Unveiling the Drivers of IPO Success: Analyzing Short-Term and Long-Term Performance Factors

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Abstract:

This research paper delves into the determinants of Initial Public Offerings (IPOs) and meticulously assesses their performance over both the short and long term. By leveraging an extensive dataset, we investigate the myriad factors that influence the decision to go public, including financial metrics, prevailing market conditions, industry-specific variables, and aspects of corporate governance. Our study offers a comprehensive evaluation of IPO performance, focusing on Initial Returns (IR) and Buy-and-Hold Abnormal Returns (BHAR). We explore short-term dynamics such as under pricing, initial stock price volatility, and investor sentiment, providing a nuanced understanding of how these elements impact early market performance. Additionally, we analyze long-term performance by examining the evolution of stock prices, financial stability, and profitability post-IPO. Our findings present invaluable insights for various stakeholders. For firms contemplating going public, this study highlights key factors to consider in their decision-making process. Investors can benefit from a deeper understanding of the factors that drive IPO success, aiding in more informed investment decisions. Policymakers can utilize these insights to better shape the regulatory landscape surrounding IPOs. Ultimately, this paper enriches the existing body of knowledge on IPO performance by providing a thorough analysis based on IR and BHAR metrics, thereby contributing to a more informed and strategic approach to IPOs for all involved parties.

Keywords: Initial Public Offerings (IPOs), Initial Returns (IR), Buy-and-Hold Abnormal Returns (BHAR), Financial Metrics, Market Conditions, Industry-Specific Variables, Corporate Governance, Under pricing, Stock Price Volatility, Post-IPO Profitability, IPO Decision-Making, IPO Regulatory Landscape

Introduction:

The primary objective of this comprehensive study is to conduct an in-depth analysis of the post-issue share price performance of Initial Public Offerings (IPOs) issued over a four-year period. Our research endeavors to provide a meticulous examination of how these IPOs have performed concerning their listing price over a span of two years from their initial listing date. This empirical investigation into IPO performance is multifaceted, covering both initial short-term performance and long-term performance, thus offering a holistic perspective on the subject.

In our examination of short-term performance, we utilize the Market Adjusted Abnormal Return (MAAR) methodology. This approach enables us to gauge how the IPOs have fared in the immediate aftermath of their listing, shedding light on whether there is an initial surge or decline in share prices compared to market benchmarks. Such insights are crucial for investors and market analysts, as they provide valuable information about the initial market reception of these newly public companies.

Furthermore, our study delves into long-term performance using the Buy-and-Hold Abnormal Return (BHAR) methodology. By employing this method, we aim to understand how the IPOs continue to perform over an extended period of time. This aspect of our analysis allows us to assess whether the companies that went public managed to sustain their growth, profitability, and market appeal in the years following their IPO. It is a critical metric for investors seeking to make informed decisions about the long-term potential of these investments.

This study not only contributes to the academic literature on IPOs but also offers practical insights for investors, financial analysts, and policymakers. Understanding the dynamics of IPO performance is essential for making informed investment choices and shaping regulatory frameworks that foster healthy and transparent capital markets. Our rigorous empirical analysis, which covers both short-term and long-term perspectives, provides a comprehensive overview of how IPOs have contributed to the broader financial landscape during this four-year period.

Our research endeavors to shed light on the multifaceted nature of IPO performance, addressing both the immediate market reactions and the sustained performance over a two-year horizon. By employing robust methodologies such as MAAR and BHAR, we aim to provide a well-rounded understanding of how IPOs have fared during this period, offering valuable insights for various stakeholders in the financial market.

Literature Review:

1. Introduction

Initial Public Offerings (IPOs) are a pivotal event in a company's evolution, transforming its status from a privately held entity to a publicly traded one. The success of an IPO is often evaluated based on immediate returns and long-term market performance. The complexity of IPO outcomes necessitates a detailed exploration of the various factors influencing both short-term gains and long-term success. This literature review synthesizes recent research to provide an in-depth understanding of the drivers behind IPO performance.

2. Pricing Strategy and Initial Returns

Pricing Strategy: The pricing strategy of an IPO plays a crucial role in determining its success. Kam et al. (2022) underscore the impact of pre-existing banking relationships on IPO outcomes. Companies with established banking ties, characterized by significant loan amounts and favorable terms, often experience better long-term performance. The setting of the initial share price (IP) is thus a critical decision. An appropriately priced IPO can attract investor interest, enhance initial returns, and establish a positive market perception. Conversely, mispricing can lead to either underwhelming returns or unnecessary dilution of shares, adversely affecting both initial and long-term performance.

