

# SPACs 2.0: Should Companies Consider the SPAC Route to Go Public?

*September 2025*

## Key Findings

- ❖ Conventional paths to going public via IPOs are still partly blocked by market conditions
- ❖ SPACs have ample dry powder (~EUR 15-20bn) ready to be deployed into high-quality targets
- ❖ SPACs provide faster public-market entry, typically completing deals within 4–6 months
- ❖ While redemption rates are lowering, PIPE have been vital in deal liquidity and success

**Today, SPACs represent a maturing market emphasizing quality, process certainty, and stricter regulatory compliance, while funding risks remain.**

# Understanding SPACs and Their Transaction Lifecycle

SPACs Offer a Faster, More Flexible Route to Public Markets for Growth-stage or Niche Firms

## SPAC Overview and Transaction Lifecycle

A SPAC is a publicly listed shell company created to raise capital through an IPO, with the sole purpose of acquiring or merging with a private company.

- **Purpose:** Offers a faster, alternative route for private companies to go public - bypassing traditional IPO complexities
- **Structure:** Formed by a sponsor (typically experienced investors or industry leaders) with no commercial operations at the time of IPO
- **Timeline:** SPACs typically have 18–24 months to complete a merger (known as a “de-SPAC”) or return capital to investors
- **Investor Safeguards:** IPO proceeds are held in a trust account and can be redeemed by investors if they disapprove of the proposed merger
- **First SPAC:** The first modern SPAC was introduced in 1993 by investment banker David Nussbaum
- **Resurgence:** SPACs surged in popularity during 2020–2021, before facing regulatory scrutiny and market corrections



## Key Differences Between SPAC and Traditional IPO

	SPAC	Traditional IPO
Timeline	4–6 months (faster)	9–18 months (longer)
Process	Merger with a public shell company	SEC registration and roadshow
Valuation Method	Negotiated between SPAC and target privately	Underwriter and investor feedback
Disclosure Requirements	Less stringent upfront and more focus at de-SPACing	Full financials required pre-listing
Regulatory Scrutiny	Increasing (especially post-2024 SEC reforms)	High throughout IPO process
Costs	Sponsor fees & dilution impact; lower marketing costs	Higher underwriting and compliance costs
Investor Redemption Option	Yes - SPAC investors can redeem shares pre-merger	No redemption; shares purchased are final
Speed to Market	Faster access to public markets	Slower and more complex
Use Case	Growth-stage or niche firms seeking to go public	Larger, more mature firms in terms of revenue

Source(s): Proprietary Research and r2’s Internal Assessment

# Redemption Quotas & PIPE Financing

## Understanding the Challenge of Redemption Quotas and the Function and Importance of the PIPE in the Context of SPAC

### Redemption Quotas (The Challenge)

In a SPAC deal, redemption quotas refer to the percentage of public shareholders who choose to redeem their shares rather than remain invested in the SPAC through its merger with a target

This is a critical metric because it directly affects how much cash remains in the SPAC trust to fund the acquisition, significantly lowering the available capital unless additional financing is in place

#### Impacts

- Deal risk if minimum cash condition is not met
- Sponsor pressure to close at reduced cash levels
- Negative market signal about target confidence
- In 2021, SPAC redemptions surged, averaging 60% from July-November, up from 7-43% between Jan and July

