

Does Venture Capital and Private Equity Reputation Influence IPO and deSPAC Selection?^{*,**}

Yuwei Wang

UCD Michael Smurfit Graduate Business School, University College Dublin, Ireland

Ronan Powell

UCD Michael Smurfit Graduate Business School, University College Dublin, Ireland

Abstract

We construct a multi-dimensional proxy for VC and PE reputation that is comprehensive, up to date, and avoids some of the weaknesses of prior measures. Using this composite proxy, we find that reputable VCs and PEs prefer traditional IPOs to deSPACs. We find that SPACs sponsored by more reputable VCs are less likely to complete the acquisition of a target firm to become a deSPAC, but when they do successfully acquire a target firm, the long-term stock performance is better than deals backed by less reputable VCs. The results also show that PE reputation is less important than VC reputation for SPAC investments. The heterogeneous effects of VC and PE reputation can be partly explained by the different levels of retained ownership they hold in deSPACs over the post-listing period. The results are robust to sample selection bias concerns, different measures of reputation, and omitted variable bias.

Keywords: Reputation, Initial public offering (IPO), Special purpose acquisition company (SPAC), Venture capital (VC), Private equity (PE)

JEL classification: G23, G24, G34

^{*}We thank the participants in the First Irish Annual Doctoral Colloquium in Finance (IADCF), especially the discussant Dongwei Jeffery Li, for helpful feedback. We also thank Cal Muckley, Lisa Sheenan, and Paul Ryan for insightful comments and constructive feedback.

^{**}This version: January 2026.

1. Introduction

Special purpose acquisition companies (SPACs) are blank check companies that first emerged in 2003. They are founded by well-known sponsors who take them public and then merge with operating companies using the capital they raised to become “deSPACs”, which have similarities to reverse mergers. The number of SPACs increased dramatically in 2020 and peaked in 2021. They accounted for more than half of the IPOs in both years and continued to take a large proportion in later years. Compared to traditional IPOs, SPACs provide a direct way for public investors to participate in investing in private firms. This is believed to be a positive development in financial markets with potential benefits to all stakeholders (Hale, 2007). However, on the negative side, some commentators and literature argue that, similar to reverse mergers, SPACs likely attract M& A deals with weak firms with the risk of large shareholder losses (Groh *et al.*, 2025; Kolb and Tykvová, 2016). For example, prior literature shows that deSPACs significantly underperform traditional IPOs (Floros and Sapp, 2011; Kiesel *et al.*, 2023; Kolb and Tykvová, 2016), casting significant doubt for new investors.

The reasons for the underperformance of deSPACs have been discussed from different perspectives without a clear consensus on the main cause. Some papers argue that it is related to regulation differences with less onerous requirements for deSPACs versus traditional IPOs (Bai *et al.*, 2021; Dimitrova, 2017; Gahng *et al.*, 2023; Gryglewicz *et al.*, 2021). Gahng *et al.* (2023) find that merging with a SPAC is not necessarily quicker than pursuing a direct IPO listing, with little difference in the characteristics of companies in the choice between deSPACs or IPOs. However, regulation differences may partly explain the listing choice for some firms, as SPACs do not have operating activities, therefore lower regulatory hurdles in the listing process.¹ When they acquire a private target, merger law is applied, which is less strict than securities issuance law in terms of forecasts of future revenue and profits for IPOs (Gahng *et al.*, 2023). It has been argued

¹Lower regulatory hurdles also do not imply deSPACs are a cheaper way of listing than traditional IPOs. For example, Gahng *et al.* (2023) finds that on average the cost of deSPACs as a percentage of post-issue market capitalization is about 15.1% versus 3.2% for IPOs.

that this regulatory arbitrage opportunity is one of the main reasons for the popularity of SPACs (Bai *et al.*, 2021).

This paper focuses on regulatory arbitrage and specifically the characteristics of sponsors for traditional IPOs and deSPACs. Sponsors clearly play a key role in explaining the large increase in SPACs and likely the subsequent underperformance of deSPACs. Sponsors could be both individuals or institutional investors with recent individuals such as athletes Shaquille O’Neal and Serena Williams, or artists such as Ciara Princess Wilson, and politicians like the US Republican Party’s Paul Ryan. While these are notable individuals, it is unclear if they have the specialised knowledge, experience or skills required to drive better firm performance. Also, given the record of weak performance for deSPACs, it is unclear why sophisticated institutional investors would want to take part in these activities unless the dramatic fall in IPOs fuels this interest, and since they face less strict regulations compared to traditional IPOs, this more efficient listing process might motivate this interest.

Nevertheless, the reputation of institutional investors is important (Krishnan *et al.*, 2011; Nahata, 2008), and following trends in less regulated markets could damage reputation and so future contracts. Cumming *et al.* (2014) and Del Giudice and Signori (2024) both emphasise that the presence of institutional investors has a significant impact on the performance of SPACs. Specifically, research shows strong evidence that the reputation of the VC and PE firms is a key characteristic in explaining the performance of investees (Del Giudice and Signori, 2024; Krishnan *et al.*, 2011; Lee *et al.*, 2011). Reputable VCs and PEs are usually active participants in financial markets. They have considerable experience in constructing corporate strategies and networks with experts, therefore, they could help their investees improve firm performance (Fried and Hisrich, 1995; Jain and Kini, 2000). Besides, for other investors, it is a positive signal that a firm is backed by a reputable VC or PE, which could reduce agency costs of the IPO and the risk of adverse selection for public investors (Brau and Fawcett, 2006; Brealey *et al.*, 1977).

This paper focuses on both VCs and PEs, which we show are active players in IPOs, SPACs, and deSPACs. We will seek answers to the following questions: What kind of

institutional investors choose to take advantage of the SPAC process, and how has this evolved over time for both VC and PE backers? What are the success rates in private firm selection (deSPACs) by VC and PE backers and does reputation matter? Lastly, we will examine the performance of deSPACs and whether VC and PE reputation matters in delivering better performance.

We collect a sample of 177 deSPACs and 118 liquidated SPACs that are sponsored by VC and PE investors from the IPO date 2010 to 2023 and have completed the acquisition (deSPAC) or liquidated before the end of 2023. We compare this sample with 962 VC- and PE-backed traditional IPOs, which are from 2012 to 2023. In both routes, VC and PE investors can exit as the public firm investors. Groh *et al.* (2025) compare the VC-backed traditional IPOs with SPACs merged with VC-backed private firms, which is another route that VCs could exit as public firm investors. We compare the first two routes as our main interest falls in the quality of the SPAC sponsors.

In order to measure the reputation of VC and PE investors, we construct a composite proxy for reputation. Prior research have used several single-dimensional proxies such as firm age (Gompers, 1996), funds raised (Lee and Wahal, 2004) and IPO market share (Krishnan *et al.*, 2011), each of which captures one aspect of VC reputation but unfortunately not all aspects together that are viewed as important. Similar to Lee *et al.* (2011), we build a proxy consisting of five dimensions, including the number of deals and capital amount invested by the VC or PE, the total number of funds and the total capital amount of funds raised by the VC or PE and the age of the VC or PE in the corresponding year. This process helps us avoid any bias associated with IPO-only-based proxies and ensures that most VCs and PEs have a non-zero reputation score.² Moreover, this proxy captures a broader range of factors reflecting VC and PE reputation compared with other commonly used single-dimensional proxies. We show that the average reputation scores for VC and PE investors for IPOs are larger than that for deSPACs in most years, and the VC and PE investors for deSPACs tend to be younger firms.

²Using single proxies for reputation increases the number of zero-based scores as some younger firms may have failed to complete IPOs or SPACs resulting in no deals and zero market share. This would cause sample selection concerns with younger VC/PE firms dropping out of the sample.

We start by examining our first question on whether the reputation of VCs and PEs is important for the sponsors (and investees) when the choice is between IPOs or deSPACs. Our initial results show that IPOs and deSPACs in the original sample are quite different companies with varying characteristics, so to help avoid any omitted variable bias, we first match deSPACs with IPOs in terms of total assets and age using propensity score matching (PSM). We find that the VCs and PEs with higher reputation show a greater likelihood of preferring traditional IPOs to deSPACs. The economic significance is large as a one-standard-deviation increase in overall reputation raises the probability of choosing an IPO by approximately 13.19 percentage points. This suggests that lower reputation sponsors who support deSPACs could be one reason for their underperformance when compared to IPOs post-listing because prior work has shown that greater reputation is related to better performance (Krishnan *et al.*, 2011; Nahata, 2008). Consistent with Krishnan *et al.* (2011) and Lee *et al.* (2011), we also show that reputable VCs tend to work with better quality underwriters. That is, the more reputable VCs and PEs, working with reputable underwriters, are expected to find better targets and engage in more value-adding activities so that the performance of their investees improves post-listing. Lower reputation sponsors supporting deSPACs are unlikely to attract quality underwriters, leading to poor target selection and post-performance.

Next, we test whether VC and PE reputation influences the performance of SPACs by comparing their success rate in finding a suitable target firm to become a deSPAC. The results show that SPACs sponsored by more reputable VCs are less likely to complete the acquisition of a target firm. Specifically, a one-standard-deviation increase in VC reputation decreases the probability of completing the acquisition by approximately 8.99 percentage points. Cumming *et al.* (2014) and Del Giudice and Signori (2024) also find that the involvement of PE investors will decrease the approval probability of a merger, but we do not find a significant effect from PE reputation.

Finally, we examine the final question by looking at the long-term performance of the deSPACs backed by VCs and PEs, focusing on both their stock performance (abnormal returns) and financial performance (Tobin's Q and Return on Assets). Our results show

that VC reputation is significantly and positively associated with the returns of deSPACs, whereas PE reputation appears to have little impact. We do not find any evidence that VC or PE reputation influences Tobin’s Q. We also find that VC reputation has a marginally significant effect on the Return on Assets of deSPACs at the 24-month horizon, indicating a limited influence on managerial operating performance. To address endogeneity concerns, we adopt a Heckman two-stage procedure to control for selection bias and find that our results are unchanged.

We also show some evidence that governance factors are important in explaining VC reputation and performance. Specifically, we find that the percentage of ownership of high reputation VCs is larger than low reputation VCs and all PEs ownership post-deal, suggesting they are deeply involved in deSPACs. In the multivariable analysis, we show that VC reputation is significantly and positively related to the ownership at the deSPAC year and one to three years thereafter. Amini *et al.* (2022) and Basnet *et al.* (2025) show that holding larger ownership stakes for longer periods provides greater monitoring of the firm, which Krishnan *et al.* (2011) shows influences better performance for VCs. This might partly explain the better returns performance of high reputation VC-backed deSPAC firms, highlighting the heterogeneous effects of VC and PE reputation.

We examine four additional robustness tests. First, one concern could come from the large reduction in sample size when constructing the matched sample using PSM, so we test the effect of reputation based on the full sample, which includes all 962 IPOs and 177 deSPACs. We find that the results are similar to our main PSM matched results. Second, our results show that VC reputation has a significant effect on the performance of SPACs, whereas PE reputation does not, indicating that reputation is not homogenous. To address this, we examine the VC and PE reputation separately to capture their effect on the choice between IPOs and deSPACs. The results show that both VC and PE individual reputation measures have a significant effect, which support our assumption that they have the same motivations and care about their reputation in the IPO process. Third, we conduct robustness tests using five single-dimension proxies for reputation. The results indicate that the total number of funds raised does not have a significant effect,

whereas the other four proxies do. These heterogeneous findings suggest that a composite measure captures reputation more comprehensively. We construct our reputation proxy based on data from the preceding five years. As a final robustness check, we recalculate it using data from the last three years to reflect more recent sponsor reputation. The results remain qualitatively unchanged, indicating that our main findings are not sensitive to the choice of measurement window.

This paper provides a new perspective to examine the investors involved in the SPAC market and a possible explanation for the underperformance of deSPACs. The exploration of SPACs in 2021 and 2022 has attracted the attention of both investors and researchers. It is still unclear what type of investors are the main drivers of the popularity of SPACs and their underperformance. While Groh *et al.* (2025) show that VCs as investors of private firms tend to sell lower-quality firms to SPACs, highlighting potential misconduct by VCs in the SPAC market, we show that the VCs as the sponsors of SPACs, especially reputable ones, play a constructive role because deSPACs backed by them have better performance.

The contributions of this paper are novel in that we believe we are the first to examine what kind of VCs and PEs would sponsor deSPACs, and more importantly, if reputation matters. Unlike prior work that examines VC and PE influence using simple dummy variables (e.g., Cumming *et al.*, 2014; Del Giudice and Signori, 2024; Gahng *et al.*, 2023) or focuses on individual sponsor experience (Lin *et al.*, 2025), we adopt an institutional investor perspective and introduce a comprehensive, quantitative composite proxy for VC and PE reputation. This allows us to capture heterogeneity among sponsors and examine how their reputational capital shapes outcomes across the SPAC lifecycle.

Our work also extends prior research on VC- and PE-backed IPOs. Most studies compare VC-backed or PE-backed IPOs separately with non-backed IPOs, and only a few (Buchner *et al.*, 2019; Levis, 2011) directly compare VC- and PE-backed IPOs, without exploring underlying mechanisms. We provide evidence on the differential influence of VCs and PEs in the SPAC market and the mechanisms through which sponsor reputation affects deSPAC performance.

The remainder of the paper is structured as follows: Section 2 reviews the theoretical background and develops the hypotheses, and Section 3 describes the dataset, sample, and the construction of the composite reputation proxy. Sections 4-6 present the model specifications, control variables, and results for each of the three questions we are going to explore. In Section 7, the results of the robustness tests are reported, and Section 8 concludes this paper.

2. Theoretical background and hypotheses development

2.1. VC and PE reputation

The reputation of VC and PE is generally regarded as an intangible asset that should influence the performance of their investees (Chahine *et al.*, 2021). Early research has shown that reputable VCs and PEs lead to better outcomes for their investees (Aryal *et al.*, 2022; Del Giudice and Signori, 2024). Nahata (2008) finds that companies backed by VCs with high reputation can access public markets faster and have higher asset productivity at IPOs. Krishnan *et al.* (2011) examine the long-run performance of VC-backed public companies. They find that public companies backed by reputable VCs tend to have higher return on assets, market to book ratios, survival rates, and long-term returns. They also find that reputation is related to greater takeover likelihood of backed firms and higher takeover premiums, suggesting that reputation signals quality.

The mechanisms explaining how VC and PE reputation affects the performance of their investees have been widely discussed. It is believed that VCs and PEs can conduct value-adding activities for their investees (Amini *et al.*, 2022). Jain and Kini (2000) show that VCs are valuable board members who could help the company construct and implement corporate strategies and recruit experts. They could also use their network to contact experienced audit firms and law firms (Fried and Hisrich, 1995). Krishnan *et al.* (2011) show that reputable VCs tend to work with reputable underwriters. Thus, high reputation VCs and PEs have more resources for value-adding activities, which should result in better future performance. Furthermore, other investors would regard

the involvement of reputable VCs and PEs as a positive signal. Megginson and Weiss (1991) provide evidence supporting the certification of VCs in IPOs. Del Giudice and Signori (2024) find a similar signalling effect from PE in SPACs. This signalling effect matters because it will influence the level of asymmetric information. Without signalling by VC/PEs' reputation rankings, the level of asymmetric information will remain high which can lead to adverse selection problems (Brealey *et al.*, 1977).

