INDUSTRIAL STARS OF ITALY 4	138
06/07/2021	NETHERLANDS	NEW AMSTERDAM INVEST NV	49
30/06/2021	NETHERLANDS	CLIMATE TRANSITION CAPITAL A	175
24/06/2021	SWEDEN	TBD30 AB-A	79
23/06/2021	SWEDEN	CREASPAC AB	245
22/06/2021	CAYMAN ISLANDS	CRYSTAL PEAK ACQUISITION-A	126
22/06/2021	FRANCE	TRANSITION SA	200
01/06/2021	FRANCE	ACCOR ACQUISITION CO SA-CL B	300
25/05/2021	SWEDEN	ALIGRO PLANET ACQUISITION-A	99
14/05/2021	BRITAIN	HEDOSOPHIA EUROPEAN-UNITS	400
04/05/2021	LUXEMBOURG	OBOTECH ACQUISITION SE - A	200
29/04/2021	NETHERLANDS	PEGASUS ACQUISITION CO	500
25/03/2021	SWEDEN	ACQ BURE AB	342
12/02/2021	NETHERLANDS	ESG CORE INVESTMENTS BV	250
09/12/2020	FRANCE	2MX ORGANIC SA	300

Source: Bloomberg/Dealogic

- A SPAC is known to De-SPAC when it merges with (or acquires) a target company (also known as the business combination)
- De-SPAC M&A activity in US reached a record \$403.6 Bn in 2021 from 221 De-SPAC transactions, compared to \$139 Bn in 2020 from 92 transactions
- As for industries, technology has seen most De-SPACs in 2021 representing over a quarter of the deals accounting for \$114 Bn
- Healthcare stands second with 47 deals accounting for \$55 Bn
- Real Estate stands last in terms of number of De-SPACs with 2 deals. Consumer staples also come in the last ones

De-SPAC Deals in US by industry

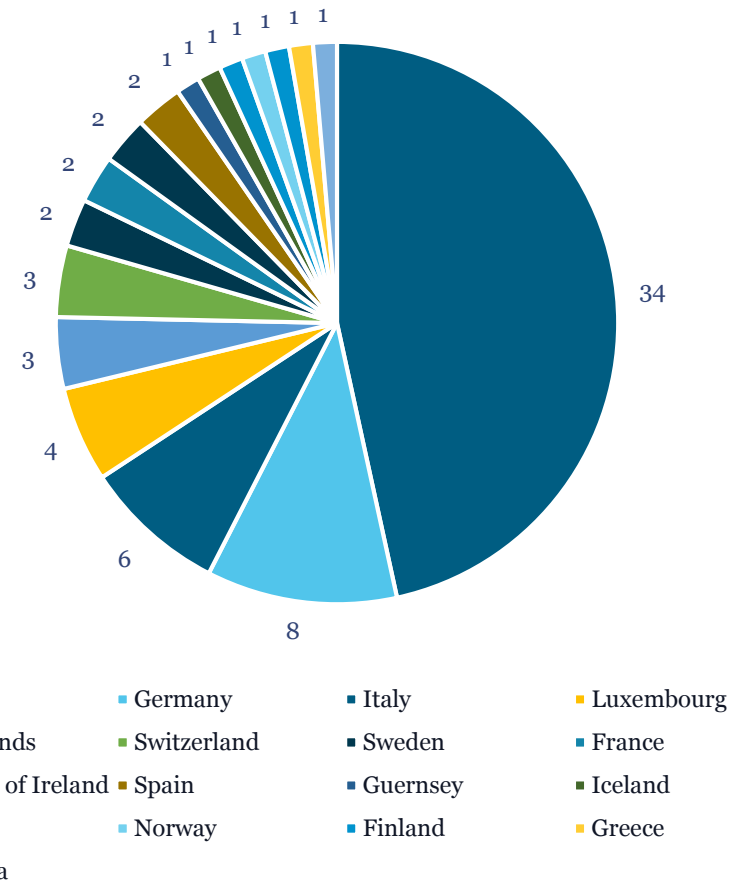


- Technology
- Industrials
- Consumer Products & services
- Energy & power
- Retail
- Consumer staples
- Healthcare
- Financials
- Media & entertainment
- Telecommunications
- Materials
- Real Estate

