

**MEMORANDUM**

TO: PCAOB Docket 046: Quality Control  
PCAOB Docket 028: Proposed Auditing Standard Related to Confirmation and Related Amendments to PCAOB Standards

FROM: PCAOB Office of Economic and Risk Analysis (“OERA”)

DATE: January 24, 2023

RE: Annual Update to the PCAOB’s Emerging Growth Companies Report

On January 5, 2023, the PCAOB published the latest annual update to its Emerging Growth Companies (“EGC”) report.

This year’s *White Paper on Characteristics of Emerging Growth Companies and Their Audit Firms at November 15, 2021* updates the prior year’s analysis, and we anticipate that it will further inform our consideration of the application of the proposed requirements to audits of EGCs.

Attachment: Kelly Poy & Harsha Samaraweera, OERA, PCAOB, *White Paper on Characteristics of Emerging Growth Companies and Their Audit Firms at November 15, 2021* (Jan. 5, 2023)

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# Characteristics of Emerging Growth Companies and Their Audit Firms

at November 15, 2021

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This white paper was prepared by PCAOB staff and provides general information about certain characteristics of emerging growth companies and their audit firms. This white paper benefited from helpful comments on presentation and review by Michael Gurbutt, John Cook, Nick Galunic, Victor Jarosiewicz, Patrick Kastein, and Tian Liang (Office of Economic and Risk Analysis), Elena Bozhkova and Karen Wiedemann (Office of the Chief Auditor), and Jennifer Williams (Office of the General Counsel). The views expressed herein are those of the authors and do not necessarily reflect the views of the Board, individual Board members, or other PCAOB staff.

## SUMMARY

This white paper provides general information about certain characteristics of emerging growth companies (EGCs) and the registered public accounting firms (“firms”) that audit them. The information is derived from the most recent available U.S. Securities and Exchange Commission (SEC) filings and data from third-party vendors through this white paper’s measurement date of November 15, 2021.

The white paper includes the following key observations at November 15, 2021:

- There were 3,092 companies that self-identified as EGCs and filed audited financial statements with the SEC between May 16, 2020 and November 15, 2021, that included an audit report signed by a firm.
  - This represents a 59% increase in the EGC population compared to the November 15, 2020 white paper and is due to an increase in the number of new EGCs that registered with the SEC. Almost 40% of the newly identified EGCs were Special Purpose Acquisition Companies (SPACs).
- There were 1,862 EGCs (or 60%) with common equity securities listed on a U.S. national securities exchange (“exchange-listed”).
  - The 1,862 exchange-listed EGCs had a total U.S. market capitalization of \$2.2 trillion, an 81% increase in market capitalization from the prior measurement date.
  - These EGCs represented only 3.4% of total market capitalization even though they represented 32% of the 5,795 exchange-listed companies.
- Audit reports for the 3,092 EGCs were issued by 264 firms headquartered in 38 jurisdictions, including the United States.
- 1,604 EGCs (or 52%) reported no revenue or self-identified as shell companies in periodic filings or both.
- 227 of the firms that audited EGCs (or 86%) audited both EGC and non-EGC issuer clients while 37 firms (or 14%) did not audit issuers other than EGCs.
- 217 (or 82%) of the firms that audited EGCs have been registered with the PCAOB for 10 years or more.
- Among the 1,101 EGCs providing management reports on ICFR, 555 (or 50%) reported at least one material weakness.
- Non-listed EGCs received an audit report with a going concern paragraph at a significantly higher rate (61%) than exchange-listed EGCs (25%).

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# I. BACKGROUND & OUTLINE OF ANALYSIS

## Background

Title I of the Jumpstart Our Business Startups Act (“JOBS Act”) focuses on reducing regulatory burdens on emerging growth companies (EGCs) in order to facilitate capital raising through public markets.<sup>1</sup> The JOBS Act generally provides that new PCAOB standards will not apply to the audits of EGCs unless the SEC determines that applying such additional requirements is necessary or appropriate in the public interest, after considering the protection of investors, and whether the action will promote efficiency, competition, and capital formation.<sup>2</sup> To implement this provision, upon adoption of a rule subject to this determination, the PCAOB recommends to the SEC whether the rule should apply to audits of EGCs, and submits information and analysis in its adopting release to assist the SEC in making a determination.

This white paper provides general data about EGCs and the firms that audit their financial statements to inform the analysis contained in PCAOB rulemaking releases regarding the impact of applying new standards to the audits of EGCs. Generally, a company qualifies as an EGC if it had annual revenues in its most recently completed fiscal year that were less than a specified limit<sup>3</sup> and had not sold common equity securities on or before December 8, 2011, pursuant to an effective registration statement under the Securities Act of 1933 (“Securities Act”).<sup>4</sup>

Unless the context requires otherwise, references in this white paper to “the measurement date” mean the most recent measurement date, November 15, 2021.<sup>5</sup>

A company retains its EGC status until the earliest of:

- (i) the last day of the fiscal year during which it had total annual gross revenues that equal or exceed the revenue limit;

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<sup>1</sup> Pub. L. No. 112-106 (April 5, 2012). See Section 103(a)(3)(C) of the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley Act”), 15 U.S.C. 7213(a)(3), as added by Section 104 of the JOBS Act.

<sup>2</sup> See Section 103(a)(3)(C) of the Sarbanes-Oxley Act, as added by Section 104 of the JOBS Act, which provides:

Any rules of the Board requiring mandatory audit firm rotation or a supplement to the auditor’s report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer (auditor discussion and analysis) shall not apply to an audit of an emerging growth company, as defined in section 3 of the Securities Exchange Act of 1934. Any additional rules adopted by the Board after [April 5, 2012] shall not apply to an audit of an emerging growth company, unless the Commission determines that the application of such additional requirements is necessary or appropriate in the public interest, after considering the protection of investors, and whether the action will promote efficiency, competition, and capital formation.

<sup>3</sup> The SEC is required every five years to index for inflation the annual gross revenue amount used to determine EGC status to reflect the change in the Consumer Price Index published by the Bureau of Labor Statistics. The annual revenue limit at the measurement date of this paper was \$1.07 billion. See SEC Release 33-10332, *Inflation Adjustments and Other Technical Amendments Under Titles I and III of the JOBS Act* (Mar. 31, 2017). The most recent adjustment was announced in September 2022 and took effect after the measurement date for this white paper.

<sup>4</sup> See Section 3(a)(80) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 101(d) of the JOBS Act.

<sup>5</sup> PCAOB staff have published a periodic white paper on EGCs since November 30, 2015, and other references to “measurement date” refer to the measurement date(s) for one or more previous white papers. EGC data at any measurement date reflects the revenue limit in effect on that date.

- (ii) the date on which it is deemed to be a “large accelerated filer” under the Exchange Act (generally, a company with a public float of \$700 million or more that has been subject to Exchange Act periodic reporting requirements for at least one year and has filed at least one annual report);<sup>6</sup>
- (iii) the date on which it has, during the previous 3-year period, issued more than \$1 billion in non-convertible debt; or
- (iv) the last day of the fiscal year following the fifth anniversary of the date of the first sale of common equity securities pursuant to an effective registration statement under the Securities Act.

We refer to criteria (i), (ii), and (iii) above as “EGC eligibility limits” and criterion (iv) as the “five-year cut-off.”

In April 2017, the SEC modified the cover page of Exchange Act annual reports and registration statements (*e.g.*, Forms 10-K, 20-F, 40-F) and Securities Act registration statements (*e.g.*, Forms S-1, S-3) to include a check box for a company to indicate whether, at the time of the filing, the company is an EGC. PCAOB staff relied exclusively on the checkboxes to determine EGC status and did not attempt to determine EGC status independently.

The objective of this white paper is to describe the activity and characteristics of the population of EGCs as of the measurement date of November 15, 2021. We describe the methodology for this white paper in Appendix A.

## Analysis for this Paper

We identified 3,092 companies that self-identified as EGCs and filed audited financial statements with the SEC between May 16, 2020 and November 15, 2021.<sup>7</sup>

In various cross-sectional analyses in this white paper, the population of EGCs is further divided between companies that have at least one class of common equity securities listed on a U.S. national securities exchange (“exchange-listed” EGCs)<sup>8</sup> and those that do not (“non-listed” EGCs).<sup>9</sup>

To compare the exchange-listed EGCs with the broader public equity market, the white paper also presents a benchmark derived from commercial vendor data on other exchange-listed companies (Figure B.1 of Appendix B: Characteristics of EGCs). The benchmark population is limited to exchange-listed companies that are not registered investment companies or EGCs and have filed audited financial statements with the SEC, including an audit report signed by a firm in the 18 months preceding the

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<sup>6</sup> See Exchange Act Rule 12b-2, 17 CFR 240.12b-2; see also note 38 *infra*.

