

# THE SPECIAL PURPOSE ACQUISITION COMPANY (SPAC): EVIDENCE OF A NEW MODEL FOR THE DEVELOPMENT OF THE ITALIAN SMEs

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## Abstract

The objective of this research is to illustrate how SPAC can encourage Italian companies to use the Stock Market to accelerate their growth. Some experiences attest that the Special Purpose Acquisition Company can adapt to the peculiarities of the Italian business system, full of innovative and excellent companies whose growth projects need to be financed. The study initially investigates the introduction of the SPAC in the US context due to the late development in the European context, with the aim of understanding their structure and the benefits inherent in this type of vehicle. Particularly, the study aims at underlining the characteristics that make the SPACs more suitable for the needs of small and medium-sized Italian companies so as to win the trust of financial investors so that they can guarantee a lasting success. The study underlines the main characteristics able to make the SPAC more useful so that is able to fit the needs of small and medium Italian companies. The SPACs have an extended life cycle of 24 months, their life cycle is divided into four phases: 1) Constitutive phase – that takes place thanks to a first capital injection by the founders of the vehicle called sponsors or promoters; 2) IPO – represented by the IPO (Initial Public Offering) organized by the SPAC to land on the capital market and negotiate its

securities in order to raise sufficient capital from the investors to carry out the Business Combination; 3) Target Company selection – during which takes place the selection of an operating company that is not yet listed and with high development potential with which the realization of a Business Combination is profitable; 4) Closing – finalization of the transaction consisting in the realization of the Business Combination or the rejection of the business combination proposal. The final step is important to assess the impact that the exercise of the withdrawal right has on the conclusion of the transaction. It is also relevant to understand whether to apply the international principle IFRS 3, Business Combination, when the transaction meets the requirement of Paragraph B7 of the IFRS 3 as it is finalized for the acquisition of one or more business activities, and when otherwise it is necessary to apply IFRS 2, Share-based Payment. This last principle is considered more suitable if the merger, even if it occurs between different legal entities, is not able to represent a business combination in accounting terms because the company is not an operating company and therefore does not represent an independent business. The research continues by adding a case study. To this end, first the qualities of the SPAC and the reasons both for the promoters of the initiative and for the investors are presented. Then, the economic, financial and equity results of the companies involved in the business combination are analysed together with the expected performance and the impact on corporate governance.