2.2. Measurement of VC and PE reputation

Although the effect of VC and PE reputation has been well documented, it is still a challenge to measure reputation. Nahata (2008) uses IPO capitalization share as a proxy for reputation. It is based on the cumulative market capitalization of IPOs backed by the corresponding VC. Krishnan *et al.* (2011) apply not only the same proxy but also other proxies, including IPO frequency, VC age, VC capital, and IPO market share, and find that IPO market share is the factor that is most significantly related to the long-term performance of public companies. They define the IPO market share as the VC's dollar market share of all venture-backed IPOs in the preceding 3 calendar years. Demiroglu and James (2010) measure PE reputation in a similar way and find that it is related to the leverage buyouts financing structure. However, both IPO capitalization and IPO market share suffer from the same weakness. If a VC is relatively new or a first-time player, the IPO company it backs is the first in its portfolio, and the VC is assigned a reputation score of zero. Given that there are many more new players in the IPO market in more recent years, this will result in a large proportion of IPOs in the sample being backed by a zero-reputation VC or PE firms. In addition, the reputation measure based solely on prior IPO performance is not suitable when both IPOs and SPACs are examined, as an IPO-only proxy would introduce a strong bias.

These concerns can be addressed by using other proxies, including VC age and the size of the investment firm (Gompers, 1996; Gompers and Lerner, 1999; Lee and Wahal, 2004). These measures guarantee that most VCs and PEs have a nonzero value for reputation, but each of them only partly captures reputation. Lee *et al.* (2011) further propose a composite proxy for VC reputation, which captures the reputation in a much

more comprehensive way. They calculate the composite index based on six types of data, each of which reflects one aspect of VC reputation. They provide the composite index for each VC until 2010, which has been used even after 2010 by some studies (Litov *et al.*, 2024; Serrano and Ziedonis, 2025). This paper will use a similar methodology to construct a proxy for both VC and PE reputation for years after 2010, but with only five types of data, which will be introduced in section 3.2. We exclude the number of portfolio firms taken public, so this new composite proxy avoids the bias towards IPO-backing VCs and PEs and is more up to date.

2.3. SPACs

Prior studies have shown that deSPACs tend to underperform IPOs. There are two perspectives to explain the underperformance of deSPACs. One is to examine the characteristics of private companies that prefer to go public through SPACs rather than traditional IPOs. Previous literature has found some factors, including company size, age, leverage level, and industry factors (Bai *et al.*, 2021; Gryglewicz *et al.*, 2021; Kolb and Tykvová, 2016). Gahng *et al.* (2023), however, argue that these factors can predict a very low percentage of the choice between SPACs and traditional IPOs.

Another perspective is the conflict of interests among the SPAC sponsors, public investors, and the management of operating firms. For example, Gahng *et al.* (2023) find that SPAC sponsors are persistent winners as they can earn high returns, but the public market shareholders in the deSPACs have much worse performance. Although many papers have documented these conflicts (Blankespoor *et al.*, 2022; Del Giudice and Signori, 2024; Feng *et al.*, 2026; Gahng *et al.*, 2023; Groh *et al.*, 2025; Klausner *et al.*, 2021), relatively few of them provide a direct comparison between deSPACs and traditional IPOs. Given that VCs and PEs are active participants in both IPOs and SPACs, this provides an incentive and contribution to explain any performance differences by comparing the characteristics of VCs and PEs involved in these two approaches of going public. Gahng *et al.* (2023) point out that the performance of VC-backed SPACs in the deSPAC period is worse than that of VC-backed traditional IPOs. We also document the

same phenomenon in section 3.1. Kolb and Tykvová (2016) find that VC and PE prefer traditional IPOs to SPACs, which might indicate that more professional investors believe the traditional IPO route is preferable. Because the performance of deSPACs tends to be worse than traditional IPO companies, and Groh *et al.* (2025) and Kolb and Tykvová (2016) have shown that deSPACs are generally lower-quality companies compared to IPO companies, choosing traditional IPOs could help reputable investors maintain high reputation standards, and we propose the following hypothesis:

Hypothesis 1: VCs and PEs with higher reputation prefer to back IPOs versus deSPACs.

The main mission of the SPAC sponsors is to support the SPAC in merging with operating firms. Cumming *et al.* (2014) find that SPACs backed by hedge funds and PE are less likely to approve the acquisition. They argue that if professional institutional investors cannot find a high-quality target, they would prefer to go into liquidation so that they can keep their good investment record and avoid losses in the future. Del Giudice and Signori (2024) find the same effect from PE involvement due to reputational concerns. They argue that frequent investors, such as PEs, actively participate in the financial markets, and their reputation comes from their investment histories. Therefore, a value-destroying deal will harm their future stream of revenues and reputation. Hence, as the sponsor of SPACs, reputable PEs have the incentives to find a good target. However, one-time players who do not care about their reputation have the incentive to complete the acquisition even if the target is a low-quality firm. In fact, for 177 VC/PE-backed deSPACs in our sample, there are 111 VC/PEs and only 35 multiple-time players in the deSPAC market. Both papers use a dummy variable for PE involvement to examine the effect of PE participation in general, and this paper takes a further step to examine the influence using a comprehensive measure of reputation for VCs and PEs. Hence, the following hypothesis is proposed:

Hypothesis 2: SPACs backed by VCs and PEs with higher reputation are less likely to complete the acquisition and go deSPAC.

It is also interesting to examine how the conflicts of interest affect the performance

of deSPACs. On the one hand, Gahng *et al.* (2023) shows that the return in the SPAC period (from IPO date to deSPAC date) is positive, while the performance in the deSPAC period is worse than traditional IPOs, which could be a sign that SPAC sponsors do not work in the interest of public investors of the deSPACs, and perhaps do not conduct value-adding activities for the merged companies as they do for traditional IPOs. On the other hand, if the sponsors care about their reputation, they will engage in finding high-quality operating firms for the SPAC to merge with (Cumming *et al.*, 2014; Del Giudice and Signori, 2024; Dimitrova, 2017) and help the deSPAC to achieve better performance in the long term. Literature shows that VC reputation is positively related to the performance of traditional IPOs (Krishnan *et al.*, 2011; Nahata, 2008). The same effect is expected to exist for deSPACs. Specifically, the level of conflicts of interest is expected to be lower in deSPACs backed by reputable VCs and PEs, because these investors are more likely to continue supporting the development of the merged company. Therefore, we propose the following hypothesis:

Hypothesis 3: DeSPACs sponsored by VCs and PEs with a higher reputation will have better long-term performance.

3. Data, sample and Reputation Index construction

3.1. Data and sample

We start from the VC/PE-backed IPOs listed on NASDAQ, NYSE and AMEX recorded by Securities Data Company (SDC) Platinum. We then manually check the company’s registration forms in the Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system to identify the VC and PE sponsors. We then classify the financial sponsors and cross-validate them with data from the VC/PE deals section in LSEG Workspace, and if LSEG Workspace does not record the investor, the investor type is checked in Pitchbook. The data used to construct the reputation proxies is also collected from Pitchbook.

The SPAC sample is collected from SPAC Research and SPACInsider. We classify the VC and PE sponsors based on the data extracted from both websites and cross-validated

by the data from Pitchbook. Following Krishnan *et al.* (2011) and Professor Jay Ritter’s IPO website³, the sample includes all VC/PE-backed IPOs and deSPAC companies listed in the Nasdaq, NYSE and AMEX, excluding those with an offer price below \$5.00 per share, unit offers, ADRs, closed-end funds, natural resource limited partnerships, REITs, banks and S&L IPOs. The time range originally starts from 2010 to 2023 because the structure of SPACs fundamentally changed in 2010 (Gahng *et al.*, 2023).⁴ For the deSPAC sample, the time range varies because the first deSPAC in our sample appears in 2012. We use different sets of control variables to test our different hypotheses, which will be discussed in Sections 4-6. They are mainly collected from SDC Platinum, EDGAR, SPAC Research, SPACInsider, LSEG Datastream, CRSP and Bloomberg.

The SDC Platinum records 1,207 VC/PE-backed IPOs after applying the screening rules mentioned above. 47 of them cannot be accessed in LSEG Datastream, and we also find 51 of them are not VC/PE backed. Therefore, 1,109 VC/PE-backed IPOs are left. After excluding IPOs before 2012 and those with missing control variables, the sample size decreases to 962. From SPAC Insider, we identify 1,203 SPACs in the same period. There are 1,105 SPACs listed in the 3 main US stock exchanges, and 855 of them had completed the acquisition or liquidated by the end of 2023. Because we are only interested in deals backed by VC/PEs, 560 non-VC- and PE-backed SPACs are dropped, and only 295 SPACs are left. 177 of them complete the acquisition, and 118 are liquidated.

The samples include both VC- and PE-backed companies. Both have different investment strategies, so they will influence investees in different ways (Buchner *et al.*, 2019; Ehrlich *et al.*, 1994; Levis, 2011). However, the different strategies are generally found in the stages before the investee goes public and after it is listed. In the process of IPOs, both VC and PE have the same motivations and care about their reputation. Therefore, this paper expects that they could be regarded as the same type of investor and be comparable in the same sample for the selection between IPOs and deSPACs. We also

³<https://site.warrington.ufl.edu/ritter/ipo-data/>

⁴They state that from 2010, many characters of SPACs have changed including the underwriter fees, structure of warrants and share redeeming rules. Therefore, it is less comparable for SPACs after 2010 with those before 2010.

examine them separately in robustness tests reported later (see Section 7).

It is also worth noting that distinguishing between VC and PE is challenging as the barrier between them has become increasingly blurred (Cao and Lerner, 2009). There have been more investment firms making both VC and PE investments. Most literatures (Krishnan *et al.*, 2011; Lee *et al.*, 2011) identify VC-backed IPOs by checking if the IPO companies have raised investment in the earlier investment stages. However, it is possible that the same investor has invested in different companies in both earlier and later stages. Because this paper is trying to measure the reputation at the firm level rather than the fund level, it is reasonable to keep the companies that received VC and PE fund investment from the same investor in the same sample. We classify the IPO and deSPAC as VC- and PE-backed based on the classification of their lead investor. Based on the data from the VC/PE deals section in LSEG Workspace and Pitchbook, we classify investment firms according to the type of deals they participate in most.

Figure 1 shows the average performance of VC/PE-backed and non-backed IPOs and deSPACs. We follow the methodology used in Barber and Lyon (1997); Groh *et al.* (2025); RITTER (1991) and use the Russell 2000 index as the benchmark to calculate the buy-and-hold abnormal return (BHAR). To improve visual clarity, we exclude extreme BHAR observations when plotting the average BHARs. Day 0 is the deSPAC day or the IPO day, and the abnormal return on day 0 is indexed to 1. Figure 1 shows that VC/PE-backed IPOs (blue) have the best performance, followed by non-backed IPOs (green) and VC/PE-backed SPACs (red). The non-backed SPACs (yellow) have the worst performance. Groh *et al.* (2025) document that VCs tend to sell low-quality investees to SPACs, which subsequently exhibit worse performance than the SPACs merging with non-VC-backed target firms. They interpret this as evidence of VC misconduct in the SPAC market. Our results, however, show that at least for VCs and PEs sponsors, they are playing a more positive role.

[Figure 1 about here.]

3.2. Reputation Index construction

The key explanatory variable is VC and PE reputation (*Reputation Index*). Following the methodology of Lee *et al.* (2011), we construct a comprehensive proxy which is composited of five dimensions including the number of deals (*Deals Count*) and capital amount (*Capital Invested*) invested by the VC or PE in the last 5 years, the total number of funds (*Fund Count*) and the total capital amount of funds raised (*Fund Size*) in the last 5 years by the VC or PE and the age (*Age*) of VC or PE in the corresponding year. Following Krishnan *et al.* (2011), the age is the number of years between the IPO or deSPAC year and the founding year of the VC and PE or 1980, if the founding year is earlier.⁵ Each dimension is standardized by transforming it into a z-score. The following formula is used for the z-score transformation:

$$z_{ijt} = \frac{x_{ijt} - \mu_{jt}}{\sigma_{jt}} \quad (1)$$

Where z_{ijt} is the z-score of the VC or PE i in year t transformed using proxy j (including *Deals Count*, *Capital Invested*, *Fund Count*, *Fund Size*, and *Age*); x_{ijt} is the value of proxy j for VC or PE i in year t ; μ_{jt} is the mean value of proxy j of all the VCs and PEs in year t ; σ_{jt} is the standard deviation of proxy j of all the VCs and PEs in year t . If the value of proxy j is not available, the corresponding observation will be dropped. In each year, all the VCs and PEs which have been the lead investor of the observations in our sample are included. We define the lead investor as the VC or PE investor with the largest equity stake at the time of the IPO. If there are more than one investor holding the same percentage of shares, all of them are included in the process of calculating reputation scores, and the one with the largest reputation score will be regarded as the lead investor.

These proxies are standardized by z-score transformation so that they can be added up

⁵It is believed that the reinterpretation of the Employee Retirement Income Security Act (ERISA) "prudent man" standard in 1979 started the modern VC market (Gompers and Lerner, 1999; Hellmann *et al.*, 2007), so that we calculate the age of VC and PE from 1980 if it was founded before 1980.

to construct the composite proxy and avoid the different weights caused by the different magnitudes of each input dimension (Lee *et al.*, 2011). Hence, the composite reputation score is the sum of the z-scores of the five dimensions. Because the z-score transformation leads to both negative and positive values, with an average of 0 for the reputation scores of all VCs and PEs in the same year. To make the proxy easier to interpret, we normalised the z-scores on a 100-point scale. For the reputation scores in the same year, we add the value of 0.01 plus the absolute value of the lowest z-score to all the reputation scores in that year. Therefore, all of them will be positive. Then each value will be divided by the largest value, which will produce the *Reputation Index* ranging from 0 to 100 for all VCs and PEs in each year.

Figure 2 shows the average *Reputation Index* of the VC and PE backers in each year for both IPOs and deSPACs. As expected, it shows that the reputation of VC and PE backers choosing IPOs is higher than deSPACs in most years. The average reputation of VC and PE backers for IPOs and deSPACs was close in 2018 but diverged again after that. Figure 3 shows the average age of the VC and PE backers in each year for both IPOs and deSPACs. We find that deSPAC sponsors are generally younger than IPO backers, suggesting that they may have less experience and expertise, and perhaps have a greater appetite for risk and place less emphasis on maintaining their reputation. Therefore, it is reasonable to observe a lower level of reputation for them.

[Figure 2 about here.]

[Figure 3 about here.]

