

Characteristics of Emerging Growth Companies and Their Audit Firms

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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 Harsha Samaraweera, Michael Gurbutt, John Cook, Erik Durbin, Nick Galunic, Tian Liang, Dylan Rassier, Min Ren (Office of Economic and Risk Analysis), Elena Bozhkova and Karen Wiedemann (Office of the Chief Auditor), and Christopher Nee, Keisha Patrick, and Annie Yan (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, 2023.

The white paper includes the following key observations at November 15, 2023:

- There were 2,599 companies that self-identified as EGCs and filed audited financial statements with the SEC between May 16, 2022, and November 15, 2023, that included an audit report signed by a firm.
 - This represents a 14% decrease in the EGC population compared to the 3,031 EGCs at the November 2022 measurement date.
 - There are fewer new Special Purpose Acquisition Companies (SPACs) forming compared to prior measurement dates.
- There were 1,458 EGCs (or 56%) with common equity securities listed on a U.S. national securities exchange.
 - These 1,458 EGCs had a total U.S. market capitalization of \$406 billion, a 48% decrease in market capitalization from the prior measurement date.
 - These EGCs represented only 0.7% of U.S. total market capitalization even though they represented 26% of the 5,610 exchange-listed companies.
- Audit reports for the 2,599 EGCs were issued by 260 firms headquartered in 38 jurisdictions, including the United States.
- Among the 1,736 EGCs providing management reports on internal control over financial reporting (ICFR), 813 (or 47%) reported at least one material weakness.
- 1,077 EGCs (or 41%) reported no revenue or self-identified as shell companies in periodic filings or both.
- 214 of the firms that audited EGCs (or 82%) audited both EGC and non-EGC issuer clients while 46 firms (or 18%) did not audit issuers other than EGCs.
- Non-listed EGCs received an audit report with a going concern paragraph at a significantly higher rate (65%) than exchange-listed EGCs (40%).

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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.¹ The JOBS Act generally provides that new PCAOB standards and rules 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.² To implement this provision, upon adoption of a standard or rule subject to this determination, the PCAOB recommends to the SEC whether the standard or 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 standard-setting or rulemaking releases regarding the impact of applying new or amended standards or rules 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 limit³ 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”).⁴

¹ 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.

² 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.

Over the five-year period ended November 15, 2023, the PCAOB adopted five new or amended rules for which it requested that the SEC find that application of those rules to the audits of EGCs is “necessary or appropriate in the public interest” pursuant to SOX 103(a)(3)(C). For each such rule, there were no public comments made to the PCAOB or SEC that suggested that the rule should not be applied to audits of EGCs. The SEC determined in each instance that application of the rule to audits of EGCs was necessary or appropriate in the public interest. The SEC’s finding, as well as a summary of public comments, can be found at <https://www.sec.gov/rules-regulations/public-company-accounting-oversight-board-rulemaking>.

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).

³ 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 \$1.235 billion. See SEC Release 33-11098, *Inflation Adjustments Under Titles I and III of the JOBS Act* (Sep. 9, 2022).

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

Unless the context requires otherwise, references in this white paper to “the measurement date” mean the most recent measurement date, November 15, 2023.⁵

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;
- (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);⁶
- (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 check boxes to determine EGC status and did not attempt to identify the population of EGCs 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, 2023. We describe the methodology for this white paper in Appendix A. 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.

Analysis for this Paper

We identified 2,599 companies that self-identified as EGCs and filed audited financial statements with the SEC between May 16, 2022, and November 15, 2023 (“measurement period”).⁷

⁵ 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 prior white papers. EGC data at any measurement date reflects the revenue limit in effect on that date.

⁶ See Exchange Act Rule 12b-2, 17 CFR 240.12b-2; *see also* note 32 *infra*.

⁷ Please see methodology in Appendix A for details.

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)⁸ and those that do not (“non-listed” EGCs).⁹

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). This 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 measurement date.¹⁰ From a total population of 5,610 exchange-listed companies, the 1,458 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 4,152 exchange-listed companies in the benchmark population (“other exchange-listed companies”).¹¹ These other exchange-listed companies tend to be larger and generally have a longer reporting history than exchange-listed EGCs.

The white paper does not present analysis on a similar benchmark population or data on market capitalization for non-listed EGCs.¹² 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. These inherent limitations on available data reduce our ability to make useful comparisons between non-listed EGCs and non-listed non-EGCs.

The remainder of this white paper is organized as follows: Section II provides the total EGCs at the last six measurement dates. 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 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. Appendix D provides additional information about special purpose acquisition companies (SPACs) in the EGC population.

⁸ Exchange-listed company information at the measurement date is derived from S&P Global Market Intelligence 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, 2023, 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.

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

¹⁰ 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.

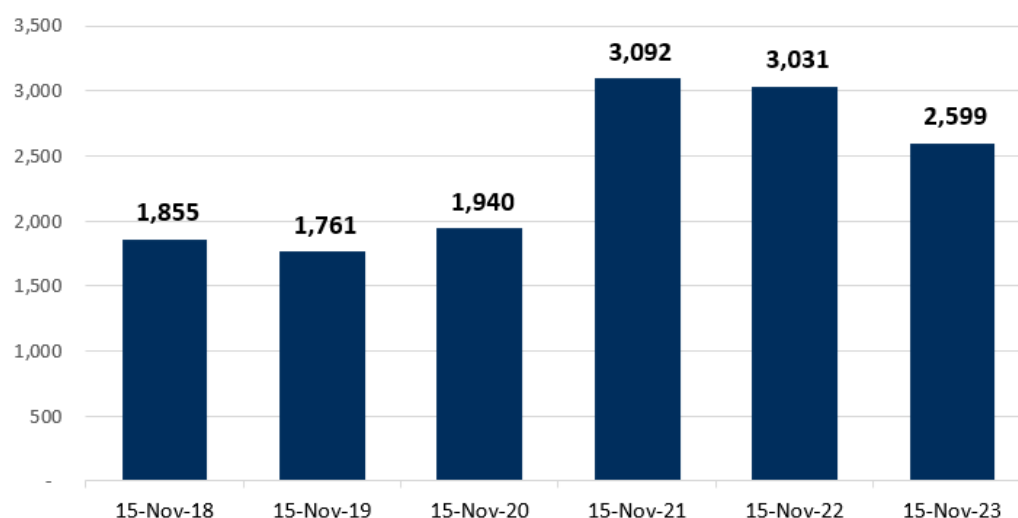
¹¹ Companies whose only publicly traded securities are debt securities are excluded from this benchmark population.

