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SPACs at VC's Gate

New SPAC IPOs have surged as some unicorns stagnate in the private market

Key takeaways

- SPACs are surging in number—again—as the venture market searches for liquidity. 123 SPACs were raised in 2025, and more than 50 closed in Q1 2026. These types of vehicles did not perform well last time they targeted VC-backed companies, with many of those public listings down more than 75% and more than a few of the companies going bankrupt.

- The SEC did overhaul SPACs, with a major change being the restriction of forward-looking projections on revenue and growth. Data shows that those projections likely played a significant part in the ability of SPACs to take mediocre companies public, leading to that poor performance once in the public market.

- The new group of SPACs has much different target directives, with AI and defense tech leading the way. One of the challenges that could pose for these vehicles is that those are two of the more active spaces in VC. Should ample private capital remain available, top companies in those spaces may turn back to private funding rather than a SPAC.

- However, VC liquidity remains a high priority for the market. Now almost five years beyond venture's top, GPs and LPs are feeling real pressure to generate returns from their portfolios. Although mega-IPOs may show an overall high exit value market this year, the likelihood of an IPO window opening broadly is declining, as the pipeline for registrations is low.

- The selection problem remains, despite SEC changes and target sector adaptation. The 2020 and 2021 cohorts of SPACs took companies public that had a median $11.1 million in revenue but put an average growth projection on those companies of 67.7%. With that ability gone, SPACs will need to target a much higher bar of companies to get acquisitions closed and find investor support in the public market.

Introduction

123 SPACs were raised in 2025, and 2026 is on pace for more than 200 closings. On the other hand, the deSPAC index tracking companies taken public by the prior cohort is down 75% since 2022. Both facts are true simultaneously, and together they define the analytical challenge of the current resurgence. As the vehicle returns, the track record that public market investors are being asked to look past is among the worst in recent memory for any asset class.

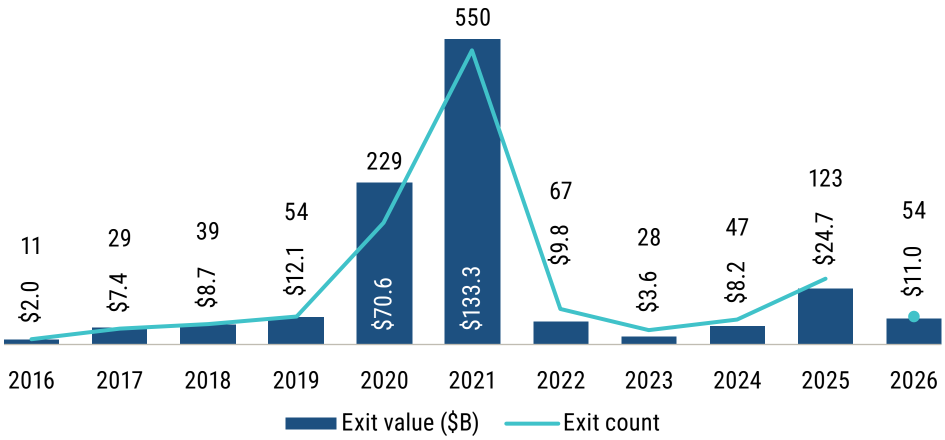
The new cohort is structurally different and finds a market that may need these vehicles more than in 2021. Regulations on forward-looking statements for pre-listing companies represent the most material change to how SPACs operate when combining with targets. That regulatory shift gained momentum during the deSPAC wave and was finalized by the SEC in 2024. It has redrawn the competitive landscape for blank-check vehicles.

Current market conditions also favor the structure. Five years of limited liquidity have built real pressure on GPs to return capital to LPs. The IPO market remains tepid, and looming mega-IPOs (SpaceX, OpenAI, Anthropic) will weigh on available liquidity through portfolio rebalancing and sheer capital absorption. SPACs offer a negotiated, time-bound path to public markets that the current pipeline cannot provide.

