

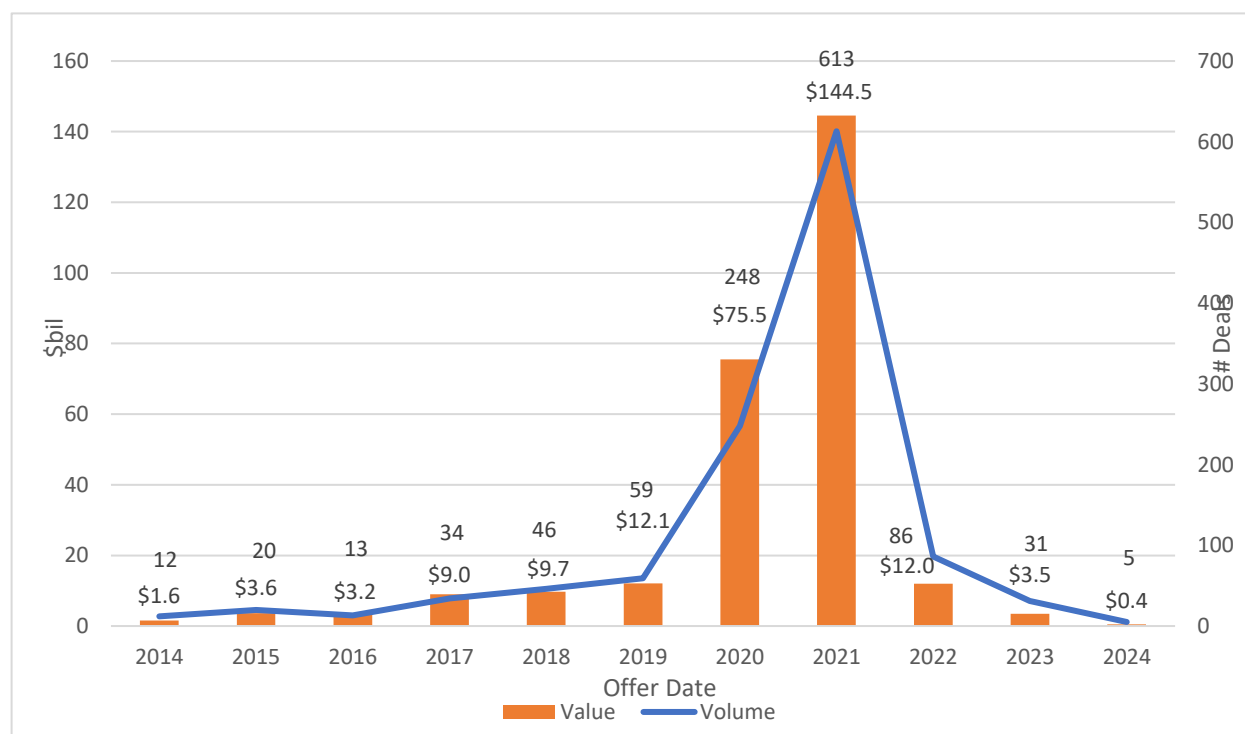
SPAC Market Study – Activism & M&A Update 2024

April 2024

In April of 2021, as the SPAC market took off, Deal Point Data published its first SPAC Market Study. We recently took the opportunity to revisit the SPAC and de-SPAC market.

Special Purpose Acquisition Company (SPAC), also called Blank Check Companies, enabled companies to list on the exchange and bypass the traditional IPO process. These SPACs were then used to merge with private companies taking them public with greater speed and less regulatory scrutiny. According to Deal Point Data, between 2014 and 2024 1,453 SPACs were issued, reaching their peak in 2022 with 613 SPACs issued for a total value of \$144.5 Billion.

