

The ink dries on the blank cheque craze



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As Apexigen throws in the towel six months after listing, can any bright spots be found in the stats on Spacs?

The public markets might have little appetite for IPOs, but hunger for Spacs is even smaller. A poor track record at delivering strong companies into investors' laps has not helped the so-called blank-cheque space, with news from Apexigen providing another sorry example.

The cancer antibody company is "exploring strategic alternatives" six months after arriving on Nasdaq, a sticky situation of the sort that many other ex-Spacs are surely grappling with. Half of the 43 drug developers that floated via these vehicles since 2019 have enterprise values of less than \$30m, *Evaluate Vantage* research finds.

Proposed Spac acquisitions are falling apart in increasing numbers, and redemption rates of close to 100% are now far from rare. This rate refers to the proportion of the Spac's original investors who decide not to support the proposed target acquisition and ask for their money back, a move that drains the pot of cash available to the private company with its eyes on the Spac's public listing.

The analysis below, based on data provided by [SpacResearch](#), lays bare the state of play. Only pure-play drug developers are considered; [Vantage has separately looked at device companies](#) that floated via Spacs.

Biopharma Spac deals



In Apexigen's case, [the developer never really stood a chance as a listed entity](#), particularly in a bear market. A 92% redemption rate meant that it arrived on Nasdaq last July with very little cash; a \$50m equity line and warrants attached to its stock added to the prospect of substantial dilution down the road for shareholders.

Making the investment case even harder, the developer was betting on CD40 agonism, [an immuno-oncology mechanism that has yet to prove itself](#). A private placement in January raised \$2.8m, but this was apparently not enough to carry on.

Other Spac developers must be in similarly dire financial situations. Of the 43 identified for this analysis, one has already gone bankrupt and another delisted – 4D Pharma and Xynomics respectively.

All of which makes it surprising that private developers are still pursuing this route, particularly when [reverse merger opportunities abound](#). Calidi Biotherapeutics, Psyence and Longevity all announced proposed Spac deals this year. With the IPO window barely open, perhaps some consider this the best option available.

Oculis, for example, closed its deal last week, though a \$91m Pipe financing run concurrently with the Spac deal provided most of the \$104m transaction proceeds. The Spac with which it merged, European Biotech Acquisition Corp, was sponsored by LSP, a European venture fund that also anchored the Pipe. Oculis presumably had to pay LSP twice, both Spac and Pipe fees; in this instance the developer will arrive on Nasdaq with a respectable bank balance, but the route to that listing cannot have come cheap.

According to SpacResearch there are 12 drug developers with open Spac deals, awaiting finalisation. Most of these were announced in 2022; the most elderly of these, a deal between the UK developer Zura Bio and a Spac named JATT Acquisition that was triggered back in June, [took one of the final steps towards completion](#) last week.

Exceptions to the rule

Despite some of these gloomy stats there are success stories to be found in the Spac space. One way of measuring success is comparing the enterprise value proposed at the time of the deal with current enterprise value; the former measure assumes no redemptions, so is perhaps an unfair baseline, although this number is touted to investors at the time of the proposed Spac transaction.

Notwithstanding this, on this basis Cerevel, Immunovant and Newamsterdam stand out. All have current enterprise values at least three times higher than their initial target enterprise values.

Of the 43 ex-Spacs identified, seven currently trade with an enterprise value of more than \$1bn, led by

Roivant, Alvotech and Prokidney.

While Spacs have not lived up to some of the grander promises made by certain proponents, they have delivered promising stories for biopharma. These are exceptions, however, so it is not surprising that enthusiasm for these vehicles has petered out with the bull market.

The current stats on Spacs

Company (date deal closed)	Current enterprise value (\$m)	Target enterprise value (\$m)
Ranked on current enterprise value (highest)		
Roivant (Sep 2021)	5,286	5,000
Alvotech (Jun 2022)	4,245	2,250
Cerevel (Oct 2020)	3,453	847
Ranked on delivered enterprise value vs target enterprise value		
Cerevel (Oct 2020)	3,453	847
Immunovant (Dec 2019)	1,799	555
Newamsterdam (Nov 2022)	1,022	326
Ranked on % destruction of target enterprise value		
Vincera Pharma (Sep 2020)	-38	77
Pardes Biosciences (Jun 2021)	-118	339
Surrozen (Apr 2021)	-43	203
Ranked on current enterprise value (lowest)		
EQRX (Dec 2021)	-301	3,538
Nuvation Bio (Oct 2021)	-235	1,319
Pardes Biosciences (Dec 2021)	-118	339
Sum of all 43 ex-Spacs since 2019	29,861	21,909

Source: SpacResearch for target enterprise value, Pitchbook for current enterprise value.

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