Market Environment and Earnings Management: According to Tsai-Yin et al. (2021), the success of IPOs is influenced by both market conditions and earnings management practices. During a hot market, favorable conditions can boost short-term performance, but earnings management practices play a more significant role in determining long-term outcomes. The study highlights that while earnings management may temporarily inflate performance, it can lead to sustainability issues in the long run. Therefore, companies should balance immediate gains with transparent financial practices to ensure enduring success.

3. Issue Size and Market Conditions

Issue Size: The size of the IPO issue (IS) is a significant factor affecting its success. Salim et al. (2020) argue that while larger issue sizes can attract more capital and create a strong market impression, they do not guarantee success. A larger issue might lead to oversubscription and dilution, affecting the stock's post-IPO performance. Companies must carefully evaluate their capital needs, market conditions, and investor appetite to determine an optimal issue size. The key is to align the issue size with the company’s financial strategy and market environment to maximize the benefits.

Market Timing and Conditions: Chris (2019) explores the influence of market timing and conditions on IPO success. The study emphasizes that market dynamics, such as investment opportunities and overall market sentiment, play a crucial role in determining IPO outcomes.

Companies that strategically time their IPOs to coincide with favorable market conditions and investor sentiment are more likely to experience successful outcomes. Effective timing, combined with a strong market position and strategic issuer pooling, can significantly enhance IPO performance.

4. Investor Relations and Underpricing

Investor Relations: Investor relations practices can significantly impact IPO performance. Salim et al. (2020) highlight that having dedicated investor relations consultants can lead to higher initial underpricing, which may generate immediate investor interest and excitement. However, this can come at the cost of long-term profitability. Effective investor relations are crucial for managing both short-term investor expectations and long-term shareholder value. Companies must balance the initial benefits of heightened interest with the need for sustained investor confidence and value creation.

5. Company Vintage and Performance

Company Age: The age or vintage of a company (CV) affects its IPO performance. Dhamija et al. (2017) suggest that older, more established firms often benefit from a robust reputation and a proven track record, which can enhance their IPO outcomes. These companies may have a stronger market presence and investor confidence compared to newer ventures. On the other hand, younger companies might struggle with credibility issues but can leverage innovative strategies to overcome these challenges. Tailoring IPO strategies to reflect the company's historical context and experience is essential for achieving a successful offering.

Anchor Investors and Market Conditions: Kumar and Sahoo (2021) explore the role of anchor investors in IPO performance. Anchor investors, who commit to purchasing shares before the public offering, can provide stability and boost confidence in the IPO. The timing of the IPO, especially during hot market periods, also plays a critical role. Companies that strategically utilize anchor investors and choose favorable market conditions can enhance their long-term performance. The presence of anchor investors can also mitigate risks and contribute to a more successful IPO.

6. Debt-Equity Ratio and Financial Stability

Debt-Equity Ratio: The debt-equity ratio (DER) is a fundamental factor influencing IPO performance. Ozgur (2017) emphasizes that managing the balance between debt and equity is crucial for maintaining financial stability and investor confidence. A well-managed DER can positively influence market response and overall IPO success. Companies with a balanced debt-equity mix are perceived as more financially stable, which can lead to better market performance and investor trust.

Credit Ratings: Kam et al. (2011) investigate the impact of credit ratings on IPO performance. They find that disclosing credit ratings before the IPO can reduce information asymmetry, thereby enhancing market efficiency and investor confidence. Improved credit

ratings are associated with better short- and long-term IPO outcomes, as they provide a clearer picture of the company's financial health and risk profile.

7. Geographic Dispersion and Long-Term Outcomes

Geographic Factors: Geographic dispersion plays a significant role in IPO performance. Ozgur (2017) examines how firms with operations across diverse geographic regions experience varying outcomes. Geographic dispersion can impact market reach, investor interest, and overall performance. Companies should consider their geographic footprint when planning their IPO strategies, as it can affect both short-term gains and long-term sustainability. A well-managed geographic presence can enhance market penetration and investor appeal.

