



Spacs, The New Wall Street Fashion

SPACs are the financial phenomenon of the moment in the United States. In just over two months on Wall Street, companies of this type, according to SPAC Research, had concluded 246 transactions by the beginning of 2021 (compared to 248 in the whole of 2020).

Everyone talks about them, but only a few know what they are. Let's analyse this concept starting from the name, which derives from the English acronym Special Purpose Acquisition Company, and they are companies that do not have their own operations on the market but are created with the sole purpose of raising capital by placing shares on the market through IPO with the aim of subsequent integration/merger (Business Combination) with a company operating on the market (Target).

It is therefore a very complex instrument, but suitable for the development of small and medium-sized enterprises with high growth potential because, through the SPAC, the target companies can indirectly access the stock market and become a listed company in a shorter time and procedure. It originated in the United States in 1992 and arose from the Blank Check Company, a corporate vehicle with the same structure but which had been used with the aim of deceiving the market by listing companies with no real value. Rule 419 put an end to the fraudulent purpose and gave rise to the SPAC in its current meaning. In Europe, the first SPAC was registered in 2005, while in Italy it was only in 2011, with the listing of the SPAC "Made in Italy1", which in 2012 closed a business combination with the target company SeSa Spa, a leader in IT.

The activity of SPACs consists of four phases: phase I, the establishment of the SPAC, usually by the so-called promoters; phase II, the collection of financial resources through the IPO, i.e. the capital of the SPAC is sold on the market in the form of units to be subscribed; phase III, the search for target companies; phase IV, the business combination. In order to be successful, the business combination must be voted in favour by 50+1 of the SPAC's capital, in which case the merger process between the two companies is initiated, the funds raised in phase 2 are released, the dissenters are liquidated and the new company, which is intended for high-potential growth in the real market, starts operations.

Last year, about 250 SPACs were launched for about \$35 billion. In Italy the numbers are quite different, only 29 SPACs with €3.8bn of capital raised. However, it should not be underestimated that this new passepartout of finance is growing rapidly and therefore we can bet that in Italy we will hear more and more about it.

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