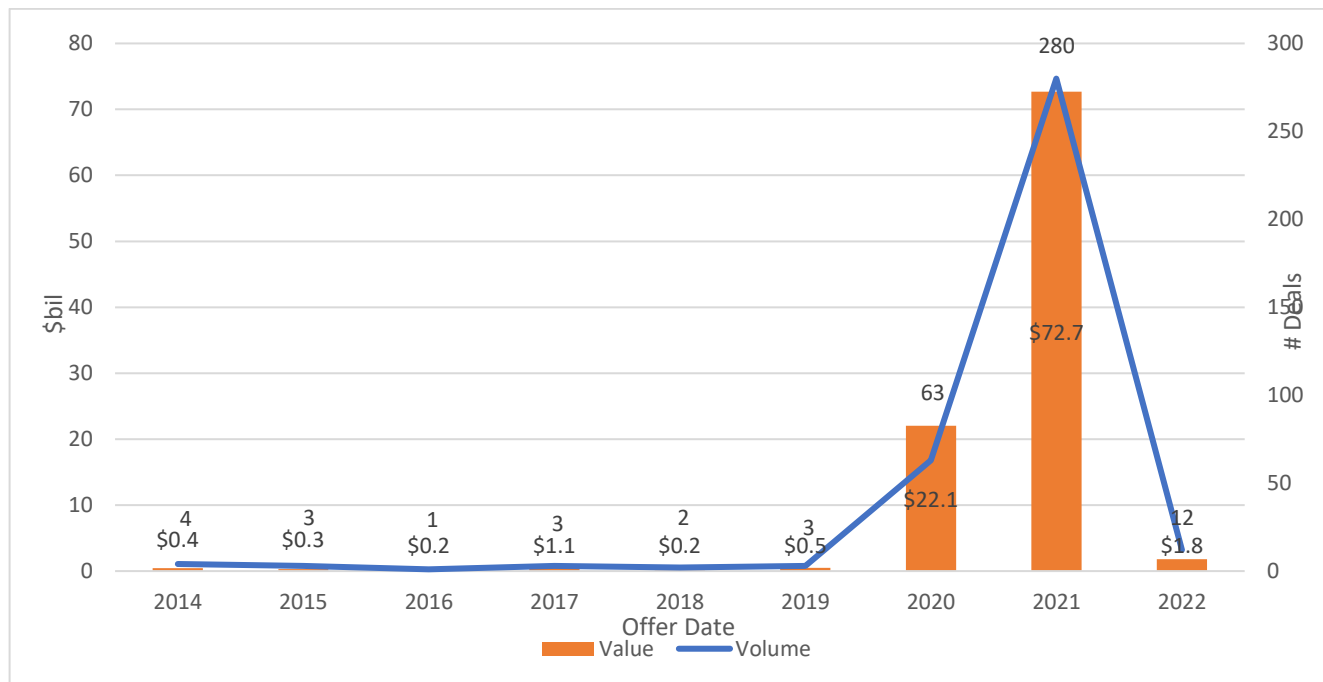
SPAC Issuance Volume & Gross Proceeds (\$b)



The pace of SPAC issuance has slowed considerably to just 31 in 2023 and 5 thus far in 2024. However, if a SPAC fails to make an acquisition within the specified timeframe, typically 18-24 months, it must return the funds raised to investors through a liquidation process. The investors then receive their pro-rata share of the trust account, minus any expenses incurred by the SPAC.

Investors typically have the right to redeem their shares for a pro-rata portion of the trust if they disagree with the proposed acquisition. If the SPAC fails to receive investor approval for an acquisition, it often struggles to find another suitable target resulting in a forced return of funds. In addition, the SPAC sponsors may face scrutiny, reputational damage, and financial losses if they fail to acquire. According to Deal Point Data, 280 SPACs issued on or before 2021 have faced redemption.

SPAC Dissolution Issuance Volume & Gross Proceeds (\$B)