Source: White and Case: US De-SPAC & SPAC Data & statistics roundup

- The majority of SPACs (46%) targeted UK based companies. The remainder invested all across continental Europe with Germany and Italy the largest recipients
- US SPACs represented the majority of acquirers in Europe, accounting for 43.8% of all European acquisitions
- They were followed by UK and Italy SPACs, that stood at 23.2% and 6.8% respectively of all 2021 European De-SPACs
- The bulk of the acquisitions in Europe targeted technology companies

De-SPACs by target European countries

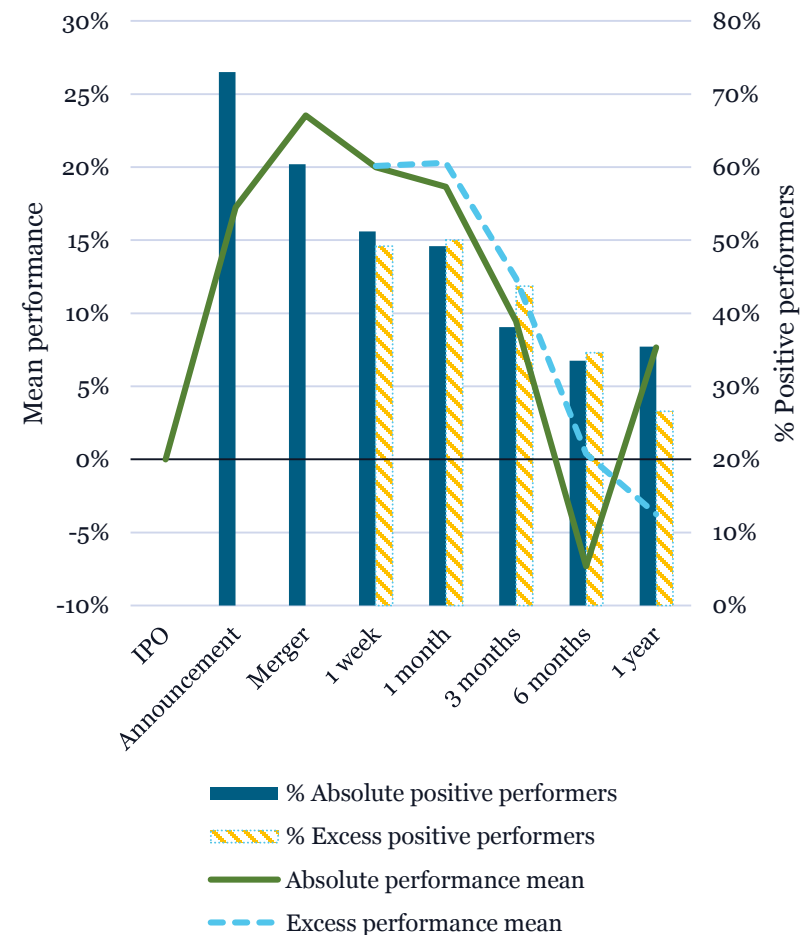


Source: White and Case: US De-SPAC & SPAC Data & statistics roundup

US De-SPACs share price performance

- De-SPAC share price performance is computed as the return over the SPAC IPO price. This return is computed at the date of announcement of the merger, the merger date and 1 week, 1 month, 3 months, 6 months and 1 year from the merger date.
- De-SPAC excess performance is the difference between the above return and the return on the selected IPO index over the same timeframe.
- The sample consists of 250 US-based SPACs that have performed a business combination between March 2019 and February 2020
- The high mean return generated between the IPO date and Merger date is particularly noteworthy. It would evidence a positive sentiment by investors based on the information available at the time or shortly after the combination.
- Absolute and relative mean performances are rather aligned until 3 months after the merger date. The absolute return comes eventually higher than the excess return over the 1-year horizon, which is close to 0 (meaning that De-SPACs generate pretty much the same return as other form of IPOs).
- 35% of SPACs have generated positive gains a year into business combination (some 30% generated excess positive gains). This percentage was higher in fact for the 2019 to early 2021 SPACs and kept falling over time.
- Overall, 1-year De-SPAC performance is not significantly different from 0 on average. This might mean that De-SPAC performance should be assessed over the longer term