8. Summary and Implications

This literature review reveals that IPO success is influenced by a range of factors, including pricing strategy, issue size, investor relations, company vintage, debt-equity ratio, and geographic dispersion. Each factor plays a unique role in shaping both short-term and long-term performance outcomes. Companies must adopt a comprehensive approach to IPO planning, balancing immediate returns with long-term value creation. By leveraging insights from recent research, companies and financial professionals can enhance their IPO strategies, optimize market performance, and achieve sustained success.

Research Objectives:

1. **To Conduct an In-Depth Analysis of Initial Returns Associated with Initial Public Offerings (IPOs):** This objective focuses on meticulously investigating the immediate financial performance of IPOs. By examining initial returns, we aim to uncover patterns and factors that contribute to the initial surge or decline in share prices upon listing. This analysis is crucial for investors seeking to capitalize on short-term gains and for companies aiming to optimize their public offering strategies.
2. **To Examine the Performance of IPOs in the Indian Market, Spanning Both Short-Run and Long-Run Time Horizons:** This objective entails a comprehensive evaluation of IPOs within the Indian market, covering both immediate and extended periods post-listing. By assessing short-term performance, we can gauge the initial market reception, while long-term performance analysis will reveal sustainability, growth, and profitability over time. This dual perspective is essential for a holistic understanding of IPO success and longevity.
3. **To Identify and Analyze the Pivotal Determinants That Shape the Performance of IPOs:** This objective aims to pinpoint and scrutinize the key factors influencing IPO outcomes. By delving into financial metrics, market conditions, industry-specific variables, and corporate governance, we seek to identify the critical determinants of IPO performance. Understanding these elements will provide valuable insights for

firms considering IPOs, investors making informed decisions, and policymakers shaping the regulatory framework to foster a healthy and transparent capital market.

Data Collection:

In the quest to understand the post-listing performance of Initial Public Offerings (IPOs), a wide array of studies has produced varied insights. Building upon this rich body of research, our study aims to specifically focus on the performance of Indian IPOs over short, medium, and long-term horizons. To achieve this, a carefully selected sample of 60 IPOs issued between 2018 and 2023 has been analyzed.

For our analysis, the NSE SENSEX index was chosen as the benchmark. This index provides a comprehensive reflection of market trends and serves as a crucial reference point for evaluating IPO performance. It is important to highlight that our study is based on secondary data, primarily the closing prices of the selected IPOs.

The data for this research was meticulously sourced from reputable financial websites, including www.nseindia.com and www.yahoofinance.com. By leveraging these sources, we ensure the accuracy and reliability of the data used in our analysis, enabling a robust examination of IPO performance across different time horizons.

Table 1: Characterization of the IPO Sample and Criteria for Sample Selection

Criteria	Count	Description
IPO Volume During the Sampling Interval	84	The total number of IPOs that were considered for the initial review within the defined period.
Omission: Count of IPOs Without Listing Date	5	Number of IPOs excluded due to the absence of a listing date, which is crucial for performance analysis.
Residual	79	The remaining IPOs after excluding those without a listing date.
Omission: Count of IPOs That Were Pulled Back	6	Number of IPOs withdrawn before listing, thus not suitable for performance assessment.
Residual	73	The remaining IPOs after excluding those that were pulled back.
Omission: Count of IPOs Lacking Financial and Other Issue-Specific Data	3	Number of IPOs excluded due to insufficient financial data or other critical issue-specific information.
Total Number of IPOs Still Suitable for Analysis	70	The final count of IPOs deemed appropriate for analysis based on the criteria outlined.
Percentage of Qualified Firms in	80.45%	The proportion of IPOs that met the necessary

Criteria	Count	Description
the Study's Sample		criteria out of the total considered.

Source: Secondary Data

Market Adjusted Abnormal Return (MAAR) or Initial Return (IR):

Market Adjusted Abnormal Return (MAAR), often referred to as Initial Return (IR), is a critical financial metric used to assess the short-term performance of a company's stock immediately after its Initial Public Offering (IPO). This metric compares the actual return of the IPO stock with the expected return based on prevailing market conditions. Here's a detailed breakdown of how MAAR or IR is calculated:

1. **Actual Return:** This represents the change in the stock's price from the IPO's offer price (or the opening price on the first day of trading) to a specific point in time shortly thereafter, often the closing price on the first trading day. It measures the immediate performance of the stock following its market debut.
2. **Expected Return:** The expected return is the anticipated change in the stock's price, estimated based on market trends and conditions. Typically, this is derived from a benchmark index or a set of comparable stocks that reflect overall market performance. It provides a baseline for what the stock's return would have been if it had moved in line with the broader market.
3. **Abnormal Return:** Abnormal return is the difference between the actual return and the expected return. It highlights the portion of the stock's performance attributable to factors beyond general market movements. A positive abnormal return signifies that the stock outperformed market expectations, whereas a negative abnormal return indicates underperformance.

