

Prenetics' SPAC merger: Hong Kong's first unicorn to be publicly listed in \$1.25bn deal

Introduction

On September 16, 2021, Prenetics Group Limited, a world leader in the field of genomics and diagnostics, announced that it has reached a definitive merger agreement with Artisan Acquisition Corp., a special purpose acquisition company privately founded by famed entrepreneur Adrian Cheng and listed on the Nasdaq with the ticker "ARTAU". Through the deal, Prenetics will benefit from Cheng's expertise and portfolio of well-diversified companies across retail, hospitality, healthcare, property, and other industries.

The deal values Prenetics at an enterprise value of \$1.25bn with a combined equity value of c. \$1.7bn (given a post-transaction net cash position of \$455m). This makes Prenetics the first Hong Kong-based unicorn to be publicly listed in any market. The transaction is estimated to be completed in the fourth quarter of 2021 or the first quarter of 2022, when the combined company's ("PubCo") securities will start trading on the Nasdaq under the ticker "PRE". Prenetics will receive proceeds of up to \$459m in cash which will be used for strategic acquisitions, R&D, product roll out and geographic expansion into the United States, EMEA and Southeast Asia.

About Prenetics

Founded in 2014 by Danny Yeung, Prenetics is today the leading genomics and diagnostics testing company in Hong Kong and the United Kingdom. The company is focused on disrupting and decentralizing the global \$1.3tn healthcare market, with a focus on three divisions:

- Prevention – consumer genetic testing and early colorectal cancer screening
- Diagnostics – Covid-19 testing, point-of-care testing, at-home diagnostic testing and medical genetic testing
- Personalized Care – personalized nutrition, hair & sexual health products

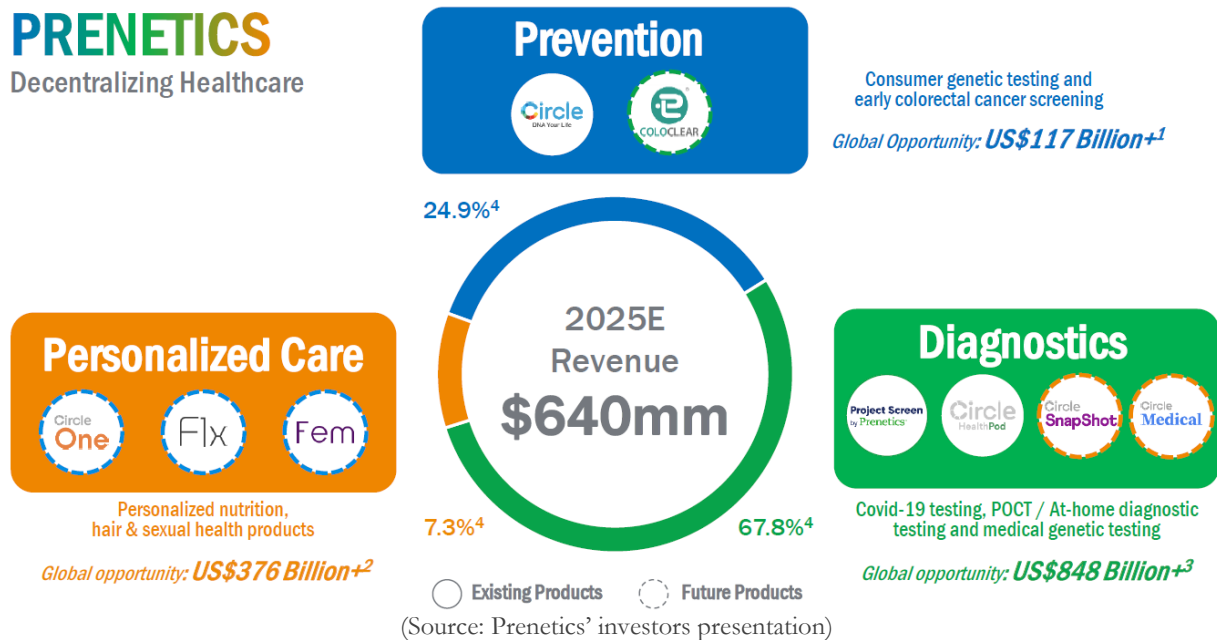
The company was directly involved in "Project Restart", the English Premier League's initiative in May 2020 to safely resume matches despite a lockdown and avoid the potential cancellation of the entire season. The EPL was supported by Prenetics in setting up the regular testing regime to reduce outbreak risk among players and staff, a deal that contributed greatly to the \$51m in revenues in 2020 and a forecast of \$185m in 2021E from Diagnostics alone. Other revenue sources include providing one-stop lab testing services for Hong Kong and Heathrow airports and IWG, the world's largest flexible office company.

Prenetics has significantly increased its total revenues from \$65m in 2020 to \$205m in 2021E, corresponding to a 215% year-on-year growth. In the near future, the company is expected to experience sustained growth rates, with projected annual sales of \$640m in 2025E (24.9% Prevention, 67.8% Diagnostics, 7.3% Personalized Care). Prenetics has operations in 10 countries, 8 testing labs, and a team of over 700 employees.

The company recently launched Circle HealthPod in Hong Kong, a point-of-care device able to rapidly diagnose and monitor infectious diseases at home. The product is already functioning for Covid-19, while development

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works have begun to expand its use to influenza and STDs. Prenetics had previously received early investments of \$85m from Prudential, Alibaba Group, Apis Partners, Beyond Ventures, Gobi Partners and others.



