Università Luiss Guido Carli

Master of Science in Strategic Management

Accounting Measures and IPO Success – The Case of the Italian Market

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Abstract

The Initial Public Offering (IPO) represents a focal moment in the company development cycle as it is a transformational process for the organization to be listed with securities traded on stock exchange. As such, students and practitioners have focused over the last decades on the investigation of the antecedents and key traits of IPOs with the ultimate goal to understand the manners through which the going public process can result into success for the listing company. As of today, different, and sometimes diverging, evidences has emerged, showing the heterogeneous peculiarities of IPOs.

Based on the above premises, the present thesis delves into the discussion of the going public and more specifically the drivers of IPO success in the Italian Stock Exchange. To this end, the study encompasses the theoretical discussion on the go public process summarizing the existing literature and the updated practical evidences emerging recent studies. Furthermore, an empirical analysis is conducted through both a case study and a regression model, aimed to demonstrate from a practical perspective the dynamics and the premises leading to IPO success from an accounting point of view. The thesis proposes compelling evidences adding on the existing strand of IPO research and poses potential cues for future studies in the field.

1. Introduction

1.1 Overview of the Study

After decades of extensive academic and practical research, the dynamics and the characteristics featuring the IPOs are still central in the financial literature. In basic terms, when as a result of an IPO process, the ownership of a company changes from private to public. For this reason, the IPO is sometimes referred to as initial stock market listing and the discussion of such process is the subject of the thesis. There are several reasons for companies may decide to go public through an IPO. More specifically, as will be explored in the course of the work, companies usually issue an IPO to raise capital to repay outstanding debt, to finance growth opportunities, to improve reputation toward stakeholders or to allow company initial shareholders to diversify ownership structure (Caselli, 2018).

The existing research on the subject has identified several aspects which may determine the success of an IPO. Such dimensions range from the economic and financial features of the listing company to the ownership structure, and from market conditions and future use of IPO proceeds to the reputation of global coordinator (Vernimmen et *al.*, 2022). As of today, all such strands of research have failed to identify a single factor defining IPO success and how different dimensions can translate into long term value creation for shareholders. On turn, the open discussion addresses the several ways under which IPOs attract interest from scholars and practitioners aiming to investigate the dynamics of companies undertaking the listing process across markets (i.e. the U.S., Europe, etc.) and different firm characteristics.

Based on this background, the thesis is developed as follows. Chapter 2 rolls out an extensive theoretical review on the fundamental aspects featuring an IPO. After briefly describing the alternative sources of firm financing, the discussion focuses on the main definitions and characteristics of the going public, with an in-depth view of the IPO Process phases. Furthermore, the chapter provides an overview of the key advantages and main drawbacks for a company to go public, the valuation issues and a view of the recent trends in the IPO markets. Chapter 3 moves on the specific discussion regarding the review of the main factors explaining the IPO success. To this end, a fulsome analysis of the existing literature is conducted in order to provide an understanding of which factors can lead to IPO success. Chapter 4 refers to the analytical section of the study combining a case study with a regression model realized on a sample of Italian IPOs. Chapter 5 summarizes the results and the main managerial considerations arising from the work.

1.2 Research Questions

In light of the premises discussed, the aim of the thesis is to investigate and understand the dynamics of IPO success. More specifically, the thesis is intended to address the following research question:

Can the IPO success be explained through the listing company accounting measures?

Taking the perspective of the Italian stock market, this study contributes to the existing academic literature under multiple perspectives. First and foremost, a primary goal relates to the realization of a comprehensive overview of the IPO theoretical and practical aspects, with a focus on the emerging trends. A second contribution consists of the performance of an empirical analysis to assess the dynamics through which IPO success can be measured with accounting measures. A third contribution covers the strategic content of the IPOs, providing direct insights of which variables reflect into an impact on the post-listing market reaction.

2. The Initial Public Offerings

This Chapter defines the theoretical background of the study, with the discussion of the fundamental traits featuring the IPO process. In particular, after a brief overview of the possible alternatives for a company to access the financing required for growth, the Chapter addresses the key aspects regarding the fundamental IPO characteristics, the process and the main criticalities relating to the valuation.