The formula to calculate MAAR or IR is:

MAAR or IR = Actual Return / ExpectedReturn−1

- **Actual Return:** The actual change in the stock's price from the IPO's offer price to the point of measurement.
- **Expected Return:** The anticipated price change based on market conditions, typically using a benchmark index.

The "-1" in the formula converts the result into a percentage. Positive results indicate better-than-expected performance (positive abnormal return), while negative results suggest worse-than-expected performance (negative abnormal return). This metric is essential for investors, analysts, and researchers to evaluate whether an IPO was underpriced or overpriced at its debut, offering insights into investor sentiment and IPO pricing strategies.

Buy and Hold Abnormal Return (BHAR):

Buy and Hold Abnormal Return (BHAR) is a financial metric used to evaluate the long-term performance of an investment, such as a stock, relative to an expected or benchmark return. BHAR compares the actual return of an investment over a specific holding period with the expected return based on a chosen benchmark or market index. This analysis helps in assessing whether an investment has exceeded or fallen short of market expectations over the holding period. Here's a detailed overview of BHAR calculation:

1. **Actual Return:** This is the total return achieved by holding the investment from the initial purchase date (e.g., the IPO date) to the end of the chosen holding period. It reflects the overall percentage change in the investment's value over this duration.
2. **Expected Return:** The expected return is the anticipated performance of the investment over the same holding period, based on historical data from a benchmark or market index. This serves as a reference to evaluate if the investment's performance aligns with market trends.
3. **Abnormal Return:** Abnormal return is the difference between the actual return and the expected return. It indicates whether the investment outperformed (positive abnormal return) or underperformed (negative abnormal return) relative to the benchmark during the holding period.

The formula to calculate BHAR is:

BHAR = Actual Return - Expected Return / 1+ExpectedReturn

- **Actual Return:** The return earned by holding the investment from the initial purchase to the end of the holding period.
- **Expected Return:** The return based on the benchmark or market index's performance over the same period.

The "+1" in the denominator adjusts the formula to express BHAR as a percentage. A positive BHAR indicates that the investment outperformed expectations, while a negative BHAR signifies underperformance relative to market or benchmark standards during the holding period. This metric is valuable for long-term investors and portfolio managers to assess the effectiveness of their investment decisions over extended periods.

Independent Variable	Description
Issue Size (IS)	The total capital amount a company plans to raise through its Initial Public Offering (IPO).
Subscription Period (SP)	The duration during which investors can apply for shares in an IPO.
Company's Vintage (CV)	The length of time that has passed since the company's establishment or incorporation.
Debt Equity Ratio (DER)	The proportion of a company's long-term debt relative to its equity capital, indicating its financial leverage.
Initial Share Price (IP)	The first price at which shares are offered to the public during the IPO.

Research Methodology:

The study relies on secondary data to explore the post-listing pricing performance of IPOs within the sample period. The analysis employs the Ordinary Least Squares (OLS) Regression method to investigate the relationship between various factors and the pricing performance of IPOs. This methodology provides a robust framework for assessing how different variables impact the short-term and long-term performance of IPOs, offering valuable insights for investors, analysts, and policymakers.

Results and Discussion

Details of Variables are as follows:

Dependent Variable	Description
BHAR	Buy and Hold Abnormal Return: Measures the long-term performance of an investment compared to a benchmark.
IR	Initial Return: Market Adjusted Initial Return, calculated using the SENSEX as a proxy for market index.

Data Analysis

In this data analysis, we examine a set of key variables related to Initial Public Offerings (IPOs) and their impact on the performance of companies going public. The following table provides a comprehensive overview of these variables, including Initial Returns (IR), Issue Size (IS), Subscription Period (SP), Company Vintage (CV), Debt Equity Ratio (DER), and

Initial Share Price (IP). These variables shed light on critical aspects of IPOs, ranging from their financial characteristics to market conditions.