<sup>7</sup> Please see Appendix A for details.

<sup>8</sup> Exchange-listed company information at the measurement date is derived from Standard & Poor’s Xpressfeed data on all active issue types of “common-ordinary,” “units with a common share component,” and “depository receipts” where the exchange is a U.S. national securities exchange with available market capitalization data. At November 15, 2021, EGCs had primary listings of common equity securities on the following U.S. national securities exchanges: the New York Stock Exchange LLC, Nasdaq Stock Market LLC, and NYSE American.

<sup>9</sup> Non-listed EGCs include companies whose securities are traded over the counter or have no public market.

measurement date.<sup>10</sup> From a total population of 5,795 exchange-listed companies, the 1,862 exchange-listed EGCs have been excluded to allow for comparison of companies that are EGCs relative to those that are not. Using this methodology, we identified 3,933 companies in the benchmark population (“other exchange-listed companies”). These other exchange-listed companies tend to be larger and generally have a longer reporting history than both exchange-listed EGCs and non-listed EGCs.

The white paper does not present a similar benchmark population or data on market capitalization for non-listed EGCs. Market data may not be reliable or even regularly available with respect to companies whose securities are quoted on the over-the-counter market or are otherwise illiquid. In addition, companies whose only publicly traded securities are debt securities are excluded from the benchmark population. These inherent limitations of available data reduce our ability to make useful comparisons among non-listed EGCs.

The remainder of this white paper is organized as follows: Section II provides a brief reconciliation between the EGC populations in the November 15, 2020 white paper and this white paper. Sections III and IV provide characteristics of EGCs. Section V provides characteristics of the firms that issued audit reports on EGCs. Section VI includes information related to internal control over financial reporting (ICFR) and audit-related information of EGCs. Appendix A provides additional information on the methodology used to identify EGCs. Appendix B provides additional information about the population of EGCs. Appendix C provides additional information about the firms that audit EGCs.<sup>11</sup> Appendix D provides additional information about SPACs in the EGC population.

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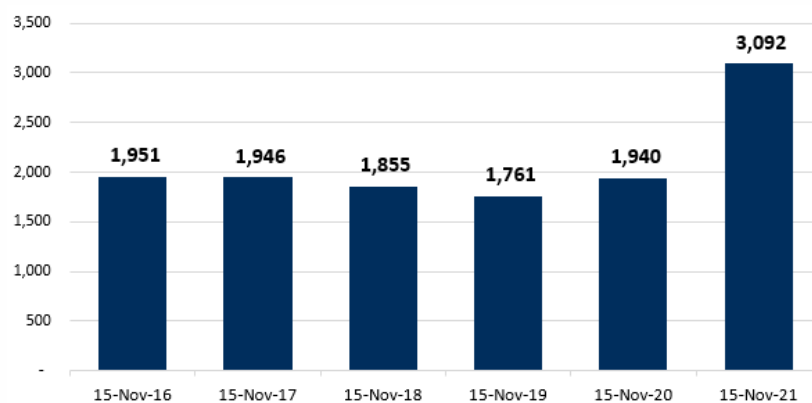
<sup>10</sup> Registered investment companies (other than business development companies) do not qualify as emerging growth companies. See SEC Division of Corporation Finance, *Jumpstart Our Business Startups Act, FAQs of Generally Applicable Questions on Title I of the JOBS Act* (Dec. 21, 2015, revised), Qs. 20 and 21.

<sup>11</sup> Each percentage in this document is rounded to the nearest percentage point and therefore, for some Figures, the total may not sum to 100% due to rounding.

## II. NOVEMBER 2021 EGC POPULATION

We identified 3,092 EGCs using the methodology described in Appendix A. Figure 1 displays the number of EGCs identified in this and each of the prior white papers, beginning in 2016.<sup>12</sup>

**FIGURE 1**  
**Number of EGCs**



Sources: SEC Filings, Audit Analytics

Figure 2 provides a reconciliation between the population of EGCs identified in the white papers on Characteristics of Emerging Growth Companies as of November 15, 2020 and November 15, 2021.

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<sup>12</sup> Counts for the 2016 to 2019 populations are based on prior methodologies. Please refer to the [respective white papers](#) for details of the methodologies.



FIGURE 2

## Comparison of the November 2020 EGC Population to November 2021 Population

<b>EGCs in November 15, 2020 white paper</b>		<b>1,940</b>
- Current filing containing an audit report, but issuer did not check EGC check box <sup>13</sup>	(254)	
- No SEC filing with an audit report in the 18 months preceding the measurement date	(171)	
<b>Continue to self-identify</b>		<b>1,515</b>
+ Newly identified EGCs <sup>14</sup>	1,577	
<b>EGCs in November 15, 2021 white paper</b>		<b>3,092</b>

Source: SEC Filings

There was a net increase in EGCs of 59% compared to the previous white paper. Among the 3,092 EGCs, 1,577 (or 51%) were not in the prior year's population. These EGCs were identified through check boxes in Securities Act registration statements (1,193), Exchange Act registration statements (68) and Exchange Act periodic reports (316).<sup>15</sup>

<sup>13</sup> Of the 254 companies that did not check the EGC box, 94 exceeded one or more of the EGC eligibility limits; 44 disclosed in the text of the filing that they were no longer an EGC, but were not large accelerated filers and did not exceed the revenue threshold; and 116 did not exceed any EGC eligibility limits or state they were no longer EGCs.

<sup>14</sup> The 1,577 newly identified EGCs included 1,530 companies that self-identified as an EGC for the first time during the current measurement period, as well as 47 companies that self-identified as an EGC during one or more previous measurement periods, but were not included in the count of EGCs for the prior measurement date as they had (i) not filed a periodic report, or (ii) not self-identified as an EGC in a periodic report within the prior measurement period.

<sup>15</sup> The EGCs identified through check boxes in registration statements (Securities Act or Exchange Act) include companies that subsequently filed periodic reports, and companies that filed periodic reports before they self-identified in a registration statement.

### III. CHARACTERISTICS OF EGCS

This section provides descriptive statistics regarding selected characteristics of EGCS.

EGCs in this white paper exhibit greater-than-usual variation in certain characteristics when compared to prior white papers. We believe that much of this variation is attributable to an increase in market activity surrounding SPACs.<sup>16</sup> Consistent with prior white papers, we present information in this section about the entire population of EGCS, including any SPACs that are EGCS. Information that separates out the impact of SPACs on certain characteristics of the overall EGC population is provided in Appendix D.

#### Periodic Reporting

The population of EGCS includes both: (i) EGCS that filed periodic reports with the SEC; and (ii) EGCS that filed registration statements but had not yet filed periodic reports. As shown in Figure 3, at November 15, 2021, approximately 77% (or 2,386) of the 3,092 EGCS had filed periodic reports during the measurement period. The remaining 23% (or 706) only filed audited financial statements in registration statements during the measurement period.

EGCs that filed only registration statements increased from 19% for the November 15, 2020 measurement period, to 23% for the current measurement period. Correspondingly, EGCS that filed periodic reports decreased from 81% to 77% for those measurement periods, respectively.

**FIGURE 3**  
**Filing Activity**

	November 15, 2021		November 15, 2020	
	EGCs	%	EGCs	%
EGCs that filed periodic reports in the last 18 months	2,386	77%	1,571	81%
EGCs that filed only registration statements in the last 18 months	706	23	369	19
<b>Total EGCS</b>	<b>3,092</b>	<b>100%</b>	<b>1,940</b>	<b>100%</b>