¹² We identified a total count of 1,765 companies that are not EGCs and are not listed. To derive this population, we identified all Form AP filings between May 16, 2022, and November 15, 2023, and removed companies identified in the white paper as EGCs (exchange-listed and non-listed), other exchange-listed companies, and companies that identified as an “Investment Company” or an “Employee Benefit Plan” in the Form AP filing. Delays or errors in Form AP filings would result in this population being overstated or understated.

II. NOVEMBER 2023 EGC POPULATION

We identified 2,599 EGCs using the methodology described in Appendix A. Figure 1 displays the number of EGCs identified at this and each of the prior measurement dates, beginning in 2018.¹³ EGCs at this measurement date are no longer exhibiting the greater than usual variation in some characteristics, as discussed in the next section, seen at the two prior measurement dates (2021 and 2022), but rather exhibit characteristics that are similar to earlier measurement dates (2018-2020) as the impact of SPACs is less pronounced.

FIGURE 1
Number of EGCs



Sources: SEC Filings, Audit Analytics

There was a net decrease in EGCs of 14% compared to the prior measurement date. The decline between 2022 and 2023 is driven primarily by the decrease in the number of SPACs; see Appendix D for more information about SPACs in the EGC population.

¹³ Counts for the 2018 and 2019 populations are based on prior methodologies. Please refer to the [respective white papers](#) for details of the methodologies.

III. CHARACTERISTICS OF EGCS

This section provides descriptive statistics regarding selected characteristics of EGCS.

We previously stated our belief that the greater than usual variation in certain characteristics when compared to prior measurement dates was attributable to market activity surrounding SPACs, and we believe that much of this return to historical trends is attributable to the decline of SPAC activity.¹⁴ 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 2, a large majority of the 2,599 EGCS filed periodic reports during the measurement period.¹⁵ Similar to the prior measurement period, approximately one in seven EGCS only filed audited financial statements in registration statements during the measurement period.

FIGURE 2
Filing Activity

	November 15, 2023		November 15, 2022	
	EGCs	%	EGCs	%
EGCs that filed periodic reports in the last 18 months	2,231	86%	2,562	85%
EGCs that filed only registration statements in the last 18 months	368	14%	469	15%
Total EGCs	2,599	100%	3,031	100%

Sources: Audit Analytics, Strategic Insight

¹⁴ 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 calendar year 2019 to 613 in 2021 before decreasing to 86 in 2022 and 31 in 2023. See SPAC and US IPO Activity, at <https://spacanalytics.com>.

¹⁵ Periodic reports include quarterly reports on Form 10-Q and 10-Q/A in addition to annual reports.

Market Capitalization

As seen in Figure 3, we identified 1,458 exchange-listed EGCs (56% of the total EGC population) and 1,141 non-listed EGCs at the measurement date. The exchange-listed EGCs had a combined market capitalization of approximately \$406 billion at the measurement date.¹⁶

This market capitalization represented an almost 50% decrease in the total EGC market capitalization at November 15, 2022.¹⁷ The decrease reflects both a drop in the number of exchange-listed EGCs and a drop in the average and median market capitalization of exchange-listed EGCs. There was a corresponding drop in the number of EGCs with a market capitalization of \$75 million or more and we address this change later in this section in Figure 5.

FIGURE 3
Market Capitalization Summary

	2018	2019	2020	2021	2022	2023
Total EGCs	1,855	1,761	1,940	3,092	3,031	2,599
Exchange-Listed EGCs	909	910	996	1,862	1,868	1,458
% Exchange-Listed	49%	52%	51%	60%	62%	56%
Total Market Cap of Exchange-Listed (\$B)	\$567	\$583	\$1,244	\$2,246	\$787	\$406
Minimum (\$M)	\$3	\$1	\$6	\$13	\$2	\$0.5
Maximum (\$M)	\$11,805	\$15,668	\$114,021	\$118,464	\$11,649	\$13,884
Average (\$M)	\$624	\$641	\$1,249	\$1,207	\$421	\$278
Median (\$M)	\$269	\$227	\$299	\$326	\$204	\$76

Note: All years at November 15 measurement date.

Source: S&P Global Market Intelligence

¹⁶ 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.

¹⁷ The 864 EGCs included at the November 2022 measurement date that are not counted as EGCs at the current measurement date accounted for 75% of the total decrease in EGC market capitalization. Newly identified EGCs at the current measurement date represented 16% of the total EGC market capitalization at the measurement date. Newly identified EGCs at the November 2022 measurement date represented 12% of the total EGC market capitalization at the time.

As seen in Figure 4, the market capitalization of the exchange-listed EGCs was under 1% of the \$57.4 trillion market capitalization of all exchange-listed companies.

FIGURE 4
Market Capitalization of Exchange-listed Companies

	Companies	Market Cap (Trillions USD)	%
Exchange-listed EGCs	1,458	\$0.4	0.7%
Other exchange-listed companies	4,152	\$57.0	99.3%
Total	5,610	\$57.4	100%

Source: S&P Global Market Intelligence

Market capitalization for individual EGCs ranged from \$0.5 million to \$13.9 billion.¹⁸ As shown in Figure 5, 50% of the exchange-listed EGCs had a market capitalization of \$75 million or more at the measurement date. There were 138 EGCs with a market capitalization of \$700 million or more, compared to 250 at November 15, 2022. In addition, there were 594 EGCs with a market capitalization between \$75 million and \$700 million, compared to 1,089 at November 15, 2022. This decrease contributed to the decline in overall market capitalization presented in Figure 3.