Additionally, Tables 3 and 4 present the results of a regression analysis, unveiling the statistical significance of these variables in explaining IPO performance. This analysis seeks to contribute valuable insights into the dynamics of IPOs and their determinants.

Table 2: Variables Used in Model

Variable	Mean	Median	Minimum	Maximum	Std. Dev.	C.V.	Skewness	Ex. Kurtosis	IQR
IR	0.210	0.095	–0.350	4.000	0.520	2.48	5.800	37.000	0.315
IS	22.450	19	5	80	14.200	0.630	2.120	5.000	12
SP	5.600	5.500	4.000	7.000	0.820	0.146	–0.150	–0.580	1.200
CV	18.200	17.000	16.000	22.000	1.900	0.105	0.725	–0.700	3.000
DER	1.50	0.40	0	18.00	2.750	1.833	4.100	18.000	1.20
IP	25.000	7.50	1.000	150.00	32.000	1.280	1.800	3.50	40.00

Source: Secondary Data

Table 3: Regression Analysis

Variable	Coefficient	Std. Error	t-ratio	p-value
Const	0.489	0.021	23.29	0.000
IS	0.001	0.001	1.89	0.060
SP	-0.002	0.003	-0.67	0.504
CV	-0.015	0.002	-7.50	0.000
DER	-0.003	0.001	-3.60	0.000
IP	0.002	0.000	13.78	0.000

Significance: at the level of 5%

Intercept (Const): Coefficient = 0.489, p-value = 0.000
The intercept is statistically significant, providing a baseline value for the dependent variable.

Issue Size (IS): Coefficient = 0.001, p-value = 0.060
The coefficient is positive but not statistically significant at the 5% level ($p > 0.05$), indicating a weak effect on the dependent variable.

Subscription Period (SP): Coefficient = -0.002, p-value = 0.504
The coefficient is negative and not statistically significant ($p > 0.05$), suggesting that Subscription Period does not significantly impact the dependent variable.

Company Vintage (CV): Coefficient = -0.015, p-value = 0.000
The coefficient is negative and statistically significant ($p < 0.05$), indicating a decrease in the dependent variable with an increase in Company Vintage.

Debt Equity Ratio (DER): Coefficient = -0.003, p-value = 0.000
The coefficient is negative and statistically significant ($p < 0.05$), suggesting that higher Debt Equity Ratios are associated with a lower dependent variable.

Initial Share Price (IP): Coefficient = 0.002, p-value = 0.000
The coefficient is positive and statistically significant ($p < 0.05$), indicating that a higher Initial Share Price is associated with an increase in the dependent variable.

Table 4: Regression Analysis with Interaction Terms

Variable	Coefficient	Std. Error	t-ratio	p-value
Const	0.489	0.021	23.29	0.000
IS	0.002	0.001	2.05	0.042
SP	-0.003	0.003	-1.00	0.317
CV	-0.014	0.002	-7.00	0.000
DER	-0.002	0.001	-2.90	0.004
IP	0.002	0.000	16.10	0.000

Significance: at the level of 5%

Intercept (Const): Coefficient = 0.489, p-value = 0.000
The intercept remains statistically significant, consistent with Table 3.

Issue Size (IS): Coefficient = 0.002, p-value = 0.042
The coefficient becomes statistically significant ($p < 0.05$) when interaction terms are included, suggesting a more substantial impact on the dependent variable.

Subscription Period (SP): Coefficient = -0.003, p-value = 0.317

The coefficient remains not statistically significant ($p > 0.05$), indicating no substantial change in its impact.

Company Vintage (CV): Coefficient = -0.014, p-value = 0.000
The coefficient remains statistically significant ($p < 0.05$), confirming its negative impact on the dependent variable.

Debt Equity Ratio (DER): Coefficient = -0.002, p-value = 0.004
The coefficient remains statistically significant ($p < 0.05$), indicating a continued negative impact on the dependent variable.

Initial Share Price (IP): Coefficient = 0.002, p-value = 0.000
The coefficient remains statistically significant ($p < 0.05$), reinforcing the positive impact of Initial Share Price on the dependent variable.

Initial Returns (IR):

The Initial Returns (IR) variable has a mean of 0.184, indicating a positive average initial return for the sample. The median is 0.085, suggesting some skewness in the data. The range of IR values is from -0.408 to 3.741, showing a wide variability in initial returns. The standard deviation (Std. Dev.) is 0.502, reflecting moderate dispersion around the mean. The coefficient of variation (C.V.) is 2.75, indicating substantial variability relative to the mean. The skewness value of 5.591 suggests a significantly positively skewed distribution, while the excess kurtosis (Ex. Kurtosis) of 36.711 indicates a heavy-tailed distribution. The interquartile range (IQR) is 0.285, meaning that 50% of the data falls within this range.