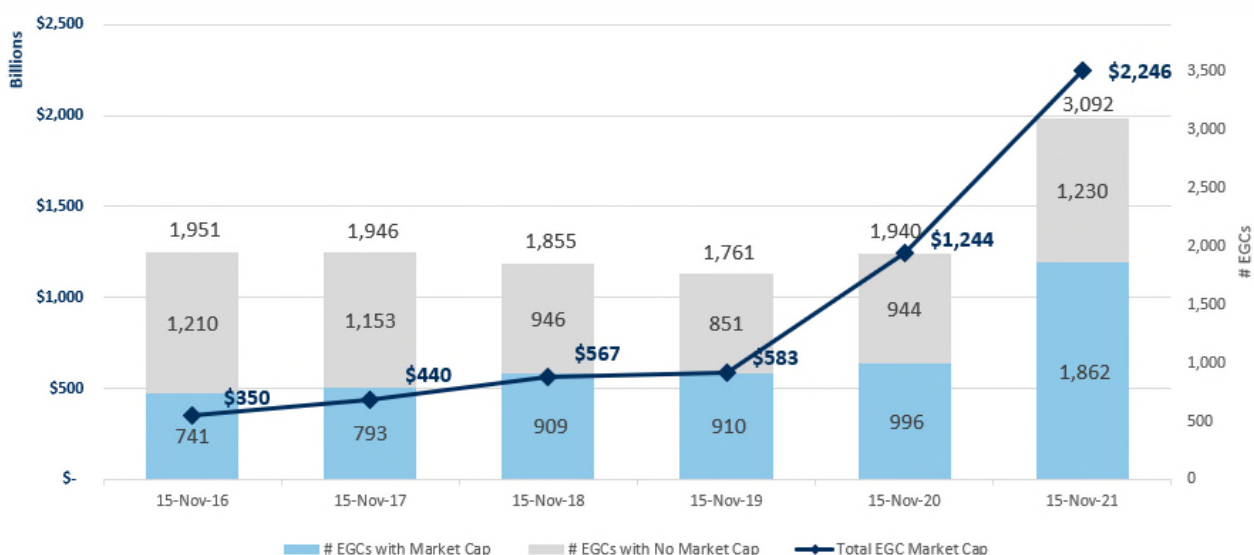
Sources: Audit Analytics and Strategic Insight

<sup>16</sup> A SPAC is a company with no operations that conducts an offering of securities, then places the proceeds in trust while the SPAC's sponsor identifies an operating company to acquire; following the acquisition (a so-called "de-SPAC transaction"), the combined company is a public company that carries on the operating company's business. See SEC Division of Corporation Finance, *CF Disclosure Guidance: Topic No. 11, Special Purpose Acquisition Companies* (Dec. 22, 2020). The number of SPAC IPOs increased from 59 in 2019 to 613 in 2021. See SPAC and US IPO Activity, at <https://spacanalytics.com>.

## Market Capitalization

As seen in Figure 4, we identified 1,862 exchange-listed EGCs (60% of the total EGC population) and 1,230 non-listed EGCs at the measurement date. The exchange-listed EGCs had a combined market capitalization of approximately \$2.2 trillion at the measurement date.<sup>17</sup>

**FIGURE 4**  
**Total EGCs and Market Capitalization**



Sources: SEC Filings, Standard & Poor's

This market capitalization represented an 81% increase from the total EGC market capitalization at November 15, 2020. The median market capitalization of an EGC, however, only increased 9% from \$299 million to \$326 million, as seen in Figure 5.

<sup>17</sup> EGCs are grouped by market capitalization and not public float. Market capitalization is calculated based on total shares outstanding, whereas public float, used to determine filer status, is calculated based on total shares less the shares held by company affiliates. As a result, a company is likely to have a market capitalization greater than its public float.

**FIGURE 5**  
**Market Capitalization (Millions USD)**

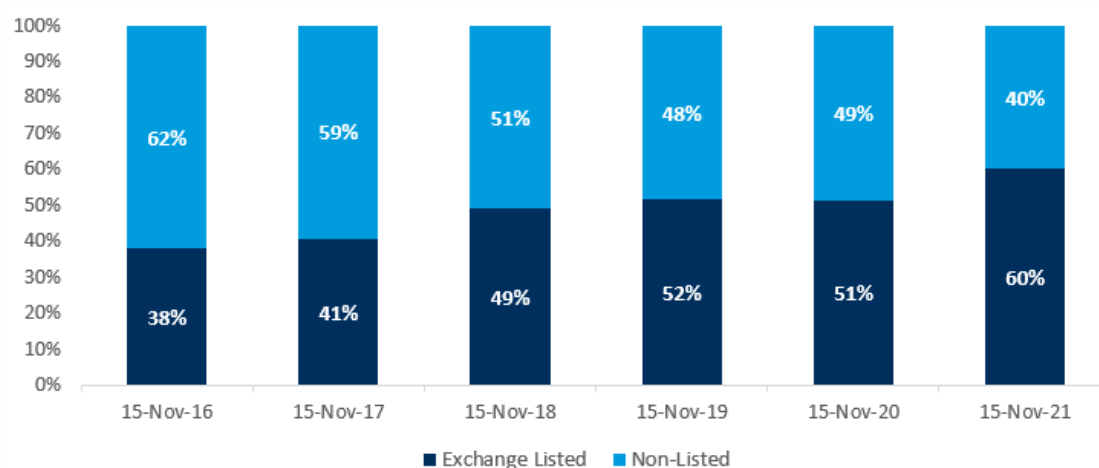
	2016	2017	2018	2019	2020	2021
<b>Minimum</b>	\$3	\$6	\$3	\$1	\$6	\$13
<b>Maximum</b>	10,591	15,030	11,805	15,668	114,021	118,464
<b>Average</b>	473	554	624	641	1,249	1,207
<b>Median</b>	239	261	269	227	299	326

Note: All years at November 15 measurement date.

Source: Standard & Poor's

Figure 6 displays the division between exchange-listed EGCs and non-listed EGCs at each measurement date since 2016.<sup>18</sup> The percentage of EGCs that are exchange-listed has increased over time. Exchange-listed EGCs represented 60% of the EGC population at November 15, 2021 compared to 38% at November 15, 2016.<sup>19</sup>

**FIGURE 6**  
**Exchange-listed v. Non-Listed EGCs**



Sources: SEC Filings, Standard & Poor's

As seen in Figure 7, the market capitalization of the exchange-listed EGCs was only 3.4% of the \$65.6 trillion market capitalization of all exchange-listed companies. At the measurement date, 922 (50%) of the 1,862 exchange-listed EGCs were new to the EGC population.

<sup>18</sup> The data for the 2016 and 2017 measurement dates were restated from the 2020 white paper.

<sup>19</sup> Counts for the 2016 to 2019 populations are based on prior methodologies. Please refer to the [respective white papers](#) for details of the methodologies.

**FIGURE 7**  
**Market Capitalization of Exchange-listed Companies**

	Companies	Market Cap (Trillions USD)	%
Exchange-listed EGCs	1,862	\$2.2	3.4%
Other exchange-listed companies	3,933	63.4	96.6
<b>Total</b>	<b>5,795</b>	<b>65.6</b>	<b>100%</b>

Source: Standard & Poor's

Market capitalization for individual EGCs ranged from \$13.4 million to \$118 billion.<sup>20</sup> As shown in Figure 8, 89% of the exchange-listed EGCs had a market capitalization greater than \$75 million at the measurement date.

**FIGURE 8**  
**Market Capitalization**

Category	EGCs	Max Market Cap (Millions USD)	Min Market Cap (Millions USD)	Average Market Cap (Millions USD)	Median Market Cap (Millions USD)	Total Market Cap (Millions USD)
\$700M or more	539 (29%)	118,464	702	3,540	1,549	1,907,874
\$75M to \$700M	1,117 (60%)	692	75	294	261	328,376
Less than \$75M	206 (11%)	75	13	46	46	9,387
<b>EGCs with market capitalization</b>	<b>1,862 (100%)</b>					<b>2,245,637</b>

Source: Standard & Poor's

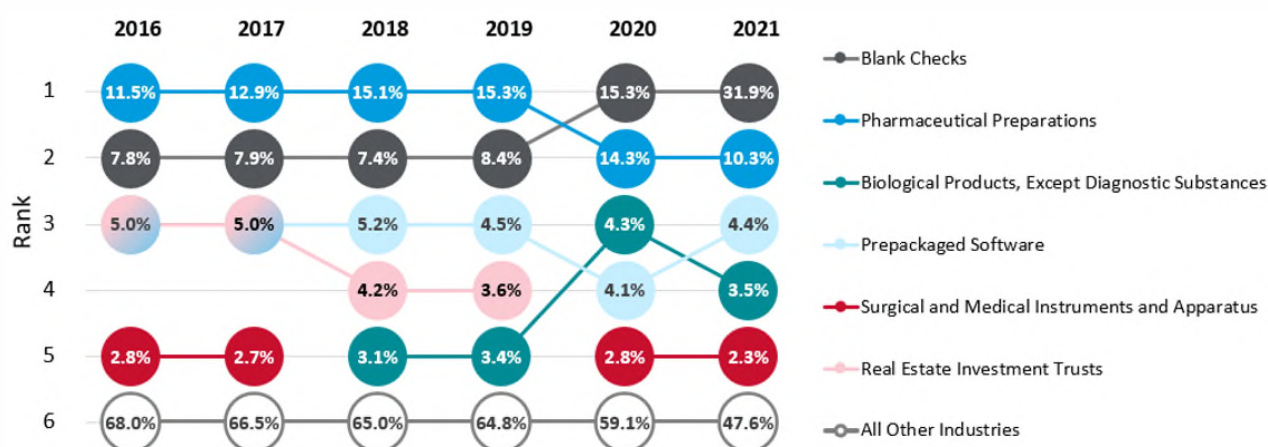
<sup>20</sup> Of the 1,862 exchange-listed EGCs, 30 EGCs (or less than 2%) had a market capitalization greater than \$10 billion. Only one EGC had a market capitalization greater than \$100 billion.

