PCM
PEAK CAPITAL MANAGEMENT

Professional
Investment
Management

BLOG POST

SPACs in Focus

01/11/2021

A Special Purpose Acquisition Company (SPAC) offers an alternative to IPOs. SPACs serve as publicly traded shell companies with the objective of M&A. The shell company allows for the creation of a company without operational or assets typical of a traditional corporate structure. Furthermore, because of the structure of SPACs, capital raised is viewed as unlimited. Finally, the SPAC allows investors access to private equity without extended periods of illiquidity that can reach ten years or more for some private equity. SPACs have been around for over two decades, but 2020 has witnessed a flurry of activity, dwarfing activity in 2017, 2018, and 2019 combined. Bloomberg tracks The Indxx SPAC & NextGen IPO Index. The index gained 41% from April 30th until November 6th, 2020 (Bloomberg).

- As of November 6th, there were 152 SPAC offerings completed in 2020, raising $58mm (Bloomberg).
- Since the beginning of 2019, SPACs have accounted for over one third of all U.S. IPOs (Bloomberg).
- As of December 24th, there have been a total of 479 IPOs on US exchanges during the year 2020, versus 233 IPOs for the same time period in 2019 (stockanalysis.com).
- SPACs have been recognized as effective in capitalizing companies in the gig economy.
- One of the most notable products of a SPAC was the launch of Draft Kings.

Source: Peak Capital Management, LLC