Target quality is a potential tailwind as well. The companies that defined the 2021 cohort had, by historical standards, weak financials. Many of those companies have since faced additional pressure from AI-native competitors that have undercut their revenue base. The middle market today contains better businesses, or at least has enabled companies to continue building a sounder structure without the pressures that “growth at all costs” brought to the market. It might not be the AI-native market darlings that are eventually taken public through this lever, but there are many companies looking for a reset, and liquidity.

Most of the recently raised SPACs have not yet completed a deal, and the verdict on this cycle will take years to form. But the poor historical performance of SPACs will be a challenge that each vehicle will need to ask investors to look past in order to acquire VC-backed startups.

SPAC count



Source: PitchBook • Geography: US • As of March 31, 2026

New age SPACs

The structural differences between the new SPAC cohort and the prior one are largely regulatory. Dilution disclosures appear upfront in prospectus filings. Target executives are now co-registrants in the transaction, creating direct legal liability for false statements. Sponsor compensation and conflict disclosures have been tightened. Each of those changes improves the vehicle. But the removal of the Private Securities Litigation Reform Act (PSLRA) safe harbor for forward-looking statements is the most consequential shift.

The safe harbor had given SPACs a structural advantage over traditional IPOs for some companies. It allowed targets to provide financial outlooks during the deal process, given appropriate cautionary language, which helped bolster investor appetite for the company and get the merger done. In practice, those projections were often speculative, particularly for the pre-revenue and low-revenue companies that characterized the 2021 cohort. They allowed sponsors to amplify growth narratives in ways that a traditional IPO road show never permitted.

For current SPAC investors, the constraint is a net positive. It forces the market toward companies whose financials can stand on their own and may be more appealing to public market investors. Conviction now requires diligence on current-year fundamentals, not acceptance of a model built on assumptions no one could verify.

The data from 2021 makes the case clearly. Average revenues for non-healthcare companies exiting through a SPAC that year were $109 million, with average revenue growth of 33.7%. At the median, revenues were just $11.1 million, with growth below 6%.

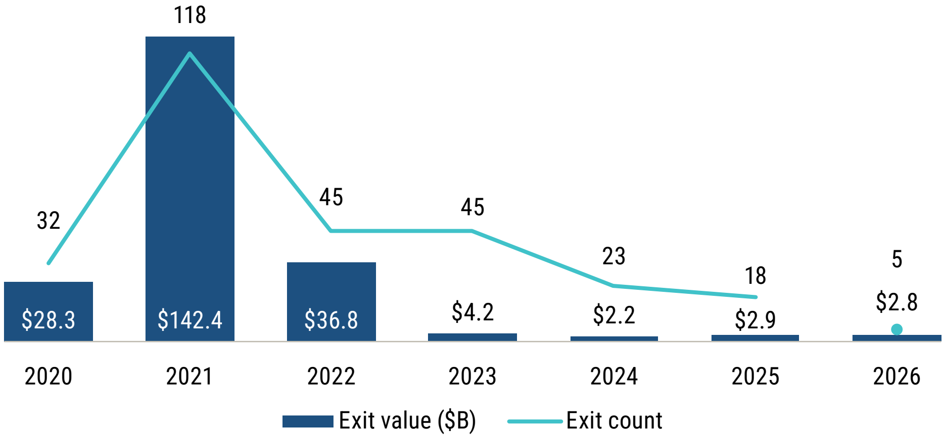
Select rule changes by the SEC

The SEC's January 24, 2024, overhaul (effective July 1, 2024) represents the most comprehensive regulatory restructuring of the SPAC vehicle in its history.

Rule	Details
Forward-looking projections	Forward-looking statements in de-SPAC transactions are no longer protected under the Private Securities Litigation Reform Act of 1995 safe harbor. Not retroactive.
Target liability	Target co-registrant; Section 11/12 liability for CEO, CFO, and board members personally.
Dilution disclosure	Cover-page tabular disclosure at multiple redemption scenarios; fully quantified.
Sponsor compensation	Required detailed disclosure on sponsor experience, roles, compensation, arrangements with SPAC/affiliates, and identity of controlling persons.
Search timeline	SEC provided guidance for SPACs under the Investment Company Act of 1940; SPACs not completing acquisitions within 18 months should consider moving assets to bank demand deposits.

