

Underpricing and Aftermarket Performance of IPOs during the Covid-19 Period: Evidence from Istanbul Stock Exchange

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Abstract:

Factors related to IPO underpricing, short-term performance after IPO, and hot-and-cold-IPO market cycles have received a great deal of attention in the literature. This study revisits these issues of IPO activities under the Covid-19 pandemic with a focus on the Turkish IPO market. Aftermarket performance of the Turkish IPOs, namely, 1st, 2nd, 3rd, 4th, 5th, 10th, and 21th day returns and factors influencing the performance, such as timing of the IPO, riskiness of the IPO firm, the choice of underwriter, involvements of foreign traders, IPO firm's industry sector and the submarket IPO shares to be traded, are investigated using a dataset containing all IPOs at Istanbul Stock Exchange from 2010 to 2021. Empirical findings indicate that although no underpricing is observed before Covid-19 pandemic period, IPO underpricing becomes statistically significant and reaches to its maximum level in 2020, which may indicate a hot-IPO period. A surge of firms offering shares to public is observed in 2021, reaching to the highest level in its history. While the underpricing level in 2021 is smaller than that in 2020, both years record statistically significant IPO underpricing. In terms of aftermarket performances, empirical results reveal a significant difference between short-term performance of IPO firms before and during the Covid-19 pandemic period.

Keywords: IPO; Underpricing; Aftermarket performance

JEL Codes: G01; G11; G14