## Industry

EGCs operated in 258 industries based on Standard Industrial Classification (SIC) codes in SEC filings. Overall, the greatest number of EGCs were in the following five SIC codes: (i) blank check companies;<sup>21</sup> (ii) pharmaceutical preparations; (iii) prepackaged software; (iv) biological products (not including diagnostic substances); and (v) surgical and medical instruments and machines. The proportion of EGCs reporting the five most common SIC codes is summarized in Figure 9. Forty-eight percent of EGCs did not report being in these top five industries, including 43% of EGCs that reported other SIC codes and 4% that did not report a SIC code in their SEC filings.

The percentage of EGCs that were blank check companies increased from 15% of the EGC population in the November 15, 2020 white paper to 32% of the EGC population in this white paper. The increase in EGCs that were blank check companies was due to the higher number of registrations by SPACs as all SPACs are initially blank check companies (but not all blank check companies are SPACs).<sup>22</sup> The percentage of the EGC population outside the top five industries decreased from 59% to 48%.

**FIGURE 9**  
**Top Five Industries, by Number, Reported by EGCs at the Measurement Date**



Source: SEC Filings

Figure B.2 in Appendix B: Characteristics of EGCs provides more detailed industry data on exchange-listed EGCs, non-listed EGCs, and other exchange-listed companies for the current white paper. Exchange-listed EGCs had a higher concentration in pharmaceutical preparations (14%), compared to other non-listed EGCs (4%) and other exchange-listed companies (8%). Although the percentage of EGCs in some of the top five industries decreased compared to the previous white paper, the count of EGCs in each industry has increased. Figure B.2 in Appendix B provides more detailed data regarding the count of EGCs by industry.

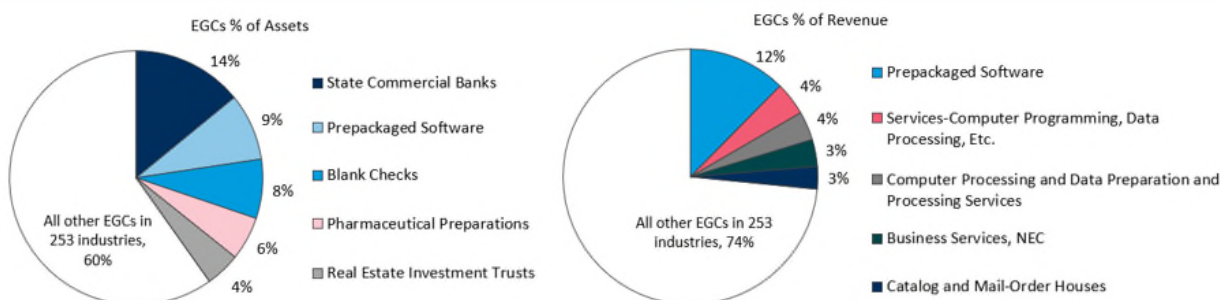
<sup>21</sup> The classification of “blank check company” requires, among other things, that the company be a development stage company that has no specific business plan or purpose or has indicated that its business plan is to engage in a merger or acquisition with an unidentified company or companies, or other entity or person. See Securities Act Rule 419, 17 CFR 230.419.

<sup>22</sup> More than 80% of EGCs with the SIC code for blank check companies were SPACs.

The five SIC codes with the highest total assets as a percentage of the total assets for the EGC population were: (i) state commercial banks; (ii) prepackaged software; (iii) pharmaceutical preparations; (iv) blank checks; and (v) real estate investment trusts. Four of the top five SIC codes reporting the highest total assets were also in the top five in the prior white paper.

Total assets of EGCs reporting these five SIC codes represented approximately 40% of the total assets of EGCs for the current white paper. Figure 10 provides a summary of this information as well as an analogous summary by revenue. Figure B.3 and Figure B.4 in Appendix B: Characteristics of EGCs provide more detailed industry data for EGCs, exchange-listed EGCs, non-listed EGCs, and other exchange-listed companies.

**FIGURE 10**  
**Top Five Industries, by Assets and Revenue, Reported by EGCs at the Measurement Date**



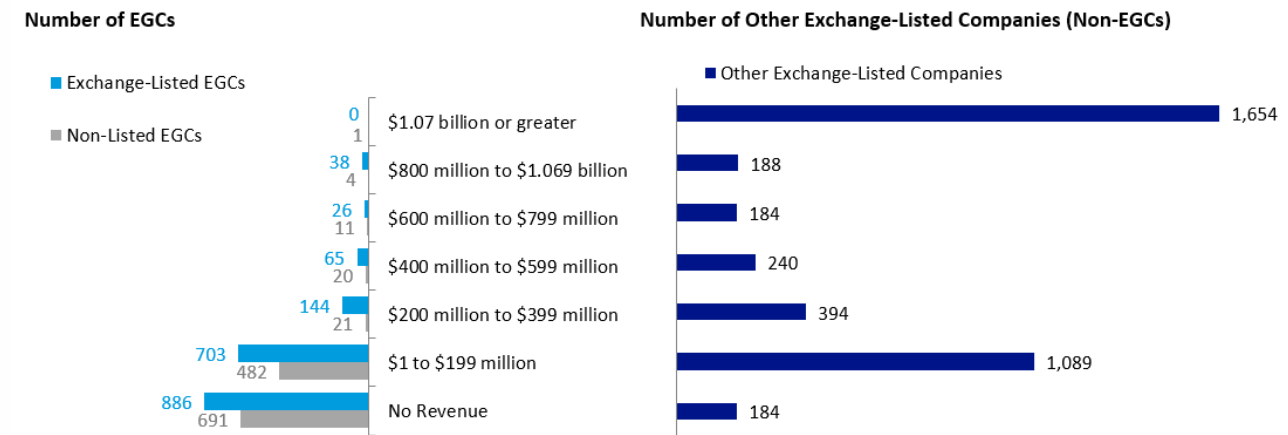
Sources: SEC Filings and Standard & Poor's

## Assets and Revenue

The assets reported by EGCs ranged from zero to \$17.7 billion. The average assets were \$246 million, while the median was \$2.5 million.

The annual revenue reported by EGCs ranged from -\$9.4 million to \$1.7 billion. The average revenue was \$66 million, while the median was zero revenue. The distribution of revenue among EGCs and exchange-listed companies is shown in Figure 11.

**FIGURE 11**  
**Distribution of Revenue Reported by EGCs and Exchange-listed Companies**



Source: Standard & Poor's

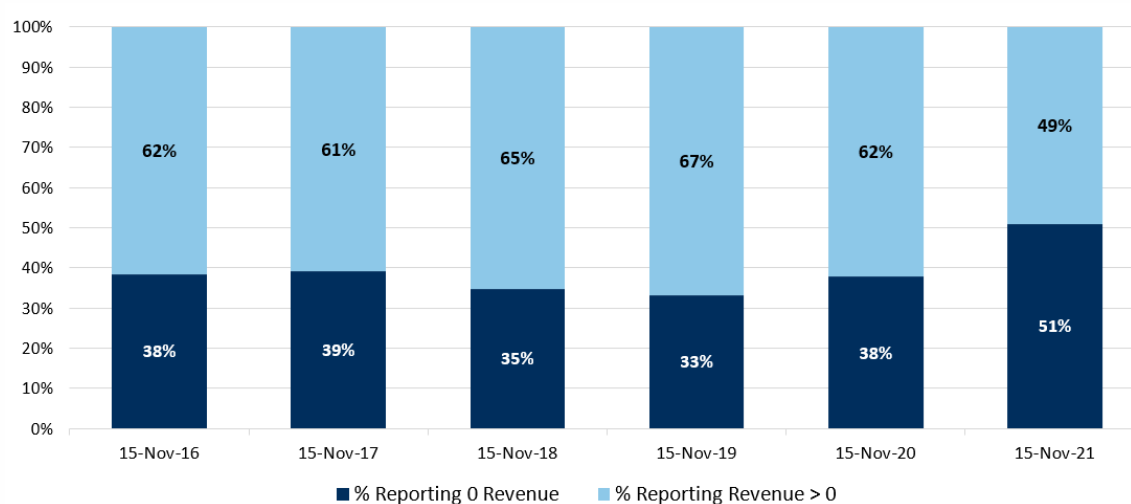
Additional information summarizing the distribution of revenue and assets reported by EGCs, exchange-listed EGCs, non-listed EGCs, and other exchange-listed companies is presented in Figure B.5 and Figure B.6 in Appendix B: Characteristics of EGCs.