FIGURE 5
Market Capitalization of Exchange-listed EGCs

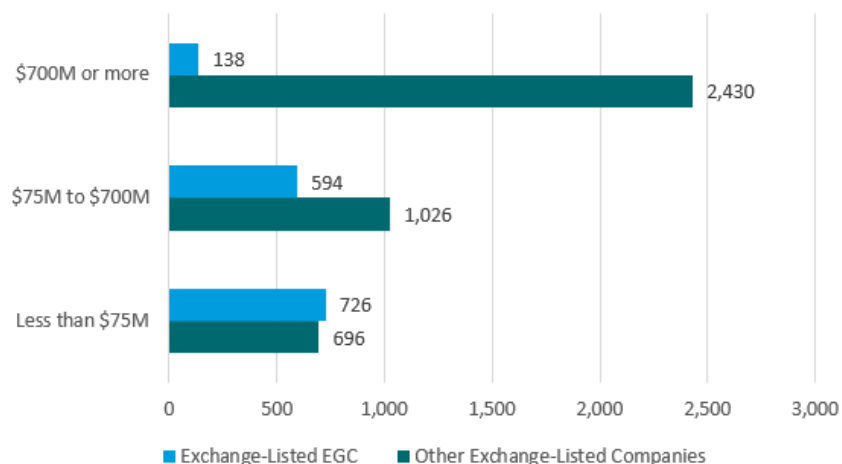
Category	# of EGCs	Max Market Cap (Millions USD)	Min Market Cap (Millions USD)	Average Market Cap (Millions USD)	Median Market Cap (Millions USD)	Total Market Cap (Millions USD)
\$700M or more	138 (9%)	\$13,884	\$704	\$1,745	\$1,258	\$240,843
\$75M to \$700M	594 (41%)	\$694	\$75	\$243	\$198	\$144,410
Less than \$75M	726 (50%)	\$75	\$1	\$29	\$24	\$20,748
Exchange-listed EGCs	1,458 (100%)					\$406,000

Source: S&P Global Market Intelligence

¹⁸ Of the 1,458 exchange-listed EGCs, only one EGC had a market capitalization greater than \$10 billion.

As seen in Figure 6, the largest group of exchange-listed EGCs had market capitalization less than \$75 million, while most of the other exchange-listed companies had market capitalization of \$700 million or more. Some exchange-listed EGCs, however, had market capitalization of \$700 million or more.

FIGURE 6
Distribution of Number of Exchange-Listed EGCs and Other Exchange-Listed Companies by Market Capitalization



Source: S&P Global Market Intelligence

Industry

EGCs operated in 262 industry classifications based on Standard Industrial Classification (SIC) codes in SEC filings. The five most common SIC codes reported by EGCs were: (i) blank check companies;¹⁹ (ii) pharmaceutical preparations; (iii) prepackaged software; (iv) biological products (not including diagnostic substances); and (v) surgical and medical instruments and apparatus. The proportion of EGCs reporting the five most common SIC codes is summarized in Figure 7. The majority of EGCs (61%) reported being in other industries versus being in these top five industries, including a small number (less than 5%) that did not report a SIC code in their SEC filings.

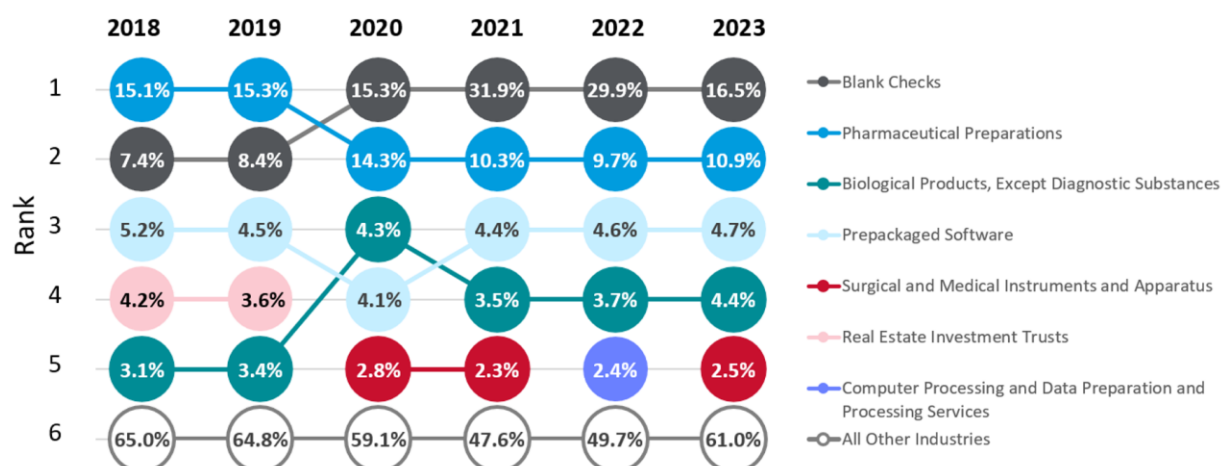
The percentage of EGCs that were blank check companies decreased significantly relative to the EGC population at the November 2022 measurement date. There was an increase in EGCs that were blank check companies beginning with the November 2021 measurement date due to the higher number of registrations by SPACs. All SPACs are initially blank check companies (but not all blank check companies are SPACs).²⁰ As of the current measurement date, the percentage of EGCs that are blank check companies has decreased compared to the prior measurement date, as SPACs have completed business combinations (de-SPAC transactions) or liquidated, and the number of new SPACs being formed is much lower.

¹⁹ 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.

²⁰ More than 91% of EGCs with the SIC code for blank check companies were SPACs.

