

London-listed SPAC targets merger with chronic disease drug developer Istesso

The first “blank cheque” company to list in London after an overhaul aimed at helping the City compete with rival financial centres is in talks to merge with a privately owned drugs group developing treatments for chronic diseases.

Sky News has learnt that Hambro Perks Acquisition Company (HPAC) is in advanced negotiations about a deal, which could be announced within weeks.

If successfully completed, the merger would represent a milestone for the London stock market even as scores of so-called special purpose acquisition companies (SPACs) – predominantly in New York – are being wound up following a slump in valuations.

City sources said on Saturday that HPAC had been in discussions with Istesso for some time.

A merger would value the company at several hundred million pounds, although a more precise valuation could not be ascertained this weekend.

Founded in 2017, Istesso focuses on an area of medicine called immunometabolism, and is developing treatments for severe diseases such as arthritis and multiple sclerosis.

Several of its products have reached Phase-II trials, with others at an earlier stage of development.

One biotech analyst who is familiar with Istesso’s work said the business appeared to have significant growth potential.

Istesso is majority-owned by IP Group, the London-listed

company which focuses on commercialising intellectual property across sectors such as energy and healthcare.

Last week, IP Group named Anita Kidgell, head of corporate strategy at the FTSE-100 pharmaceuticals giant GSK, as a non-executive director.

The SPAC was the brainchild of Hambro Perks, a London-based venture capital firm which holds stakes in dozens of early-stage companies such as What3Words, the geolocation start-up, and Tide, the business bank.

It is chaired by Sir Anthony Salz, the former Rothschild banker and City lawyer.

Dominic Perks, Hambro Perks' co-founder, said at the time of HPAC'S listing in November 2021 that he had decided to list the vehicle in London in the wake of rule changes which meant the City could compete more robustly with New York and Amsterdam.

The SPAC, which raised nearly £150m from its initial public offering, had 15 months to secure a deal, meaning it faces a deadline next month to announce the merger or seek an extension from shareholders.

Hambro Perks has substantial experience of healthcare investment, having backed start-ups including Aide, a digital health service which helps patients manage chronic conditions, Genomics, a genetics-based drugs group, and Akamis Bio, a clinical-stage oncology company.

The SPAC boom in the US triggered the arrival on the public markets of dozens of companies, including Sir Richard Branson's Virgin Galactic and Virgin Orbit,

A string of UK companies, including Babylon Health and Cazoo, the online car retailer, have merged with SPACs and subsequently seen their valuations plummet.

Rothschild is advising the Hambro Perks SPAC on the deal, while Istesso is being advised by Panmure Gordon.

HPAC and IP Group have both been contacted for comment.

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