## IV. SHELL COMPANIES AND LIMITED OPERATIONS AMONG EGCs

As seen in Figure 12, the proportion of EGCs reporting no revenue in their most recent completed fiscal year decreased from 38% to 33% between the November 15, 2016 and November 15, 2019 measurement dates. However, the proportion reporting no revenue increased to 38% during the November 15, 2020 measurement date and 51% for the current measurement date. This increase was due in large part to SPACs that accounted for 48% of EGCs reporting no revenue.

**FIGURE 12**  
**EGCs With and Without Revenue**



Source: Standard & Poor's

A total of 1,604 EGCs reported no revenue, self-identified as shell companies in periodic filings, or both in their most recently filed financial statements.<sup>23</sup> Figure 13 shows EGCs reporting no revenue was less common among exchange-listed EGCs (48%) compared to non-listed EGCs (56%). Figure 14, however, shows shell company disclosure was more common among exchange-listed EGCs (32%) compared to non-listed EGCs (22%). The tables also show that these attributes were significantly less common among other exchange-listed companies.

Figure 13 presents data on the proportion of companies that reported no revenue in their most recent annual audited financial statements included in SEC filings, which include Securities Act registration statements, Exchange Act registration statements, and Exchange Act periodic reports. The number of EGCs reporting no revenue increased to 51% of the population from 38% in the November 15, 2020 white paper.

<sup>23</sup> Generally, a company is a shell company if it has no or nominal operations and at least one of the following attributes: (i) no or nominal assets; (ii) assets consisting solely of cash and cash equivalents; or (iii) assets consisting of any amount of cash and cash equivalents and nominal other assets. See Exchange Act Rule 12b-2, 17 C.F.R. 240.12b-2. Blank check companies (discussed in Section III) would generally be considered shell companies until they acquire an operating business or more than nominal assets. See SEC Release 33-8407, *Use of Form S-8 and Form 8-K by Shell Companies* (Apr. 15, 2004) at n. 20.

**FIGURE 13**  
**Reporting of No Revenue**

	(1) All EGCs	(2) Non- listed EGCs	(3) Exchange- Listed EGCs	(4) Other Exchange-Listed (Non-EGCs)
<b># of companies</b>	3,092	1,230	1,862	3,933
<b># reporting no revenue</b>	1,577	691	886	184
<b>% reporting no revenue</b>	51%	56%	48%	5%

Sources: Audit Analytics and Standard & Poor's

Figure 14 presents shell company disclosure by companies that have filed periodic reports in the measurement period, some of which also reported no revenue.<sup>24</sup> The number of EGCs disclosing shell company status increased to 29% of the population from 16% in the November 15, 2020 white paper.

**FIGURE 14**  
**Shell Company Disclosure in Periodic Reports**

	(1) All EGCs	(2) Non-listed EGCs	(3) Exchange- Listed EGCs	(4) Other Exchange- Listed (Non-EGCs)
<b>Total # of companies that filed periodic reports</b>	2,386	729	1,657	3,922
<b># with shell company disclosure in periodic reports</b>	699	163	536	2
<b>% with shell company disclosure in periodic reports</b>	29%	22%	32%	0%

Source: Audit Analytics

<sup>24</sup> EGCs that have not filed a periodic report with audited financial statements are excluded from the shell company determination as registration statements do not include a check box for shell company status.

## V. CHARACTERISTICS OF PUBLIC ACCOUNTING FIRMS THAT AUDIT EGCs

This section provides summary information about the firms that audited the financial statements of the 3,092 EGCs during the measurement period. As shown in Figure 15, the audit reports for the EGCs in this white paper were issued by 264 firms, of which 86% (227) performed audits for both EGC and non-EGC issuers<sup>25</sup> while 14% (37) performed issuer audits only for EGCs during the measurement period.<sup>26</sup> These 37 firms audited only 2% of the EGC population while firms that audit both EGCs and non-EGCs audited the remaining 98% of the population.

**FIGURE 15**  
**Firms that Audited Only EGC Issuers and Firms that Audited Both EGCs and Non-EGC Issuers**

Firm Category	# of Firms	% of Firms	EGCs	% of EGCs
Audited EGCs only	37	14%	69	2%
Audited EGCs and non-EGCs	227	86%	3,024 <sup>27</sup>	98%
<b>Total</b>	<b>264</b>	<b>100%</b>	<b>3,093</b>	<b>100%</b>

Source: Audit Analytics

These 264 firms had headquarters in 38 jurisdictions. Approximately 54% (143) of the firms that audited EGCs were headquartered in the United States. Figure 16 displays the jurisdictions where four or more firms that audit EGCs were headquartered and the market capitalization of their exchange-listed EGC audit clients. Of the firms based outside the United States, Mainland China-based firms audited EGCs with the largest aggregate market capitalization. The nine firms headquartered in Mainland China issued audit reports for 73 exchange-listed EGCs that had a combined market capitalization of \$124.1 billion. See Figure C.1 in Appendix C: Characteristics of Firms that Audit EGCs for a list of all jurisdictions where the headquarters of firms that audit EGCs were located.

<sup>25</sup> This white paper uses the term “issuer” as defined in Sarbanes-Oxley Act Section 2(a)(7): “an issuer (as defined in Section 3 of the Securities Exchange Act of 1934), the securities of which are registered under section 12 of that Act, or that is required to file reports under section 15(d), or that files or has filed a registration statement that has not yet become effective under the Securities Act of 1933, and that it has not withdrawn.” 15 U.S.C. 7201(a)(7) (internal citations omitted).

<sup>26</sup> Of the 237 firms auditing EGCs in the previous white paper, 5 withdrew their registration with the PCAOB, 1 had its registration revoked and 19 firms did not audit EGCs as of the current measurement date. Of the 52 firms entering during the current white paper, 5 firms were newly registered and 47 previously registered firms did not audit EGCs in the prior white paper.

<sup>27</sup> One EGC, from a jurisdiction with dual-auditor requirements, is counted twice in this chart (once for each firm).

**FIGURE 16**  
**Headquarters Jurisdictions of Firms that Audit EGCs**

Jurisdiction	# of Firms	# of EGCs	# of Exchange-Listed EGCs	Market Capitalization of Exchange-Listed EGCs (Billions USD)
United States	143	2,634	1,568	\$1,895.5
Canada	20	103	64	49.9
Mainland China	9	90	73	124.1
Israel	9	63	40	58.2
United Kingdom	7	31	27	32.3
Singapore	6	19	11	3.4
India	6	12	3	2.3
Australia	5	8	5	1.3
Switzerland	4	13	13	24.0
Hong Kong	4	13	2	0.6
Germany	4	11	7	10.8
Brazil	4	9	6	7.3
France	4	7	6	4.1
All other countries	39	79	37	31.8
<b>Total</b>	<b>264</b>	<b>3,092</b>	<b>1,862</b>	<b>\$2,245.6</b>

Sources: PCAOB Form 2, Audit Analytics, Standard & Poor's

The majority of firms that audited EGCs (82%) have been registered with the PCAOB for more than 10 years, as shown in Figure 17.

**FIGURE 17**  
**Number of Years Firms Have Been Registered with the PCAOB**

# Years Registered with the PCAOB	# of Firms	% of Firms
Less than 4 years	24	9%
At least 4 years and less than 7 years	13	5
At least 7 years and less than 10 years	10	4
At least 10 years	217	82
<b>Total Firms</b>	<b>264</b>	<b>100%</b>

Source: PCAOB Form 1

As shown in Figure 18, 82% (216) of the firms that audited EGCs had been inspected by the PCAOB at least once and 18% (48) of the firms subject to inspection at least once every three years had not yet been inspected at the measurement date. Thirteen firms, which performed audits of 103 EGCs, were

headquartered in jurisdictions where the PCAOB was denied access to conduct inspections at the measurement date.<sup>28</sup>

**FIGURE 18**  
**PCAOB Inspections**

PCAOB Inspections	All EGC Auditors	% of Total Firms	Audit EGCs Only	% of Total Firms	Audit EGCs and Non-EGCs	% of Total Firms
Not yet inspected	48	18%	14	38%	34	15%
Previously inspected	216	82%	23	62%	193	85%
<b>Total Firms</b>	<b>264</b>	<b>100%</b>	<b>37</b>	<b>100%</b>	<b>227</b>	<b>100%</b>

Sources: PCAOB and Audit Analytics

Form APs were filed with the PCAOB for 2,777 audits of EGCs during the measurement period.<sup>29</sup> As shown in Figure 19, 305 of the Form APs indicated that at least one other accounting firm participated in the audit. The number of other accounting firms participating in audits ranged from 1 to 12. In 77 of the Form APs, other accounting firms participating in audits accounted for at least 20% of the total audit hours.<sup>30</sup>

**FIGURE 19**  
**Disclosure of Other Independent Accounting Firm(s) in Form APs**

Indicated Other Audit Participant	# of EGCs
<b>Yes</b>	<b>305</b>
<b>20% or More of Total Audit Hours</b>	77
<b>Less than 20% of Total Audit Hours</b>	228
<b>No</b>	<b>2,472</b>
<b>Total EGCs Filing Form AP</b>	<b>2,777</b>

Source: PCAOB Form AP

<sup>28</sup> These jurisdictions were China and Hong Kong as of the measurement date.