An academic review of SPACs found that the firms projecting revenues for at least two years had median and average growth projections of 39.0% and 67.7%, respectively.[1] Firms with higher revenue forecasts were more likely to miss those projections and underperformed peers, IPO comparables, and select indexes. In these cases, forward-looking statements were speculative, nearly to the point of being worthless, except they helped drive interest and get deals across the finish line.

VC-backed reverse mergers



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Our data shows the median exit size for reverse mergers in 2020 to 2022 was $839 million. That included median step-ups of 1.7x from prior private valuations applied to companies with $11.1 million in median revenue. For IPOs in the same period, median valuations were higher and step-ups smaller, while revenues were both higher and faster growing. The gap between SPAC target quality and IPO candidate quality was not subtle.

The case for removal from the safe harbor was straightforward. The 2020 to 2022 data showed systematic overoptimism. Sponsor compensation was contingent on deal completion, creating a direct financial incentive to present the most favorable growth narrative possible. Retail investors, who drove significant SPAC price movements during the boom, depended heavily on those projections, often because many target companies had little to no revenue history. The result was a well-documented cycle of over-promise and catastrophic under-delivery.

The legitimate objection to removal has been that projections were the SPAC's original informational advantage. A company with a strong growth trajectory but a short revenue history could make its case more effectively through a SPAC than through a traditional IPO's compressed road show. That advantage is now gone.

Select VC-backed reverse mergers

Company	Ticker	Sector	Close date	SPAC vehicle	Exit value ($M)	Revenue at exit ($M)	2-year return
Bird Global	BRDS	Micro-mobility	November 5, 2021	Switchback II	$2,435.0	$160.4	-99.6%
Canoo	GOEV	Automotive	December 21, 2020	Hennessy Cap. IV	N/A	$2.6	-99.6%
WeWork	WE	Other commercial services	October 20, 2021	BowX Acquisition	$6,740.0	$2,570.0	-99.6%
Embark Trucks	EMBK	Road	November 9, 2021	Northern Genesis	$3,682.3	N/A	-98.7%
Virgin Orbit	VORB	Aerospace & defense	December 28, 2021	NextGen Acquisition	$3,121.0	$8.4	-97.9%
Ginkgo Bioworks	DNA	Media & information services (B2B)	September 16, 2021	Soaring Eagle Acq.	$15,000.0	$133.1	-96.0%
Skillz	SKLZ	Entertainment software	December 16, 2020	Flying Eagle Acq.	$3,008.0	$229.0	-95.8%
Sonder Holdings	SOND	Hotels & resorts	January 14, 2022	Gores Metropoulos II	$2,197.1	$234.1	-95.0%
Hippo Holdings	HIPO	Property & casualty insurance	August 2, 2021	Reinvent Tech. Z	N/A	$67.3	-94.5%
Nikola	NKLA	Road	June 3, 2020	VectoIQ	$3,551.6	$0.4	-94.0%
Luminar Technologies	LAZR	Electrical equipment	December 3, 2020	Gores Metropoulos	$2,991.0	$14.0	-93.6%
Vacasa	VCSA	Real estate services (B2C)	December 6, 2021	TPG Pace Solutions	$4,062.0	$805.9	-92.0%
ChargePoint	CHPT	Electrical equipment	February 26, 2021	Switchback Energy	$2,746.0	$146.5	-91.3%
Desktop Metal	DM	Machinery (B2B)	December 30, 2020	Trine Acquisition	$2,144.0	$16.5	-89.2%
Core Scientific	CORZ	Systems & information management	January 20, 2022	Power & Digital Infra	$2,972.1	$544.5	-88.0%

