**In Vogue Again: The Re-Rise of SPACs in the IPO Market**

Maria Lucia Passador

Ph.D. Fellow, Bocconi University – Milan

[marialucia.passador@unibocconi.it](mailto:marialucia.passador@unibocconi.it)

The Special Purpose Acquisition Companies are purpose-built vehicles established with the aim to collect financial resources through an initial public offer on the stock market in order to identify and then incorporate (through the so-called business combination) an unlisted operating company and lead it to listing. It can indeed be regarded as a borderline product between the capital market and classic private equity, which, after a long US experience, is now widespreading in Europe too.

This article, after outlining the life cycle of SPACs, will dwell on the differences with other classical financial tools of the IPO market and, in order to understand their structural changes over the years and the grounds for their recent resurgence, will extensively study with regard to the US scenario, but completing their examination with some references to other geographical contexts, referring to studies carried out in the UK and performing an independent study with respect to the Italian situation. After a half-hearted start, the market for SPACs expanded considerably until reaching a notable result in Italy, which is second only to that of the United States.

Although SPACs does not represent a traditional type of listing on the market, it is nevertheless extremely valuable for achieving the very same legal status as listing, cutting total transaction costs and collecting an amount of money that is less uncertain than that traditionally obtainable through an IPO. In addition, the system allows investors to participate in one or more transactions with characteristics similar to those of private equity, usually accessible to qualified investors only, thereby reducing investment costs and increasing liquidity and transparency. But the specific mechanism of remuneration of the founding partners leads to a misalignment of the interests of the category to the stakeholders and feeds the negative incentive to conclude any acquisition with the aim of receiving the shares of the company, until then bound to the transaction completion. Active investors have in fact sometimes blackmailed the managers, increasing their participation and menacing to put the company into liquidation in the case the decision about the acquisition was not taken and, consequently, the segregated money was not released. The founding members often intervened directly to take over the shareholdings of unfavourable members in order not to jeopardise the success of the operation.

In conclusion, this paper aims to identify SPAC's recipe for success and trace out the possible evolution of their global market in the short-to-medium-term, namely whether they will match the American scenario or not. The true determinant of SPACs' successfulness does not seem to consist in its characteristics at the time of listing or before the acquisition is approved, but rather in the operational variables that are implemented in the listing process or, in any case, before the business combination is adopted. Undoubtedly, in the near future, SPACs will strengthen their role in the global corporate and financial arena, particularly with the careful supervision of investors, the promptness of payment and the expertise provided by sponsors. The EU SPACs market has still a lot to say, thanks to their growing level of specialisation, using IPO funds for operations that go beyond simple business combinations, diversifying promoters' contributions, aligning promoters' and investors' interests, and turning to a 2.0 version with the implementation of SPACs-in-cloud.

Keywords: SPACs, IPO market, business combination, private equity