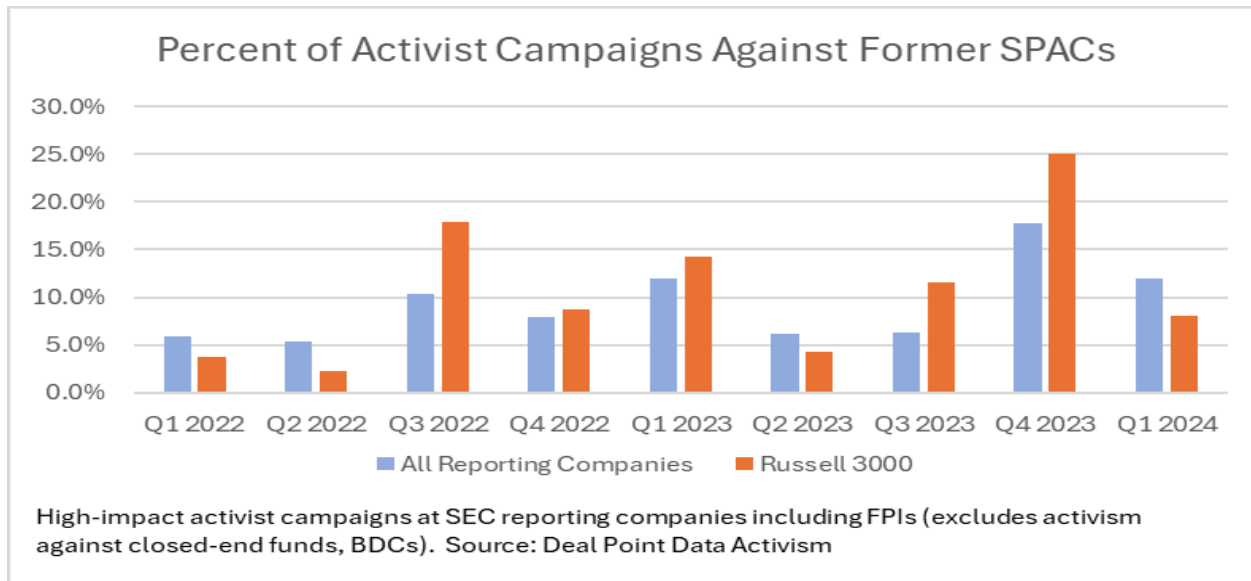


De-SPACtivism & de-SPACquision

When a SPAC completes an acquisition and transforms into a publicly traded company, it is called de-SPACing. The market's reaction to a SPAC completing its de-SPAC process is important. Positive market sentiment of the de-SPAC often indicates the future success of the business. Conversely, if the market reacts negatively, it could suggest doubts about the company's performance.

De-SPACtivism – Companies formed in de-SPAC deals have become targets of Activism

DeSPAC companies may also contribute to future merger activity in another unexpected way. Corporate activism often leads to M&A as a company put "in play" can result in a company sale. Certain attributes of companies formed in de-SPAC transactions may put them in the crosshairs of activist investors. The SPAC boom resulted in a pool of less mature companies that may be ill-suited to be stand-alone public companies. Moreover, many SPACs made very optimistic revenue and earnings forecasts to investors that have not been lived up to - underperformance that can put a company on an activist's radar. A review of activism campaign data in recent years shows a disproportionate number of companies targeted are former SPACs. While former SPACs represent approximately 6% of the Russell 3000, they represented 8%, 25%, and 12%, of the Russell companies targeted in the three most recent completed quarters.

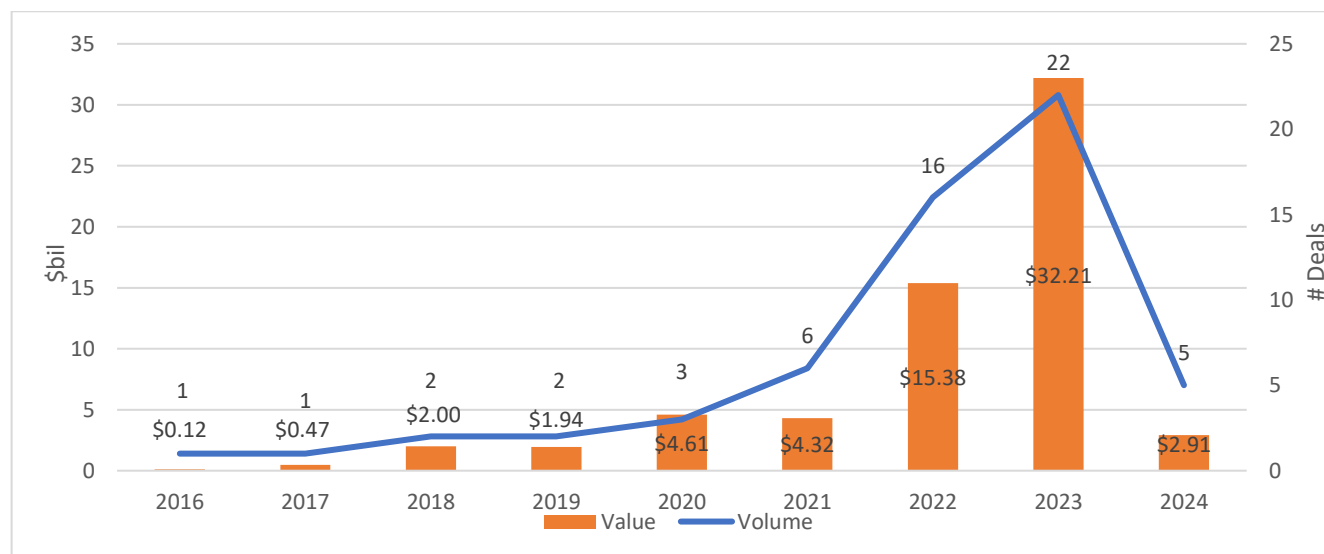


A successful de-SPACing involves effectively integrating the acquired business into the SPAC’s structure. This includes aligning corporate governance, operational strategies, and an experienced and motivated management team.