FIGURE 7

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



Source: SEC Filings, Audit Analytics

Figure B.2 in Appendix B provides more detailed industry data on exchange-listed EGCs, non-listed EGCs, and other exchange-listed companies for the current measurement date. Exchange-listed EGCs had a higher concentration in pharmaceutical preparations (15%), compared to other non-listed EGCs (5%) and other exchange-listed companies (9%). Exchange-listed EGCs had a lower concentration in blank check companies (14%) compared to non-listed EGCs (19%).

Figure B.3 and Figure B.4 in Appendix B provide industry data for EGCs, exchange-listed EGCs, non-listed EGCs, and other exchange-listed companies, broken down by total assets and by revenue. 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) blank checks; (iii) real estate investment trusts; (iv) pharmaceutical preparations; and (v) prepackaged software. Total assets of EGCs reporting these five SIC codes represented approximately 35% of the total assets of EGCs at the current measurement date. Total assets of blank checks decreased from 16% of total assets to 9%. Four of the top five SIC codes reporting the highest total assets were also in the top five at the prior measurement date.

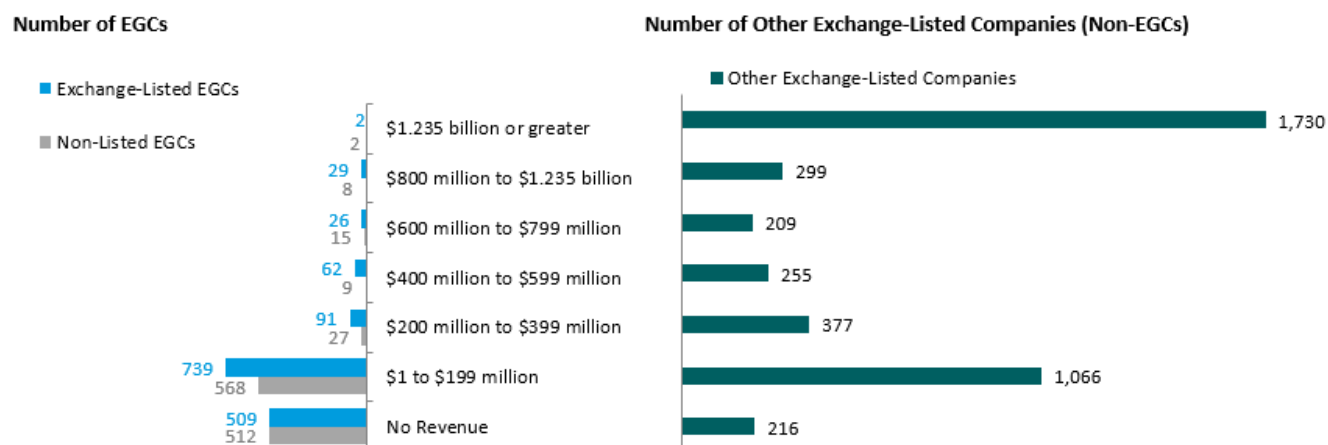
Assets and Revenue

The assets reported by EGCs ranged from zero to \$8.8 billion. The average assets was \$275.5 million, the median was \$66.7 million, and the total was \$716B. Approximately 98% of EGCs (2,555) reported assets greater than \$0.

The annual revenue reported by EGCs ranged from -\$104.9 million to \$2.2 billion. The average revenue was \$71.1 million, the median was \$0.9 million, and the total revenue was \$185B. Approximately 61% of EGCs (1,578) reported revenue greater than \$0.²¹ The distribution of revenue among EGCs and other exchange-listed companies is shown in Figure 8.

²¹ Calculated excluding negative revenue.

FIGURE 8
Distribution of Revenue Reported by EGCs and Exchange-listed Companies



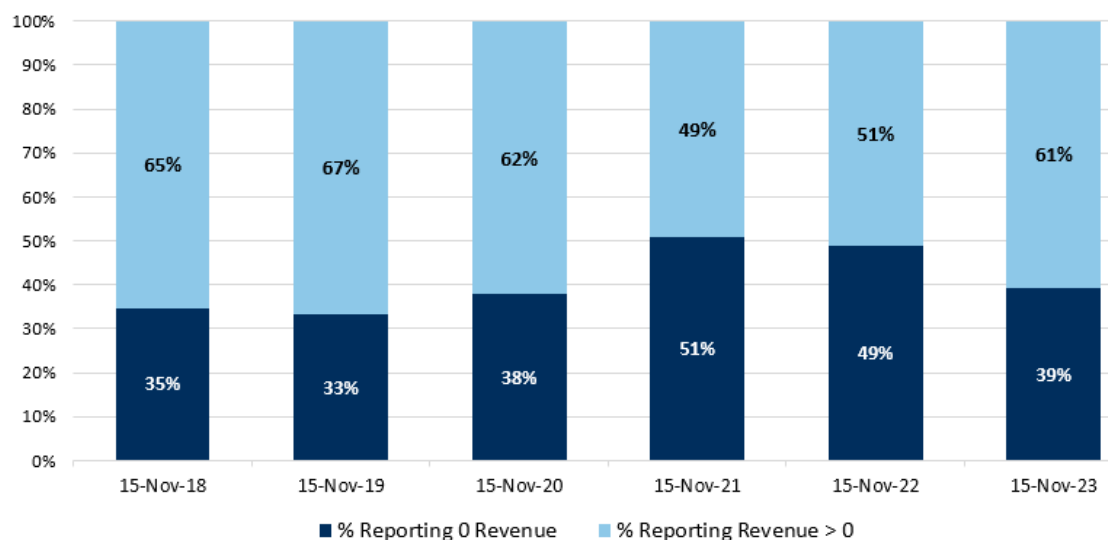
Source: S&P Global Market Intelligence

Additional information summarizing the distribution of revenue and assets reported by all 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.

IV. SHELL COMPANIES AND LIMITED OPERATIONS AMONG EGCS

Figure 9 shows, for each of the last six years, the proportion of EGCs reporting no revenue. The share of EGCs reporting no revenue decreased relative to the November 2022 measurement date, driven primarily by the decline in the number of SPACs (as SPACs report no revenue).

