# SIFMA Insights

Spotlight: SPACs vs. IPOs

*A Look at Year-to-Date Issuance Compared to Historical Trends*

**March 2021**

### Key Takeaways

- SPACs: YTD (as of end Feb) issuance $60.2B, 73.0% of 2020 total (# deals 189, 76.2% of 2020); February 2021 at $34.9B (# deals 98) is 137.6% of January total, January $25.3B (# deals 91)
- IPOs: YTD issuance $24.3B, 28.6% of 2020 total (# deals 59, 28.2% of 2020); February 2021 at $9.3B (# deals 32) is 61.5% of January total, January $15.1B (# deals 27)
- Issuance trends ebb and flow with market turmoil/crises; for the past few years pre COVID, we saw similar SPAC and IPO patterns; this broke down last year with SPACs +510.6% Y/Y vs. IPOs 74.6%

# Spotlight: SPACs vs. IPOs

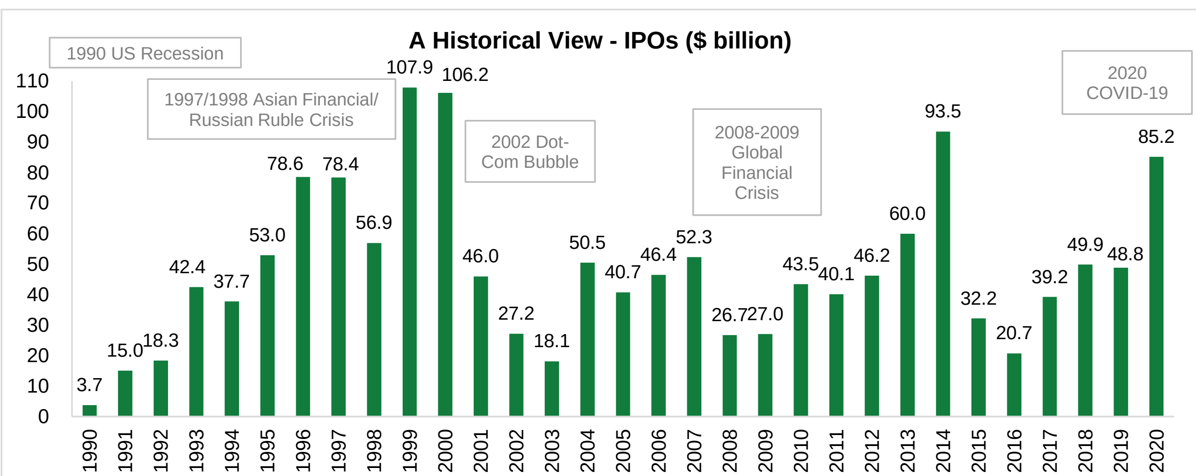
Last year, we wrote a note explaining the basics of special purpose acquisition companies (SPAC) and analyzing issuance trends, titled SIFMA Insights Spotlight: 2020, the Year of the SPAC. At the rate 2021 issuance is going, this could be the new year of the SPAC. Therefore, in this report, we analyze year-to-date issuance trends for SPACs versus traditional initial public offerings (IPO), comparing current to historical trends.

## Historical Trends

### IPOs

IPO trends have ebbed and flowed with periods of market turmoil or crisis. Issuance was strong in the late 1990s, declining after the dot-com bubble burst in the early 2000s. Issuance started to recover, only to be stopped by the global financial crisis.

After that, deal value has been relatively stable, with the exception of a strong 2014 which was bolstered by the JOBS Act[1]. A confluence of factors – market valuations, investor demand, COVID impact on business models, etc. – led to 2020 representing the best year since 2014, just -8.9% to 2014 but +74.6% to 2019.



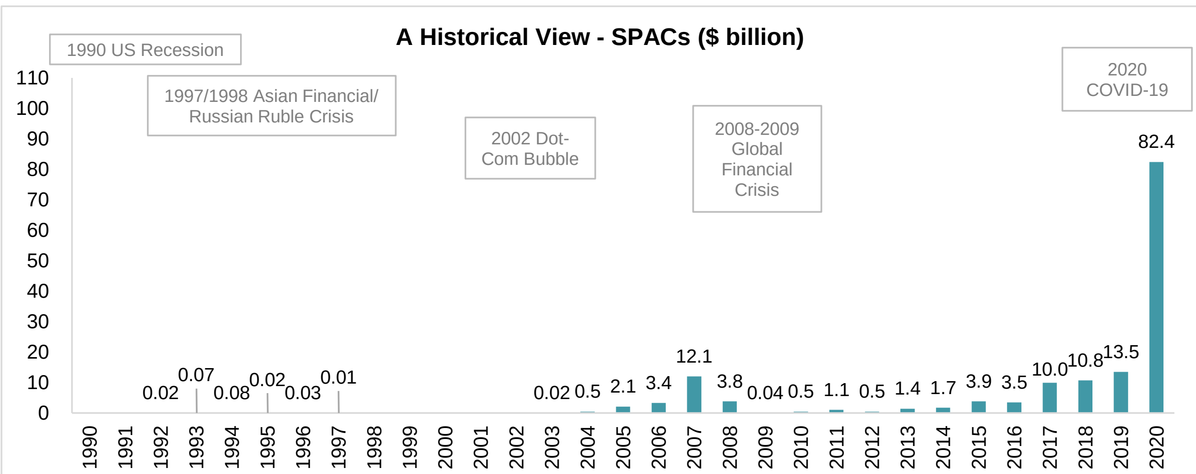

Source: Dealogic, SIFMA estimates

[1] The Jumpstart Our Business Startups Act was signed into law in April 2012 and implemented throughout 2012/2013. With the objective of boosting small company IPOs to create more jobs and stimulate the economy, it was an effort to ease regulatory burdens for smaller companies and facilitate capital formation.