This paper applies the control variables commonly used in papers in the related research area (Del Giudice and Signori, 2024; Dimitrova, 2017; Kolb and Tykvová, 2016). We control different sets of variables to test our different hypotheses, so three different specifications are used, one for each hypothesis. We will discuss the control variables for each hypothesis in the next three sections.

4. Selection between IPOs and deSPACs

4.1. Specification 1

Firstly, we use specification 1 to examine how VC and PE reputation affects the probability of choosing an IPO versus a deSPAC. The first control variable in specification 1 is *Market volatility*, which is measured by the variance of the S&P 500 total return index during the six months preceding the deal announcement. Schill (2004) shows that high market volatility reduces the number of IPOs and the amount of IPO proceeds. Consistent with Kolb and Tykvová (2016), we expect that deSPACs are less sensitive to market volatility because they have already raised the funds for acquiring target companies.

The second control variable is *Underwriter Rank*, which refers to the underwriter reputation. It is measured based on Carter-Manaster Reputation Rankings for IPO Underwriters. Carter *et al.* (1998) find that IPOs backed by more reputable underwriters are less underpriced and have better long-term performance. Krishnan *et al.* (2011) also find that reputable underwriters and VCs tend to work together. Given that IPOs are believed to be a better exit route than deSPACs, we expect that reputable underwriters would prefer IPOs to deSPACs.

The third control variable is *Cost of Debt*, which is measured by the 10-year T-bill rate on the announcement date. It has been noted that SPACs sometimes also use debt to acquire targets (Lewellen, 2009), therefore, they may prefer to complete the acquisition when the cost of debt is low.

The fourth control variable is $\ln(Proceeds)$ which equals the logarithm of the amount of IPO proceeds adjusted by the US Consumer Price Index (CPI). On the one hand, Krishnan *et al.* (2011) and Nahata (2008) claim that VC reputation is positively related to IPO proceeds as it signals more established firms, therefore, IPOs backed by reputable VCs and PEs may have larger proceeds. On the other hand, the IPO proceeds of SPACs tend to be higher than IPOs, therefore, it is unclear how IPO proceeds will be correlated with IPOs versus deSPACs.

We also include two financial ratios, *Return on Assets* and *Price to Book* to control for firm quality. *Return on Assets* equals earnings before interest and tax (EBIT) divided

by total assets at the quarter end before the IPO or deSPAC date. For deSPACs, these are usually unavailable from LSEG Datastream, therefore, we manually collect them from their business combination files in EDGAR. The most recent financial statements ended before the deSPAC date are used. It should be noted that they are usually unaudited. We winsorize *Return on Assets* at the 1% level (two-sided) to mitigate the influence of extreme values. *Price to Book* is the median value of all the public firms listed on the main US stock exchanges in the same industry at the beginning of the IPO or deSPAC year.

A dummy variable *VC* is controlled as the indicator for VC involvement. It equals 1 if the IPO or deSPAC is backed by a VC, and 0 if it is backed by a PE. The interaction term of *Reputation Index* and *VC*, and *Reputation Index* and *Underwriter Rank* are included, so that we can examine if VC reputation is more important than PE, and if VC reputation has incremental value over underwriter reputation in our model. Both interaction terms are mean-centred to reduce multicollinearity (Echambadi and Hess, 2007).

We apply a logit model to test how reputation affects the choices or likelihood between choosing an IPO versus a deSPAC. The dependent variable is $P(IPO)$ which equals 1 if it is an IPO, and 0 if it is a deSPAC. Therefore, the specification 1 is:

$$\begin{aligned}
P(IPO)_i = & 1/(1 + e^{-(\alpha + \beta_1 \text{ Reputation Index}_i + \beta_2 \text{ Market Volatility}_i + \\
& \beta_3 \text{ Underwriter Rank}_i + \beta_4 \text{ Cost of Debt}_i + \beta_5 \text{ Ln(Proceeds)}_i + \\
& \beta_6 \text{ Return on Assets}_i + \beta_7 \text{ Price to Book}_i + \beta_8 \text{ VC}_i + \\
& \beta_9 \text{ Reputation Index}_i * \text{VC}_i + \\
& \beta_{10} \text{ Reputation Index}_i * \text{Underwriter Rank}_i + u_i))
\end{aligned} \tag{2}$$

Year and industry fixed effects are controlled for, and following Nahata (2008), the standard errors are clustered at the VC/PE level.⁶ The key independent variable, *Reputation*

⁶We also cluster the standard errors at different levels such as year, country, year and country, VC/PE

Index, is predicted to be positively correlated with the likelihood of selecting IPOs. To provide a more intuitive result, we also present the average marginal effects for the logistic regressions.

According to Kolb and Tykvová (2016), the average characteristics of IPOs are very different from those of SPACs, and we confirm that observation in our sample. Therefore, we use PSM to match the IPOs with the deSPACs using two key variables, total assets and the age of the firm in the corresponding year (ROSENBAUM and RUBIN, 1983). The pre-treatment variables are balanced among the IPOs and deSPACs in the matched sample,⁷ and PSM ensures that the treatment (reputation) and the dependent variable are unconfounded, therefore, the causal inference from the matched sample will be more reliable.

4.2. Descriptive statistics and empirical results of specification 1

Table 1 shows the descriptive statistics of the sample for all VC- and PE-backed IPOs and deSPACs. Panel A shows that the reputation of VC/PE choosing IPOs is significantly higher on average than that of choosing deSPACs. DeSPACs tend to complete their acquisition of targets when the market is more volatile and the cost of debt is lower. Given past research (Krishnan *et al.*, 2011; Lee *et al.*, 2011), it is not surprising that traditional IPOs tend to work with more reputable underwriters. Panel B shows that the number of VC/PE-backed SPACs increased dramatically in 2021, and in the following year, the number of VC/PE-backed SPACs was even higher than the number of VC/PE-backed IPOs. This suggests that VCs and PEs were also attracted to the hot trend of SPACs in 2021 and 2022. Panel C of Table 1 shows the industry distribution of IPOs and deSPACs based on the Standard Industrial Classification (SIC) level 2. It shows that both IPOs and deSPACs are clustered in the manufacturing and services industries. We also estimate the Wilcoxon–Mann–Whitney (WMW) test and t-tests to compare the control variables between IPOs and deSPACs groups. The findings suggest that IPOs

industry, and the results remain qualitatively unchanged. We do likewise for the other two specifications, and obtain similar results.

⁷Appendix C shows the results of balance tests.

and deSPACs are quite different companies based on all our control variables. Therefore, we construct a matched sample for our main regressions.

[Table 1 about here.]

Table 2 shows the correlation matrix of the variables that we use in the analysis of the choice between IPOs and deSPACs and the success rate of acquisitions. The five components of our composite reputation measures are highly correlated, suggesting they capture similar effects that are important for measuring reputation. There are some pairs of control variables that are highly correlated with each other. For example, Table 2 shows that the correlation between *Cost of Debt* and *Market Volatility* is -0.66, which suggests greater volatility when the cost of debt is low. The *Reputation Index* is also highly positively correlated with *Underwriter Rank* (0.18) and *Ln(Proceeds)* (0.33). The high correlations may raise concerns for multicollinearity, so to check this, we calculate the variance inflation factors (VIFs) of independent variables, and show that the highest VIF is 2.71, which is not greater than 5, therefore, multicollinearity should not pose a serious problem.

[Table 2 about here.]

Table 3 reports the results for the probability of choosing IPOs using the balanced sample constructed by PSM. Column (1) shows the regression with all control variables included but excluding year and industry fixed effects, while column (2) includes both fixed effects. Column (3) shows the results controlling for the interaction term of *Reputation Index* and *VC*, and the interaction term of *Reputation Index* and *Underwriter Rank*, so a direct test of whether VC reputation differs from PE reputation and if underwriter rank makes a difference on the effect of reputation. It is worth noting that when the year and industry fixed effects are controlled for, the number of observations marginally decreases due to some years and industries having only one choice (i.e., only deSPACs or only IPOs) in the matched sample.

Columns (1)', (2)' and (3)' report logit coefficients as the average marginal effect to make interpretation easier. The results show that the reputation of VCs and PEs is

significantly and positively related to the probability of choosing IPOs, which suggests that more reputable VCs and PEs have a higher likelihood of choosing IPOs over deSPACs as the exit route. The standard deviation of the *Reputation Index* for the matched sample is 18.84, therefore, a one-standard-deviation increase in *Reputation Index* raises the probability of choosing an IPO by approximately 13.19 percentage points (18.84×0.007). This is consistent with hypothesis 1. Reputable underwriters are also more likely to choose IPOs over deSPACs, which is not surprising given the positive correlation between *Reputation Index* and *Underwriter Rank*. As expected, deSPACs are less preferred when the cost of debt is high, as the cost of using debt to acquire the target is high. The positive coefficient with *Price to Book* suggests that IPOs are better quality firms compared to deSPACs. It is worth noting that $\ln(\textit{Proceeds})$ is negative and significant, which suggests that deSPACs raise more money for lower quality companies.

Looking at VC and PE separately, the VC dummy is positive and significant, suggesting VC backing is positively related to the probability of choosing IPOs, which means VCs prefer IPOs to deSPACs compared to PEs. The overall results show that more reputable backers prefer IPOs to deSPACs, which could signal why deSPACs underperform in the long run. Krishnan *et al.* (2011) find that more reputable VCs can select better investees and are more likely to hold the shares and directorships of the investees over the 3 years after the IPO. Therefore, they could actively engage with governance and conduct value-added activities. Similarly, our results suggest that less reputable VCs and PEs choose deSPACs. This finding suggests they are less likely to find good targets and conduct fewer value-adding activities compared to more reputable VCs and PEs, which could lead to the underperformance of deSPACs. We will provide more evidence on this in the following two sections.

[Table 3 about here.]

5. Probability of completing the acquisition

5.1. Specification 2

Next, we examine how VC and PE reputation influences the success rate of completing the acquisition of target firms in SPAC deals using the second specification. *Underwriter Rank* is included in Specification 2. Because reputable underwriters and VCs tend to work together (Krishnan *et al.*, 2011), both of them care about their reputation, and if they do not have confidence in the quality of the potential target, they may prefer to go into liquidation. Hence, the involvement of a reputable underwriter is expected to reduce the success rate of an acquisition. The second control variable is *Cost of Debt*. If the cost of debt is high, then SPACs will be less likely to acquire the target by debt, which will reduce the success rate of acquisitions. $\ln(\textit{Proceeds})$ is also controlled in Specification 2. Higher IPO proceeds means that the SPAC will have more funds to acquire targets, so that it is expected to increase the success rate of acquisitions.

Following Del Giudice and Signori (2024), we control for other variables in the second specification. *Extention* equals 1 for SPACs extending the initial deadline for consummating the deSPAC transaction, and 0 otherwise. The extension of the initial deadline could be an indication that the SPAC cannot find a good target in time, therefore, they will be less likely to complete the deSPAC process. *Audit Firm* equals 1 if the auditor of the SPAC is one of the ‘Big Four’ audit firms, including PWC, Deloitte, EY and KPMG, and 0 otherwise. Top auditors could reduce information asymmetry (Krishnan *et al.*, 2011), therefore, they could increase public investors’ approval rate of the acquisition, which increases the success rate of acquisitions. $\ln(\textit{Recent SPACs})$ is the logarithm of one plus the number of SPACs over the prior three months. If there are many SPACs in the market, they will compete to attract good targets, therefore, the success rate for each SPAC will decrease. Similar to specification 1, *VC*, the interaction term of *Reputation Index* and *VC*, and the interaction term of *Reputation Index* and *Underwriter Rank* are also controlled for in the models to ascertain if VC reputation is more important than PE, and if VC reputation has incremental value over underwriter

reputation.

Similar to specification 1, we use another logit model to test the success rate of completing the SPAC acquisition to go deSPAC. The dependent variable is $P(Completed)$ which equals 1 if the SPAC successfully completed the acquisition and changed to a deSPAC, and 0 if it went into liquidation. Therefore, the specification 2 is:

$$\begin{aligned}
P(Completed)_i = & 1/(1 + e^{-(\alpha + \beta_1 \text{ Reputation Index}_i + \beta_2 \text{ Underwriter Rank}_i + \\
& \beta_3 \text{ Cost of Debt}_i + \beta_4 \text{ Ln(Proceeds)}_i + \beta_5 \text{ Extension}_i + \\
& \beta_6 \text{ Audit Firm}_i + \beta_7 \text{ Ln(Recent SPACs)}_i + \beta_8 \text{ VC}_i + \\
& \beta_9 \text{ Reputation Index}_i * \text{ VC}_i + \\
& \beta_{10} \text{ Reputation Index}_i * \text{ Underwriter Rank}_i + u_i)) \quad (3)
\end{aligned}$$

Year fixed effect is controlled for⁸, and standard errors are clustered at the VC or PE sponsor level since SPACs are blank check companies, so any correlation within clusters will come from the same VC or PE sponsor. The key independent variable, *Reputation Index*, is predicted to be negatively correlated with completing a deal.

5.2. Descriptive statistics and empirical results of specification 2

Table 4 shows the descriptive statistics sample of all VC- and PE-backed SPACs, including those that have completed the acquisition of targets and others that have gone into liquidation. It suggests that SPACs which have completed the acquisition are backed by less reputable VCs and PEs. The *Underwriter Rank* for liquidated SPACs is also higher than that of completing the acquisition and going deSPAC. Panel B of Table 4 shows that the number of VC/PE-backed SPACs increased sharply in 2020, accounting for 74% of the SPACs that eventually completed an acquisition. In contrast, the proportion of

⁸As SPACs are blank-check companies and do not have operating activities, we do not include industry fixed effects. Although a few SPACs indicate a preferred target industry, most of them do not have a specific industry preference.

VC/PE-backed SPACs that completed an acquisition declined substantially in 2021, with only 40% doing so. This could be a sign that some of them were simply catching up with the hot trend or SPAC clustering without a competitive investment strategy.

[Table 4 about here.]

Table 5 shows the correlation matrix of the variables that we use in the analysis of the success rate of acquisitions. We see a high correlation between *Underwriter Rank* and $\ln(\textit{Proceeds})$ (0.47), so we run the VIF test with the highest score at 1.41, which indicates that multicollinearity should not pose a serious problem.

[Table 5 about here.]

We then analyse how VC and PE reputation affects the performance of their investees by testing the effect of VC and PE reputation on the success rate of acquisitions by SPACs. In panel A of Table 6, the first three columns show the results for the full sample which includes both VC- and PE-backed SPACs. The results show no significant effect from reputation, but the coefficients of *Underwriter Rank* are significantly negative. It also shows that the coefficients of $\ln(\textit{Recent SPACs})$ are significantly negative, which means that the SPACs that went public in the years with more SPACs would be less likely to complete the acquisition within two years. This suggests that some SPACs were driven more by market sentiment than by a distinctive or competitive investment strategy.

