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Katten Survey Reveals SPACs Continue to Be Viewed as Favorable Investment Opportunities

(CHICAGO) Katten’s [2021 SPAC Survey](#), stemming from one poll of 80 investment professionals in March and another of 100 investment professionals in May, found that investors who have participated in at least one SPAC transaction — as either sponsors, investors, advisors or underwriters — say they expect SPAC activity to increase at least through 2022.

When Katten conducted its first poll, 75 percent of investors who had participated in at least one SPAC transaction said they expected SPAC activity to increase through next year. Despite an underwhelming second quarter, Katten’s second poll revealed continued, undaunted optimism: 72 percent of investors who have participated in a SPAC transaction agree (with 44 percent of those strongly agreeing) that SPAC IPO activity will be strong through at least 2022. Not surprisingly, those who have not participated in a SPAC are more skeptical — just 32 percent feel that activity will be strong through 2022.

“Investors expect that the conditions that have fueled SPACs’ growth over the last few years will continue to exist for the foreseeable future,” says [Brian Hecht](#), a partner in Katten’s New York office. “There will be some ups and downs along the way, including the relative slowdown in SPAC IPOs we’re seeing now, for a variety of reasons, including some pullback from the stock market run-ups that SPACs had been experiencing, recent pronouncements from the Securities and Exchange Commission (SEC) and perhaps just a perception that it’s an appropriate time for the SPAC market to catch its breath after the frenetic activity in the first quarter. But it appears, more generally, that the momentum fueling the SPAC market is sustainable.”

The survey also found that SPAC transactions compare favorably to traditional IPOs because they offer a simpler process. SPAC issuers have additional flexibility with certain disclosures in SPAC transactions as compared to traditional IPOs, creating free space for SPAC target companies to tell their stories to investors — an advantage that 74 percent of respondents cite for SPAC deals. That can be especially advantageous for early-stage companies in industries like technology and life sciences, which often do not yet have the established financial track records that IPO investors typically look for.

“The market for SPACs has cooled for the moment, but it hasn’t gone away — because investors continue to see SPACs as valuable places to deploy capital,” says [Mark Wood](#), partner and national chair of Katten’s Securities practice. He added, “We don’t know when SPAC IPO activity will pick back up, but we are optimistic that it eventually will, even if not at the rates we saw in 2020 and early 2021.”

Additional highlights from the survey include:

- Investors’ decisions about whether to participate in a SPAC offering are primarily driven by their confidence in the SPAC’s prospects for creating value in the eventual merger with a target company (the de-SPAC transaction) and their trust in its team.
- As investors get clarity on SEC guidance and counsel on mitigating litigation risk, SPAC IPO activity will begin to pick up. A return of de-SPAC activity will also help restore momentum to the SPAC IPO market.
- Increased SEC scrutiny and litigation risk are top contributors to the SPAC slowdown, according to both SPAC veterans and those who have not yet taken part in a SPAC.
- Independent sponsors have proliferated in the past year; most independents are professionals who recently left investment firms or are being joined by bigger institutional players. According to respondents, 70 percent say independent sponsors are on the rise as SPACs become a mainstream investment tool.
- Looking ahead, 69 percent of total respondents in the second poll believe that SPACs represent a favorable investment opportunity over the longer term.

Learn more information and download the complete [2021 SPAC Survey](#) report.

About Katten’s SPAC Practice

As SPACs continue to disrupt the traditional IPO market and more private companies successfully go public through SPAC mergers, Katten’s multidisciplinary team of seasoned attorneys provides comprehensive counsel to clients in all aspects of SPAC transactions, including SPAC IPOs, third-party investments and SPAC M&A transactions. The team’s strong securities and M&A experience enables Katten to take a leading role in the transaction, building long-term relationships and providing clients with end-to-end counsel that addresses the ongoing demands and complexities of a public company transaction.

About Katten

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include corporate, financial markets and funds, insolvency and restructuring, intellectual property, litigation, real estate, structured finance and securitization, transactional tax planning, private credit and private wealth. Katten represents public and private companies in numerous industries, as well as a number of government and nonprofit organizations and individuals. For more information, visit katten.com.

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