## SPACs

SPACs display a much different history early on. Average deal value was only $0.04 billion (or less than $40 million) in the 1990s, then all but disappeared until the mid-2000s. Deal value reached $12.1 billion in 2007, then dropped after the global financial crisis, similar to IPO deals. Then, starting in 2017, SPAC deals began to grow, averaging $11.4 billion over the next three years.

Overall for the past few years pre COVID, we saw similar patterns to IPOs. The exception is the JOBS Act boost for IPOs in 2014 (as this law did not benefit SPACs, which do not have an identified operating company at the time of issuance). The pattern broke last year when SPACs deal value grew 510.6% Y/Y versus 74.6% for IPOs.

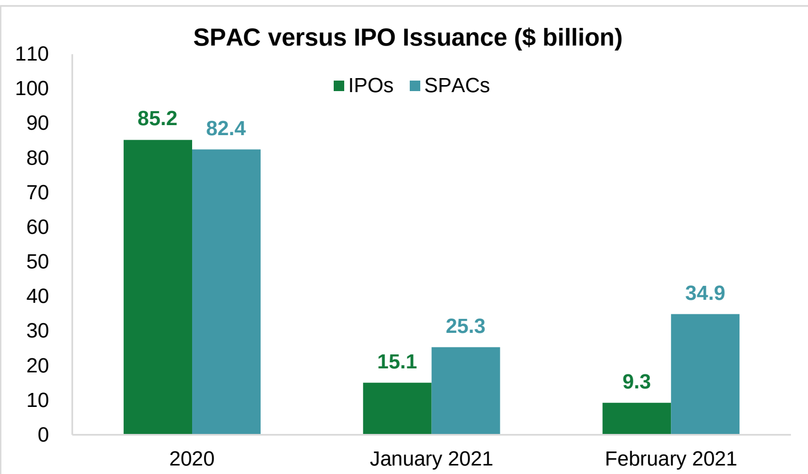



Source: Dealogic, SIFMA estimates

## Current Trends

Last year, SPACs and IPOs were neck-in-neck in issuance statistics, SPACs $82.4 billion (248 deals) versus IPOs $85.2 billion (209 deals). SPACs were ahead in number of deals, +18.7%, but lost out in deal value, -3.3%. These numbers are shifting at the start of 2021. Year-to-date (as of end February), there has been $60.2 billion in SPAC issuance, already achieving 73.0% of last year's total (# deals 189, 76.2% of last year). Conversely, IPO issuance is at $24.3 billion, 28.6% of last year's total (# deals 59, 28.2% of last year).

Additionally, February SPAC issuance surpassed January's total deal value, +137.6%: February $34.9 billion (# deals 98), January $25.3 billion (# deals 91). IPOs are not growing at the same pace, with February at 61.5% of January: February $9.3 billion (# deals 32), January $15.1 billion (# deals 27).




Source: Dealogic, SIFMA estimates

This is an interesting trend, as historically SPAC issuance represented a small percentage of IPO figures. On average from 1990-1999, SPACs represented 0.1% of total IPO deal value. This moved up to a mid to high single digit figure over the next two decades, averaging 8.5%. This jumped to 96.7% in 2020 and then continued to grow in 2021: January 168.0%, February 376.0% (a 44 fold increase from February to 2000-2019 average).

| *($ billion)* | IPOs | SPACs | SPAC/IPO |
|---|---|---|---|
| 1990-1999 | 49.2 | 0.04 | 0.1% |
| 2000-2009 | 44.1 | 3.1 | 7.1% |
| 2010-2019 | 47.4 | 4.7 | 9.9% |
| 2020 | 85.2 | 82.4 | 96.7% |
| January 2021 | 15.1 | 25.3 | 168.0% |
| February 2021 | 9.3 | 34.9 | 376.0% |

Source: Dealogic, SIFMA estimates

Note: Decades are averages, else are actuals

## Innovating the Listings Process

The listing exchanges, Nasdaq and NYSE[2], continue to propose ways to innovate around the traditional listing process. There is now a menu of ways for firms to raise capital, differing in costs, listing requirements and length of the process:

- **Initial Public Offering (IPO)** – The process of offering shares of a private company to the public (investors) in a new stock issuance; intermediaries (underwriters, etc.) provide the listing infrastructure and a diverse shareholder base
- **Direct Listing** – A company offers its existing securities directly to the public (investors), lowering costs versus a traditional IPO process; used by venture-backed businesses requiring a means for initial investors to cash out, rather than the need to raise money
- **Special Purpose Acquisition Company (SPAC)** – A shell or blank check company, with no commercial operations, established solely to raise capital through an IPO for the purpose of acquiring an as-yet-identified operating company, typically within a specified period of time; merger with the SPAC is a potentially faster path to public listing for the operating company than a traditional IPO, with potentially greater certainty on valuation

Nasdaq's rule proposal for SPACs was approved by the SEC in late January 2021. It excludes SPACs from the required minimum amount rule, whereby there is a requirement that at least 50% of the company's required minimum number of round lot holders must each hold unrestricted securities with a market value of at least $2,500 at the time of initial listing.

In December 2020, the SEC approved NYSE's proposed rule change to amend its listed company manual to modify the provisions relating to direct listings. The rule change allows an issuer at the time of an initial listing to conduct a primary offering as part of a direct listing without conducting a firm commitment underwritten offering. A similar rule change proposed by Nasdaq is pending.

[2] The New York Stock Exchange is owned by Intercontinental Exchange (ICE)

## Author

**SIFMA Insights**
Katie Kolchin, CFA
Director of Research
kkolchin@sifma.org



SIFMA Insights can be found at: https://www.sifma.org/insights

SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate on legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.