Because the results from the specification 1 show that the reputation from VC is more important than that from PE, we also test the VC reputation and PE reputation separately. Columns (4), (5), and (6) of Panel A in Table 6 show the results for the sample including only VC-backed SPACs. Columns (7), (8), and (9) of Panel A in Table 6 show the results for the sample including only PE-backed SPACs. For VC-backed SPACs, *Audit Firm* is dropped due to multicollinearity. The results show that VC reputation is significantly related to the success rate of completing the acquisition, whereas the PE reputation has no effect⁹, which confirms that VC reputation is more important

⁹We also find both VC and PE reputation are significantly and positively related to the time to liquidate but they have no significant effect on the time to deSPAC (see Appendix D).

than PE reputation for a successful exit for SPACs. The *Underwriter Rank* shows a negative and significant effect similar to that of VC reputation, suggesting that reputable VCs and underwriters share aligned incentives in the deSPAC process. In Column (6), the coefficient of the interaction term of *Reputation Index* and *Underwriter Rank* is significantly negative, whereas the coefficient of *Reputation Index* becomes insignificant. This suggests that reputable VCs usually work with reputable underwriters, reflecting consistency for highly reputable backers, and the negative and significant interaction term indicates that the combination of reputable VCs and reputable underwriters jointly exerts a stronger effect in reducing the success rate of acquisitions than either factor alone. The results suggest that VCs care more about their reputation than PEs, and if they cannot find a good target, they would rather choose to go into liquidation.

Panel B of Table 6 shows the average marginal effect of the logistic regressions. The standard deviation of the *Reputation Index* for the VC-backed group is 8.986, which means a one-standard-deviation increase in the *Reputation Index* of VCs decreases the probability of completing the acquisition by approximately 8.99 percentage points (8.986×0.01). The negative effect is understandable because if the quality of the target is low, sponsors and underwriters will have to take “haircuts” on their own returns to attract other investors and increase the approval possibility of the merger (Gahng *et al.*, 2023). The haircut could make the investment much less attractive for reputable VCs, so that they might choose to quit from this SPAC to avoid potential loss and damage to their reputation in the future. A supplementary explanation is the grandstanding theory proposed by Gompers (1996). He argues that less reputable VCs would like to take their investees to public earlier so that they can send a positive signal to the market and build up their reputation. The motivation for grandstanding could also be a reason that low reputation VCs are more likely to complete the acquisition.

[Table 6 about here.]

6. Long-term performance of VC/PE-backed deSPACs

6.1. Specification 3

Finally, we use the third specification to examine how VC and PE reputation affect the long-term performance of deSPACs. *Underwriter Rank* is controlled again in our models, as Krishnan *et al.* (2011) find that underwriter reputation is positively related to the long-term performance of IPOs. We expect that they have a similar influence on deSPACs and so a positive relation to performance. SPACs with larger proceeds have the ability to acquire better targets, therefore, $\ln(Proceeds)$ is controlled and expected to be positively related to the long-term performance of deSPACs.

Extention is controlled for because it is a signal that the SPAC could not find a good target in time, so it may end up with an inferior private firm, which is expected to reduce the long-term return of deSPACs (Del Giudice and Signori, 2024). We control for *Two Auditors* in specification 3. It captures the audit firms of both the SPAC and the target firm. It equals 2 if both the SPAC and the target firm are audited by one of the Big Four audit firms; 1 if only one of the SPAC or the target firm is audited by a Big Four audit firm; and 0 if neither the SPAC nor the target firm is audited by a Big Four audit firm. It is included as hiring top auditors signals that the firm is of higher quality (Demers and Joos, 2007). Another control variable is *PIPE*, which equals 1 for SPACs receiving additional equity in the form of a Private Investment in Public Equity (PIPE) at the deSPAC transaction, and 0 otherwise. If the sponsors of SPACs invite PIPE to participate in the acquisition, they could merge with better targets because they have more liquidity. Gao *et al.* (2013) find that high demand for IPOs attracts low-quality issuers, therefore, firms that go public in periods with a large number of IPOs are expected to be low quality. We expect this phenomenon to exist in the deSPAC market too, therefore, $\ln(Recent\ SPACs)$ is included and is expected to be negatively related to the performance of deSPACs.

To directly capture the quality of the target, we control for growth opportunities of the firm and include Tobin's Q. *Issuer Tobin's Q* is the Tobin's Q of the deSPAC on the end

of the first quarter after the deSPAC date and winsorized at 1% level (two-sided). Weber and Willenborg (2003) find that young firms have greater uncertainty after IPOs because more established firms tend to have lower risk. Hence, we control for $\ln(Issuer\ Age)$, which is the logarithm of the age of the target firm in the year of acquisition, and this is expected to be negatively related to the long-term performance of deSPACs. The age is the difference between the private firm’s founding year and the deSPAC year.

We examine the effect of VC and PE reputation on both the stock and operating performance of deSPACs. The *BHAR* is used as the proxy for long-term stock performance, *Tobin’s Q* and *Return on Assets* are used as the proxy for long-term financial performance. *Tobin’s Q* and *Return on Assets* are based on quarterly data and winsorized at 1% level (two-sided). Following Kiesel *et al.* (2023), this paper will calculate the BHARs for the deSPAC periods of 6, 12, and 24 months as follows:

$$BHAR_i(t_1, t_2) = \prod_{t=t_1}^{t_2} (1 + R_{it}) - \prod_{t=t_1}^{t_2} (1 + R_{bt}) \quad (4)$$

where R_{it} is the monthly returns on firm i ’s common share for month t ; R_{bt} is the monthly return of the Russell 2000 index for month t or the 49 industry portfolios from Kenneth French’s website.¹⁰ We match each deSPAC with the industry portfolios based on their four-digit SIC codes. In order to eliminate the under-pricing effect, the BHARs are calculated starting from the first trading day of the next month of the deSPAC date until the end of the month t . The sample includes all the VC- and PE-backed deSPACs. The specification 3 is:

¹⁰https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html

$$\begin{aligned}
P_i = & \alpha + \beta_1 \text{ Reputation Index}_i + \beta_2 \text{ Underwriter Rank}_i + \\
& \beta_3 \text{ Ln(Proceeds)}_i + \beta_4 \text{ Extension}_i + \beta_5 \text{ Two Auditors}_i + \\
& \beta_6 \text{ PIPE}_i + \beta_7 \text{ Ln(Recent SPACs)}_i + \\
& \beta_8 \text{ Issuer Tobin's Q}_i + \beta_9 \text{ Ln(Issuer Age)}_i + u_i
\end{aligned} \tag{5}$$

Where P represents one of the three long-term performance measures, including BHARs with two benchmarks, *Tobin's Q* and *Return on Assets* in 6, 12 and 24 months after the deSPAC date. Year and industry fixed effects are controlled for and consistent with the other two specifications, the standard errors are clustered at the VC/PE sponsor level. For the 24-month *BHAR* analysis, we exclude deSPACs that completed their business combinations after March 1, 2023, because the available price data end on March 1, 2025 at the time of data collection. As a result, the number of observations is smaller in the corresponding regressions. For *Tobin's Q* analysis, we exclude *Issuer Tobin's Q* to avoid collinearity.

6.2. Empirical results of specification 3

Panel A and B of Table 7 show the effect of *Reputation Index* on both types of BHARs for VC- and PE-backed deSPACs, respectively. Panel A shows that VC reputation has a significantly positive effect on the stock performance of deSPACs in 6, 12, and 24 months. Panel A of Table 7 shows that a one-unit increase in VC reputation will lead to about 7.8 and 6.0 percentage points increase in 12 and 24 months BHARs adjusted by the Russell 2000 index, respectively. Using the industry portfolio benchmark, the increases are 1.4, 7.6 and 6.5 percentage points increase in 6, 12 and 24 months, respectively. Panel B of Table 7 shows that PE reputation does not have a significant impact on the stock performance of deSPACs in 12- and 24-month periods. It shows a weak impact on the 6-month BHAR benchmarked by the Russell 2000 Index, but only significant at 10% level. For both VC and PE samples, *Extention* shows a negative impact and *Two Auditors*

shows a positive impact on the stock performance. These results are consistent with expectations, as extending the deadline of completing the acquisition could indicate that the sponsors cannot find a good target in time and hiring top audit firms is a positive signal for the firm quality.

[Table 7 about here.]

Panel A and B of Table 8 show the effect of VC and PE reputation on the *Tobin's Q* and *Return on Assets* in 6, 12 and 24 months, respectively. Panel A shows that VC reputation has a positive and significant effect only on the *Return on Assets* in 24 months, suggesting reputable VCs can improve the operating performance of deSPACs in the long-term. Panel B shows that PE reputation has no significant effect on the value or operating performance of deSPACs. The overall results suggest that the involvement of more reputable VCs increases the long-term returns of the deSPACs, which is partially consistent with Hypothesis 3. These results confirm that VC reputation matters more than PE reputation. VCs are believed to actively participate in the development of their investees (Ivanov and Xie, 2010; Krishnan *et al.*, 2011), and they invest in the investees earlier and exit later than PEs. Hence, it is reasonable that VCs have more influence on the performance of their investees.

[Table 8 about here.]

6.3. Separating selection bias

There is a typical endogeneity concern in VC and PE research, which raises the question of whether the better performance of deSPACs backed by reputable VCs is due to better quality of the firms selected by reputable VCs or because these reputable VCs play a more positive role in the development of deSPACs. Similar to Krishnan *et al.* (2011), we adopt the Heckman two-step procedure (Heckman, 1979) to address this concern.

To isolate the effect of VC selection, we require instrumental variables (IV) that are related to the VC reputation but are not directly related to the performance of deSPACs.

Similar to Alakent *et al.* (2020), we use *High Concentration* as one of our two IVs, which equals 1 if the target firm is located in New York, Massachusetts, and California, and 0 otherwise. Companies located in these states are more likely to receive funding from reputable VCs because these states have a high concentration of VC firms. *High Concentration* captures the supply-side availability of reputable VCs rather than the intrinsic quality of the target firm, therefore, we do not expect it to significantly impact the performance of deSPACs. Similar to Krishnan *et al.* (2011), we use *Top Law* as a second IV which equals 1 if the SPAC hires a high-ranked law firm in the business combination process, and 0 otherwise. A high-ranked law firm is defined as one ranked Band 1 or Band 2 in the “Legal 500 Capital Markets: Equity Offerings” section in the year before the deSPAC year. Legal 500 is a well-recognised research platform in the legal market, and its ranking has been used in other academic papers (e.g., Andriosopoulos *et al.*, 2023). Reputable VCs tend to work with top law firms that are responsible for conducting due diligence on the target. Top-tier law firms have superior screening abilities, which increase the likelihood that high-quality targets are acquired by high-reputation VC-backed SPACs rather than by low-reputation ones. *Top Law* also meets the exclusion restriction as the SPAC’s law firm does not participate in the deSPAC’s operations and therefore does not directly influence future performance.

Table 4 shows that the distribution of *Reputation Index* of deSPACs is right-skewed, therefore we classify the VCs whose *Reputation Index* is in the top quartile as the reputable VCs. The variable *High Reputation* equals 1 for reputable VCs and 0 for others. In the first step, we use a probit model to predict the probability of being selected by reputable VCs and the inverse Mills ratio (IMR) from the first step will be controlled for in the second step. The coefficient of the IMR helps to capture any selection bias. Table 9 reports the results of the Heckman two-step. Column (1) shows the results of the first step with both *High Concentration* and *Top Law* are significantly related to *High Reputation*, suggesting that they help predict deSPACs backed by reputable VC. Columns (2)-(7) in Table 9 show the second step with six BHARs and controlling for the IMR from the first step. The coefficients of IMR in columns (5) and (6) are significantly

positive, supporting the existence of positive selection bias. After controlling for the IMR, the *Reputation Index* remains significantly positive, therefore, it could be concluded that reputable VCs encourage the development of deSPACs after the acquisition.

[Table 9 about here.]

6.4. Mechanism

In order to find out why VC reputation matters more than PE reputation and the mechanism behind the effect of VC reputation, we look at the ownership of VC and PE sponsors in the year of deSPAC and one to three years thereafter. Both Amini *et al.* (2022) and Basnet *et al.* (2025) have shown that VC ownership can largely explain VC's impact on their monitoring actions and so the performance of the company. Higher ownership gives the VC more incentives to actively monitor the company, therefore, it is more likely to have better performance. We first compare the ownership of VC and PE sponsors in the deSPAC year and one to three years thereafter. Table 10 shows the average percentage of ownership of the different groups of sponsors. We classify the VC and PE as high and low reputation based on the median of their *Reputation Index*. For both VCs and PEs, the results show that they hold a smaller percentage of shares post listing over future years. However, VCs hold larger positions than PEs, and high reputation VCs (PEs) hold larger positions than low reputation VCs (PEs). Further, the percentage of ownership held by low reputation VCs is quite close to high reputation PEs. These results suggest that reputable VCs actively participate in the development of deSPACs, whereas low reputation VCs and all PEs in general do not, which could be a reason why VC reputation matters more than PE reputation with greater holdings capturing better monitoring.

[Table 10 about here.]

We then conduct a multivariate regression analysis to check if VC reputation is related to ownership. We regress the ownership of VCs on the same set of control variables in specification 3 at the deSPAC year and one to three years thereafter. Consistent

with section 6.3, we control for selection bias using the Heckman two-step model with the *High Concentration* and *Top Law* as the IVs. Conditional on VC reputation, a target’s geographic location does not systematically affect the ownership obtained by VC investors, and the SPAC’s law firm does not directly affect the ownership of VCs. Both IVs affect who acquires the target, not how much ownership the VC receives, therefore they meet the exclusion restriction. Table 11 presents the results of multivariate regression analysis controlling for selection bias. The results show that VC reputation is significantly associated with the percentage of ownership held by the VCs in the deSPAC at the year of business combination and one to three years thereafter. These findings provide strong evidence that reputable VCs improve deSPACs performance through deeper monitoring involvement.

[Table 11 about here.]

7. Additional Robustness tests

For Specification 1, we construct a matched sample, which is much smaller than the original sample, as we drop 785 VC/PE-backed IPOs. Since using a matched sample might result in lost information, we also examine the choice between IPO and deSPAC using the full sample, i.e. the sample including all VC- and PE-backed IPOs and deSPACs. Table B1 shows that the results are generally consistent with the main results from the matched sample. The coefficient of the interaction term of *Reputation Index* and *Underwriter Rank* is also significantly positive in Column (5) and (6), which means that reputation plays a key role and has a stronger effect when reputable VC/PE work with reputable underwriters. The results support that our results for the main specification are robust.

[Table B1 about here.]

In the second and third specifications, the VC reputation has significant effects on the success rate of acquisitions and the performance in the long run, whereas the PE

reputation does not. We check if VC reputation is important for the choice between IPO and deSPAC, so we examine VC reputation and PE reputation separately for specification 1. Columns (1), (2), and (3) of Table B2 show the results for the sample, including all the VC-backed IPOs and deSPACs. Columns (4), (5), and (6) of Table B2 show the results for the sample including all the PE-backed IPOs and deSPACs. The results show that both VC reputation and PE reputation have a significant and positive effect on the choices between IPOs and deSPACs, which is consistent with our assumption that in the process of choosing IPO and deSPAC, VCs and PEs have the same motivation.

