

SPAC-RELATED VALUATION



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Valuation Advisory

WHAT IS A SPAC?

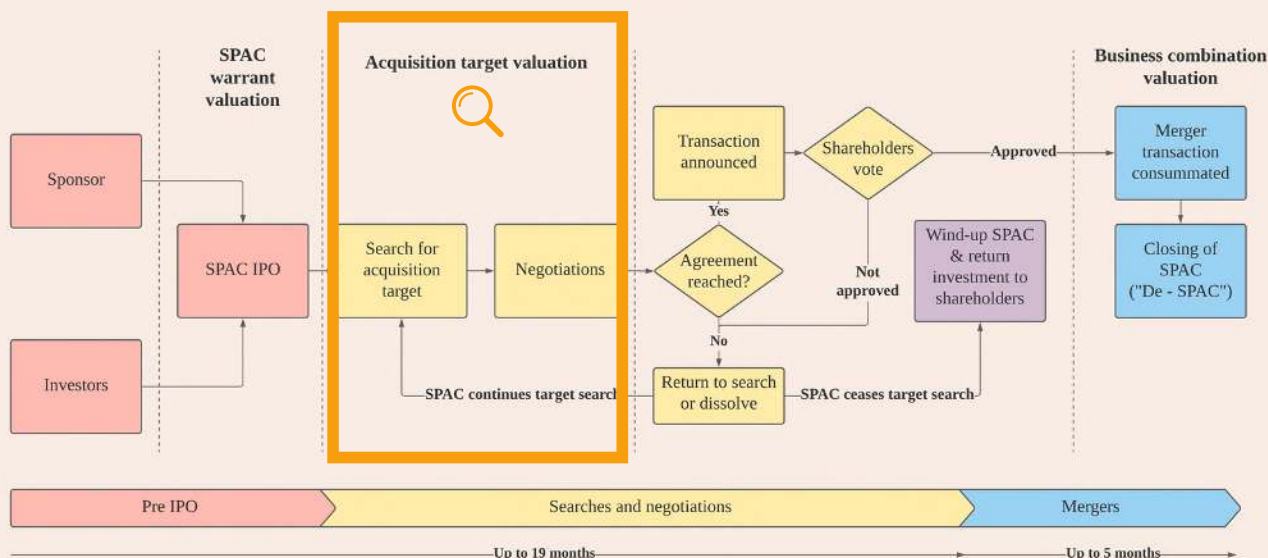
A SPAC (special purpose acquisition company) raises capital through the initial public offering (IPO) for the purpose of acquiring an existing operating company. Generally, a SPAC is formed by a group of sponsors, well-known investors or private equity firms. It became a preferred way for them to take private companies to public without going through the traditional IPO process which could take millions and years to complete due to its “blank-check” nature. The funds to investors.

After the SPAC goes public, it begins to acquire the target private company. Typically, a SPAC must complete an acquisition within a 18 to 24 months period or dissolve and return to investors.

Before the acquisition is complete, majority of investors’ funds are kept in escrow, which is a third party holds it for safekeeping. If the acquisition fails to materialize, money will be returned to investors. Such arrangement provides a layer of protection to safeguard investor’s interest.

SPACs accounted for more than 40% of IPOs by volume in 2020. Throughout the year, there were 248 SPACs listed in 2020, raising USD 83.35 billion in gross proceeds. Compared to 79 SPACs listed in 2019 with total gross proceeds of USD 13.6 billion, such growth was tremendous. It is expected that the strong demand for SPAC will sustain as the impact of COVID-19 is expected to dissipate gradually.

The SPAC Merger Process



RECENT TREND OF SPAC IN HK

Currently, the Securities and Futures Commission (“SFC”) and the Hong Kong Exchanges and Clearing Limited (“HKEx”) are exploring the feasibility of introducing listing of SPACs in Hong Kong.

In Hong Kong some of the well-known businesspeople have already been partaken in some of the initial public offerings (“IPO”) of SPACs overseas, a clear sign that certain domestic demand of this type of investment vehicle exists.