### PIPE Financing (The Solution)

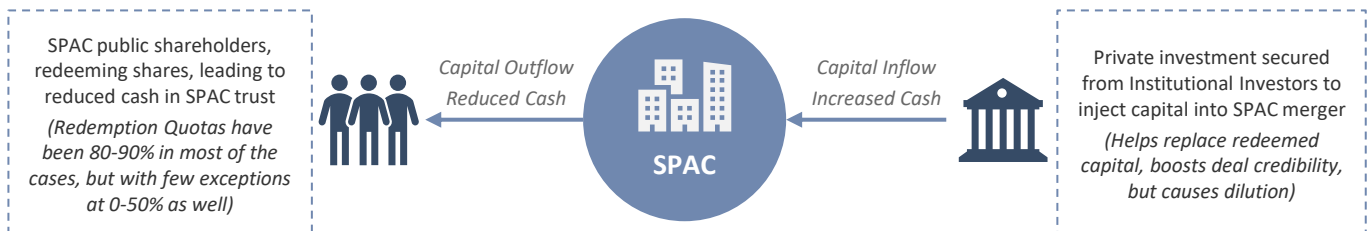
PIPE is a financing tool where institutional investors commit capital to buy equity of the combined company (usually at a discounted price) at the time of or just after the SPAC merger. It typically happens via a private placement

#### Role in SPACs

- ✓ Backstops redemption losses
- ✓ Provides capital certainty for targets
- ✓ Signals institutional confidence

#### Importance

- Helps meet minimum cash thresholds
- Often used to validate valuations and bolster credibility
- Reduces reliance on volatile public investors










**Pipe financing provides immediate capital and flexible repayment options, easing redemption pressures and maintaining liquidity to meet investor quota challenges.**

Source(s): Proprietary Research and r2's Internal Assessment

# SPAC Evolution and Market Activity: IPOs and De-SPACs (2020 - 2025)

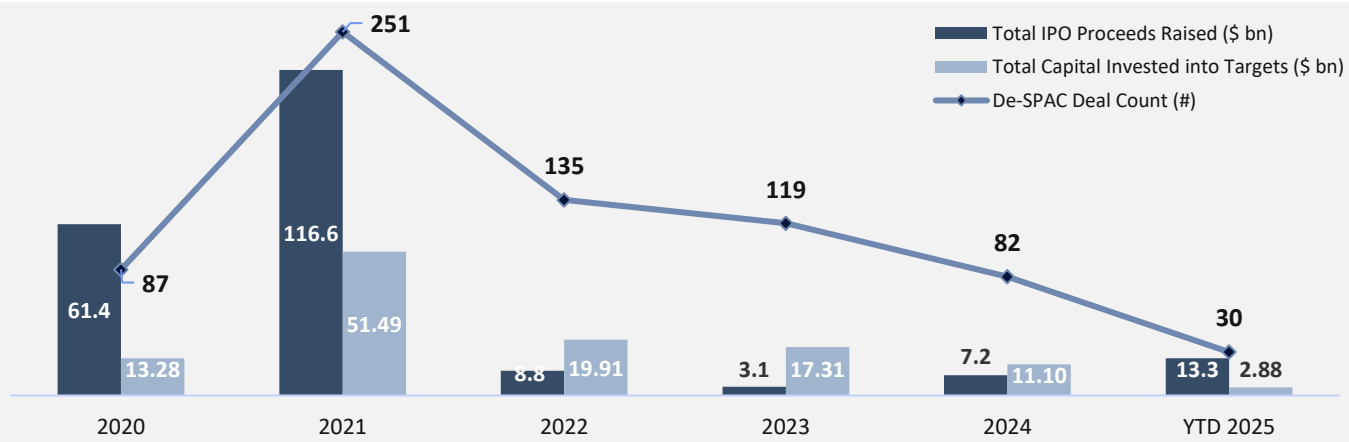
A Brief History of SPACs and Revival of SPAC Market in 2025, Along With Insights from 5 Years of SPAC IPOs and De-SPAC Activity