[Table B2 about here.]

To further assess the robustness of our composite reputation proxy, we re-estimate specification 1 using each single dimension proxy separately. Table B3 shows the results. We find that 4 of them have a significant impact with *Fund Count* showing weaker explanatory power. This heterogeneity in statistical significance highlights that each proxy only partially captures some aspect of VC/PE reputation, and some dimensions are noisier than others. Therefore, by aggregating multiple predetermined characteristics, the composite index provides a more comprehensive and stable measure of a VC's long-term reputation and helps mitigate omitted variable concerns arising from incomplete measurement.

[Table B3 about here.]

Another concern regarding the composite proxy for reputation is its potential sensitivity to the choice of the measurement window. Therefore, we reconstruct the reputation index using a three-year lag instead of five years, which captures the more recent reputation of the VCs and PEs. As shown in Table B4, the results remain qualitatively unchanged, suggesting that our findings are not driven by a particular lag structure. The consistent results from different lag windows further mitigate the concern related to reverse causality.

[Table B4 about here.]

8. Conclusion

The paper attempts to explain the underperformance of deSPACs in the long run by focusing on the reputation of the key backers and sponsors. Specifically, we examine how VC and PE reputation affects their choices between IPOs and deSPACs and the performance of VC- and PE-backed SPACs. Using a quantitative composite proxy for reputation, we find that VCs and PEs with higher reputation prefer IPOs to deSPACs. This could be a sign that deSPACs are invested in by low-quality sponsors, which might be the reason for their long-term underperformance. That is, low reputation signals lower quality deals to investors, and low-quality sponsors conduct less value-adding activities.

We take a further look at how the reputation of VCs and PEs affects the performance of SPACs. We show that SPACs backed by reputable VCs are less likely to complete the acquisition of targets. This is probably due to the stricter investment standards applied by reputable VCs. They care about their reputation and future returns, so if they cannot find a good target, they would rather choose to go into liquidation than acquire a low-quality target. Finally, this paper examines the effect of VC and PE reputation on the long-term performance of deSPACs. It shows that VC reputation has a significant and positive influence on the stock performance of deSPACs even after controlling for selection bias, whereas PE reputation is not as important. This is because VCs, especially the reputable ones, hold larger ownership post-investment to help monitor and support the deSPACs, suggesting a stronger governance motive for VCs versus PEs. The results imply the different effects from VC and PE reputation due to their different investment strategies.

Appendices

Appendix A.

This section shows the definitions and sources of variables.

[Table A1 about here.]

Appendix B.

This section shows the results of additional robustness tests.

[Table B1 about here.]

[Table B2 about here.]

[Table B3 about here.]

[Table B4 about here.]

Appendix C.

We perform the balance test for the matched sample. Table C1 shows that the standardized biases for both variables are less than 10% and the t-tests show that none of them are significantly different across the two groups, which means the matched sample is balanced.

[Table C1 about here.]

Appendix D.

We also run several Tobit regressions to test whether VC and PE reputation affect the time to complete the acquisition and liquidation, separately. The specification is shown by equation (6).

$$\begin{aligned}
M_i = & \alpha + \beta_1 \text{Reputation Index}_i + \beta_2 \text{Underwriter Rank}_i + \\
& \beta_3 \text{Cost of Debt}_i + \beta_4 \text{Ln(Proceeds)}_i + \beta_5 \text{Extension}_i + \\
& \beta_6 \text{Audit Firm}_i + \beta_7 \text{Ln(Recent SPACs)}_i + u_i
\end{aligned} \tag{6}$$

Where M represents the number of months from the IPO date of the SPAC to the date of completing the acquisition or the date of liquidating. Year and industry fixed effects are controlled for. Standard errors are clustered at the VC/PE level.

Table D1 shows that both VC and PE reputation has a significant and positive effect on the time to liquidate. Tian and Wang (2014) propose that the time a VC spend on a failed project is a proxy for the VC's tolerance for failure. In this spirit, our findings may provide suggestive evidence that more reputable VCs and PEs exhibit a higher tolerance for failure in the SPAC market.

[Table D1 about here.]

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Table 1: Descriptive statistics for VC/PE-backed IPOs and deSPACs

This table presents the descriptive statistics for VC/PE-backed IPOs and deSPACs which go public or deSPAC from 2012 to 2023, the values of the Wilcoxon–Mann–Whitney (WMW) test and t-test that we run to compare the control variables between IPOs and deSPACs in this sample. *, **, and *** indicate statistical significance at the 10%, 5% and 1% levels, respectively.

Panel A: Descriptive statistics of independent variables														
Variable	Full Sample					IPO					deSPAC			
	N	Mean	p50	SD	N	Mean	p50	SD	N	Mean	p50	SD	z-value	t-Test
Reputation Index	1139	16.37	10.31	17.87	962	17.788	11.548	18.60	177	8.647	5.275	10.28	9.9***	6.36***
Deal Count	1139	22.89	13.45	24.99	962	25.399	15.837	25.75	177	9.255	3.85	14.02	10.94***	8.12***
Capital Invested	1139	8.83	1.92	17.99	962	9.871	2.33	19.16	177	3.169	0.44	6.99	9.11	4.6
Fund Count	1139	8.19	3.09	14.15	962	8.528	3.461	14.40	177	6.37	1.216	12.60	5.01***	1.87*
Fund Size	1139	7.19	0.93	17.01	962	7.918	1.167	18.04	177	3.253	0.13	8.67	6.15***	3.37***
Age	1139	62.31	61.88	29.08	962	65.999	66.767	27.82	177	42.257	35.891	27.61	9.73***	10.45***
Market Volatility	1139	7.82	2.57	9.19	962	6.686	1.704	8.92	177	13.95	13.926	8.17	-11.65**	-10.08**
Underwriter Rank	1139	8.28	9.00	1.11	962	8.417	9	1.02	177	7.537	8	1.28	11.94***	10.1***
Cost of Debt	1139	2.02	2.06	0.75	962	2.078	2.16	0.72	177	1.721	1.48	0.86	6.92***	5.91***
Ln(Proceeds)	1139	5.01	4.92	0.93	962	4.96	4.795	0.98	177	5.296	5.295	0.59	-6.48***	-4.43***
Return on Assets	1139	-7.20	-3.57	13.26	962	-7.952	-5.113	13.71	177	-3.115	-1.203	9.51	-4.58***	-4.5***
Price to Book	1139	2.83	2.86	0.81	962	2.816	2.86	0.77	177	2.879	2.87	0.97	-1.68*	-0.95
VC	1139	0.592	1	0.492	962	0.629	1	0.483	177	0.39	0	0.489	5.94***	6.04***

Table 1: Descriptive statistics for VC/PE-backed IPOs and deSPACs – continued

Panel B: Sample distribution by year				
Year	IPO	deSPAC	Total	Percentage
2012	72	1	73	1%
2013	99	2	101	2%
2014	128	0	128	0%
2015	85	1	86	1%
2016	46	3	49	6%
2017	57	5	62	8%
2018	85	4	89	4%
2019	77	8	85	9%
2020	107	21	128	16%
2021	181	68	249	27%
2022	11	40	51	78%
2023	14	24	38	63%
Total	962	177	1139	16%
Panel C: Sample distribution by industry				
Industry	IPO	deSPAC	Total	Percentage
Agriculture, Forestry, & Fishing	2	3	5	60%
Construction	6	1	7	14%
Finance, Insurance, & Real Estate	37	15	52	29%
Manufacturing	348	44	392	11%
Mining	20	9	29	31%
Retail Trade	59	6	65	9%
Services	454	85	539	16%
Transportation & Public Utilities	20	12	32	38%
Wholesale Trade	16	2	18	11%
Total	962	177	1139	16%

Table 2: Correlation matrix of the variables used in the analysis of the choice between IPOs and deSPACs

This table presents a pairwise correlation matrix of the variables that we use in the analysis of the choice between IPOs and deSPACs that are executed from 2012 to 2023. *, **, and *** indicate statistical significance at the 10%, 5% and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(1) IPO	1.000													
(2) Reputation Index	0.185***	1.000												
(3) Deal Count	0.234***	0.739***	1.000											
(4) Capital Invested	0.135***	0.915***	0.549***	1.000										
(5) Fund Count	0.055*	0.814***	0.535***	0.670***	1.000									
(6) Fund Size	0.099***	0.890***	0.457***	0.875***	0.686***	1.000								
(7) Age	0.296***	0.465***	0.490***	0.276***	0.226***	0.246***	1.000							
(8) Market Volatility	-0.286***	-0.097***	-0.097***	-0.071**	-0.056*	-0.040	-0.123***	1.000						
(9) Underwriter Rank	0.287***	0.184***	0.199***	0.127***	0.133***	0.112***	0.220***	-0.040	1.000					
(10) Cost of Debt	0.173***	0.050	0.050	0.051*	0.000	0.010	0.040	-0.656***	-0.021	1.000				
(11) Ln(Proceeds)	-0.130***	0.333***	0.167***	0.340***	0.293***	0.340***	0.121***	0.203***	0.400***	-0.203***	1.000			
(12) Return on Assets	-0.132***	0.116***	-0.030	0.150***	0.140***	0.144***	0.000	-0.020	0.203***	-0.063***	0.358***	1.000		
(13) Price to Book	-0.030	-0.089***	0.000	-0.076**	-0.064**	-0.094***	-0.03	0.345***	0.057*	-0.363***	0.068**	-0.081***	1.000	
(14) VC	0.176***	-0.288***	0.017	-0.377***	-0.301***	-0.339***	0.01	0.015	-0.021	0.022	-0.337***	-0.367***	0.154***	1.000

Table 3: Choice between IPOs and deSPACs

This table presents the results of logistic regressions. Columns (1)-(3) show the original results and Columns (1)'-(3)' show the average marginal effect. The sample includes matched VC- and PE-backed IPOs and all deSPACs which are executed from 2012 to 2023. Dependent variable is $P(IPO)$ which equals 1 if it is an IPO and 0 if it is a deSPAC. Standard errors are clustered at VC/PE level and provided in parentheses. *, **, and *** indicate statistical significance at the 10%, 5% and 1% levels, respectively.

	(1)	(2)	(3)	(1)'	(2)'	(3)'
Reputation Index	0.059*** (0.015)	0.069*** (0.021)	0.065*** (0.020)	0.008*** (0.002)	0.007*** (0.002)	0.006*** (0.002)
Market Volatility	-0.076*** (0.023)	0.033 (0.028)	0.034 (0.031)	-0.010*** (0.003)	0.003 (0.003)	0.003 (0.003)
Underwriter Rank	1.704*** (0.497)	1.722*** (0.660)	1.838*** (0.502)	0.236*** (0.051)	0.171*** (0.051)	0.176*** (0.036)
Cost of Debt	0.144 (0.232)	2.075*** (0.499)	2.004*** (0.558)	0.020 (0.031)	0.206*** (0.047)	0.192*** (0.050)
Ln(Proceeds)	-0.339* (0.183)	-0.342 (0.233)	-0.443 (0.278)	-0.047* (0.026)	-0.034 (0.024)	-0.042 (0.027)
Return on Assets	0.019 (0.026)	-0.019 (0.028)	-0.018 (0.030)	0.003 (0.004)	-0.002 (0.003)	-0.002 (0.003)
Price to Book	0.085 (0.179)	1.252* (0.757)	1.265 (0.778)	0.012 (0.025)	0.125* (0.076)	0.121 (0.076)
VC	0.662* (0.350)	0.930** (0.433)	0.089 (0.738)	0.092* (0.050)	0.093** (0.044)	0.009 (0.071)
Reputation Index $\times$ VC			0.102 (0.067)			0.010 (0.006)
Reputation Index $\times$ Underwriter Rank			0.036 (0.024)			0.003 (0.002)
Constant	-13.093*** (4.537)	-18.367*** (6.233)	-18.631*** (4.932)			
N	354	331	331	354	331	331
Pseudo R-sq	0.386	0.548	0.565			
Year Fixed Effects	No	Yes	Yes	No	Yes	Yes
Industry Fixed Effects	No	Yes	Yes	No	Yes	Yes

Table 4: Descriptive statistics for VC/PE-backed SPACs

This table presents the descriptive statistics for VC/PE-backed SPACs which go public from 2010 to 2023 and complete the acquisition or go liquidation before 2023. Panel A shows the values of the Wilcoxon–Mann–Whitney (WMW) test and t-test that we run to compare the control variables between completed and liquidated deals. *, **, and *** indicate statistical significance at the 10%, 5% and 1% levels, respectively. Panel B presents the year distribution of VC/PE-backed SPACs which go public from 2010 to 2023 and complete the acquisition or go liquidation before 2023.

Panel A:		Full sample			Completed			Liquidated			WMW test		t-test	
Variable	N	Mean	p50	SD	N	Mean	p50	SD	N	Mean	p50	SD	z-value	t-value
Reputation Index	295	9.26	5.09	11.40	177	8.45	5.04	10.47	118	10.47	5.55	12.61	-1.19	-1.49
Underwriter Rank	295	7.72	8.00	1.14	177	7.55	8.00	1.25	118	7.96	8.00	0.91	-2.7***	-3.01***
Cost of Debt	295	1.38	1.37	0.61	177	1.43	1.20	0.73	118	1.32	1.42	0.34	-0.45	1.46
Ln(Proceeds)	295	5.36	5.33	0.56	177	5.36	5.35	0.58	118	5.35	5.32	0.53	0.28	0.12
Extension	295	0.21	0.00	0.41	177	0.20	0.00	0.40	118	0.24	0.00	0.43	-0.81	-0.81
Audit Firm	295	0.08	0.00	0.26	177	0.09	0.00	0.28	118	0.06	0.00	0.24	0.81	0.81
Ln(Recent SPACs)	295	4.20	4.56	1.26	177	3.76	4.17	1.36	118	4.87	4.94	0.69	-7.19***	-8.17***
VC	295	0.42	0.00	0.49	177	0.39	0.00	0.49	118	0.47	0.00	0.50	-1.3	-1.3

Table 4: Descriptive statistics for VC/PE-backed SPACs – continued

Panel B: Sample distribution by year				
Year	Completed	Liquidated	Total	Percentage
2010	1	0	1	100%
2011	2	0	2	100%
2012	0	0	0	-
2013	1	0	1	100%
2014	1	0	1	100%
2015	4	0	4	100%
2016	3	1	4	75%
2017	9	1	10	90%
2018	12	0	12	100%
2019	16	1	17	94%
2020	68	24	92	74%
2021	60	89	149	40%
2022	0	2	2	0%
Total	177	118	295	60%

Table 5: Correlation matrix of the variables used in the analysis of the success rate of acquisitions

This table presents a pairwise correlation matrix of the variables that we use in the analysis of the success rate of acquisitions that are executed from 2012 to 2023. *, **, and *** indicate statistical significance at the 10%, 5% and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) P(Completed)	1.000								
(2) Reputation Index	-0.087	1.000							
(3) Underwriter Rank	-0.173***	0.225***	1.000						
(4) Cost of Debt	0.085	0.024	-0.093	1.000					
(5) Ln(Proceeds)	0.007	0.243***	0.468***	-0.094	1.000				
(6) Extension	-0.047	-0.075	-0.196***	0.062	-0.111*	1.000			
(7) Audit Firm	0.047	0.297***	0.082	0.160***	0.215***	-0.116**	1.000		
(8) Ln(Recent SPACs)	-0.431***	0.032	0.103*	-0.414***	-0.007	0.022	-0.119**	1.000	
(9) VC	-0.076	-0.137**	-0.119**	-0.137**	-0.227***	0.076	-0.242***	0.145**	1.000

Table 6: Success rate of acquisitions

This table presents the results of logistic regressions. Panel A shows the original coefficients of logistic regressions, Panel B shows the average marginal effects. In each panel, Columns (1)-(3) show the results from Full sample which includes both VC- and PE-backed SPACs, Columns (4)-(6) show the results from VC sample which includes only VC-backed SPACs, Columns (7)-(9) show the results from PE sample which includes only PE-backed SPACs. Dependent variable is $P(Completed)$ which equals 1 if the SPAC has completed the acquisition and 0 if the SPAC has gone liquidation. For VC sample, *Audit Firm* is dropped due to multicollinearity. Standard errors are clustered at VC/PE sponsor level and provided in parentheses. *, **, and *** indicate statistical significance at the 10%, 5% and 1% levels, respectively.