About Artisan

Artisan Acquisition Corp. is a Cayman Islands-incorporated special purpose acquisition company (or Spac) with the goal of merging or acquiring a target focused on the fast-growing healthcare, consumer and technology sectors, and well positioned for success in the Chinese market. Artisan is backed by Adrian Cheng, chief executive of Hong Kong's property and infrastructure conglomerate New World Development.

Industry overview

Prenetics is active in the healthcare industry, which is expected to reach a volume of \$1.3tn by 2030. The company's major segment is its Diagnostics division with a focus on Covid-19 testing. The global market for Covid-19 laboratory diagnostics market is estimated at c. \$32bn in 2021. The growth potential depends mainly on local regulations as c. 55% of the revenues in 2021E were associated with travel related testing regulations. Therefore, future revenues are associated with a high degree of risk as the ongoing vaccination campaign eliminates the need of testing in many countries. Prenetics takes the leading position in the UK and Hong Kong with more than 5m of processed tests. Moreover, it developed at-home rapid detection systems for Covid-19 and other infectious diseases together with the University of Oxford. For 2022 test systems for influenza and STDs are planned to be rolled out. Its main competitors in this segment are Cue Health, Everlywell and Invitae.

Prenetics' second largest division is Prevention. With its brand CircleDNA it focuses on consumer DNA testing providing comprehensive health reports (with 500+ parameters across various categories) and early colorectal cancer screening. The global market for DTC molecular testing services is estimated to reach c. \$16bn by 2030.

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This segment has the most promising growth potential in the future due to the increase of chronic diseases and a rising health awareness. CircleDNA is the leading brand in Asia as well as in the UK and aims to become a major player in rest of Europe and the US in the near future. Its main competitors are 23andMe and New Horizon Health.

The Personalized Care division is focusing on personalized nutrition and care. Levering on existing CircleDNA customers, the division focuses on personalized solutions adapted to genetic preconditions. The total addressable market is estimated to reach c. \$375bn by 2030. Prenetics targets only a small fraction of the total size and is currently only a minor player. Nonetheless, with many ongoing R&D projects, this segment will gain more importance for Prenetics soon. Its main competitor is Roman Health.

Deal structure

The transaction values Prenetics at an enterprise value of \$1.25bn which implies a 4.6x (2022E) revenue multiple. Looking at comparable companies, the deal is valued rather conservative as competitors trade at revenue multiples between 5x to 10x. This might be due to the large share of Covid-19 diagnostics of the revenues, which cannot be projected reliably for the future.

As part of the deal, all Prenetics' existing shareholders will roll their equity into 67.3% of PubCo's equity, further proof of their continued commitment to the company's growth strategy. Prenetics will receive proceeds of up to \$459m in cash, including \$339m of cash currently held in the trust account of Artisan Acquisition Corp., plus a \$60m fully committed PIPE and \$60m forward purchase agreements Aspex, PAG, Lippo, Dragonstone, Xen Capital and others. As a result, the implied post-transaction equity value is \$1.7bn. The equity capital is split up in 170.9m shares with an implied price of \$10 each.

The merger is estimated to be completed in the fourth quarter of 2021 or the first quarter of 2022, when the combined company will start trading on the Nasdaq under the ticker "PRE".

Deal Rationale

The announcement to go public of Prenetics on September 16, 2021, was following the IPO of one of its closest competitors. Cue Health, a COVID-19 testing provider, announced earlier this month its public debut through a Nasdaq IPO which took place on September 24. It was perceived as successful as the competitor has reached its goal of raising more than \$200m, valuing the company north of \$2bn.

The SPAC deal values Prenetics at an enterprise value of \$1.25bn. As a result of its merger with Artisan, Prenetics will receive proceeds of up to \$459m in cash, including the contribution of up to \$339m currently held in Artisan's trust and forward purchase agreements of \$120m from Aspex, PAG, Lippo, Dragonstone, Xen Capital and others. These funds will allow Prenetics to continue its significant growth trajectory and will be used for strategic acquisitions, R&D, product roll out and geographic expansion into the United States, EMEA and Southeast Asia.

Through its listing on the Nasdaq with the ticker "PRE", Prenetics hopes to take advantage of Nasdaq's highest capital supply for bio-tech companies. Moreover, by combining with the SPAC, Prenetics will draw upon Artisan CEO Cheng's well-diversified business portfolio providing tremendous opportunities for closely aligned partnerships and allowing Prenetics to substantially expand its platform. Specifically, Prenetics will aim to leverage

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the testing opportunities offered by Cheng's New World Development's international real estate holdings, which include hotels, department stores, museums, and other venues in addition to its healthcare clinics and branches.

This deal, which followed a management decision not to list locally, defines a monumental moment for Hong Kong's start-up industry. In fact, Prenetics will become the first Hong Kong start-up to achieve unicorn status (privately valued at more than \$1bn), paving the way for others to follow its lead to list outside the Chinese territory.

Market Reaction

On September 16 Prenetics Group Limited and Artisan Acquisition Corp. (Nasdaq:ARTAU) announced they entered into a definitive merger agreement. The announcement was perceived positively by the media and Artisan's shareholders. The next day after the announcement, Artisan's share price closed at \$10.10, with a 3% increase from the previous day close price of \$9.85. As of now, on September 30, the share price stabilized on a level above \$10.

Financial Advisors

UBS is acting as sole financial advisor and exclusive capital markets advisor to Artisan in connection with the transaction, while Citigroup is serving as sole financial advisor to Prenetics.

TAGS: Prenetics, SPAC, IPO, NASDAQ, Covid-19, Venture Capital, Start-ups,

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