Mean performance and Percentage of positive gains up to 1 year

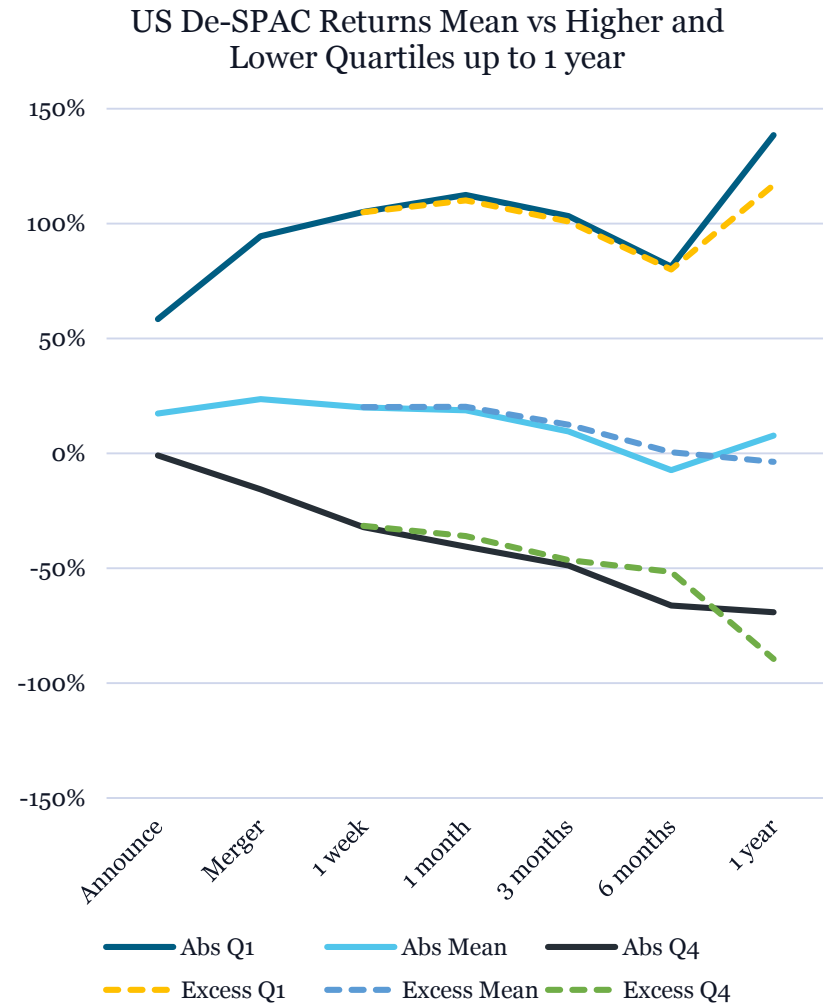


*Excess against The FTSE Renaissance US IPO composite Index which captures IPO activity and performance
Source: Bloomberg

- The means of the first and fourth quartiles in our analysis is shown next. It evidences a very strong diversity of trajectories and returns, with exceptional “winners” and terrible performers.
- The difference between the highest performing and the least performing ones in US goes as high as 1130% one month after business combination
- Among the possible explanations for this huge spread in performance is the varying “quality” of the Sponsors. High quality Sponsors (for example Sponsors that have delivered high returns in the past or led a fortune 500 company) tend to create higher anticipation and/or deliver higher returns*
- Over the longer term, the substantial spread in performance may also be related to the actual quality of the targets.
- Very successful De-SPACs (1st quartile) evidence of pattern of increasing relative performance and deliver on average (excess) returns over 100% on the 1-year horizon.
- Further analysis would be required to isolate the factors that may explain the over / under performance of SPACs share price post business combination in our US sample. We produce next a couple of examples of such over/under performers.

Source: Bloomberg

*Moshammer, Roberto, What Defines High-Quality SPACs and are They Future Proof? (July 21, 2021). Available at SSRN: <https://ssrn.com/abstract=3931296> or <http://dx.doi.org/10.2139/ssrn.3931296>



■ Example of over / under performers - US

■ Kensing Capital Acquisition Corp. with Quantumscape Corp.