FIGURE 9
EGCs With and Without Revenue



Source: S&P Global Market Intelligence

Figure 10 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.

A total of 1,077 EGCs reported no revenue, self-identified as shell companies in periodic filings, or both, in their most recently filed financial statements.²² Figure 10 shows that reporting no revenue was less common among exchange-listed EGCs compared to non-listed EGCs, and that other exchange-listed companies were much less likely to report zero revenue.

²² Generally, a company is a shell company if it has no or nominal operations and assets consisting of no more than 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 10
Reporting of No Revenue

	(1) All EGCs	(2) Non-listed EGCs	(3) Exchange- Listed EGCs	(4) Other Exchange- Listed (Non-EGCs)
# of companies	2,599	1,141	1,458	4,152
# reporting no revenue	1,021	512	509	216
% reporting no revenue	39%	45%	35%	5%

Sources: Audit Analytics, S&P Global Market Intelligence

Figure 11 presents shell company disclosure by companies that have filed periodic reports in the measurement period, some of which also reported no revenue.²³ The number of EGCs disclosing shell company status decreased to 23% of the population from 31% at the November 2022 measurement date. Shell company disclosure was less common among exchange-listed EGCs compared to non-listed EGCs, and significantly less common among other exchange-listed companies.

FIGURE 11
Shell Company Disclosure in Periodic Reports

	(1) All EGCs	(2) Non-listed EGCs	(3) Exchange- Listed EGCs	(4) Other Exchange- Listed (Non-EGCs)
Total # of companies that filed periodic reports	2,231	807	1,424	4,148
# with shell company disclosure in periodic reports	507	214	293	4
% with shell company disclosure in periodic reports	23%	27%	21%	0%

Source: Audit Analytics

²³ 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 EGCs during the measurement period. Audit reports for the EGCs in this measurement period were issued by 260 firms headquartered in 38 jurisdictions, including the United States.²⁴ As shown in Figure 12, a large majority performed audits for both EGC and non-EGC issuers while less than 20% performed issuer audits only for EGCs during the measurement period.²⁵ Only a small fraction of EGCs were audited by firms whose only issuer audits were for EGCs.

FIGURE 12

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	46	18%	81	3%
Audited EGCs and non-EGCs	214	82%	2,518	97%
Total	260	100%	2,599	100%

Source: Audit Analytics

See Appendix C for more information on the distribution of the number of issuer clients of the firms that audited EGCs.

During the measurement period, there were 2,445 Form AP filings with the PCAOB for the audits of EGCs.²⁶ As shown in Figure 13, 17% of the Form AP filings indicated that at least one other accounting firm participated in the audit. The number of other accounting firms participating in audits ranged from one to nine. Other accounting firms participating in audits generally accounted for less than 20% of the total audit hours.²⁷

²⁴ See Figure C1 in Appendix C for a list of all jurisdictions where the headquarters of firms that audit EGCs were located.

²⁵ Of the 263 firms auditing EGCs in the prior measurement period, 8 withdrew their registration with the PCAOB and 28 firms did not audit EGCs as of the current measurement date. All 33 firms entering during the current measurement period were previously registered firms that did not audit EGCs in the prior white paper.

²⁶ 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. The difference between the number of EGCs and Form AP Filings is due to delays or errors in Form AP filings. 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>.

²⁷ 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 13.

FIGURE 13

Disclosure of Other Independent Accounting Firm(s) in Form AP Filings

Indicated Other Audit Participant	# of EGCs	% of EGCs
Yes	418	17%
20% or More of Total Audit Hours	70	3%
Less than 20% of Total Audit Hours	348	14%
No	2,027	83%
Total EGCs Filing Form AP	2,445	100%

Source: PCAOB Form AP

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.²⁸ Figure 14 shows the number of EGCs that filed a periodic report in the last 18 months, and the number that provided a management report on ICFR in that report. Of those companies that provided a management report on ICFR, almost half reported at least one material weakness. Non-listed EGCs reported material weaknesses at higher rates than exchange-listed EGCs. Other exchange-listed companies reported material weaknesses at significantly lower rates than the exchange-listed EGCs.

FIGURE 14
Material Weakness in ICFR

	(1) All EGCs	(2) Non-listed EGCs	(3) Exchange-Listed EGCs	(4) Other Exchange-Listed (Non-EGCs)
Total # of companies that filed periodic reports	2,231	807	1,424	4,148
# with management reports on ICFR	1,736	620	1,116	4,078
# with at least one material weakness reported by management	813	379	434	479
% of ICFR reports with at least one material weakness	47%	61%	39%	12%

Source: Audit Analytics

Going Concern Paragraphs in Audit Reports of EGCs

Figure 15 shows the number of EGCs for which the most recent audit report included an explanatory paragraph expressing substantial doubt about the company's ability to continue as a going concern ("going concern paragraph"). As shown in Figure 15, non-listed EGCs received an audit report with a going concern paragraph at a substantially higher rate than exchange-listed EGCs.

²⁸ 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.

FIGURE 15
Going Concern Paragraphs

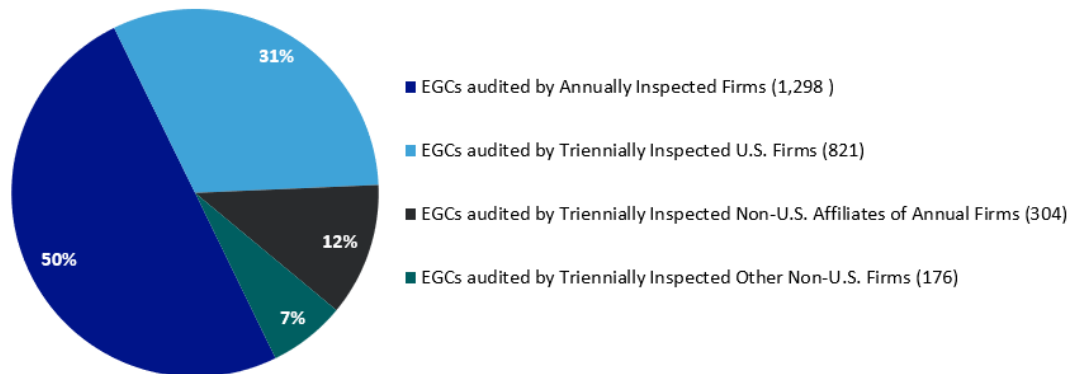
	(1) All EGCs	(2) Non-listed EGCs	(3) Exchange-Listed EGCs	(4) Other Exchange- Listed (Non-EGCs)
Total # of companies	2,599	1,141	1,458	4,152
# without going concern paragraph	1,272	396	876	3,867
# with going concern paragraph	1,327	745	582	285
% with going concern paragraph	51%	65%	40%	7%