<sup>29</sup> Firms are required to file Form AP for each issuer audit report disclosing, among other things, if one or more other accounting firms participated in the audit. More information on PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*, and Form AP can be found at <https://pcaobus.org/Rules/Pages/Rule-3210-3211.aspx>.

<sup>30</sup> In Form AP, Part IV, Item 4.1., firms may disclose the percentage of total audit hours of the other accounting firm participants as a single measure or within a range. In instances where a firm disclosed total audit hours within a range (e.g., 5% to less than 10% of total audit hours), the lower end of the range is presented in Figure 19.

## VI. ICFR AND AUDIT-RELATED INFORMATION

This section includes information related to internal control over financial reporting and the most recent audits of the EGCs.

### Internal Control over Financial Reporting

Management of SEC reporting companies, including EGCs, is generally required to report on the effectiveness of internal control over financial reporting starting with the second annual report filed by the company.<sup>31</sup> Among the 3,092 EGCs, 77% (2,386) filed a periodic report in the last 18 months, and 36% (1,101) provided a management report on ICFR in that report. Of those companies that provided a management report on ICFR, approximately 50% reported at least one material weakness. Non-listed EGCs reported material weaknesses at higher rates (69%) than exchange-listed EGCs (35%). Figure 20 shows that other exchange-listed companies reported material weaknesses at significantly lower rates (7%) than the exchange-listed EGCs.

**FIGURE 20**  
**Material Weakness in ICFR**

	(1) All EGCs	(2) Non-listed EGCs	(3) Exchange-Listed EGCs	(4) Other Exchange-Listed (Non-EGCs)
<b>Total # of companies that filed periodic reports</b>	2,386	729	1,657	3,922
<b># with management reports on ICFR</b>	1,101	507	594	3,832
<b># with material weakness reported by management</b>	555	349	206	280
<b>% of ICFR reports with material weakness</b>	50%	69%	35%	7%

Source: Audit Analytics

While auditor attestation on the effectiveness of ICFR is not required for EGCs, 9 EGCs, or 1% of EGCs, voluntarily provided an audit report on ICFR. Two of the audit reports on ICFR disclosed a material weakness. Among the 9 EGCs:

- 6 were exchange-listed, and
- 4 were audited by firms required to be inspected on an annual basis by the PCAOB.

<sup>31</sup> See Instruction 1 to Item 308(a) of Regulation S-K. EGCs that have not yet filed at least one annual report are not required to provide a management report on ICFR. EGCs are exempt from the requirement for auditor attestation of ICFR. See Section 404(b) of the Sarbanes-Oxley Act, as amended by Section 103 of the JOBS Act.

## Going Concern Paragraphs in Audit Reports of EGCs

The most recent audit reports of 1,206 EGCs included explanatory paragraphs expressing substantial doubt about the company's ability to continue as a going concern ("going concern paragraph"). As shown in Figure 21, non-listed EGCs received an audit report with a going concern paragraph at a substantially higher rate (61%) than exchange-listed EGCs (25%).

**FIGURE 21**  
**Rate of Going Concern Paragraphs**

	(1) All EGCs	(2) Non-listed EGCs	(3) Exchange- Listed EGCs	(4) Other Exchange- Listed (Non-EGCs)
# without going concern paragraphs	1,886	485	1,401	3,774
# with going concern paragraphs	1,206	745	461	159
% with going concern paragraphs	39%	61%	25%	4%

Source: Audit Analytics

The data in Figure 22 shows that 71% of the EGCs with going concern paragraphs in their audit report reported no revenue. Only 26% of other exchange-listed companies with going concern paragraphs reported no revenue.

**FIGURE 22**  
**Going Concern Paragraphs and Revenue Information**

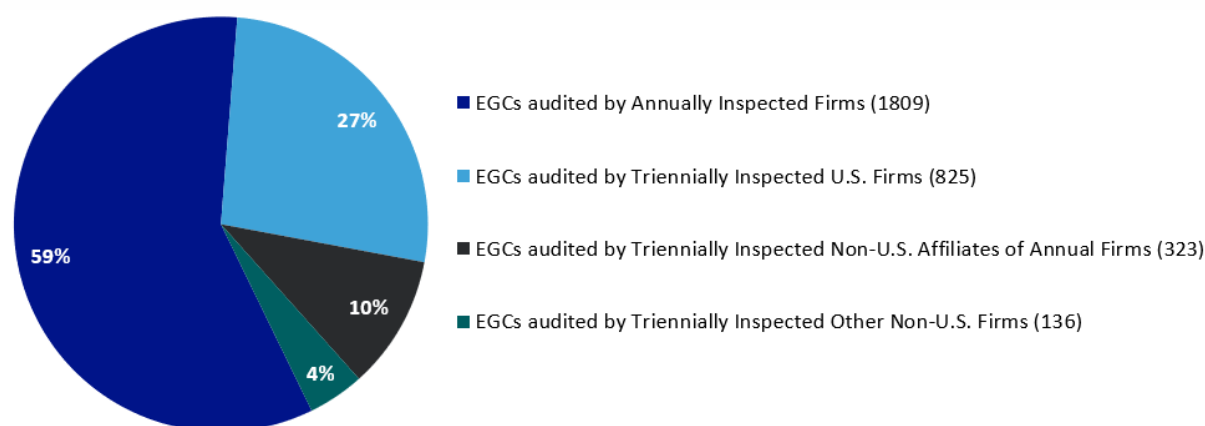
	(1) All EGCs	(2) Non-listed EGCs	(3) Exchange- Listed EGCs	(4) Other Exchange-Listed (Non-EGCs)
# with no revenue with going concern paragraphs	855 (71%)	500 (67%)	355 (77%)	42 (26%)
# with revenue >0 with going concern paragraphs	351 (29%)	245 (33%)	106 (23%)	117 (74%)
# of companies with going concern paragraphs	1,206 (100%)	745 (100%)	461 (100%)	159 (100%)

Source: Audit Analytics

## Audit Firm Inspection Frequency

As seen in Figure 23, U.S. firms audited 2,634 EGCs, with 59% of all EGCs (or 1,809) audited by firms required to be inspected on an annual basis by the PCAOB<sup>32</sup> and 27% (or 825) audited by U.S. firms required to be inspected at least once every three years.<sup>33</sup> Of the remaining 459 EGCs audited by non-U.S. firms, 10% (323) were audited by affiliates of annually inspected and 4% (136) were audited by other non-U.S. firms.<sup>34</sup>

**FIGURE 23**  
**EGCs Audited by Annually and Triennially Inspected Firms**



Source: PCAOB

## Auditor Tenure

FIGURE 24 presents auditor tenure as disclosed in the most recent audit report included in the relevant SEC filings of the EGCs. Eighty-one percent of the EGCs have been with their current auditor for five years or less and five percent of the EGCs have been audited by the same firm for 11 or more years.<sup>35</sup>

<sup>32</sup> These are firms that have issued audit reports for more than 100 issuer audit clients in a given year and therefore are required to be inspected annually by the PCAOB. At the measurement date, all annually inspected firms were headquartered in the U.S. Of the 1,809 EGCs audited by annually inspected firms, 774 were audited by U.S. global network firms. Global network firms (“GNFs”) are the member firms of the six global accounting firm networks that include BDO International Ltd., Deloitte Touche Tohmatsu Ltd., Ernst & Young Global Ltd., Grant Thornton International Ltd., KPMG International Cooperative, and PricewaterhouseCoopers International Ltd. “U.S. GNF” refers to a GNF member firm based in the United States. Annually inspected firms comprise both U.S. GNFs and U.S. non-affiliate firms (“NAFs”).

<sup>33</sup> These are firms that have issued audit reports for 100 or fewer issuer audit clients in a given year and therefore are required to be inspected at least once every three years by the PCAOB. All triennially inspected U.S. Firms are considered U.S. NAFs.

