Examining the Inferior Performance of Special Purpose Acquisition Companies (SPACs) Compared to Traditional Vehicles in the Post-Business Combination Phase: an Empirical Analysis

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Abstract

This study analyzes the long-term performance of Special Purpose Acquisition Companies (SPACs) in terms of stock prices and operating profitability metrics, specifically EBITDA margin and return on assets, over a two-year time frame. The study aims to compare and adjust the performance of SPACs with a matched group of firms considered as peers. The study focuses on determining factors that affect SPAC performance to provide insights for selecting better targets. The analysis involves univariate and multivariate OLS regressions of three dependent variables and selected independent variables. The study finds that SPACs tend to underperform the matched group in terms of operating profitability and returns. The time to execute a business combination has a negative correlation with SPAC performance, and proximity to the 80% deal threshold negatively affects share price performance and EBITDA margin.