Source: Audit Analytics

Audit Firm Inspection Frequency

As seen in Figure 16, U.S. firms audited 2,119 EGCs, with 50% of all EGCs audited by firms required to be inspected on an annual basis by the PCAOB²⁹ and 31% audited by U.S. firms required to be inspected at least once every three years.³⁰ Of the remaining 480 EGCs audited by non-U.S. firms, 12% were audited by affiliates of annually inspected and 7% were audited by other non-U.S. firms.

FIGURE 16
EGCs Audited by Annually and Triennially Inspected Firms



Source: PCAOB

²⁹ 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 1,298 EGCs audited by annually inspected firms, 639 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”).

³⁰ 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.

Audit Fees

As seen in Figure 17, 2,125 (82%) of EGCs disclosed audit fees in SEC filings, totaling \$1 billion in aggregate.³¹ Audit fees disclosed by EGCs for their most recent fiscal year end ranged from \$2,000 to \$28.7 million. The median fees reported by exchange-listed EGCs were significantly greater than the median fees reported by non-listed EGCs.

Median fees reported by EGCs increased from the prior measurement date, while average fees decreased slightly. This increase in the median is likely due to the decline in the number of SPACs, which have much lower audit fees than non-SPAC EGCs.³² When taken separately, median fees for both non-SPAC EGCs and SPACs remained fairly constant between the prior measurement date and the current measurement date. See Appendix D, Figure D.7 for more information about audit fees reported by SPACs in the EGC population.

FIGURE 17
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	2,125	748	1,377	4,112
Total	\$1,046,264,284	\$202,514,427	\$843,749,857	\$14,697,956,807
Minimum	\$2,000	\$2,000	\$20,600	\$4,000
Maximum	\$28,702,851	\$7,070,007	\$28,702,851	\$119,501,355
Average	\$492,360	\$270,741	\$612,745	\$3,574,406
Median	\$200,645	\$90,000	\$340,000	\$1,588,038

Source: Audit Analytics

³¹ 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.

³² As the number of SPACs decreases, the number of EGCs that pay lower audit fees also decreases. When the number of EGCs that pay lower fees decreases, the median increases as the remaining EGCs (which pay higher fees) shift the middle point upwards.

As seen in Figure 18, audit fees are less than 1% of revenue for EGCs and non-EGCs, though slightly higher than audit fees for other exchange listed companies.

FIGURE 18
Audit Fees and Revenue (Millions USD)

	(1) All EGCs	(2) Non-listed EGCs	(3) Exchange- Listed EGCs	(4) Other Exchange- Listed (Non-EGCs)
Total # of companies	2,599	1,141	1,458	4,152
# of companies that disclosed audit fees and reported revenue > 0	1,307	407	900	3,896
Total Audit Fees	\$866	\$168	\$698	\$14,531
Total Revenue of Companies Reporting Audit Fees	\$163,453	\$29,248	\$134,205	\$28,423,709
Total Audit Fees / Total Revenue	0.5%	0.6%	0.5%	0.1%

Source: Audit Analytics, S&P Global Market Intelligence

APPENDIX A: METHODOLOGY

Our methodology is designed to capture the population of self-identified EGCs that filed audited financial statements with the SEC during the 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 prior white papers for details of the methodology used for each of them. There have been no significant changes to the methodology from the prior white paper.

Current Methodology

Beginning with the white paper covering the measurement period ended 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.³³

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.³⁴

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 Form 2 and Form AP filings 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

³³ Form types checked are limited to Forms 10-K, 20-F, 40-F, 10-12B, 10-12G, F-1, F-4, S-1, S-4, S-11, including amendments.

³⁴ Consistent with prior 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 Reports³⁵

	(1) All EGCs	(2) Non-listed EGCs	(3) Exchange- Listed EGCs	(4) Other Exchange- Listed (Non-EGCs)
Large accelerated filer	0	0	0	2,324
Accelerated filer	212	19	193	665
Non-accelerated filers	2,019	788	1,231	1,159
# of companies that filed periodic reports in the 18 months preceding the measurement date	2,231	807	1,424	4,148
# of companies that did not file periodic reports in the 18 months preceding the measurement date	368	334	34	4
Total companies	2,599	1,141	1,458	4,152

Source: Audit Analytics

³⁵ 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, a “large accelerated filer” means 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, excluding 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)	429 (17%)	220 (19%)	209 (14%)	
Pharmaceutical Preparations (2834)	283 (11%)	59 (5%)	224 (15%)	364 (9%)
Prepackaged Software (7372)	121 (5%)	44 (4%)	77 (5%)	169 (4%)
Biological Products, Except Diagnostic Substances (2836)	115 (4%)		94 (6%)	101 (2%)
Surgical and Medical Instruments and Apparatus (3841)	65 (3%)		48 (3%)	
Computer Processing and Data Preparation and Processing Services (7374)		35 (3%)		
Real Estate Investment Trusts (6798)		27 (2%)		180 (4%)
State Commercial Banks (6022)				152 (4%)
Total in Top 5 (for each column presented)	1,013 (39%)	385 (34%)	652 (45%)	966 (23%)
Not in Top 5	1,586 (61%)	756 (66%)	806 (55%)	3,186 (77%)
Total Companies	2,599 (100%)	1,141 (100%)	1,458 (100%)	4,152 (100%)