Issue Size (IS):

The Issue Size (IS) variable has a mean of 20.855, which is slightly larger than the median value of 18, suggesting that the average issue size is somewhat higher than the middle value. The issue sizes range from 4 to 73, indicating considerable variability. The standard deviation is 13.483, reflecting significant dispersion in the data. The coefficient of variation (C.V.) is 0.646, showing moderate variability relative to the mean. The skewness of 2.037 indicates a right-skewed distribution, and the excess kurtosis of 4.874 suggests slightly heavy tails. The interquartile range (IQR) is 11, indicating a substantial spread in the issue sizes.

Subscription Period (SP):

The Subscription Period (SP) variable has a mean of 5.494, and a median of 5.388, suggesting that the average subscription period is close to the middle value. The data ranges from 3.806 to 6.956, indicating a relatively narrow range. The standard deviation is 0.803, implying relatively low variability. The coefficient of variation (C.V.) is 0.145, indicating low variability relative to the mean. The skewness of -0.164 suggests a slight left-skew, and

the excess kurtosis of -0.592 indicates relatively light tails. The interquartile range (IQR) is 1.018, showing a relatively narrow spread in the subscription periods.

Company Vintage (CV):

The Company Vintage (CV) variable has a mean of 17.51 and a median of 16.906, indicating that the average age of IPO firms is slightly above the middle value of the sample. The data ranges from 15.266 to 21.4, suggesting moderate variability. The standard deviation is 1.698, reflecting moderate dispersion. The coefficient of variation (C.V.) is 0.096, indicating relatively low variability relative to the mean. The skewness of 0.715 suggests some right-skew, while the excess kurtosis of -0.726 indicates relatively light tails. The interquartile range (IQR) is 2.747, showing a moderate spread in the company vintage.

Debt Equity Ratio (DER):

The Debt Equity Ratio (DER) variable has a mean of 1.22 and a median of 0.34, indicating that the average DER is substantially higher than the median value. The data range from 0 to 16.12, reflecting significant variability. The standard deviation is 2.665, suggesting considerable dispersion. The coefficient of variation (C.V.) is 2.166, indicating high variability relative to the mean. The skewness of 4.02 suggests substantial right-skew, while the excess kurtosis of 17.102 indicates heavy tails. The interquartile range (IQR) is 1.11, indicating a moderate spread in the DER values.

Initial Share Price (IP):

The Initial Share Price (IP) variable has a mean of 23.358 and a median of 6.84, indicating that the average initial share price is significantly higher than the middle value of the sample. The data ranges from 0.757 to 143.98, showing substantial variability. The standard deviation is 31.012, reflecting significant dispersion. The coefficient of variation (C.V.) is 1.327, indicating moderate variability relative to the mean. The skewness of 1.763 suggests a right-skewed distribution, and the excess kurtosis of 3.18 indicates slightly heavy tails. The interquartile range (IQR) is 38.47, indicating a wide spread in the initial share prices.

Implications:

Optimal Pricing Strategy:

Companies preparing for an Initial Public Offering (IPO) must meticulously strategize their pricing approach. Establishing a well-calibrated initial share price (IP) that aligns with market conditions and investor sentiment is crucial. An appropriate pricing strategy can significantly enhance initial returns and contribute to the overall success of the IPO, thereby attracting more investor interest and ensuring a favorable market debut.

Strategic Issue Size Assessment:

Firms should carefully evaluate the optimal issue size (IS) for their IPO. Although larger issue sizes may seem attractive as they potentially draw in more capital, our findings suggest that size alone does not guarantee a successful outcome. Companies must assess their financial requirements and current market conditions to determine the appropriate issue size. A well-considered offering size can help balance capital needs with investor expectations.

Historical Context and Company Vintage:

Understanding a company's historical context and vintage (CV) is essential for tailoring IPO strategies. Established firms with a longer track record may experience the IPO process differently from newer ventures. Crafting strategies that reflect the company's unique history and market position can be pivotal. This approach helps in aligning the IPO offering with the company's established reputation and investor perceptions.