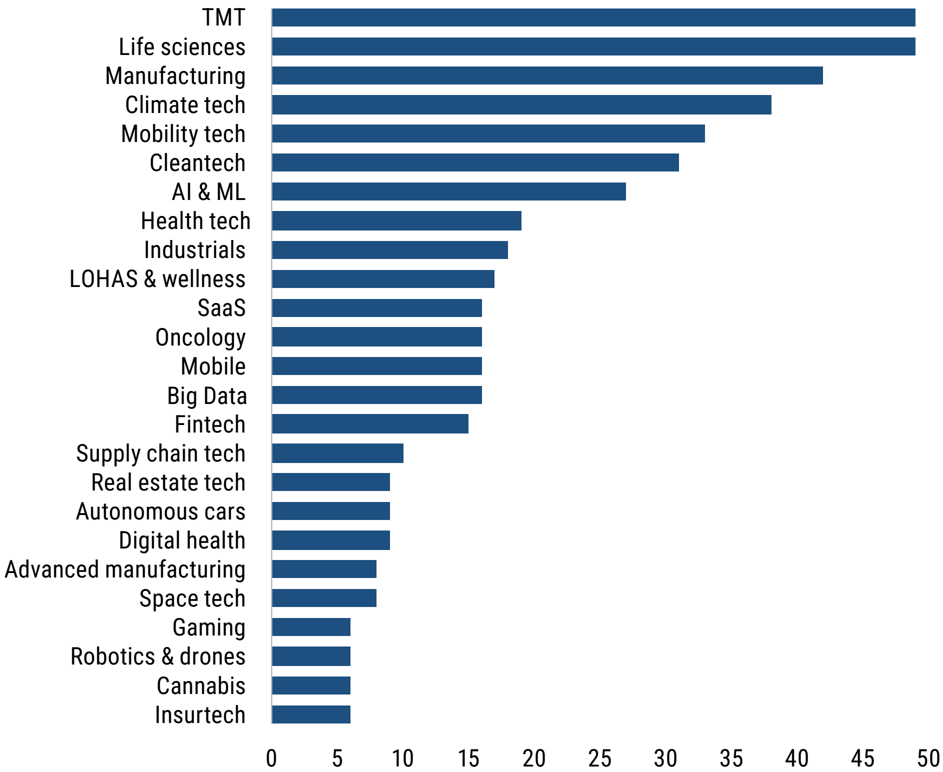
Source: PitchBook • Geography: US • As of March 31, 2026

Where new SPACs are searching for targets

An analysis of SPACs from the new cohort (2025 to Q1 2026) benchmarked against SPACs raised during the 2020 to 2021 boom, reveals a sector composition that is nearly unrecognizable by comparison. The boom cohort organized around three converging narratives: the software premium (every business would become SaaS), the green revolution (every vehicle would become electric), and pandemic-era embrace of speculative consumer categories, including media, sports, and gaming. Those narratives held together in a zero-interest-rate environment where future cash flows discount to nearly identical present values, growth rate assumptions dominate valuation, and optimistic projections face no arbitrage.

The sector mandates of 2025 to 2026 SPACs look very different. This tracks with a genuine rotation in where venture capital has been flowing and, more importantly, where the liquidity pressure is most acute.

2020/2021 SPAC-acquired startups breakout by vertical



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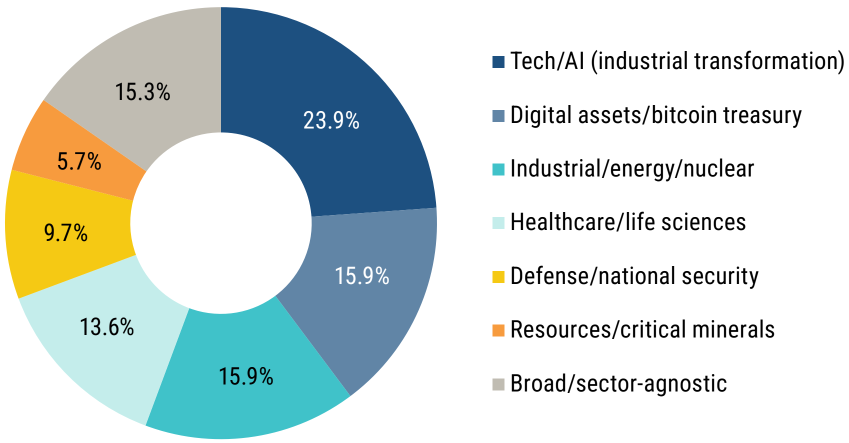
2025/Q1 2026 SPAC target breakout by sector

