

# PitchBook

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## [Desperate for deals, America's SPACs target more foreign companies](#)

Slim pickings in their home market. A ticking two-year clock. Competition from all sides. Facing these and other hurdles at home, US-listed blank-check companies have shown that they're willing to go wherever the deals are.

SPAC mergers with foreign companies are on the rise as dealmakers seek to woo international companies to the US markets. Their bait: juicy valuations, deep pools of liquidity and a market with a seemingly boundless investor appetite for growth companies.

Foreign targets accounted for 19% of mergers with SPACs, or 17 deals, in the second quarter of the year, up from 13% in Q1, according to PitchBook data.

When former GM executive Barry Engle launched Qell Acquisition last year, he knew from the beginning that foreign companies would be in the mix. Europe in particular has been fertile ground for startups focused on reducing transportation's carbon footprint.

"We were pretty agnostic about the location," Engle said. "We wanted to be able to cast the net wide."

Qell's California-based team went on the hunt for a mobility tech startup at a time of fierce competition among blank-check companies to acquire electric vehicle startups. With a crowded market on land, Qell looked skyward: In March, it announced a merger with German electric aircraft maker Lilium at a \$3.3 billion valuation.

Lilium is one of several non-US mobility companies to merge with a US-listed SPAC. Singapore-based Grab was valued at \$39.6 billion in a deal with a SPAC backed by Altimeter Capital. Spanish EV charging company Wallbox and London-based online car retailer Cazoo also inked blank-check deals.

SPACs typically have two years to strike a deal, and for the hundreds that launched last year, time is running out quickly. The time pressure is compounded by SPAC fatigue at home, with the highest-quality companies inundated with interest from blank-check suitors.

"The competitive landscape is more favorable abroad. It's not so saturated," said Pamela Marcogliese, a partner with law firm Freshfields.

Merging with a SPAC to go public in the US may seem especially appealing to foreign companies whose domestic options are slim. Britain, a top destination for US SPACs, faced a big blow after the disappointing IPO for Amazon-backed meal delivery company Deliveroo.

For fast-growing tech companies in need of cash, the speed and price assurance that SPACs can offer has proven a winning combination.

"Everything seems to be a bit more frothy in the States," said Ed Dyson, a London-based partner at law firm Orrick. "[SPACs will] pay for these businesses, and the valuations that they're getting are just better."

The trend is showing no signs of slowing. In recent months a growing number of SPACs have been incorporated in the Cayman Islands, which is often an indication that they're keeping open the option of an overseas merger, said Marcogliese. Incorporating in the Caymans offers tax and other advantages that make it easier for blank-check companies to combine with foreign targets.

In the era of Zoom-based business, it's unclear how the pandemic has affected the geography of dealmaking. But Israel and the UK, which were among the fastest to ramp up coronavirus vaccinations, have also been the leading countries for SPAC mergers, PitchBook data shows.

Meanwhile, activity in China has yet to take off, despite a number of high-profile US IPOs of Chinese companies, such as Didi Global and Full Truck Alliance.

But that could soon change. **Marcum BP co-chairman Drew Bernstein, who advises Chinese companies going public in the US, said his firm created a team in Asia focused on SPACs. The move was in response to a large number of SPACs being registered that are either seeking Chinese companies or have a Chinese investor base.**

SPAC mergers with foreign companies face certain hurdles, such as complying with American accounting and audit standards. Moreover, companies abroad aren't as familiar with the nature of SPACs, so dealmakers must work harder to educate and build trust, said Sam Gabbita, CFO at Qell.

While SPAC sponsors may find that foreign markets are relatively untapped compared to the US, competition abroad is ramping up quickly. Blank-check mania has started to grip exchanges abroad, in particular in the Netherlands, but America's lead is significant.

Added Dyson: "The Europeans are trying to catch up."