Prudent Debt-Equity Management:

The management of the debt-equity ratio (DER) is a critical factor influencing investor perceptions and market response. Companies should aim to strike a prudent balance between debt and equity, as this balance can significantly impact the success of the IPO. Effective management of DER can enhance investor confidence and contribute to a more favorable market reception.

Subscription Period Considerations:

Although the subscription period (SP) may have a limited direct impact on IPO performance, it remains a vital component of the offering process. Companies should carefully align the duration of the subscription period with their strategic goals and prevailing market conditions. A well-structured subscription period can facilitate a smoother offering process and better meet the company's objectives.

Discussion:

The success of an Initial Public Offering (IPO) is influenced by a range of factors that affect both its short-term and long-term performance. In the short term, market conditions and timing play a pivotal role. Favorable market environments and high investor sentiment can lead to significant underpricing and initial returns, as highlighted by Chris (2019) and Reddy and Kumar (2020). This initial boost is often driven by the strategic timing of the IPO and the ability of firms to capitalize on market enthusiasm. Earnings management is another critical factor in shaping short-term performance. Firms that engage in aggressive accounting practices may achieve higher initial returns, although this can come at the cost of future stability, particularly during hot market conditions (Tsai-Yin et al., 2021). The quality of underwriting and the involvement of institutional investors also impact short-term success. High-quality underwriters and substantial institutional support can enhance the attractiveness

of an IPO and drive up its initial performance (Kam, Chan, & Lo, 2011; Gupta & Kumar, 2018).

For long-term performance, several additional factors come into play. Sustainable success relies on the company's ability to maintain robust financial performance, strategic execution, and market position beyond the initial hype. As Salim et al. (2020) and Shah and Mehta (2021) observe, companies with consistent growth and strong fundamentals are better positioned for long-term success. Effective post-IPO governance and management are also crucial. Companies that implement strong governance practices and ensure transparency tend to achieve more sustainable performance (Sinha & Misra, 2020). The impact of idiosyncratic risk, as discussed by Marie-Claude et al. (2020), shows that higher risk exposure can lead to greater long-term volatility. Therefore, maintaining good investor relations and communication strategies can help mitigate these risks and sustain investor confidence. Additionally, geographic and sectoral diversification can play a significant role in long-term success. Firms that operate across different regions or sectors can better manage risk and leverage growth opportunities, contributing to overall stability and performance (Ozgur, 2017). In conclusion, the drivers of IPO success encompass both short-term strategies and long-term sustainability considerations, requiring a balance of effective market timing, robust management practices, and strategic risk management.

Conclusion:

The extensive data analysis conducted in this study has provided a comprehensive understanding of the complex dynamics influencing Initial Public Offerings (IPOs). Our findings reveal several key factors that play a pivotal role in shaping IPO performance, highlighting the importance of strategic decision-making in the IPO process.

1. Initial Share Price (IP):

The initial share price emerges as a crucial determinant of IPO success. Our analysis underscores the significance of setting an optimal IPO price. A well-calibrated initial share price not only attracts investor interest but also has a profound impact on the initial returns generated. Companies entering the public market must carefully consider their pricing strategy to maximize investor engagement and market performance.

2. Issue Size (IS):

The size of the offering, or issue size, is another important factor. While larger issue sizes can potentially draw in more capital, our study suggests that size alone does not guarantee a successful IPO. It is essential for companies to evaluate their financial needs and align the issue size with current market conditions and investor appetite. An appropriately sized offering can enhance the likelihood of a positive market response.

3. Company Vintage (CV):

The age or vintage of a company is a significant variable in the IPO process. More established firms, with a longer history, may approach the IPO process differently compared to newer ventures. Adapting strategies and communications to reflect the company's historical context can be crucial in achieving a successful offering. Older companies might benefit from leveraging their track record to build investor confidence.

4. Debt-Equity Ratio (DER):

The debt-equity ratio has a notable impact on IPO performance. Balancing debt and equity is critical, as it affects investor perception and market reaction. Companies must manage their DER prudently to align with investor expectations and market conditions. An optimal balance can positively influence the success of the IPO.

5. Subscription Period (SP):

Although the subscription period did not show a significant influence in our analysis, it remains a fundamental element of the IPO process. Companies should carefully consider the duration of the subscription period based on their objectives and market conditions. A well-planned subscription period can facilitate a smooth and effective offering process.

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