

# AI drug discovery startup latest to go public via \$2.8B SPAC merger

Article

AI drug discovery startup **Valo** [announced](#) it's going public via a **\$2.8 billion** SPAC merger with

**Khosla Ventures**, expected to close in Q3 2021. Here's what it does: Valo's primary product Opal Computational Platform uses AI to identify new drug targets within a few weeks compared with the traditional process to pinpoint target areas, which can take up to one year.

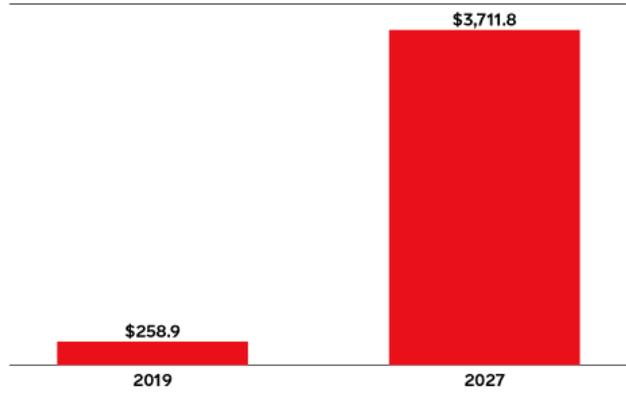
**Big names in pharma have inked recent partnerships with AI drug discovery startups to boost R&D—likely due to difficulties hiring the talent needed to spearhead AI projects.**

- **Pharma's relied more heavily on AI drug discovery startups over the past year to accelerate their R&D timelines and keep up with their competitors.** For example, last month, pharma giant **Bristol-Myers Squibb** **revealed** it's partnering with AI for drug discovery firm **Exscientia** to accelerate the discovery of “small molecule” therapeutic drug candidates in oncology and immunology. This is likely an attempt to keep pace with its peers, which are also tapping into AI to speed up R&D: In March, **Pfizer** **teamed up** with **Iktos** to apply the startups' AI software to Pfizer's small-molecule drug design programs, for instance.
- **Pharma companies are opting to partner with the likes of Valo versus building their own in-house teams, likely since it's slow and hard to recruit the right talent..** The Head of Innovation at pharma company **GlaxoSmithkline** Consumer Healthcare, Subroto Mukherjee, **says** it has “a limited data science skilled pool in the market, [which] delays hiring and getting them up to speed and scale multiple AI projects.”

**Valo is one of the first AI drug discovery startups to go public, but we think we'll see more take the public leap, as the AI drug discovery market matures.**

- **Valo's competitors have scored massive funding hauls over the past year to fuel expansion—the public leap is the next step to access a much larger pool of funding to scale their tech.** For example, in March, **Instituto** **nabbed** a whopping **\$400 million** in VC funding; In April, **Exscientia** **scored** **\$225 million**; and in September, **XtalPi** **raised** **\$319 million** from investors. But going public typically helps health tech companies raise much more than one private funding haul alone: Telehealth company **Amwell** **raised** **\$742 million** in its September IPO, for instance.
- **We may even see a massive M&A deal forge between a pharma giant and a startup like Valo.** Pharma's vote of confidence in AI drug discovery startups has made them need-to-have for drug innovation—which means a company like Pfizer or **GlaxoSmithkline** could scoop up a company like Valo over the next few years to bring their AI capabilities in-house.

**AI Drug Discovery Market Worldwide, 2019 & 2027**  
millions of dollars



Note: CAGR=39.4%

Source: Emergen Research as cited in company blog, Nov 20, 2020

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