It is foreseeable that Hong Kong will introduce its own version of SPACs in the near future, albeit tighten rules were implemented to curb back-door listings and the use of shell companies in order to maintain our competitiveness in the global financial industry.

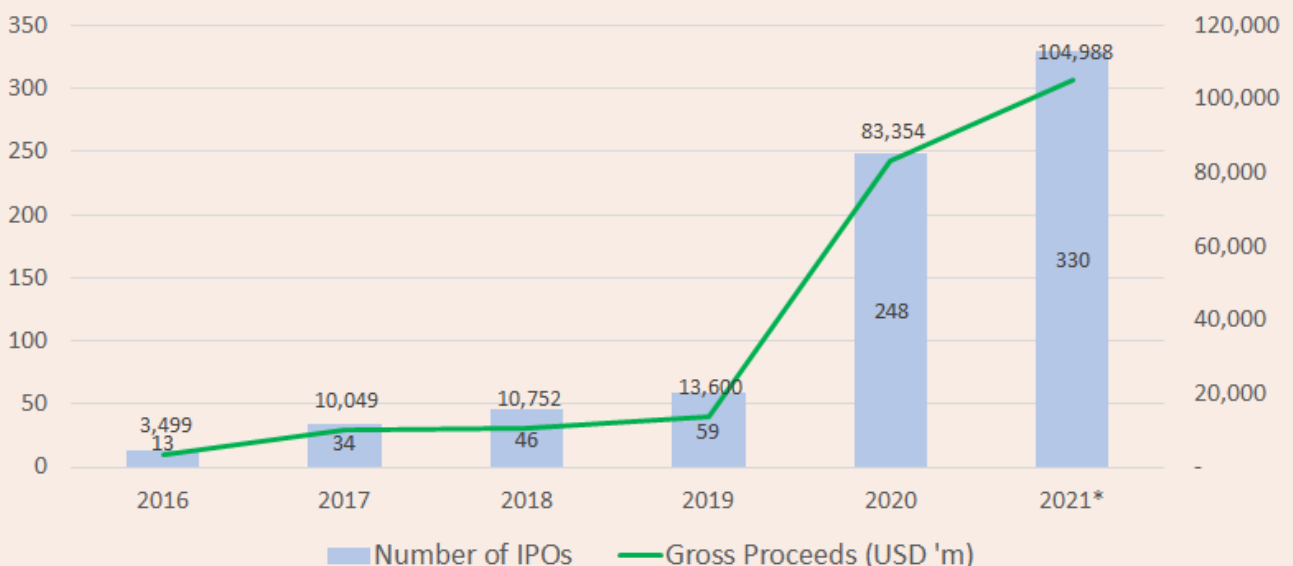
VALUATION & FINANCIAL REPORTING CONSIDERATION

Among others, valuation of acquisition targets are of crucial to the success of SPACs. Valtech is experienced in providing business valuation services throughout the SPAC process. With our extensive industrial experience, we are able to provide quality valuation service in a timely manner.

In April, U.S. Securities and Exchange Commission (SEC) issued a staff statement on accounting and reporting considerations for warrants issued by SPACs. The statement provided some general principals in the classifications (equity instrument, asset or liability) of the warrants.

Our team is experienced in collaborating with management and auditors throughout the valuation process to ensure proper classification and measurement of warrants.

SPAC Transactions by value and count



*As of 6 Jun 21
Source: SPACInsider



ABOUT US

Valtech provides all-round valuation services including business valuation advisory, expected credit loss valuation, property valuation, mining valuation and valuation for other assets. Our team is experienced in serving listed companies, private equity and companies working for IPO. We were formed by a team of professionals with diversity of expertise and experience.

OUR SERVICES

- Business valuation
- Purchase price allocation
- Financial instruments valuation
- Property valuation
- Expected credit loss assessment
- Biotech valuation
- Mining assets valuation
- Crypto valuation
- Fairness opinion

Our database and technology are updated regularly to provide professional valuation advice to our clients.
Please feel free to connect to our key members for enquiry



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