

Akili plays the Spac game for \$1bn



[Elizabeth Cairns](#)



But, judging by similar transactions, the valuation might not stay that high for long.

Akili Interactive, the developer of the first computer game to be approved as a medical device by the FDA, is to take the Spac route to the public markets. It has been bought by Social Capital Suvretta Holdings Corp I, one of a series of healthcare-focused blank-cheque companies floated recently by the billionaire ex-Facebook executive Chamath Palihapitiya, in a deal that values it at around \$1bn.

The Akili deal is the second in just over a week for Mr Palihapitiya. Social Capital Suvretta Holdings Corp III bought Prokidney, a biotech developing cell therapies aimed at slowing and even reversing chronic kidney disease, on January 18. But for digital health in particular the omens are poor; several developers of prescription apps have seen their valuations slide drastically since being bought by Spacs.

Akili's EndeavorRx is a game sold as a phone and tablet app, designed to deliver stimuli to improve ADHD patients' attention and prescribed by doctors for patients aged 8-12. It was [cleared for sale in the US](#) in June 2020 after [beating a digital control in its pivotal trial](#), and is set for a wide launch this year. It [failed in phase 2 in Japan](#), however.

Digital disappointments

The deal with Social Capital Suvretta Holdings Corp I is expected to provide up to \$412m in gross cash proceeds. This includes a Pipe funding of \$162m, \$100m of which is from Social Capital. Puretech Health, which owned 22.3% of Akili at the end of last year, is also participating in the Pipe round.

This cash will go, in part, towards developing Akili's other programmes, which are focused on treating attention and cognitive dysfunction in patients with other diseases including autism spectrum disorder, multiple sclerosis and depression.

But similar app developers who have cut deals with Spacs have had a rough time on the markets. Admittedly the companies in the table below have different technologies to Akili's - Pear and Better make disease management apps and Owlet a "[smart sock](#)" that measures a baby's oxygen level and heart rate - but they are probably the closest comparators. And their performances since signing up with a Spac leave a lot to be desired.

Selected digital health Spac deals

| Target | Spac (main backer) | Date merger announced | Share price since announcement |
|---------------------|---|-----------------------|--------------------------------|
| Pear Therapeutics | Thimble Point Acquisition Corp (LJ10) | Jun 22, 2021 | -58% |
| Better Therapeutics | Mountain Crest Acquisition Corp II (Mountain Crest Capital) | Apr 7, 2021 | -62% |
| Owlet | Sandbridge Acquisition Corp (Sandbridge Capital and Pimco) | Feb 16, 2021 | -81% |

Spac=special purpose acquisition company. Assumes \$10 pre-announcement share price. Source: company statements.

Mr Palihapitiya clearly believes that Akili can defy the record of its peers. Perhaps he should know: his Social Capital Hedosophia was the Spac that bought Virgin Galactic, the Virgin subsidiary focused on space tourism, in 2019. The deal was initially a great success, helping to fuel the blank-cheque craze and earning Mr Palihapitiya the soubriquet “the king of Spacs”.

In the middle of last year he swerved into healthcare. His Social Capital fund, in collaboration with Suvretta Capital Management, floated four vehicles with different focuses: Social Capital Suvretta Holdings Corp I, II, III and IV each raised \$200-250m and are focused on neurology, oncology, organ diseases and immunology, respectively.

The cancer and immunology-focused Spacs are yet to find their targets. There are any number of biotechs and a handful of medtechs in these spaces, so acquisitions will doubtless be done in short order. The question is how these companies will fare after the ink on the contracts has dried.

Social Capitalism: Chamath Palihapitiya's healthcare-focused Spacs

| Spac | Target | Deal value (\$m) | Date of deal | Expected close |
|-----------|--|--|--------------|----------------|
| SCSHC I | Akili - digital health company with computer game to treat ADHD approved in the US | Equity value of \$1bn; \$412m in gross cash, including \$162m PIPE | Jan 26, 2022 | Mid-2022 |
| SCSHC II | Spac is seeking an oncology-focused target | - | | |
| SCSHC III | Prokidney - developing autologous cell therapy for treatment of chronic kidney disease | Equity value of \$2.6bn; \$825m in gross cash, including \$575m PIPE | Jan 18, 2022 | Q3 2022 |
| SCSHC IV | Spac is seeking an immunology-focused target | - | | |

Spac=special purpose acquisition company. SCSHC=Social Capital Suvretta Holdings Corp. Source: company statements.

[More from Evaluate Vantage](#)

Evaluate HQ
[44-\(0\)20-7377-0800](tel:44-020-7377-0800)

Evaluate Americas
[+1-617-573-9450](tel:+1-617-573-9450)

Evaluate APAC
[+81-\(0\)80-1164-4754](tel:+81-080-1164-4754)

© Copyright 2022 Evaluate Ltd.