De-SPACquisions - Companies formed via de-SPAC deals have become targets:

According to Deal Point Data, a growing number of de-SPAC companies have themselves become acquisition targets. While some represent a strategic value by integrating these assets into existing operations or expanding their market reach, many continue to post disappointing performances and trade below their IPO price. Based on the chart below, 16 de-SPAC companies were taken private in 2022 followed by another 22 in 2023 for the equity value of \$15.4 billion and \$32.2 billion respectively.

Deal Volume & Equity Value (\$b)



*Target Type; Public, Target Formed via a deSPAC; Yes

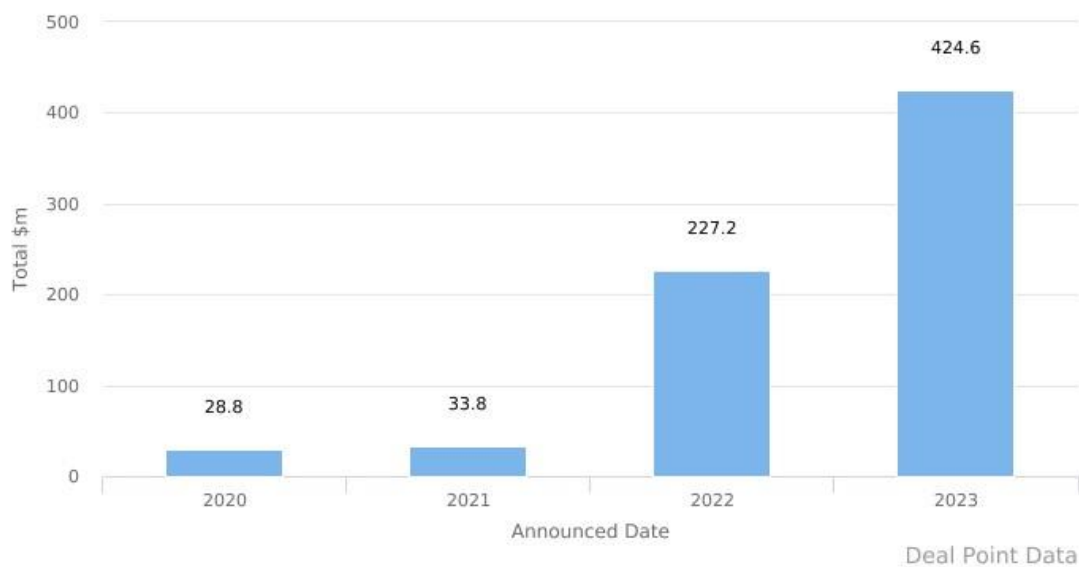


While the slowing to a crawl of SPAC issuance has deflated the IPO market, the increasing trend of de-SPAC companies becoming targets for acquisitions has helped buoy the M&A Market as well as becoming a source for advisor fees. Investment banking advisory fees on these deals soared to 424.6 in disclosed fees in 2023.

Deal Advisory Fees

Equity Value (\$m)	# Deals With Disclosed Total Fee	Target Total Advisory Total Fee (\$m)				Target Total Advisory Total Fee as % of Equity Value					
		Average	25th Percentile	Median	75th Percentile	Average	25th Percentile	Median	75th Percentile	Min	Max
0-249	11	4.6	2.8	4.0	6.0	4.36	2.17	2.65	6.47	2.01	10.0
250-499	10	9.3	7.2	8.0	10.5	2.34	1.72	2.21	2.32	0.66	4.61
500-749	3	11.4	8.6	11.3	14.2	1.83	1.49	1.92	2.22	1.06	2.51
750-999	4	12.2	7.7	12.6	17.0	1.34	0.98	1.46	1.82	0.09	2.37
1,000-1,999	8	22.7	18.8	23.6	27.5	1.63	1.61	1.75	1.88	0.01	2.6
2,000-2,999	2	40.9	34.8	40.9	46.9	1.6	1.36	1.6	1.83	1.13	2.07
3,000-4,999	4	41.4	29.2	43.6	55.8	1.03	0.9	1.18	1.32	0.4	1.34
5,000-9,999	1	80.0	80.0	80.0	80.0	0.99	0.99	0.99	0.99	0.99	0.99
All	43	17.1	5.8	10.5	22.8	2.41	1.41	2.01	2.44	0.01	10.0

Adviser Fees on Deals with Targets Formed Via deSPACs



About Deal Point Data

Deal Point Data is transforming the way Merger and Acquisitions (M&A), securities, corporate governance, and Activism research is done. The company streamlines the process of identifying precedents and analyzing market trends. Our data-driven applications enable the world’s leading law firms, investment banks, and hedge funds to save countless hours of manual research while getting better answers faster than ever before.

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