

Abstract

This Master Thesis is focused on under-pricing of initial public offering. We examine the possibility of signaling by IPO under-pricing on Polish data over the period 2005 – 2010. Signaling by IPO under-pricing is analyzed using signaling model. Taking into consideration the uniqueness of Polish sample, we also analyze the signaling by IPO under-pricing used to build up the government reputation as market-oriented. Our results suggest the statistically significant positive effect of IPO under-pricing on probability of seasoned equity issue as well as on size of seasoned issue. These findings together with negative relation between IPO under-pricing and lag between IPO and seasoned issue are consistent with predictions of signaling model. We do not find any statistically significant evidence that the Polish government tries to build up reputation for its privatization policy over time by under-pricing and selling a high fraction at the initial offer.

Keywords

IPO under-pricing, signaling hypothesis, Central Europe, asymmetric information, seasoned equity offering, privatization