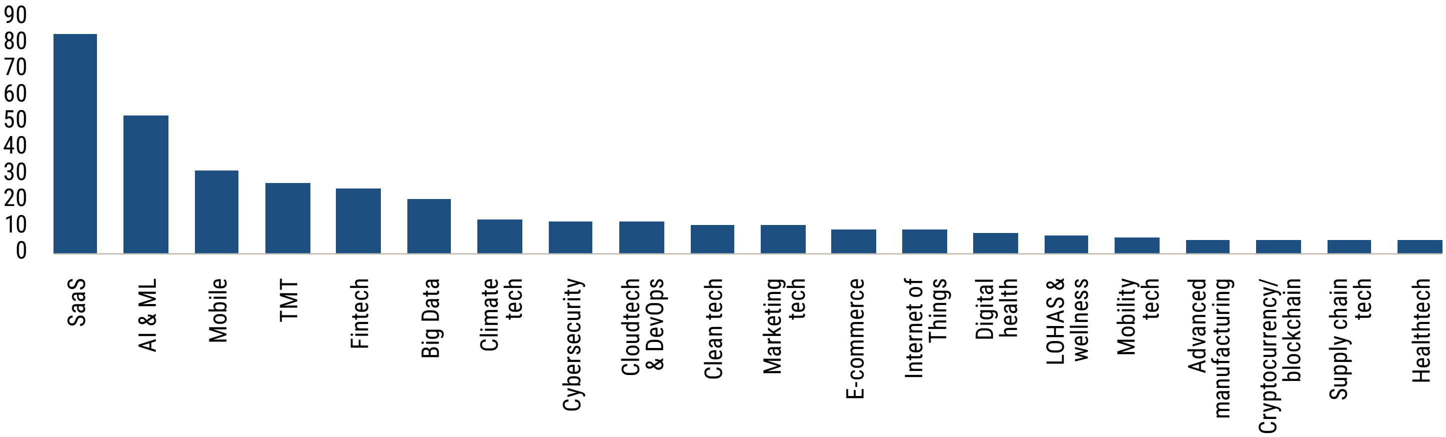


Source: Boardroom Alpha • Geography: US • As of March 31, 2026
Note: Sectors are based on prospectus mandate language, not PitchBook sectors.

The single most important structural fact about the current venture market is that AI dominance is total and concentrated. AI & ML deals captured nearly 90% of all US VC deal value in Q1 2026, totaling $237.3 billion out of $267 billion deployed.

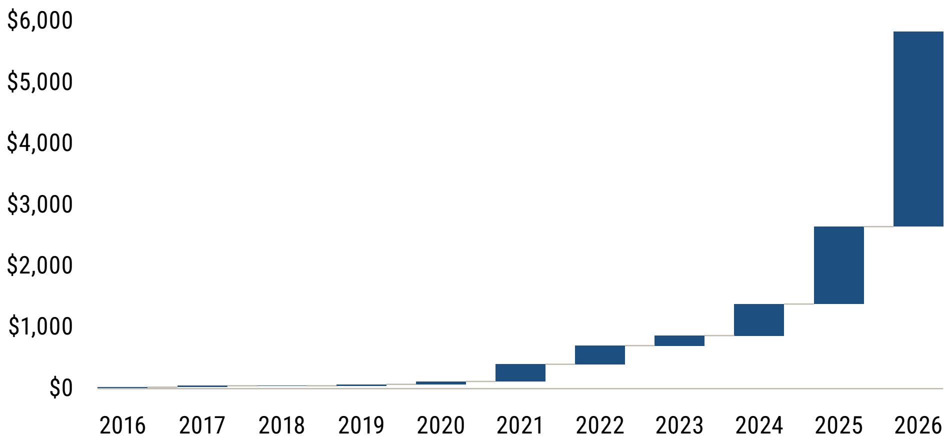
Against that backdrop, the 2025 to 2026 SPAC cohort is targeting sectors that broadly match where institutional venture capital is active. The defense tech and national security cluster is a priority sector for both deployment and exits. Industrial AI transformation targets cleanly to the tech-sector dominance in deal flow. Healthcare-specialist vehicles are entering a sector where healthtech VC funding is on pace for its highest annual total since 2021, with Q3 2025 medtech pre-money valuations hitting record levels and deal count recovering.