<sup>34</sup> One EGC, from a jurisdiction with dual-auditor requirements, is counted twice in this chart (once for each firm).

<sup>35</sup> Under AS 3101, *The Auditor’s Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*, the auditor’s relationship with the company, for the purpose of determining auditor tenure, is not affected by the company’s status as a public company. As a result, the company’s relationship with the auditor may predate its SEC reporting history.



**FIGURE 24**  
**Auditor Tenure**

Auditor Tenure	# of EGCs	%
1 to 5 Years	2,496	81%
6 to 10 Years	430	14
11+ Years	151	5
Disclosed auditor tenure	3,077	99
No auditor tenure data available	16	1
<b>Total</b>	<b>3,093<sup>36</sup></b>	<b>100%</b>

Source: Audit Analytics

## Audit Fees

As seen in Figure 25, 80% (2,477) of EGCs disclosed audit fees in an SEC filing.<sup>37</sup> Audit fees disclosed by EGCs for their most recent fiscal year end ranged from \$2,000 to \$6.11 million. The median fees reported by exchange-listed EGCs (\$222,470) were significantly greater than the median fees reported by non-listed EGCs (\$60,000).

**FIGURE 25**  
**Audit Fees (USD)**

	(1) All EGCs	(2) Non-listed EGCs	(3) Exchange-Listed EGCs	(4) Other Exchange- Listed (Non-EGCs)
# of companies that disclosed audit fees	2,477	771	1,706	3,804
Median	\$130,295	\$60,000	\$222,470	\$1,395,000
Minimum	\$2,000	\$2,000	\$10,000	\$10,000
Maximum	\$6,114,500	\$4,711,960	\$6,114,500	\$92,900,000
Average	\$433,562	\$168,475	\$553,364	\$3,347,159

Source: Audit Analytics

<sup>36</sup> One EGC, from a jurisdiction with dual-auditor requirements, is counted twice in this chart (once for each firm).

<sup>37</sup> Audit fees were included only if they were for the same fiscal year as the most recent audit report. Companies that had not disclosed audit fees at the measurement date are excluded.

## APPENDIX A: METHODOLOGY

Our methodology is designed to capture the population of self-identified EGCs filing audited financial statements with the SEC during the 18 months preceding the measurement date (“measurement period”). Our methodology for doing so has evolved over time, in response to changes that the SEC has made to its forms. Refer to previous white papers for details of the methodology used for each of them.

### Current Methodology

Beginning with the white paper covering the measurement period ending November 15, 2020, and continuing in this white paper, we include in the EGC population only those companies that self-identified as an EGC by selecting the applicable check box on an Exchange Act annual report or registration statement, or on a Securities Act registration statement, or both.

We compiled this population by identifying companies that filed at least one of the filings referenced in the paragraph above during the measurement period and selected the EGC check box. In instances where a company had more than one such filing during the period, the most recent annual report was selected. If no annual report was filed in the period, the most recent registration statement was selected. If no annual reports or registration statements were filed in the measurement period, then the company was not included.<sup>38</sup>

Because we rely solely on the issuers’ self-identification as EGCs on the relevant SEC form, we do not exclude companies that, during the measurement period and subsequent to their last filing:

- (i) Terminate their SEC registration after filing the most recent periodic report or registration statement in which they self-identified as an EGC;
- (ii) Cease to be EGCs because they exceeded one or more of the EGC eligibility limits; or
- (iii) Exceed the five-year cut-off after the date of the filing in which they self-identified.

We obtained information on the EGC filing status directly from SEC filings. The financial information, audit report data, and filer status other than EGC status was derived from information on SEC filings obtained from commercial vendors. We supplemented the vendor information with manually collected data from SEC filings, when necessary. Information on the audit firms was obtained from Forms 2 and Form APs filed with the PCAOB.

### Limitations of the Current Methodology

Self-identification data may understate or overstate the population of EGCs if companies fail to self-identify or self-identify erroneously. For example, the population could be overstated if a company exceeded one of the EGC eligibility limits or the five-year cut-off but erroneously self-identified as an EGC. The actual population of companies that meet the statutory definition of “emerging growth

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<sup>38</sup> Consistent with previous white papers, we removed companies whose annual reports or registration statements did not include an audit report signed by a firm in the measurement period (*e.g.*, companies whose filings included unaudited financial statements or audit reports signed more than 18 months before the measurement date) from the initial population.

company” at a specific measurement date may be larger or smaller than the population analyzed in this white paper.

## APPENDIX B: CHARACTERISTICS OF EGCS

**FIGURE B.1**  
**Filer Status from Periodic Reports<sup>39</sup>**

	(1) All EGCs	(2) Non-listed EGCs	(3) Exchange- Listed EGCs	(4) Other Exchange- Listed (Non-EGCs)
<b>Large accelerated filer</b>	0	0	0	2,082
<b>Accelerated filer</b>	163	19	144	692
<b>Non-accelerated filers</b>	2,223	710	1,513	1,148
<b>Total companies that filed periodic reports in the last 18 months</b>	2,386	729	1,657	3,922
<b>Companies that did not file periodic reports</b>	706	501	205	11
<b>Total companies</b>	<b>3,092</b>	<b>1,230</b>	<b>1,862</b>	<b>3,933</b>

Source: Audit Analytics

<sup>39</sup> The data on large accelerated filer, accelerated filer, and non-accelerated filer status is derived from periodic reports, primarily Form 10-K, Form 10-Q, and Form 20-F. In general, at the measurement date, a “large accelerated filer” meant a company with a public float of \$700 million or more that has been subject to Exchange Act periodic reporting requirements for at least one year and has filed at least one annual report and “accelerated filer” meant a company with a public float of \$75 million or more, but less than \$700 million, that has been subject to Exchange Act periodic reporting requirements for at least one year and has filed at least one annual report. The definitions were amended effective April 27, 2020, among other things, to exclude companies that are eligible to be “smaller reporting companies” and had annual revenue of less than \$100 million in the most recent fiscal year for which audited financial statements are available. See Exchange Act Rule 12b-2, 17 CFR 240.12b-2. The subset of companies summarized in Figure B.1 as “non-accelerated filers” are those that filed periodic reports and did not identify themselves as “large accelerated filers” or “accelerated filers.”

FIGURE B.2

## Top Five Industries Reported by EGCs and Exchange-listed Companies by Number

(Numbers of only the top five in each noted population are displayed)

SIC industry description (code)	(1) All EGCs	(2) Non-listed EGCs	(3) Exchange- Listed EGCs	(4) Other Exchange- Listed (Non-EGCs)
Blank Checks (6770)	987 (32%)	364 (30%)	623 (33%)	
Pharmaceutical Preparations (2834)	320 (10%)	52 (4%)	268 (14%)	316 (8%)
Prepackaged Software (7372)	136 (4%)	42 (3%)	94 (5%)	129 (3%)
Biological Products, Except Diagnostic Substances (2836)	107 (3%)		98 (5%)	87 (2%)
Surgical and Medical Instruments and Apparatus (3841)	70 (2%)		48 (3%)	
Real Estate Investment Trusts (6798)		37 (3%)		189 (5%)
Computer Processing and Data Preparation and Processing Services (7374)		34 (3%)		
State Commercial Banks (6022)				150 (4%)
<b>Total in Top 5 (for each column presented)</b>	<b>1,620 (52%)</b>	<b>529 (43%)</b>	<b>1,131 (61%)</b>	<b>871 (22%)</b>
<b>Not in Top 5</b>	<b>1,472 (48%)</b>	<b>701 (57%)</b>	<b>731 (39%)</b>	<b>3,062 (78%)</b>
<b>Total Companies</b>	<b>3,092 (100%)</b>	<b>1,230 (100%)</b>	<b>1,862 (100%)</b>	<b>3,944 (100%)</b>

Source: Audit Analytics

FIGURE B.3

### Top Five Industries Reported by EGCs and Exchange-listed Companies by % of Assets

(Amounts for only the top five in each noted population are displayed)

SIC industry description (code)	(1) All EGCs	(2) Non-listed EGCs	(3) Exchange-Listed EGCs	(4) Other Exchange-Listed (Non-EGCs)
State Commercial Banks (6022)	14%	7%	16%	6%
Prepackaged Software (7372)	9		10	
Blank Checks (6770)	8	8	7	
Pharmaceutical Preparations (2834)	6		7	
Real Estate Investment Trusts (6798)	4	10		
Commodity Contracts Brokers and Dealers (6221)		10		
Finance Services (6199)		9		
National Commercial Banks (6021)			4	18
Commercial Banks, NEC (6029)				21
Life Insurance (6311)				6
Security Brokers, Dealers, and Flotation Companies (6211)				5
<b>Total in Top 5 (for each column presented)</b>	<b>40%</b>	<b>43%</b>	<b>44%</b>	<b>57%</b>
<b>Not in Top 5</b>	<b>60%</b>	<b>57%</b>	<b>56%</b>	<b>43%</b>
<b>Total Companies</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Sources: Audit Analytics and Standard & Poor's