Sources: SEC Filings, 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)	12%	3%	15%	6%
Blank Checks (6770)	9%	14%	7%	
Real Estate Investment Trusts (6798)	5%	11%		
Pharmaceutical Preparations (2834)	5%		6%	
Prepackaged Software (7372)	4%		5%	
National Commercial Banks (6021)		3%		18%
Motor Vehicles and Passenger Car Bodies (3711)		3%		
Biological Products, Except Diagnostic Substances (2836)			4%	
Commercial Banks, NEC (6029)				20%
Life Insurance (6311)				5%
Security Brokers, Dealers, and Flotation Companies (6211)				4%
Total in Top 5	35%	35%	38%	54%
Not in Top 5	65%	65%	62%	46%
Total Companies	100%	100%	100%	100%

Sources: SEC Filings, Audit Analytics, S&P Global Market Intelligence

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)	7%		9%	
Services-Computer Programming, Data Processing, Etc. (7370)	4%	4%	4%	
Finance Services (6199)	3%		4%	
Services-Health Services (8000)	3%		4%	
Computer Processing and Data Preparation and Processing Services (7374)	3%	4%		
Medicinal Chemicals and Botanical Products (2833)		5%		
Agricultural production- crops (100)		5%		
Crude Petroleum and Natural Gas (1311)		4%		5%
Business Services, NEC (7389)			3%	
Petroleum Refining (2911)				7%
Motor Vehicles and Passenger Car Bodies (3711)				4%
Variety Stores (5331)				4%
Hospital and Medical Service Plans (6324)				3%
Total in Top 5	22%	22%	24%	22%
Not in Top 5	78%	78%	76%	78%
Total Companies	100%	100%	100%	100%

Sources: SEC Filings, Audit Analytics, S&P Global Market Intelligence

FIGURE B.5

Reported Assets (Millions USD)

	(1) All EGCs	(2) Non-listed EGCs	(3) Exchange-Listed EGCs	(4) Other Exchange-Listed (Non-EGCs)
Minimum	\$0.0	\$0.0	\$0.0	\$0.8
Maximum	\$8,766.1	\$8,337.8	\$8,766.1	\$3,665,743.0
Average	\$275.5	\$198.8	\$335.4	\$24,439.9
Median	\$66.7	\$7.3	\$123.9	\$1,898.1

Source: S&P Global Market Intelligence

FIGURE B.6

Reported Revenue (Millions USD)

	(1) All EGCs	(2) Non-listed EGCs	(3) Exchange-Listed EGCs	(4) Other Exchange-Listed (Non-EGCs)
Minimum	-\$104.9	\$0.0	-\$104.9	-\$11,591.6
Maximum	\$2,218.0	\$1,660.2	\$2,218.0	\$608,481.0
Average	\$71.1	\$40.6	\$95.0	\$6,839.6
Median	\$0.9	\$0.0	\$6.4	\$754.9

Source: S&P Global Market Intelligence

APPENDIX C: CHARACTERISTICS OF FIRMS THAT AUDIT EGCS

FIGURE C.1

Count of Firms and EGC Market Capitalization by Jurisdiction³⁶

Jurisdiction	# of Firms	# of EGCs	# of Exchange-Listed EGCs	Market Capitalization of Exchange-Listed EGCs (Billions USD)
United States	136	2,119	1,145	\$296.9
Canada	20	118	72	\$30.7
China	10	48	37	\$14.2
Israel	9	79	59	\$13.3
Singapore	8	50	35	\$3.7
Australia	7	17	11	\$1.2
United Kingdom	6	25	20	\$6.4
India	6	17	4	\$0.4
Switzerland	5	11	9	\$4.0
Germany	4	9	7	\$1.9
France	4	6	6	\$1.5
Greece	3	8	8	\$0.8
Netherlands	3	4	4	\$1.9
Belgium	3	4	4	\$0.9
Norway	3	4	2	\$1.3
Malaysia	2	19	1	\$0.0
Brazil	2	9	9	\$4.8
Hong Kong	2	7	2	\$0.0
Taiwan	2	4	3	\$1.0
United Arab Emirates	2	3	3	\$0.5
Ireland	2	3	3	\$0.4
Mexico	2	3	2	\$5.5
Turkey	2	2	1	\$0.4
Colombia	2	2	1	\$0.3
South Africa	2	2	1	\$0.2
Nigeria	1	6	-	-
Denmark	1	5	3	\$0.1
Argentina	1	3	1	\$0.1
Italy	1	2	1	\$7.5
Vietnam	1	2	-	-
Sweden	1	1	1	\$3.2
Iceland	1	1	1	\$2.4
Spain	1	1	1	\$0.1
Austria	1	1	1	\$0.0
Chile	1	1	-	-
Russia	1	1	-	-
Pakistan	1	1	-	-
Estonia	1	1	-	-
Total	260	2,599	1,458	\$406.0

Sources: PCAOB Form 2, S&P Global Market Intelligence

³⁶ This table represents the lead auditor that issued the auditor's report filed with the SEC.

Of the 260 firms that audited EGCs, 214 firms also audited non-EGCs issuers. As shown in Figure C.2, most EGCs are audited by firms with more than 50 clients.³⁷

FIGURE C.2
Firms that Audit EGCs

Issuer Clients	# of Firms	# of EGCs and Non-EGCs	# of EGCs	# of Non-EGCs	# of Firms that Audit EGCs Only
Exactly 1	30	30	30	0	30
Between 1 and 5	80	269	143	126	15
Between 6 and 10	41	317	138	179	1
Between 11 and 50	83	1,772	656	1,116	-
Between 51 and 100	11	762	320	442	-
More than 100	15	8,287	1,312	6,975	-
Total	260	11,437	2,599	8,838	46

Source: Audit Analytics

³⁷ The counts for non-EGCs in this table are based on audit reports included in an Exchange Act annual report or registration statement, a Securities Act registration statement, Benefit Plan annual report, or an Investment Company annual report. This population is different from the benchmark population and may include voluntary filers and other registrants that are not issuers as defined by the Sarbanes-Oxley Act.