Inventory of aging unicorns by vertical



Source: PitchBook • Geography: US • As of March 31, 2026

Aggregate unicorn value ($B) by year of latest financing



Source: PitchBook • Geography: US • As of March 31, 2026

The divergence from 2020 to 2021 is sharpest when you look at what the old cohort was targeting. The boom-era SPAC market poured capital into three categories that had critical mismatches between SPAC appetite and actual venture market depth. Mobility tech and EVs attracted 16% of boom-era SPAC mandates, but were, even at peak 2021, a sector defined by massive capital requirements, supply chain complexity, and thin competitive moats against entrenched OEMs. That vertical is down more than 70% in deal value from its peak, with nearly every major SPAC-listed EV company now bankrupt or near it. Similarly, the media, sports, and entertainment cluster that represented roughly 7% of boom-era SPAC mandates had essentially no institutional venture capital backing of comparable scale; it was a retail-sentiment phenomenon with no underlying PitchBook deal flow to validate it.

The new-era SPAC target mandates map coherently to areas of the VC market where liquidity pressure is highest and company quality is most differentiated from the weakest parts of the 2021 cohort. Defense technology has been one of the most actively funded VC categories of the past three years. Investors have assembled portfolios of defense-adjacent companies, including drone technology, autonomous systems, satellite communications, and cybersecurity, that carry government contracts, predictable revenue, and a technology narrative that benefits from SPAC's more transparent deal process. Merlin, Inflection Point IV's target, is the prototype: $105 million USSOCOM contract, clear commercial traction, and a technology story that would be difficult to convey in a compressed traditional road show.

The fintech and digital asset category in the new cohort arguably represents the strongest alignment, with current deal activity outside of pure AI. Fintech's resurgence in 2025, combined with the regulatory clarity around digital assets under the new administration, has produced genuine deal flow and a cohort of mature companies seeking exit paths. The crypto and digital asset category contributed to a notable share of Q2 2025 exit headlines and continues to be among policy-favored sectors driving IPO activity.

The 2025/2026 SPAC cohort is targeting very different sectors than SPACs of the past. The problem is that the right sectors are also the sectors where the strongest companies will have the least need for a SPAC. AI & ML commands 65.6% of venture deal value but is unlikely to produce more than a handful of SPAC targets because companies at that level of institutional demand simply do not need the blank-check route to public markets. The realistic SPAC target pool sits in the sectors adjacent to the headline themes: industrial AI applications rather than foundational models, defense tech companies with government contracts rather than frontier autonomy plays, healthcare companies with revenue rather than digital health platforms with growth stories. Whether they are generating the right companies for SPACs remains the open question that only the next wave of closed transactions will answer.

Why SPACs have a case now

The structural case for SPACs as a liquidity mechanism has rarely been stronger. VC funds and LPs need capital returned. Distribution rates have remained well below historical levels as a share of net asset value. The IPO market remains insufficient to absorb the backlog, especially tech companies, which have been priced on high multiples in the private markets. SPACs offer another avenue for companies to raise growth capital, deliver liquidity to investors, and access the benefits of public market listing.