Panel A: Logistic regressions									
Sample	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Full Sample			VC Sample			PE Sample		
Reputation Index	-0.015 (0.009)	-0.014 (0.009)	0.004 (0.014)	-0.045** (0.021)	-0.047** (0.023)	-0.001 (0.029)	-0.003 (0.011)	-0.006 (0.012)	0.000 (0.014)
Underwriter Rank	-0.433*** (0.147)	-0.475*** (0.162)	-0.582*** (0.204)	-0.408* (0.211)	-0.481** (0.211)	-0.877*** (0.297)	-0.587** (0.288)	-0.516 (0.330)	-0.590* (0.331)
Cost of Debt	-0.314 (0.225)	-0.802 (0.669)	-0.713 (0.678)	-0.212 (0.336)	-1.021 (1.052)	-0.602 (1.118)	-0.406 (0.327)	-0.921 (0.897)	-0.936 (0.893)
Ln(Proceeds)	0.445 (0.301)	0.459 (0.315)	0.417 (0.317)	0.759 (0.462)	0.769 (0.473)	0.785 (0.481)	0.044 (0.374)	0.077 (0.403)	0.007 (0.394)
Extension	-0.474 (0.370)	-0.379 (0.400)	-0.441 (0.408)	-0.448 (0.592)	-0.300 (0.581)	-0.353 (0.595)	-0.559 (0.533)	-0.512 (0.593)	-0.549 (0.605)
Audit Firm	0.177 (0.267)	0.212 (0.285)	0.098 (0.299)	n/a (0.223)	n/a (0.283)	n/a (0.308)	0.191 (0.366)	0.228 (0.377)	0.222 (0.377)
Ln(Recent SPACs)	-1.035*** (0.149)	-0.673*** (0.242)	-0.688*** (0.247)	-0.921*** (0.223)	-0.863*** (0.283)	-1.009*** (0.308)	-1.119*** (0.210)	-0.495 (0.364)	-0.500 (0.361)
VC	-0.162 (0.306)	-0.069 (0.320)	0.163 (0.390)						
Reputation Index $\times$ VC			-0.031 (0.021)						
Reputation Index $\times$ Underwriter Rank			-0.024 (0.027)			-0.095* (0.053)			-0.019 (0.034)
Constant	6.681*** (1.785)	5.625** (2.221)	6.556** (2.578)	4.231** (2.006)	5.685** (2.733)	8.700*** (3.363)	10.488*** (3.157)	7.064* (3.897)	8.039** (4.040)
N	295	272	272	124	115	115	171	141	141
Pseudo R-sq	0.201	0.182	0.186	0.162	0.145	0.161	0.241	0.191	0.193
Year Fixed Effect	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes

Table 6: Success rate of acquisitions – continued

Panel B: Average marginal effects		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sample		Full Sample			VC Sample			PE Sample		
1. Reputation Index		-0.003 (0.002)	-0.003 (0.002)	0.001 (0.003)	-0.009** (0.004)	-0.010** (0.005)	-0.000 (0.006)	-0.001 (0.002)	-0.001 (0.002)	0.000 (0.003)
2. Underwriter Rank		-0.079*** (0.026)	-0.090*** (0.029)	-0.110*** (0.037)	-0.081** (0.039)	-0.098** (0.039)	-0.174*** (0.053)	-0.098** (0.047)	-0.097 (0.061)	-0.111* (0.061)
3. Cost of Debt		-0.057 (0.040)	-0.152 (0.126)	-0.135 (0.127)	-0.042 (0.066)	-0.208 (0.211)	-0.120 (0.221)	-0.068 (0.053)	-0.173 (0.167)	-0.175 (0.165)
4. Ln(Proceeds)		0.081 (0.054)	0.087 (0.059)	0.079 (0.059)	0.150* (0.087)	0.156* (0.092)	0.156* (0.091)	0.007 (0.063)	0.014 (0.076)	0.001 (0.074)
5. Extension		-0.087 (0.068)	-0.072 (0.076)	-0.083 (0.077)	-0.089 (0.116)	-0.061 (0.118)	-0.070 (0.118)	-0.094 (0.090)	-0.096 (0.111)	-0.103 (0.113)
6. Audit Firm		0.032 (0.049)	0.040 (0.054)	0.019 (0.056)	n/a (0.056)	n/a (0.054)	n/a (0.054)	0.032 (0.061)	0.043 (0.070)	0.042 (0.070)
7. Ln(Recent SPACs)		-0.189*** (0.020)	-0.128*** (0.046)	-0.130*** (0.046)	-0.182*** (0.036)	-0.175*** (0.054)	-0.201*** (0.058)	-0.188*** (0.024)	-0.093 (0.069)	-0.094 (0.068)
8. VC		-0.030 (0.056)	-0.013 (0.061)	0.031 (0.074)						
9. Reputation Index $\times$ VC				-0.006 (0.004)						
10. Reputation Index $\times$ Underwriter Rank				-0.005 (0.005)			-0.019* (0.011)			-0.003 (0.006)
N		295	272	272	124	115	115	171	141	141
Year Fixed Effect		No	Yes	Yes	No	Yes	Yes	No	Yes	Yes

Table 7: Long-term stock performance of deSPACs

This table presents the result of OLS regressions with BHARs as the dependent variables. Panel A and B show the results from the samples include only VC- and only PE-backed deSPACs, respectively. In each panel, Column (1)-(3) show the results with BHARs adjusted by market portfolio (Russell 2000 Index) as the dependent variables, Column (4)-(6) show the results with BHARs adjusted by industry portfolio (from Kenneth French's website) as the dependent variables. Standard errors are clustered at VC/PE level and provided in parentheses. *, **, and *** indicate statistical significance at the 10%, 5% and 1% levels, respectively.

Panel A: VC Sample	(1)	(2)	(3)	(4)	(5)	(6)
	Market Portfolio			Industry Portfolio		
	6 months	12 months	24 months	6 months	12 months	24 months
Reputation Index	0.013 (0.008)	0.078*** (0.019)	0.060*** (0.017)	0.014* (0.008)	0.076*** (0.018)	0.065*** (0.015)
Underwriter Rank	-0.032 (0.051)	0.024 (0.051)	0.022 (0.084)	-0.037 (0.049)	0.008 (0.056)	0.012 (0.076)
Ln(Proceeds)	0.119 (0.080)	-0.008 (0.132)	0.033 (0.117)	0.115 (0.101)	0.002 (0.174)	0.088 (0.119)
Extension	-0.024 (0.226)	-0.467* (0.243)	0.027 (0.455)	-0.098 (0.178)	-0.577** (0.214)	-0.165 (0.327)
Two Auditors	0.239 (0.142)	0.405*** (0.124)	0.031 (0.266)	0.200 (0.137)	0.355*** (0.118)	0.002 (0.204)
PIPE	-0.217 (0.155)	-0.369 (0.278)	-0.132 (0.403)	-0.200 (0.147)	-0.349 (0.285)	-0.165 (0.432)
Ln(Recent SPACs)	-0.056 (0.097)	-0.008 (0.092)	0.107 (0.120)	-0.050 (0.092)	-0.015 (0.087)	0.071 (0.096)
Issuer Tobin's Q	-0.040 (0.025)	-0.007 (0.048)	-0.002 (0.053)	-0.047** (0.021)	-0.014 (0.042)	0.000 (0.045)
Ln(Issuer Age)	0.062 (0.080)	-0.201 (0.245)	-0.091 (0.241)	0.097 (0.074)	-0.165 (0.260)	-0.069 (0.253)
Constant	-0.537 (0.534)	-0.376 (0.536)	-1.351 (0.815)	-0.530 (0.478)	-0.244 (0.646)	-1.392** (0.631)
N	60	60	51	60	60	51
Adjusted R ²	0.429	0.608	0.374	0.445	0.573	0.499
Year Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes

Table 7: Long-term stock performance of deSPACs – continued

Panel B PE Sample	(1)	(2)	(3)	(4)	(5)	(6)
	Market Portfolio			Industry Portfolio		
	6 Months	12 Months	24 Months	6 Months	12 Months	24 Months
Reputation Index	-0.005* (0.002)	0.001 (0.003)	-0.002 (0.004)	-0.004 (0.003)	0.003 (0.004)	0.001 (0.004)
Underwriter Rank	0.063 (0.052)	0.065 (0.054)	0.096* (0.055)	0.040 (0.049)	0.037 (0.051)	0.060 (0.062)
Ln(Proceeds)	-0.162 (0.129)	-0.050 (0.096)	-0.030 (0.156)	-0.147 (0.130)	-0.063 (0.110)	0.015 (0.159)
Extension	-0.092 (0.121)	0.080 (0.138)	-0.183* (0.106)	-0.086 (0.127)	0.024 (0.167)	-0.237* (0.141)
Two Auditors	0.160** (0.076)	0.082 (0.078)	0.116 (0.085)	0.159* (0.083)	0.068 (0.085)	0.096 (0.094)
PIPE	0.147 (0.120)	0.075 (0.143)	0.135 (0.272)	0.079 (0.142)	0.085 (0.162)	0.110 (0.288)
Ln(Recent SPACs)	-0.074 (0.048)	-0.052 (0.044)	-0.071 (0.050)	-0.051 (0.050)	-0.038 (0.051)	-0.058 (0.057)
Issuer Tobin's Q	-0.026* (0.015)	-0.011 (0.017)	-0.018 (0.023)	-0.017 (0.015)	-0.002 (0.019)	-0.007 (0.025)
Ln(Issuer Age)	0.040 (0.050)	-0.021 (0.045)	-0.095 (0.064)	0.042 (0.058)	-0.024 (0.059)	-0.102 (0.066)
Constant	0.223 (0.689)	-0.521 (0.571)	-0.713 (0.901)	0.253 (0.672)	-0.296 (0.644)	-0.688 (0.965)
N	98	98	92	98	98	92
Adjusted R-sq	0.439	0.334	0.238	0.400	0.239	0.268
Year Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes

Table 8: Long-term operating performance of deSPACs

This table presents the result of OLS regressions with *Tobin's Q* and *Return on Assets* as the dependent variables. Panel A and B show the results from the samples include only VC-backed and only PE-backed deSPACs, respectively. In each panel, Column (1)-(3) show the results with *Tobin's Q* as the dependent variables, the *Issuer's Tobin's Q* is dropped to avoid collinearity. Column (4)-(6) show the results with *Return on Assets* as the dependent variables. Standard errors are clustered at VC/PE level and provided in parentheses. *, **, and *** indicate statistical significance at the 10%, 5% and 1% levels, respectively.

Panel A VC Sample	(1)	(2)	(3)	(4)	(5)	(6)
	Tobin's Q			Return on Assets		
	6 Months	12 Months	24 Months	6 Months	12 Months	24 Months
Reputation Index	-0.038 (0.044)	-0.006 (0.042)	-0.269 (0.257)	-0.418 (0.351)	-0.011 (0.415)	0.243* (0.120)
Underwriter Rank	-0.080 (0.420)	-0.493 (0.314)	-2.530 (1.978)	-1.047 (3.538)	3.235 (1.918)	1.511 (1.722)
Ln(Proceeds)	-0.627 (0.555)	0.620 (0.479)	3.278 (2.901)	-1.111 (3.907)	-1.700 (3.561)	-2.801 (2.892)
Extension	-0.576 (1.755)	-1.456 (1.367)	-10.495 (10.871)	-6.018 (12.373)	-11.316 (9.180)	5.577 (3.555)
Two Auditors	-0.081 (1.196)	-0.406 (1.063)	-6.821 (6.261)	0.202 (8.211)	8.145 (6.980)	6.441 (4.115)
PIPE	-3.502 (2.104)	-2.081 (1.755)	-6.819 (8.560)	-11.509 (16.774)	-10.632 (14.933)	3.015 (6.172)
Ln(Recent SPACs)	0.551 (0.535)	0.363 (0.391)	1.622 (1.511)	1.683 (2.797)	-0.251 (3.090)	0.190 (1.643)
Issuer Tobin's Q			0.050 (1.615)	-2.367** (0.991)	0.146 (0.821)	
Ln(Issuer Age)	0.892 (0.563)	-0.297 (0.491)	-1.571 (1.808)	1.959 (4.997)	5.334 (3.950)	5.293 (4.245)
Constant	5.912** (2.903)	4.335 (3.187)	15.949 (16.887)	9.430 (21.287)	-24.893* (13.228)	-25.824* (13.224)
N	60	60	51	50	49	42
Adjusted R-sq	0.466	0.451	0.381	0.356	0.498	0.433
Year Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes

Table 8: Long-term operating performance of deSPACs – continued

Panel B PE Sample	(1)	(2)	(3)	(4)	(5)	(6)
	Tobin's Q			Return on Assets		
	6 months	12 months	24 months	6 months	12 months	24 months
Reputation Index	-0.049 (0.034)	-0.034 (0.042)	-0.016 (0.028)	-0.008 (0.122)	0.015 (0.363)	-0.108 (0.081)
Underwriter Rank	0.128 (0.354)	0.350 (0.310)	0.297 (0.211)	0.117 (1.155)	-8.367 (5.689)	2.158 (1.301)
Ln(Proceeds)	-0.613 (0.661)	-0.609 (0.596)	-0.432 (0.494)	1.130 (2.258)	9.138 (10.757)	5.349* (2.814)
Extension	1.622 (1.513)	2.810 (2.031)	0.858 (1.020)	6.495* (3.388)	11.407* (6.078)	-5.183 (5.965)
Two Auditors	0.102 (0.911)	-0.804 (1.077)	0.579 (0.376)	-0.266 (2.477)	14.811 (10.909)	-3.423 (2.975)
PIPE	2.470 (1.914)	2.793 (2.434)	0.610 (0.498)	-3.357 (2.209)	25.798 (17.259)	6.535 (4.996)
Ln(Recent SPACs)	-0.356 (0.437)	-0.416 (0.405)	-0.214 (0.298)	-0.862 (1.358)	-3.881 (4.875)	-0.578 (1.990)
Issuer Tobin's Q				-0.081 (0.495)	3.004 (1.953)	0.468 (0.451)
Ln(Issuer Age)	-0.216 (0.425)	0.160 (0.425)	-0.138 (0.241)	1.861 (1.281)	3.913 (7.319)	-0.461 (1.861)
Constant	5.534 (4.330)	2.704 (4.212)	2.387 (3.397)	-9.136 (15.109)	-36.342 (36.812)	-51.370*** (13.070)
N	98	98	92	85	85	81
Adjusted R-sq	0.269	0.249	0.171	0.192	0.291	0.315
Year Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes

Table 9: Long-term stock performance of VC-backed deSPACs controlling for selection bias

This table presents the results of Heckman two-step regressions for BHARs. *High Reputation* equals 1 if the *VC Reputation Index* is in the top quartile, and 0 otherwise. *High Concentration* and *Top Law* are used as IVs. Column (1) shows the results of the probit regression in the first stage, and columns (2)-(7) show the OLS regressions controlling for the IMR from the first stage. Standard errors are clustered at VC level and provided in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
High Concentration	1.026*** (0.332)						
Top Law	1.210** (0.477)						
Reputation Index		0.014* (0.008)	0.081*** (0.018)	0.059*** (0.017)	0.018** (0.007)	0.083*** (0.016)	0.068*** (0.014)
Underwriter Rank	0.263 (0.293)	-0.018 (0.059)	0.052 (0.052)	0.013 (0.080)	-0.002 (0.053)	0.068 (0.053)	0.030 (0.074)
Ln(Proceeds)	0.374 (0.285)	0.149* (0.081)	0.051 (0.121)	0.006 (0.156)	0.191* (0.098)	0.132 (0.147)	0.146 (0.155)
Extension	0.042 (0.670)	-0.016 (0.234)	-0.452* (0.244)	0.026 (0.455)	-0.078 (0.187)	-0.544*** (0.188)	-0.161 (0.322)
Two Auditors	-1.059** (0.523)	0.203 (0.149)	0.335* (0.166)	0.053 (0.286)	0.110 (0.141)	0.201 (0.140)	-0.044 (0.219)
PIPE	0.368 (0.770)	-0.191 (0.140)	-0.318 (0.246)	-0.159 (0.413)	-0.135 (0.120)	-0.238 (0.214)	-0.107 (0.413)
Ln(Recent SPACs)	-0.408** (0.169)	-0.073 (0.105)	-0.039 (0.106)	0.122 (0.149)	-0.084 (0.116)	-0.090 (0.101)	-0.085 (0.103)
Issuer Tobin's Q	-0.368** (0.181)	-0.056 (0.033)	-0.038 (0.074)	0.011 (0.084)	-0.086*** (0.031)	-0.081 (0.069)	-0.026 (0.079)
Ln(Issuer Age)	0.599* (0.332)	0.080 (0.086)	-0.167 (0.273)	-0.102 (0.260)	0.141* (0.078)	-0.090 (0.286)	-0.044 (0.274)
Inverse Mills Ratio		0.058 (0.074)	0.112 (0.123)	-0.045 (0.160)	0.144** (0.064)	0.247** (0.117)	0.097 (0.156)
Constant	-4.416** (2.120)	-0.843 (0.640)	-0.965 (0.703)	-1.118 (0.816)	-1.287** (0.576)	-1.544** (0.663)	-1.893** (0.822)
N	64	60	60	51	60	60	51
Pseudo/Adjusted R-sq	0.360	0.434	0.614	0.376	0.485	0.606	0.506
Year Fixed Effects		Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects		Yes	Yes	Yes	Yes	Yes	Yes

Table 10: Average percentage of ownership of VC and PE sponsors at the year of deSPAC and one to three years thereafter

This table presents the average percentage of ownership of VC and PE sponsors at the year of deSPAC (Year 0) and one to three years thereafter. Groups are classified based on the VC/PE's *Reputation Index*. Values are in percentage. High reputation means the VC/PE's *Reputation Index* is higher than the median.

Group	deSPAC Year	Year 1	Year 2	Year 3
All VC/PE backed deSPACs	11.17	7.96	5.31	3.48
VC backed deSPACs	12.82	10.02	6.85	3.71
PE backed deSPACs	10.26	6.82	4.46	3.35
High reputation VC backed deSPACs	15.17	12.33	8.63	3.96
Low reputation VC backed deSPACs	10.31	7.54	4.94	3.44
High reputation PE backed deSPACs	10.72	7.39	4.48	3.43
Low reputation PE backed deSPACs	9.80	6.26	4.43	3.27

Table 11: Percentage of ownership of VC sponsors controlling for selection bias

This table presents the results of Heckman two-step regressions for VC ownership. *High Reputation* equals 1 if the *VC Reputation Index* is in the top quartile, and 0 otherwise. *High Reputation* and *Top Law* are used as IVs. Column (1) shows the results of the probit regression in the first stage, and columns (2)-(5) show the OLS regressions controlling for the IMR from the first stage for Year 0 to Year 3. Standard errors are clustered at VC level and provided in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)
High Concentration	1.026*** (0.332)				
Top Law	1.210** (0.477)				
Reputation Index		0.936*** (0.306)	1.194*** (0.166)	1.237*** (0.273)	0.964*** (0.269)
Underwriter Rank	0.263 (0.293)	5.166* (3.034)	4.733** (2.276)	2.644 (1.809)	0.637 (0.872)
Ln(Proceeds)	0.374 (0.285)	-6.033* (3.187)	-3.886 (2.900)	-3.325 (2.694)	-2.221 (2.308)
Extension	0.042 (0.670)	4.259 (6.722)	1.051 (6.537)	0.079 (6.041)	-0.571 (4.161)
Two Auditors	-1.059** (0.523)	-3.587 (4.672)	-5.624* (3.161)	-3.593 (2.663)	-3.069 (2.347)
PIPE	0.368 (0.770)	-19.382* (10.415)	-21.080** (8.223)	-16.621** (6.215)	-5.295 (3.489)
Ln(Recent SPACs)	-0.408** (0.169)	2.365 (3.475)	1.122 (1.898)	0.902 (2.073)	0.528 (1.674)
Issuer Tobin's Q	-0.368** (0.181)	-1.294 (1.421)	-2.101** (0.937)	-1.236 (0.735)	-0.500 (0.616)
Ln(Issuer Age)	0.599* (0.332)	-1.882 (2.466)	-2.383 (1.733)	-2.694 (1.984)	-2.106 (1.440)
Inverse Mills Ratio		0.969 (4.269)	3.157 (2.290)	2.168 (1.928)	0.430 (1.846)
Constant	-4.416** (2.120)	13.832 (13.791)	9.279 (15.809)	14.929 (12.599)	14.422 (9.391)
N	64	60	59	59	52
Pseudo/Adjusted R-sq	0.360	0.427	0.543	0.545	0.571
Year Fixed Effects		Yes	Yes	Yes	Yes
Industry Fixed Effects		Yes	Yes	Yes	Yes

Table A1: Definition of variables

This table provides definitions and sources for all variables used in this study.

Variable	Definition	Source
Reputation Index	Composite Index for VC and PE reputation as described in section 3.2.	Pitchbook
Deal Count	Z-score of number of deals invested by the VC or PE in the last five years. Normalised on a 100-point scale.	Pitchbook
Capital Invested	Z-score of capital invested by the VC or PE in the last five years. Normalised on a 100-point scale.	Pitchbook
Fund Count	Z-score of number of funds raised by the VC or PE in the last five years. Normalised on a 100-point scale.	Pitchbook
Fund Size	Z-score of the capital amount of the funds raised by the VC or PE in the last five years. Normalised on a 100-point scale.	Pitchbook
Age	Z-score of the age of the VC/PE in the IPO/deSPAC year. Normalised on a 100-point scale.	Pitchbook, LSEG VC/PE deals section
Market Volatility	Measured by the variance of the S&P 500 total return index during the six months preceding the deal announcement.	CRSP
Underwriter Rank	Carter-Manaster Reputation Rankings for IPO Underwriters.	https://site.warrington.ufl.edu/ritter/ipo-data/
Cost of Debt Ln(Proceeds)	Measured by 10-year T-bill rate on the announcement date. Logarithm of the amount of IPO proceeds (CPI adjusted).	CRSP
Return on Assets	EBIT/Total Assets	SDC Platinum, US Bureau of Labor Statistics LSEG Datastream, EDGAR
Price to Book VC	Median value of industry Price to Book ratio at the end of last year. Equals 1 if the company is backed by VC and 0 if backed by PE.	Bloomberg SDC Platinum, Pitchbook, SPAC Insider, SPAC Research
Extension	Equals 1 if the SPAC extended the deadline of completing the acquisition.	SPAC Insider
Audit Firm	Equals 1 if the SPAC is audited by one of the Big Four audit firms in the IPO process.	SPAC Insider
Ln(Recent SPACs)	Logarithm of 1 plus the number of SPACs in 3 months before the IPO date.	SPAC Insider
P(IPO)	Equals 1 if the company is an IPO and 0 if it is a deSPAC.	SDC Platinum, SPAC Insider, SPAC Research
P(Completed)	Equals 1 if the SPAC completed the acquisition, 0 if it liquidated.	SPAC Insider, SPAC Research
BHAR	Buy and hold abnormal return benchmarked by Russell 2000 or the industry portfolio from Kenneth French's website.	LSEG Datastream, CRSP, Kenneth French's website
Ownership PIPE	Percentage of shares owned by the entity. Equals 1 if the deSPAC received the private investment in public equity, 0 otherwise.	EDGAR SPAC Insider, SPAC Research
High Concentration	Equals 1 if the target firm is located in New York, California, or Massachusetts, 0 otherwise.	EDGAR, Google search
Top Law Firm	Equals 2 if the SPAC hires a high-ranked law firm in both IPO and deSPAC processes, 1 if in only one process, 0 otherwise. High-ranked law firm defined as Band 1 or Band 2 in Legal 500 Capital Markets: Equity Offerings.	Legal 500
Two Auditors	Equals 2 if both SPAC and target firm audited by Big 4, 1 if only one, 0 if none.	EDGAR
Tobin's Q	$(\text{Total Assets} - \text{Common Equity} + \text{Market Value of Equity}) / \text{Total Assets}$	LSEG Datastream
Issuer Tobin's Q Ln(Issuer Age)	Issuer Tobin's Q at the end of the first quarter after deSPAC. Logarithm of 1 plus the age of the target firm.	LSEG Datastream EDGAR, Google search
High Reputation	Equals 1 if its reputation index is in the top quartile, 0 otherwise.	-

Table B1: Choices between IPOs and deSPACs - Full sample

This table presents the results of logistic regressions. The sample includes all VC- and PE-backed IPOs and deSPACs executed from 2012 to 2023. Dependent variable is $P(IPO)$ which equals 1 if it is an IPO and 0 if it is a deSPAC. Standard errors are clustered at VC/PE level and provided in parentheses. *, **, and *** indicate statistical significance at the 10%, 5% and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
Reputation Index	0.071** (0.031)	0.078*** (0.026)	0.072*** (0.027)	0.071*** (0.025)	0.109*** (0.028)	0.108*** (0.029)
Market Volatility		-0.080*** (0.014)	-0.027 (0.023)	-0.020 (0.022)	-0.023 (0.023)	-0.018 (0.023)
Underwriter Rank		1.001*** (0.101)	1.094*** (0.157)	1.108*** (0.164)	1.532*** (0.244)	1.535*** (0.248)
Cost of Debt		-0.115 (0.199)	0.642* (0.345)	0.691* (0.362)	0.777** (0.389)	0.782* (0.413)
Ln(Proceeds)		-0.968*** (0.156)	-0.911*** (0.175)	-0.882*** (0.174)	-0.992*** (0.185)	-0.962*** (0.186)
Return on Assets		-0.041*** (0.014)	-0.051** (0.021)	-0.057** (0.023)	-0.051** (0.021)	-0.055** (0.022)
Price to Book		-0.050 (0.134)	0.266 (0.167)	0.259 (0.570)	0.256 (0.169)	0.315 (0.579)
VC		0.982*** (0.314)	1.050*** (0.343)	1.095*** (0.353)	1.645*** (0.543)	1.691*** (0.555)
Reputation Index $\times$ VC					0.074 (0.049)	0.072 (0.051)
Reputation Index $\times$ Underwriter					0.045*** (0.016)	0.044*** (0.016)
Constant	0.858*** (0.283)	-1.872* (1.060)	-3.738* (1.933)	-4.016* (2.409)	-8.032*** (2.343)	-8.296*** (2.791)
N	1139	1139	1011	1011	1011	1011
Pseudo R-sq	0.068	0.345	0.497	0.505	0.514	0.521
Year Fixed Effects	No	No	Yes	Yes	Yes	Yes
Industry Fixed Effects	No	No	No	Yes	No	Yes

Table B2: Choices between IPOs and deSPACs - Separated sample

This table presents the results of logistic regressions. Columns (1)-(3) show the results from VC sample which includes all VC-backed IPOs and deSPACs executed from 2012 to 2023. Columns (4)-(6) show the results from PE sample which includes all PE-backed IPOs and deSPACs executed from 2012 to 2023. Dependent variable is $P(IPO)$ which equals 1 if it is an IPO and 0 if it is a deSPAC. Standard errors are clustered at VC/PE level and provided in parentheses. *, **, and *** indicate statistical significance at the 10%, 5% and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
Reputation Index	0.156*** (0.044)	0.147*** (0.047)	0.158*** (0.049)	0.055*** (0.020)	0.051** (0.020)	0.064*** (0.025)
Market Volatility	-0.087*** (0.019)	-0.039 (0.037)	-0.045 (0.039)	-0.073*** (0.020)	-0.003 (0.027)	0.001 (0.028)
Underwriter Rank	1.076*** (0.126)	1.165*** (0.227)	1.315*** (0.271)	1.293*** (0.341)	1.495*** (0.455)	2.037*** (0.390)
Cost of Debt	-0.587** (0.277)	0.533 (0.404)	0.705* (0.404)	0.325 (0.265)	0.869* (0.516)	0.941* (0.530)
Ln(Proceeds)	-1.292*** (0.226)	-1.135*** (0.314)	-1.175*** (0.310)	-0.706*** (0.207)	-0.708*** (0.246)	-0.805*** (0.272)
Return on Assets	-0.075*** (0.023)	-0.094*** (0.028)	-0.091*** (0.028)	0.000 (0.020)	-0.014 (0.026)	-0.023 (0.027)
Price to Book	0.025 (0.208)	-1.799 (1.129)	-1.746 (1.139)	-0.054 (0.173)	0.736 (0.609)	0.844 (0.645)
Reputation Index $\times$ Underwriter			0.032 (0.026)			0.039** (0.019)
Constant	0.032 (1.223)	-5.044 (3.175)	-6.784* (3.470)	-6.251** (2.965)	-9.846** (4.118)	-14.450*** (3.613)
N	674	419	419	465	381	381
Pseudo R-sq	0.390	0.510	0	0.336	0.487	0.499
Year Fixed Effects	No	Yes	Yes	No	Yes	Yes
Industry Fixed Effects	No	Yes	Yes	No	Yes	Yes

Table B3: Choices between IPOs and deSPACs – Single dimension proxies

This table presents the results of logistic regressions using the composite index and all five single dimension proxies. The sample includes matched VC- and PE-backed IPOs and all deSPACs executed from 2012 to 2023. Dependent variable is $P(IPO)$ which equals 1 if it is an IPO and 0 if it is a deSPAC. Standard errors are clustered at VC/PE level and provided in parentheses. *, **, and *** indicate statistical significance at the 10%, 5% and 1% levels, respectively.