- Led by Justin Mirro – President of Kensing Capital Partners
- California based company researching solid state lithium metal batteries for electric cars
- Quantumscape Corp was led by Jagdeep Singh (Known for founding and developing Infinera – California based optical communications developer)
- 1048% returns a month into business combination
- The 12 months following business combination, returns dropped significantly from the peak yet ended the year with 222% gains

■ Diamond Eagle Acquisition Corp. with Draftkings Inc.

- Led by Jeff Sagansky and Harry Sloan – known as the “serial SPACers” for launching 4 SPACs prior to Diamond Eagle
- Jeff Sagansky was the former CEO of Sony pictures while Harry Sloan was the former CEO of MGM
- Boston based daily fantasy sports contest and sports betting company
- Returns started off with a 90% anticipation and rose as high as 480% one year into business combination

■ Bluewater Acquisition Corp. with Clarus Therapeutics

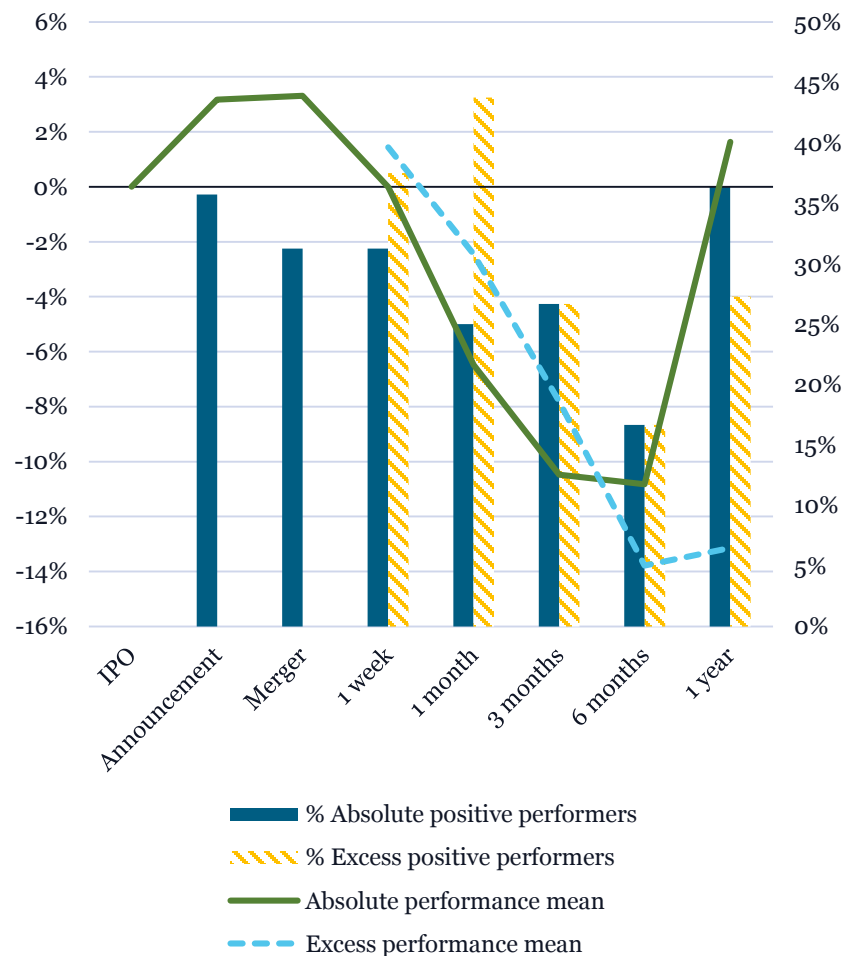
- Clarus Therapeutics is dedicated to addressing unmet medical needs through the creation of androgen replacement and metabolic therapies.
- The stock took a plunge following a quarterly filing with the SEC reporting a \$2.5M loss vs an \$8M profit during the same period previous year
- Stock was down 60% a week after the merger and went further down afterwards. Closed 93% down 6 months into business combination

■ TKK symphony Acquisition Corp. with Glory Star New Media Group

- Beijing based advertisement and content production services company operating mobile and online advertising, digital media, and entertainment business.
- The stock started falling following the announcement of the closing of business combination
- 81% value lost in a week. Ended the 12-month period post business combination 60% down