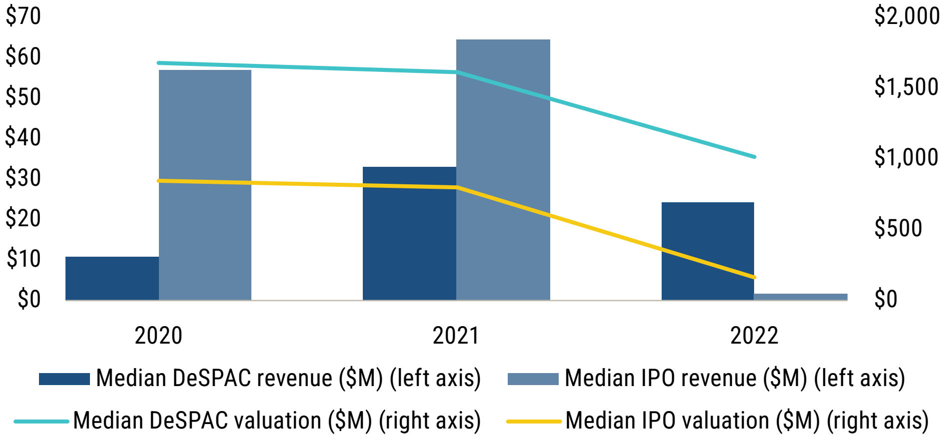
The aggregate post-money valuation of US unicorns has grown to roughly $6 trillion, although the distribution of that value shows extreme concentration. The top 10 US startups by valuation account for 51.8% of the entire unicorn market. The substantial middle of the distribution, companies valued at $1 billion to $5 billion that raised peak-era rounds and have since grown only modestly, represents the realistic SPAC target universe.

The secondary market has grown rapidly in response. VC-specific secondary dry powder has reached an all-time high and grown 2.2x over the past two years. Despite that growth, secondary dry powder represents a fraction of the total trapped value. The pressure to generate distributions is forcing GPs to seek alternative exit mechanisms, including SPACs, regardless of prior experience with the vehicle.

The key analytical distinction is the bifurcation within the unicorn population. The top-tier commands valuations that would strain any SPAC's capacity and has no need for the mechanism. These companies raise private capital at will and will go public through traditional IPOs on their own timeline. The second tier is a different story. Our Valuation Estimates show that 25% of unicorns have not raised capital since at least 2022. The valuations those companies carry reflect a different market reality than the one they operate in today. Reset-seeking companies are exactly the conditions under which a SPAC's negotiated deal structure, offering valuation certainty in exchange for a faster path to liquidity, is most attractive.

The critical question for any SPAC considering a unicorn-backlog target is whether the valuation math works. The 2021 experience demonstrated that step-ups of 1.7x median from prior private valuations producing public market values could not be sustained. The current starting point is different, and in some ways worse.

Median revenue and valuation by public listing type



Source: PitchBook • Geography: US • As of March 31, 2026

Many second-tier unicorns carry 2021 valuations set at 20x to 50x revenue on expectations of aggressive growth that have not materialized. A company valued at $2 billion in 2021 on $50 million of revenue that has since achieved just $75 million in revenue is not an operational failure, but it carries a valuation that implies multiples no rational public market investor would accept. A SPAC's negotiated deal structure provides a path to reset that valuation without a private down round or the extended uncertainty of traditional IPO bookbuilding.

For GPs whose fund vintages are approaching the end of their investment periods, a large proportion of portfolios may now be in that position, and a negotiated SPAC exit at a modest step-up from a reset valuation is often preferable to waiting for an IPO window wide enough for a mid-tier portfolio company to clear. That transaction provides liquidity and cleans up portfolios with little primary or secondary interest. That structural demand did not exist in 2020 to 2021.

The second-tier unicorn cohort is larger, more pressured, and more receptive to alternative exit structures than at any point in the last decade. That creates genuine opportunity for SPAC sponsors who can source quality targets from that pool. PE firms have found the recent VC market fruitful in similar ways. Buyout exits cleared 330 completed for only the third time in 2025, boosted by AI roll-ups and a stagnating group of companies with substantial revenues, just little new equity interest for another VC funding. GP pressure to generate liquidity does not make all these companies investable public equities, but it does create pressure to try.

