SPACs and IPOs? ex-post transaction performances: Which approach can win?

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Abstract

The growing phenomenon of Special Purpose Acquisition Companies (SPAC) in Italy and the United Kingdom needs further investigation and understanding of whether a target company?s decision to go public through a SPAC merger or a traditional IPO significantly impacts the ex-post operational performances. Accordingly, based on a sample of 113 companies, the objective is to predict the target listing and the impact of listing type (IPO vs. SPAC) on the ex-post operational performance using Logistic Regression and a K-Nearest Neighbors machine learning model. Finally, a linear regression model also was included to study the effect of going public through a SPAC merger or traditional IPO on the one-year ex-post ROA. The analysis shows that the type of listing is relevant in determining a change in ROA but only if other indicators, such as the country of listing, the size of the target, and the capital intensity, are also considered in the models, suggesting that the SPACs features can significantly affect operational return in the post-transaction period.