FIGURE B.4

## Top Five Industries Reported by EGCs and Exchange-listed Companies by % of Revenue

(Amounts for only the top five in each noted population are displayed)

SIC industry description (code)	(1) All EGCs	(2) Non-listed EGCs	(3) Exchange-Listed EGCs	(4) Other Exchange-Listed (Non-EGCs)
Prepackaged Software (7372)	12%	7%	14%	
Services-Computer Programming, Data Processing, Etc. (7370)	4		5	
Computer Processing and Data Preparation and Processing Services (7374)	4		4	
Business Services, NEC (7389)	3		4	
Catalog and Mail-Order Houses (5961)	3		3	
Medicinal Chemicals and Botanical Products (2833)		6		
Fire, Marine, and Casualty Insurance (6331)		6		
Sporting and Athletic Goods, NEC (3949)		4		
Real Estate Investment Trusts (6798)		4		
Petroleum Refining (2911)				5
Variety Stores (5331)				4
Crude Petroleum and Natural Gas (1311)				4
Hospital and Medical Service Plans (6324)				3
Motor Vehicles and Passenger Car Bodies (3711)				3
<b>Total in Top 5 (for each column presented)</b>	<b>27%</b>	<b>27%</b>	<b>29%</b>	<b>20%</b>
<b>Not in Top 5</b>	<b>73%</b>	<b>73%</b>	<b>71%</b>	<b>80%</b>
<b>Total Companies</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Sources: Audit Analytics, Standard & Poor's

**FIGURE B.5**  
**Reported Assets (Millions USD)**

	(1) All EGCs	(2) Non-listed EGCs	(3) Exchange-Listed EGCs	(4) Other Exchange-Listed (Non-EGCs)
<b>Minimum</b>	\$0.0	\$0.0	\$0.0	\$0.2
<b>Maximum</b>	17,716.5	17,716.5	15,964.2	3,386,071.0
<b>Average</b>	280.4	164.9	356.7	25,435.7
<b>Median</b>	20.9	0.4	80.9	1,873.9

Source: Standard & Poor's

**FIGURE B.6**  
**Reported Revenue (Millions USD)**

	(1) All EGCs	(2) Non-listed EGCs	(3) Exchange-Listed EGCs	(4) Other Exchange-Listed (Non-EGCs)
<b>Minimum</b>	-\$9.4	\$0.0	-\$9.4	-\$965.7
<b>Maximum</b>	1,745.1	1,745.1	1,064.3	556,933.0
<b>Average</b>	65.5	32.8	87.1	5,774.3
<b>Median</b>	0.0	0.0	0.4	684.2

Source: Standard & Poor's



## APPENDIX C: CHARACTERISTICS OF FIRMS THAT AUDIT EGCs

FIGURE C.1

### Count of Firms and EGC Market Capitalization by Jurisdiction

Jurisdiction	# of Firms	# of EGCs	# of Exchange-Listed EGCs	Market Capitalization of Exchange-Listed EGCs (Billions USD)
United States	143	2,634	1,568	\$1,895.5
Canada	20	103	64	49.9
Mainland China	9	90	73	124.1
Israel	9	63	40	58.2
United Kingdom	7	31	27	32.3
Singapore	6	19	11	3.4
India	6	12	3	2.3
Australia	5	8	5	1.3
Switzerland	4	13	13	24.0
Hong Kong	4	13	2	0.6
Germany	4	11	7	10.8
Brazil	4	9	6	7.3
France	4	7	6	4.1
Malaysia	3	22	-	-
Norway	3	4	4	3.9
Netherlands	3	4	4	2.6
Belgium	3	3	3	1.8
Sweden	2	3	3	9.0
Argentina	2	3	3	2.2
Ireland	2	3	3	1.0
Mexico	2	2	2	1.4
Russia	2	2	1	3.2
Luxembourg	2	2	1	1.8
Pakistan	1	9	-	-
Denmark	1	5	5	1.3
Nigeria	1	4	-	-
Greece	1	2	2	0.3
United Arab Emirates	1	1	1	1.0
Turkey	1	1	1	1.0
Italy	1	1	1	0.7
Spain	1	1	1	0.3
South Africa	1	1	1	0.2
Austria	1	1	1	0.1
Bermuda	1	1	-	-
Peru	1	1	-	-
Belarus	1	1	-	-
Bahamas	1	1	-	-
Taiwan	1	1	-	-
<b>Total</b>	<b>264</b>	<b>3,092</b>	<b>1,862</b>	<b>\$2,245.6</b>

Sources: PCAOB Form 2, Standard & Poor's

## APPENDIX D: SPACS IN THE EGC POPULATION

The 3,092 EGCs identified in this white paper included 847 SPACs, representing 27% of the EGC population. Data in this appendix provides information about certain EGC characteristics that is differentiated between two segments of the EGC population at the measurement date: SPACs and those that are not SPACs (“non-SPACs”).<sup>40</sup>

Of the 1,577 newly identified EGCs, 694 (44%) were SPACs at the measurement date and 47 of the new EGCs (3%) were companies that were previously SPACs but had engaged in a de-SPAC transaction prior to the measurement date (“Former SPACs”), as seen in in Figure D.1.<sup>41</sup>

Figure D.1  
**Newly Identified EGCs**

	New EGCs at November 15, 2021	%
SPACs	694	44%
Former SPACs	47	3
Non-SPACs	836	53
<b>Total</b>	<b>1,577</b>	<b>100%</b>

Sources: SPAC Research, Audit Analytics

Of the 1,862 exchange-listed EGCs, 33% (610) were SPACs, as shown in Figure D.2.

Figure D.2  
**Exchange-listed**

	# of Exchange-Listed EGCs	%
SPAC	610	33%
Non-SPAC	1,252	67
<b>Total</b>	<b>1,862</b>	<b>100%</b>

Sources: SPAC Research, Audit Analytics, SEC Filings

<sup>40</sup> SPACs within the EGC population were identified using data from SPAC Research and Audit Analytics.

<sup>41</sup> PCAOB staff reviewed SEC filings to identify SPACs that reported having completed a business combination before the measurement date; these companies were classified as Former SPACs. The actual population of companies that would be considered a SPAC at a specific measurement date may be larger or smaller than the population identified by third-party vendors.

EGCs that are SPACs tend to have fewer assets than non-SPAC EGCs. As shown in Figure D.3, SPACs had an average of \$62.7 million in assets compared to \$362.5 million for non-SPACs. In addition, SPACs had median assets of \$0.1 million compared to \$63.3 million for non-SPACs.

**Figure D.3**  
**Assets**

	# of EGCs	Average Assets (Millions USD)	Median Assets (Millions USD)
<b>SPAC</b>	847	\$62.7	\$0.1
<b>Non-SPAC</b>	2,245	362.5	63.6
<b>Total</b>	<b>3,092</b>	<b>\$280.4</b>	<b>\$20.9</b>

Sources: SPAC Research, Audit Analytics, Standard & Poor's

There were 1,577 EGCs reporting no revenue, including 847 SPACs as shown in Figure D.4.

**Figure D.4**  
**No Revenue**

	# of EGCs Reporting No Revenue	%
<b>SPAC</b>	847	54%
<b>Non-SPAC</b>	730	46
<b>Total</b>	<b>1,577</b>	<b>100%</b>

Sources: SPAC Research, Audit Analytics, Standard & Poor's

Among the 699 EGCs disclosing shell company status, 84% (or 590) were SPACs as seen in Figure D.5. Of the 847 SPACs, 257 had no periodic filings during the measurement period.

**Figure D.5**  
**Shell Company Status**

	# of EGCs Disclosing Shell Status	%
<b>SPAC</b>	590	84%
<b>Non-SPAC</b>	109	16
<b>Total</b>	<b>699</b>	<b>100%</b>

Sources: SPAC Research, Audit Analytics

Among the 987 EGCs with the SIC code for blank check companies, 81% (or 796) were SPACs, as shown in Figure D.6.

Figure D.6  
**Industry**

	# of EGCs with Blank Check SIC Code	%
<b>SPAC</b>	796	81%
<b>Non-SPAC</b>	191	19
<b>Total</b>	<b>987</b>	<b>100%</b>

Sources: SPAC Research, Audit Analytics