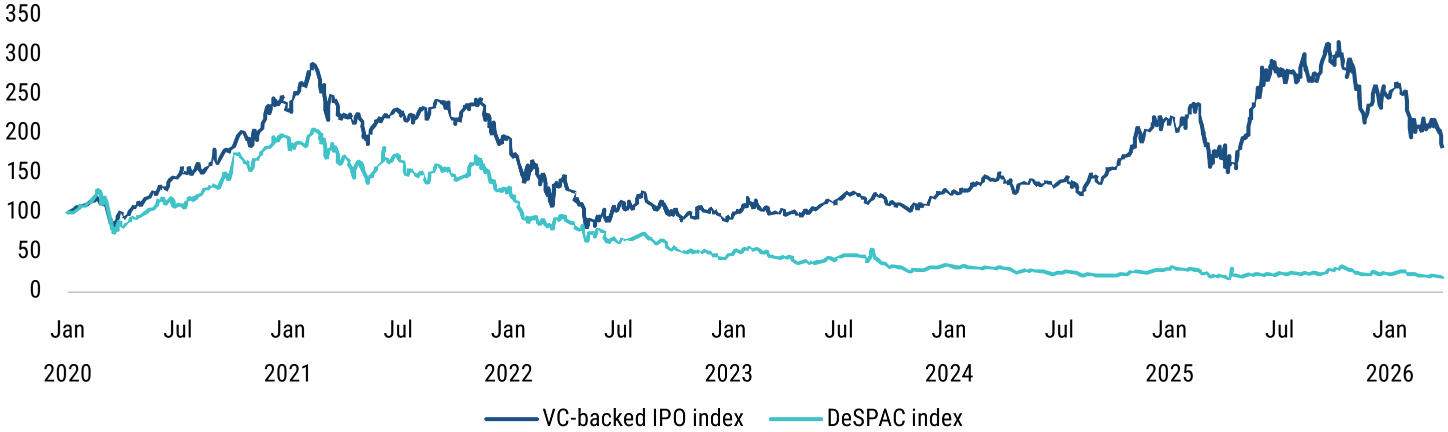
The risk for new SPACs is that the same GP pressure that drove 2021's disasters has not fully abated. It has merely been constrained by tighter disclosure requirements. A GP who needs to exit a $1.5 billion position in a company generating $60 million in revenue cannot make those public market prospects more attractive through regulatory compliance. But they can identify a willing SPAC sponsor, negotiate a valuation that reflects a modest step-down from the prior round, present current-year financials that meet the new standards, and create a transaction that appears disciplined on its face while still transferring the underlying risk to public market investors.

Outlook

SPACs are coming back, structurally different, and looking to address a real market need. The combination of the deepest VC liquidity drought in a generation, a substantively reformed disclosure regime, and a new cohort of disciplined serial sponsors targeting sectors with real institutional investment logic makes the current wave of blank-check vehicles meaningfully different from the 2021 frenzy.

But the structural reforms that are supposed to make this round safer than 2021 have not changed the fundamental selection dynamic. The best companies will still likely choose the traditional IPO when conditions allow. What SPACs offer is a legitimate, if specialized, exit mechanism for the substantial middle of the VC portfolio: companies with real businesses, real revenue, and real institutional backing that are not the flagship names any GP would point to as proof of their fund's thesis.

US VC-backed IPO Index and deSPAC Index



Source: PitchBook • Geography: US • As of March 31, 2026

For that middle, SPACs provide something the ecosystem genuinely needs: a negotiated, time-bound, structurally transparent path to public markets that does not require waiting for a traditional IPO window wide enough to accommodate a company that is not among the elite. Whether that translates to acceptable returns for public market investors depends entirely on the quality of diligence applied to individual transactions, diligence that can no longer be outsourced to a five-year forward-looking revenue estimate.

The era of buying SPACs for the projected story is over, but the era of buying them for the current business may be beginning. Whether that progress is sufficient to generate the returns that public market investors deserve is a question only the next wave of deSPAC transactions will answer. A final verdict on this cohort will take years to form, but history offers a clear baseline that SPACs used as a primary liquidity mechanism for the venture market have, as a class, not performed well. The 2024 disclosure regime addresses the most egregious informational asymmetries, but it does not change the selection dynamic. The best companies will still exit through traditional IPOs. If what reaches public markets through the blank-check route still skews toward companies whose growth and size cannot hold public investor support, the outcome may be the same.

References

1: "Are SPAC Revenue Forecasts Informative?" The Accounting Review. Michael Dambra, Omri Even-Tov, and Kimberlyn Munevar. November 1, 2023.

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Additional research:

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