## SPAC Timeline Since 2020

The SPAC Boom	SPAC Failures & Fallout	Revival of SPAC Market (SPAC 2.0)
<p><b>Rapid Rise in Activity</b></p> <ul style="list-style-type: none"><li>Over 300 De-SPAC transactions in 2020-21</li><li>Raised \$75+ billion in capital (Americas and EU)</li><li>Preferred route for high-growth startups</li></ul> <p><b>Why the Surge?</b></p> <ul style="list-style-type: none"><li>Low interest rates &amp; bullish equity markets</li><li>Faster path to public listing vs. traditional IPO</li><li>High sponsor returns and media buzz</li></ul> <p><b>Notable SPAC Deals</b></p> <div> (\$24 billion Valuation)</div> <div> (\$2.4+ billion Valuation)</div> <div> (\$3.7 billion Valuation)</div> <div> (\$3.3 billion Valuation)</div>	<p><b>Challenges Faced</b></p> <ul style="list-style-type: none"><li>&gt;70% of de-SPAC companies traded below \$10</li><li>High redemption rates (~90%) reduced capital</li><li>PIPE investors pulled back amid volatility</li><li>21 SPAC bankruptcies in 2023 erased \$46bn</li></ul> <p><b>Reasons for Failure</b></p> <ul style="list-style-type: none"><li>Over-optimistic projections &amp; lack of diligence</li><li>Immature companies going public</li><li>Poor post-merger integration and governance</li><li>Regulatory tightening &amp; economic downturn</li></ul> <p><b>Notable SPAC Failures:</b></p> <div> (bankruptcy in 2023 after weak demand &amp; SEC probe)</div> <div> (failed to regain financial footing post-merger)</div> <div> (fraud allegations against founder, stock crashed ~99%)</div>	<p><b>Recovery Signals</b></p> <ul style="list-style-type: none"><li>Redemptions decline to 60–70%, improving capital certainty</li><li>PIPE activity rebounds, with renewed institutional participation</li><li>Recent successful deals: <b>Namib Minerals, Crossover, DotAI, Blaize, and VisionWave Technologies</b></li></ul> <p><b>Revival Drivers:</b></p> <ul style="list-style-type: none"><li>SEC rules (July 2024) enforce stricter disclosures, leading to higher-quality sponsors, and fewer speculative entries</li><li>Fed rate cuts in early 2025 lower borrowing costs, boosting valuations and investor confidence</li><li>Rising SPAC interest in Clean Tech, AI Infrastructure, Space Tech, and Biotech</li><li>In 2025, 6 of the top 10 SPAC deals are in climate or AI-related sectors</li></ul>



## SPAC IPO Proceeds, Deployment De-SPAC Deal Count (Overall)



Source(s): Proprietary Research and r2's Internal Assessment

# Post-SPAC Transaction Outcomes: Two Scenarios

## Evaluating the Impact of Market Participation and Liquidity on Deal Success

### The Two Expected Scenarios

Outcomes reflect post-SPAC scenarios driven by investor behavior, market sentiment, and execution strength. The “**Good Case**” assumes strong investor confidence, limited redemptions, and PIPE commitments being honored. The “**Bad Case**” reflects weaker sentiment, resulting in high redemptions and liquidity shortfall. Scenarios apply during late de-SPAC and early post-listing, when capital and market signals shape strategy and valuation

#### Good Case Scenario

##### Key Drivers

- Low Redemption Rate: Redemptions are lower than anticipated, signaling investor confidence,
- PIPE Investors Deliver: Committed capital from PIPE investors is fully funded

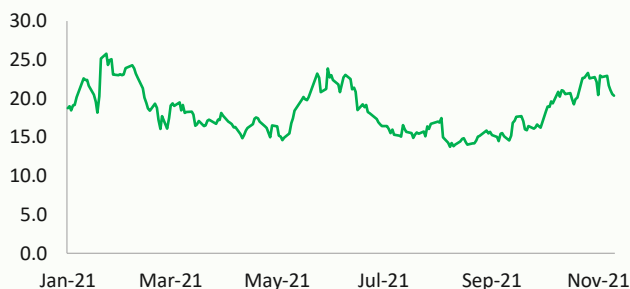
##### Financial Outcome

- Sufficient Liquidity: Combined cash from trust and PIPE ensures strong cash runway,
- Stabilized Share Price: Confidence leads to price stability and gradual appreciation