- The sample used in this analysis consists of 16 European De-SPACs (see below)
- The short-term positive performance is not as significant as with the US sample, and the excess return over the IPO index is increasingly negative
- Absolute and relative mean performances are also rather aligned until 3 months after the merger date. Then again, absolute return comes eventually higher than the excess return over the 1-year horizon.
- Excess return is negative at the 1-year horizon at -14% (meaning that De-SPACs in our sample generate a lower return as other form of IPOs).
- Caution: the European De-SPACs dataset is small and shrinks over time and thus requires more speculation with time)
- Once again, this analysis implies that De-SPAC overall performance might need to be assessed over the longer term

Mean performance and percentage of positive gains up to 1 year



*Excess against The IPOX100 Europe Index which provides a benchmark to track the "going public" effect associated with the largest and most liquid European IPOs and spinoffs
Source: Bloomberg / Factset

- As for the European sample, there is also a strong variety of trajectories and performance, yet less pronounced than in the US. The difference between the highest performing and the least performing De-SPACs in Europe goes as high as 126% by the time of the announcement of business combination
- The pattern of diminishing excess performance is the same regardless of the quartiles. This is in contrast with the first quartile for the US which showed the opposite trend.
- First quartile De-SPACs generated around 10% of excess return over 1 year from merger and 30% of absolute return (on the basis of our sample which is of limited size). For the lower quartile, excess and absolute returns were of -40% and -30%, with the adjustment materializing rather soon (within 3 months of merger)
- Sponsors' commitments at the time of the IPO, which might be a factor explaining the over/under performance of the SPACs in our sample, vary indeed significantly between SPACs: in our European sample, it ranges from 2% to 11% (data obtained on only 7 out of 16 SPACs). Yet, analysis indicates no correlation between share price performance post business combination and commitment levels, for the subset of our sample. This may not be conclusive considering the small size of our subset.

European De-SPAC Returns Mean vs Higher and Lower Quartiles up to 1 year



Source: Bloomberg / Factset

- Largest transaction: Azerion Holding BV merger with European FinTech IPO Co. 1 BV valued €1.3B**

Merger Date	SPAC	Target	Industry	Country
11/06/2012	Italy1 Investment SA	IVS Group Holding SpA	Miscellaneous Manufacturing	Italy
30/01/2013	Made In Italy 1 SpA	SESA SpA	Packaged Software	Italy
31/03/2017	Mediawan SA	AB Television SAS	Broadcasting	France
13/10/2017	Levrett Plc	Nuformix Ltd.	Pharmaceuticals: Major	United Kingdom
04/06/2018	Crescita	Cellular Italia	Electronics	Italy
20/09/2018	illimity Bank SpA	Banca Interprovinciale SpA	Major Banks	Italy
01/10/2018	Innova Italy 1 SpA	Fine Foods & Pharmaceuticals N.T.M. SpA	Pharmaceuticals: Major	Italy
18/04/2019	Alp.I SpA	Antares Vision SRL	Computer Peripherals	Italy
08/11/2019	Industrial Stars of Italy 3 SpA	Salcef SpA	Trucks/Construction/Farm Machinery	Italy
20/02/2020	Dutch Star Companies ONE NV	CM.com BV	Specialty Telecommunications	Netherlands
05/10/2020	TheSpac SpA	Franchi Umberto Marmi SpA	Construction Materials	Italy
21/09/2021	Lakestar SPAC I SE	HomeToGo GmbH	Internet Software/Services	Germany
26/11/2021	468 SPAC I SE	Boxine GmbH	Electronics/Appliances	Germany
30/11/2021	Revo SpA	Elba Compagnia di Assicurazioni e Riassicurazioni SpA	Multi-Line Insurance	Italy
31/12/2021	Virala Acquisition Company Oyj	Purmo Group Ltd.	Engineering & Construction	Finland
01/02/2022	European FinTech IPO Co. 1 BV	Azerion Holding BV	Packaged Software	Netherlands

*Source: Factset

**Transaction value was not disclosed and is estimated to be €1.3B

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