



Knowledge. Discipline. Perspective.

Leadership, Execution and Technical Support for SPAC Transactions



When it comes to accessing the US capital markets, one path does not suit all. We are experienced in traditional and non-traditional routes, including SPAC transactions, which have surged both within and beyond the life science sector.

SPAC Explained

From a process standpoint, a SPAC is an IPO in reverse.

- ✓ **The IPO starts with the registration process:** hold an organizational meeting, draft the prospectus, file registration documents with the U.S. Securities and Exchange Commission (SEC), pitch to potential investors through a road show, determine the valuation and list the company (aka “go public”).
- ✓ **With a SPAC, the relative valuation of the companies comes first and is based on their assets:** tangible cash in trust and the intangible value of the listing. The SPAC is publicly listed and while it does have tangible cash in trust and the intangible value of the listing, the market is pricing the SPAC every day. The target company is a negotiated valuation between the target company and the SPAC. The relative valuations will determine the pro forma ownership of the combined company.
- ✓ **The founders own approximately 20% of the shares, leaving 80% to be held by public shareholders.** Next, the SPAC goes through the IPO process and becomes a public entity.
- ✓ **The SPAC team then markets to investors the 80% of shares that will be invested in whatever promising start-up they can find.** Once they find that investment target (within 18-24 months), they acquire it and “de-SPAC,” which makes that private start-up a public company.

Relevance to Life Science Companies

The path to market for a life science company is long, complex and incredibly capital intensive. We've all heard the line – it takes 10 years and \$1B to get a drug to market. While this is sometimes viewed as urban legend, the timing and costs are certainly not far off from reality.

It is very hard to measure or in some way portend the success of experimental science at a very early stage. The only way for a company to make it to the point where the company's technology or product candidates can demonstrate proof of concept/principle is to gain access to the capital markets. The private markets just can't sustain a company for that period of time with that amount of capital. They are putting too much at risk.

SPACs offer a viable alternative path to market, which is empirically a good thing. They attract investors by leveraging the power of diversification. Let's say a company has \$100M to invest. It is more attractive to spread that investment across 20 SPACs at \$5M each, versus \$33M invested into only three companies. In this way the SPAC presents a great outlet for not only companies but their investors.

How Danforth Can Help

We offer a wide range of services that are customized to meet the unique goals and requirements of each client engagement.



Experience on both sides

We have provided strategic leadership, execution and technical support for clients both as the acquisition prospect and as the SPAC itself. We understand how the timelines and requirements differ on either side and how to plan accordingly.



Well-established relationships

Seamless execution requires coordination among numerous players. We have extensive relationships with Big 4 auditors, SEC counsel and life science investment bankers, allowing for close collaboration throughout the entire SPAC process.



Support for SEC readiness

We prepare for external PCAOB audits and SEC-compliant financial reporting, including disclosure "upgrades" for EPS calculations, pro-forma presentations, segmental reporting, going concern disclosures, related-party matters and taxation disclosures. Our Accounting and Reporting Advisory team routinely manages this work and other technical aspects of SPAC preparation.



Specialized Form S-4 drafting

We lead or supplement your team in the preparation of historical financials, selected and pro-forma financial data, and other financial elements of your S-4 registration statement in compliance with SEC requirements. Further, we have drafting specialists who draw upon their backgrounds in life science investment banking and public and private equity financings to create a compelling, well-constructed business section for the investor audience.

About Danforth Advisors

Danforth Advisors is the financial backbone to hundreds of life science companies, providing integrated and scalable consulting teams ranging from staff accountant through CFO. The company's services span the full breadth of a finance organization's needs, whether short or long term, including accounting and operational finance support, capital raising, financial planning and analysis, IPO preparation, post-public SEC compliance and clinical business operations management. Founded in 2011, Danforth has been a strategic and trusted thought partner to private and public life science companies across all stages of corporate evolution. The company is headquartered in Waltham, Massachusetts with additional operations in the emerging life science clusters of metropolitan New York and the mid-Atlantic region. Additional information is available at www.danforthadvisors.com.