Corner on Market Sentiments: SPACs Five Years On

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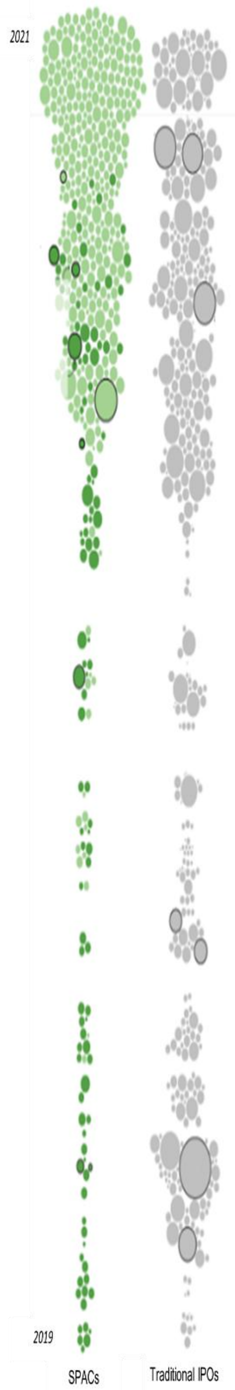

Five years ago this month, we posted an article in this Corner on Market Sentiments, titled “Here a SPAC, there a SPAC”, along with the mushroom cloud image seen at the left.

During the 2020-2021 boom, SPACs (Special Purpose Acquisition Companies with no assets set up to raise money via IPO for an acquisition) were everywhere—**248** IPOs in 2020 and a staggering **613** in 2021 (SPAC Analytics), often dominating U.S. listings and flooding sectors like biotech with easy, speculative capital amid low rates and hype. Many promised quick paths to public markets with redemption rights and flexibility, but the reality proved far messier: widespread poor post-merger performance, massive redemptions, regulatory crackdowns (e.g., stricter SEC rules on disclosures), and a brutal bust that saw activity crater to just **31** SPAC IPOs in 2023 and **57** in 2024.

As of February 21, 2026, the market has rebounded from those lows—2025 saw **144** SPAC IPOs raising about **$30.4 billion** (third-highest on record after 2020-2021, per sources like SPAC Analytics and SPAC Insider), with SPACs comprising roughly 40-63% of total IPOs depending on the metric. Serial sponsors (experienced repeat players) dominated, often with 70-80% of issuances, bringing better governance and larger average sizes (~$200-211 million). Early 2026 has continued the trend, with **45** SPAC IPOs already raising nearly **$10 billion** year-to-date. Optimists point to this as a "structural turning point" driven by thematic focus (AI, fintech, clean energy, infrastructure) and improved conditions.

Yet a more skeptical lens reveals this is no return to the 2021 mushroom cloud—far from it. The rebound remains modest relative to the peak, heavily reliant on a narrow set of institutional sponsors, and plagued by ongoing challenges: high redemptions (taking cash out at the de-SPAC or at an extension in time to de-SPAC) in many deals, subdued de-SPAC activity (fewer mergers executed despite more shells), execution hurdles, and lingering investor wariness from the prior wave's destruction of value. Many past de-SPACs remain underwater or liquidated, and the market's "resurgence" looks more like a cautious, niche recovery than a broad revival.

In biotech specifically, the contrast is even sharper—and more cautionary. The 2020-2022 era flooded the sector with over 50 SPAC deals, many for early-stage or preclinical companies riding pandemic enthusiasm for life sciences. Valuations soared, then crashed hard amid binary clinical risks, high burn rates, and a sector downturn, leaving many investors burned and redemptions rampant (big institutional investors did end up treating the trust accounts they funded (with IPO proceeds) as CDs, where instead of an interest rate – rates were next to nothing at the time – they got to keep warrants (rights but not obligations to buy shares) in the de-SPAC even if they redeemed their SPAC shares, i.e. took their cash back.

Biotech SPAC activity stayed marginal in recent years: subdued in 2024-2025, with reports of just **2-5** healthcare/life sciences SPAC IPOs or de-SPACs annually, raising limited capital (e.g., ~$400 million total in some 2025 tallies, DealForma). Traditional biotech IPOs were also sparse until a modest pickup in early 2026, driven more by recovering indices and select strong data than broad (over)enthusiasm.

In short, today's SPAC market is more disciplined than five years ago, but biotech involvement remains niche and limited, with no evidence of a return to the old frenzy. Our warnings in the Corner of Market Sentiments about twitchy managers, redemption dynamics, time value destruction, and binary risks in biotech feel well-placed in this 5-year rearview mirror and the sector hasn't fully escaped those pitfalls. For now, SPACs offer a viable but far-from-ideal alternative in a still-recovering innovation landscape where early-stage bets have been deprioritized across most big pharma and are best approached with eyes wide open to the lessons of the past boom-and-bust cycle.