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On post-IPO stock price performance: A comparative analysis of RLBOs and IPOs

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Highlights

- We extends our current knowledge on the post-IPO stock price underperformance anomaly by comparing IPOs with RLBOs.
- Re-IPOs outperform various control groups for five years post-offering.
- Re-IPOS outperform private-to-private and division-to-private RLBOs.
- Identify what private period restructurings benefit post-re-IPO stock price performance.

Abstract

This is the first study to examine the post-IPO stock price performance by differentiating between IPOs and three types of RLBOs (i.e. public-to-private (or re-IPOs), division-to-private, and private-to-private deals). We document that *public-to-private* RLBOs outperform their industry rivals, IPOs, mature firms in comparable industries, and a propensity-score matched control group for up to five years post-offering. Further, we document that, within RLBOs, *public-to-private* RLBOs, outperform *private-to-private* and *division-to-private* RLBOs. We also find support for the underwriter signaling effect for public-to-private RLBOs. Our analysis identifies for the first time what private period restructuring activities contribute to superior post-re-IPO stock price performance. Further, the beneficial effects of private period restructurings are enhanced for deals associated with prestigious underwriters. Our findings suggest that first IPOs and re-IPOs differ substantially in term of post-offer performance, the impact of prestigious underwriters on performance, and performance over time.

JEL classification

G30; G32; G34

Keywords

Post-RLBO performance; Difference between public-to-private (re-IPOs); Division-to-