FIGURE C.3

Firms that do Not Audit EGCs

There were 216 firms that did not audit EGCs, but did audit at least one issuer.³⁸

Issuer Clients	# of Firms	# of Issuers, other than Employee Benefit Plan or Investment Company	# of Employee Benefit Plans	# of Investment Companies
Exactly 1	95	75	15	5
Between 1 and 5	93	172	87	2
Between 6 and 10	20	48	95	-
Between 11 and 50	7	21	67	17
Between 51 and 100	1	-	-	74
More than 100	-	-	-	-
Total	216	316	264	98

Source: Audit Analytics, PCAOB Form AP

³⁸ To derive this population, we identified all firms that filed Form APs during the measurement period and removed firms that audited the financial statements of EGCs (exchange-listed and non-listed) identified in the white paper. If more than one firm filed a Form AP for an issuer, then the issuer is counted for each firm. Delays or errors in Form AP filings would result in this population being overstated or understated.

APPENDIX D: SPACS IN THE EGC POPULATION

The 2,599 EGCs identified in this white paper included 495 SPACs, representing 19% 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 “non-SPACs”.³⁹

Of the 432 newly identified EGCs, 24 were SPACs at the measurement date and 13 of the new EGCs were companies that were previously SPACs but had completed a business combination (a “de-SPAC transaction”) prior to the measurement date (“former SPACs”), as seen in Figure D.1.⁴⁰ While SPACs still comprise 19% of the total EGC population, the number of SPACs among newly identified EGCs has decreased significantly compared to the newly identified EGCs at November 15, 2022.

Figure D.1
Newly Identified EGCs

	New EGCs at November 15, 2023	%	New EGCs at November 15, 2022	%
SPACs	24	6%	137	23%
Former SPACs	13	3%	21	3%
Other Non-SPACs	395	91%	447	74%
Total	432	100%	605	100%

Sources: Audit Analytics, SEC Filings

Of the 1,458 exchange-listed EGCs, 20% (288) were SPACs, as shown in Figure D.2.

Figure D.2
Exchange-listed EGCs

	# of Exchange-Listed EGCs at November 15, 2023	%	# of Exchange-Listed EGCs at November 15, 2022	%
SPAC	288	20%	632	34%
Non-SPAC	1,170	80%	1,236	66%
Total	1,458	100%	1,868	100%

Sources: Audit Analytics, SEC Filings

³⁹ SPACs within the EGC population were identified using data from SEC filings and Audit Analytics.

⁴⁰ PCAOB staff reviewed SEC filings to identify SPACs that reported having a de-SPAC transaction before the measurement date. 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 were SPACs had fewer assets on average than non-SPAC EGCs. As shown in Figure D.3, SPACs had an average of \$165.1 million in assets compared to \$301.4 million for non-SPACs. SPACs, however, had median assets that were considerably higher than median assets for non-SPACs.

Figure D.3
Assets Reported by EGCs

	November 15, 2023			November 15, 2022		
	# of EGCs	Average Assets (Millions USD)	Median Assets (Millions USD)	# of EGCs	Average Assets (Millions USD)	Median Assets (Millions USD)
SPAC	495	\$165.1	\$149.0	908	\$187.5	\$185.5
Non-SPAC	2,104	\$301.4	\$47.6	2,123	\$383.7	\$79.2
Total	2,599	\$275.5	\$ 66.7	3,031	\$324.9	\$117.1

Sources: Audit Analytics, S&P Global Market Intelligence

The number of EGCs reporting no revenue, and of these the number that were SPACs, are shown in Figure D.4.

Figure D.4
EGCs Reporting No Revenue

	# of EGCs Reporting No Revenue at November 15, 2023	%	# of EGCs Reporting No Revenue at November 15, 2022	%
SPAC	461	45%	892	60%
Non-SPAC	560	55%	594	40%
Total	1,021	100%	1,486	100%

Sources: Audit Analytics, S&P Global Market Intelligence

SPACs represent the majority of EGCs disclosing shell company status, as seen in Figure D.5. Of the 495 SPACs, 45 had no periodic filings during the measurement period.

Figure D.5
EGCs Disclosing Shell Company Status

	# of EGCs Disclosing Shell Status at November 15, 2023	%	# of EGCs Disclosing Shell Status at November 15, 2022	%
SPAC	416	82%	675	86%
Non-SPAC	91	18%	112	14%
Total	507	100%	787	100%

Sources: Audit Analytics

SPACs also represent a large majority of the EGCs with the SIC code for blank check companies, as shown in Figure D.6.

Figure D.6
Industry of EGCs

	# of EGCs with Blank Check SIC Code at November 15, 2023	%	# of EGCs with Blank Check SIC Code at November 15, 2022	%
SPAC	391	91%	852	94%
Non-SPAC	38	9%	53	6%
Total	429	100%	905	100%

Sources: Audit Analytics

Figure D.7
Audit Fees for EGCs

	Median Audit Fee at November 15, 2023	# of EGCs that Disclosed Audit Fees	Median Audit Fee at November 15, 2022	# of EGCs that Disclosed Audit Fees
SPAC	\$94,144	427	\$98,330	700
Non-SPAC	\$325,240	1,698	\$320,342	1,810
All EGCs	\$200,645	2,125	\$155,589	2,510

Sources: Audit Analytics

As seen in Figure D.7, the median audit fee for EGCs increased from 2022 to 2023. This was primarily driven by a change in the mix of issuers rather than by substantial changes in audit fees themselves. In 2022, the population included a relatively large number of SPACs, which had relatively low audit fees on average and therefore skewed median audit fees downward. By 2023, fewer SPACs were in the population, resulting in a higher median audit fee.