Proxy	(1) Reputation Index	(2) Deal Count	(3) Capital Invested	(4) Fund Count	(5) Fund Size	(6) Age
Reputation	0.065*** (0.020)	0.056* (0.030)	0.100*** (0.036)	0.023 (0.022)	0.089*** (0.031)	0.022* (0.012)
Market Volatility	0.034 (0.031)	0.039 (0.029)	0.034 (0.029)	0.038 (0.027)	0.035 (0.028)	0.038 (0.028)
Underwriter Rank	1.838*** (0.502)	2.353*** (0.791)	2.166*** (0.566)	1.624*** (0.619)	2.047*** (0.556)	1.628*** (0.554)
Cost of Debt	2.004*** (0.558)	1.949*** (0.548)	2.009*** (0.514)	1.869*** (0.454)	2.054*** (0.495)	1.872*** (0.475)
Ln(Proceeds)	-0.443 (0.278)	-0.384 (0.268)	-0.525** (0.240)	-0.039 (0.245)	-0.344 (0.254)	-0.199 (0.228)
Return on Assets	-0.018 (0.030)	-0.023 (0.030)	-0.023 (0.029)	-0.025 (0.028)	-0.021 (0.028)	-0.020 (0.029)
Price to Book	1.265 (0.778)	1.420* (0.841)	1.290 (0.865)	1.011 (0.691)	1.295* (0.740)	1.069 (0.699)
VC	1.664** (0.649)	0.182 (0.518)	1.109 (0.694)	2.030*** (0.786)	1.412** (0.622)	0.530 (0.474)
Reputation Index $\times$ VC	0.102 (0.067)	-0.054 (0.034)	0.017 (0.091)	0.255** (0.117)	0.042 (0.050)	0.001 (0.017)
Reputation Index $\times$ Underwriter	0.036 (0.024)	0.070 (0.060)	0.062* (0.034)	-0.011 (0.023)	0.042 (0.031)	0.012 (0.014)
Constant	-2.735 (2.486)	-3.343 (2.902)	-1.787 (2.908)	-3.914* (2.351)	-3.299 (2.570)	-3.286 (2.144)
N	331	331	331	331	331	331
Pseudo R-sq	0.565	0.564	0.570	0.501	0.544	0.526
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

Table B4: Choices between IPOs and deSPACs – Reputation Index based on three lag years data

This table presents the results of logistic regressions using the composite index constructed based on three lag year data rather than five. The sample includes matched VC- and PE-backed IPOs and all deSPACs executed from 2012 to 2023. Dependent variable is $P(IPO)$ which equals 1 if it is an IPO and 0 if it is a deSPAC. Standard errors are clustered at VC/PE level and provided in parentheses. *, **, and *** indicate statistical significance at the 10%, 5% and 1% levels, respectively.

Variable	(1)	(2)	(3)	(4)	(5)
Reputation Index	0.055*** (0.020)	0.058*** (0.019)	0.056*** (0.016)	0.057*** (0.016)	0.037** (0.015)
Market Volatility		-0.103*** (0.025)	0.007 (0.028)	0.004 (0.029)	0.013 (0.029)
Underwriter Rank		1.134*** (0.297)	1.954*** (0.463)	1.949*** (0.482)	2.258*** (0.439)
Cost of Debt		-0.169 (0.221)	1.567*** (0.528)	1.517*** (0.523)	1.587*** (0.517)
Ln(Proceeds)		-0.751*** (0.257)	-0.820*** (0.269)	-0.813*** (0.282)	-0.900*** (0.325)
Return on Assets		-0.041** (0.018)	-0.063*** (0.021)	-0.065*** (0.022)	-0.063*** (0.022)
Price to Book		-0.287* (0.170)	-0.020 (0.213)	0.240 (0.992)	0.251 (0.982)
VC		0.721** (0.356)	0.924** (0.448)	0.976** (0.452)	1.562*** (0.548)
Reputation Index $\times$ VC				0.100* (0.060)	
Reputation Index $\times$ Underwriter				0.075 (0.047)	
Constant	-0.690*** (0.226)	-4.285* (2.587)	-14.352*** (4.320)	-14.637*** (4.709)	2.082 (2.791)
N	354	354	329	326	326
Pseudo R-sq	0.086	0.339	0.544	0.548	0.569
Year Fixed Effects	No	No	Yes	Yes	Yes
Industry Fixed Effects	No	No	No	Yes	Yes

Table C1: Balance test for the matched sample

This table reports the balance test results for the matched sample, showing standardized biases, t-values, and p-values.

Variable	Mean		Tests		
	deSPAC	IPO	%bias	t	p> t
Total Assets	4,943,718	4,452,041	1.2	0.12	0.907
Company Age	16.175	16.362	-0.9	-0.09	0.931

Table D1: Number of months to complete the acquisition or go into liquidation

This table presents the results of Tobit regressions. Column (1) and (3) show the results with number of months from IPO date to deSPAC date as dependent variables, and Column (2) and (4) show the results with number of months from IPO date to liquidation date as dependent variables. For VC sample, *Audit Firm* is dropped due to multicollinearity. Standard errors are clustered at VC/PE level and provided in parentheses. *, **, and *** indicate statistical significance at the 10%, 5% and 1% levels, respectively.

Variable	VC Sample		PE Sample	
	Completed	Liquidated	Completed	Liquidated
Reputation Index	0.024 (0.085)	0.045*** (0.014)	-0.017 (0.029)	0.056*** (0.020)
Underwriter Rank	-0.498 (0.575)	0.169 (0.472)	-0.181 (0.538)	0.748 (0.631)
Cost of Debt	-2.497 (3.697)	-0.188 (0.362)	-0.049 (1.843)	-3.670 (2.197)
Ln(Proceeds)	2.101 (1.586)	3.495** (1.561)	-0.300 (1.322)	1.120 (0.778)
Extension	14.034*** (1.898)	-0.179 (1.677)	9.858*** (1.064)	6.507*** (1.025)
Audit Firm	n/a n/a	n/a n/a	-1.237 (1.009)	-1.003 (0.649)
Ln(Recent SPACs)	0.512 (1.090)	0.589 (0.706)	-0.872 (0.743)	2.733* (1.372)
Constants	20.159* (11.518)	24.292*** (7.217)	25.770*** (8.659)	7.868 (6.339)
N	69	55	108	63
Adjusted R-sq	0.180	0.112	0.125	0.169
Year Fixed Effect	Yes	Yes	Yes	Yes

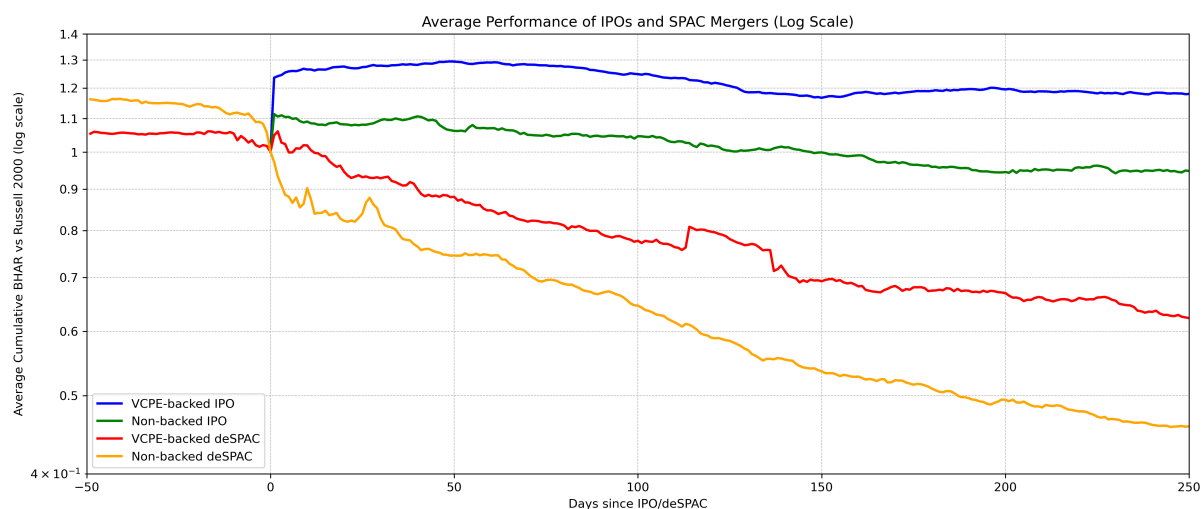


Figure 1: Average BHARs of VC/PE-backed IPOs, non-backed IPOs, VC/PE-backed deSPACs and non-backed deSPACs in the first 250 trading days.

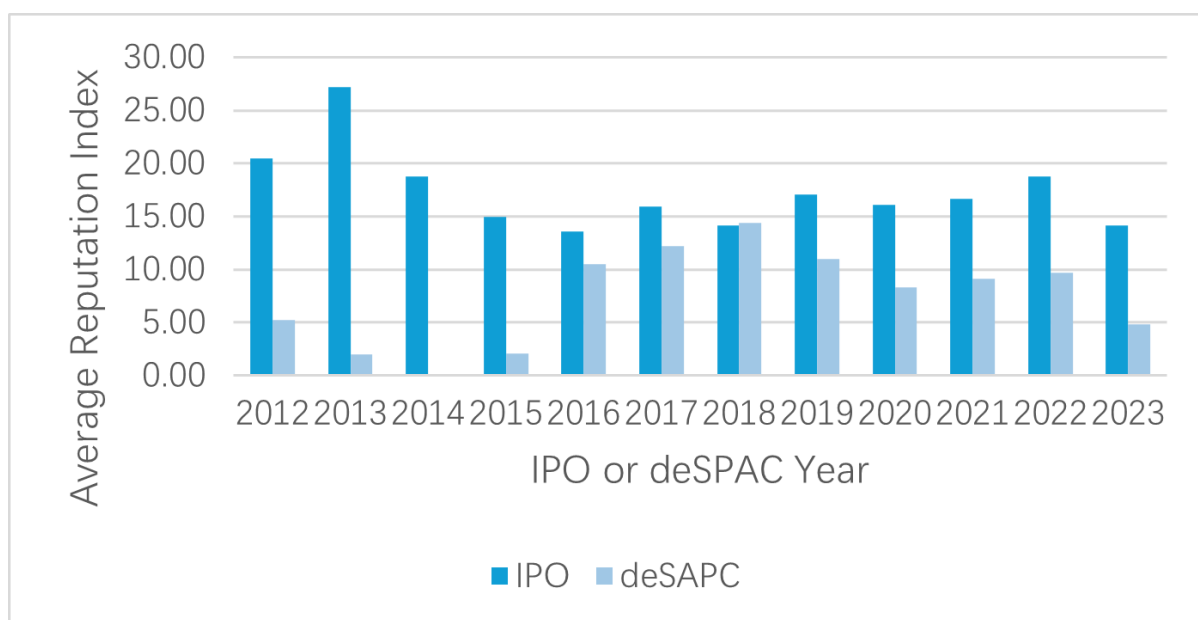


Figure 2: Average reputation index of VC and PE investors for IPOs and deSPACs in each year.

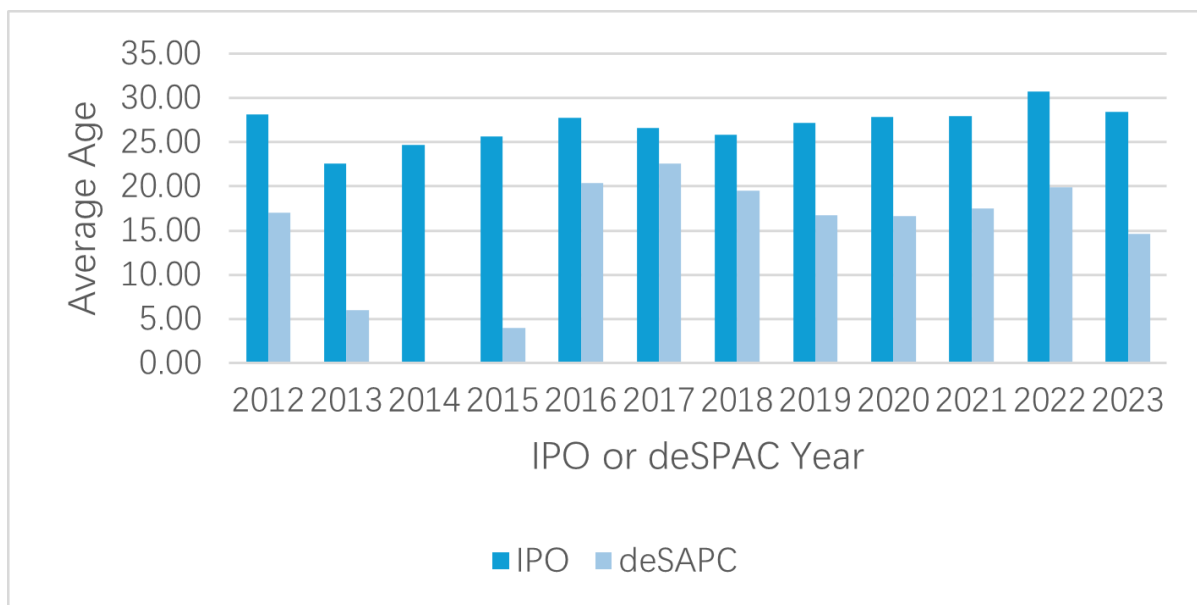


Figure 3: Average age of VC and PE investors for IPOs and deSPACs in each year.