#### Example

- Social Finance Inc (SoFi) merged with Social Capital Hedosophia Holdings Corp. V and started trading on January 7, 2021, providing ~EUR 2bn cash proceeds
- Shares of Social Capital **closed up 58%** at \$19.17 a piece after announcement, **signaling unusually strong post-merger confidence and retention among remaining investors**, which kept share price and liquidity stable for company. [Link](#)

SoFi Technologies Share Price



#### Bad Case Scenario

##### Key Risks

- High Redemption Rate: Majority of public shareholders redeem, reducing available capital
- PIPE Investors Shy Away: Failure to close PIPE commitments or renegotiations on worse terms

##### Financial Outcome

- Share Price Plummets: Low float, poor sentiment leads to volatile or crashing stock
- Liquidity Constraints: Insufficient capital to fund near-term business plan/growth

#### Example

- Virgin Orbit merged with NextGen Acquisition Corp. II and started trading on January 7, 2022
- Later, Virgin Orbit's bankruptcy was accelerated by **very high shareholder redemption rates**, draining available cash and preventing further operations - an expensive burden amid a low launch cadence. [Link](#)

Virgin Orbit Share Price



Source(s): Proprietary Research and r2's Internal Assessment

# Target Investment Criteria of SPACs

Snapshot of Key Financial, Sectoral, and Operational Benchmarks used by Some Active SPACs to Evaluate Potential Targets

	IPO Proceeds	Target Enterprise Value	Target Sector	Target Financials	Other Criteria
SPAC 1	\$ 190m	>\$ 500m	Sector Agnostic	EBITDA or Near-Term Path to Operating Income	Profitable Unit Economic, Att. Gross Margin, PCAOB Financials
SPAC 2	\$ 230m	\$ 1bn	Sector Agnostic	Generating Revenue	High TAM, PCAOB Financials, Strong Team
SPAC 3	\$ 230m	\$ 500-600m (Hard floor \$ 200m)	Nuclear in Energy Transition, Mobility, AI, Crypto	Could be Pre-revenue	PCAOB Financials, <\$ 100m PIPE, B2C works
SPAC 4	\$ 200m	>\$ 1bn	Sector Agnostic but should have US-listed peers, with analyst coverage	Profitable, Valuable based on current EBITDA/NI	~\$200m in min. PIPE proceeds exp., PCAOB Financials
SPAC 5	\$ 150m	>\$ 400m	Energy, Energy logistics, Industrials, FinServ	2-3 years of positive EBITDA	PCAOB Financials 2024, US based company
SPAC 6	\$ 220m	>\$ 500m	Technology, Energy and Real Assets, <i>Digital assets</i>	Could be Pre-revenue but Revenue preferred	PCAOB Financials 2024, Any geography

## Key Takeaways

- ❖ Most SPACs seek sizable targets worth above \$500 million, preferring strong revenue streams or profitability while ensuring PCAOB-compliant audited financial statements
- ❖ Sector focus varies widely: some are sector agnostic while others emphasize high-growth industries like energy transition, AI, crypto, or digital assets
- ❖ Many demand clear revenue or EBITDA generation, though select SPACs remain open to pre-revenue companies if operating in transformative, disruptive markets
- ❖ Some of the deals may require substantial PIPE funding, often exceeding \$100 million, alongside robust governance, strong management teams, and analyst coverage for market credibility
- ❖ Geographic flexibility exists, though some prioritize U.S.-based firms, ensuring targets possess scalable operations and significant total addressable market potential

Source(s): Proprietary Research and r2's Internal Assessment



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## About the Authors



**Mohit Sharma**  
Senior Associate  
[ms@r2advisors.com](mailto:ms@r2advisors.com)



**Dr. Roman Rocke**  
Managing Partner  
[rr@r2advisors.com](mailto:rr@r2advisors.com)

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[info@r2advisors.com](mailto:info@r2advisors.com)

**r2 Advisors**

[www.r2advisors.com](http://www.r2advisors.com)



Alter Wall 32  
22457 Hamburg, Germany