2.1 The Choice of Alternative Sources of Financing

In order to sustain its growth process, a company is required to secure sources of financing for its investments. Capital raising can be done through various sources, which can be classified into two macro-categories: internal and external. Internal sources consist of self-financing, shareholders' equity contribution, and profit that has not been distributed as dividends. External sources, on the other hand, can be mainly of two types: debt financing and equity contribution from new external funders. In a few words, it is possible to consider that the financial structure of the company is the sum of the debt component and the equity component.

The balancing of these sources has a direct implication on the valuation of the company and conflicts of interest can emerge among the different categories of financers, such as debtholders and shareholders, as well as between majority and minority shareholders. The conflict that could arise between the banks and the shareholders of the company is a consequence of the fact that the goal from financial institutions is to recover the capital granted with the predetermined interest rate, while shareholders look at the value generation from their participation through either dividends or capital gains. From this consideration, it is straightforward how a different approach emerges as banks are therefore risk-averse while entrepreneurs are not.

Furthermore, multiple economic studies affirm that, when a certain size has been reached it is necessary to separate between ownership and control, as frictions are created between the actors involved in the company (i.e. managers and entrepreneurs), who have diverging, and sometimes diametrically, opposed objectives (He and Sommer, 2010). This set of elements, to which must be added others such as the tax policy in force in a country and the information asymmetry between the company and banks/shareholders, contribute to the formation of the so-called costs of capital. In particular, as the information asymmetry between the parties (i.e. the difference in information available to them) increases, the higher such costs will be. Since there are various possible combinations in the capital structure, companies find themselves having to make choices regarding the most suitable debt-equity combination. According to the so-called Pecking Order Theory, proposed by Myers (1984), there is a hierarchical order in the choice of sources of funding, starting

with the least expensive in terms of cost of capital. The least expensive source of financing for the company is equity, described above, while the second is debt. The latter can be represented by the granting of credit by banking institutions or the issuance of bonds. The last source available to the company is the issue of new shares with the simultaneous increase in share capital. These options are not exclusive to each other, and businesses can draw from all three.

Another significant concept to account for in the definition of conflict of interest. In the theory framework developed in 1976 by Jensen and Meckling, relevant to understanding the choices and the problem of incentives, it is stated that there is an exact mix of sources that reduces the possibility of opportunistic behaviour by the firm management, minimizing the costs of agency capital and incentivizing virtuous action towards the maximization of the company value. In this view, with a strong and sustainable capital structure, the company will also be able to grow. As reinstated in the research from Intermonte (2017) the choice of sources of financing must be made on the basis of a trade-off to evaluate the benefits and debt financing costs. Therefore, the optimal structure is found when the increase in the tax benefit is exactly offset by that of bankruptcy costs. From empirical evidences, additional sources of financing have also established themselves to make up for the problems related to the cost of capital mentioned above and encourage the development of young companies and start-ups. In a historical period where the life cycle of products and services is increasingly short due to technological development, companies may struggle to obtain loans from banks. In fact, credit is not always granted due to uncertainty about the company's future cash flows.

Indeed, further sources of equity capital may come from private equity. In many cases, the capital necessary to start the business is initially raised by angel investors while later the company is financed by the so-called venture capitalists. The venture capitalist, an important figure for the purposes of the thesis, is a fund into which investors of various types pour their capital, which is reinvested in young companies with growth prospects, receiving company shares in exchange. In addition, taking advantage of his knowledge, the venture capitalist supports the company's management by implementing monitoring and advising activities, reducing information asymmetries between insiders and stakeholders, thus increasing their credibility. These investments have an overall positive impact on the company's activity and also favours the possible removal of managers as a result of poor performances. Very often, in fact, in companies supported by venture capitalists feature larger boards of directors, which also involve directors external to the company.

Some economists (Ibbotson and Ritter, 1995) believe that listing on the stock exchange is necessary at a certain point in the life cycle of a company supporting its growth path. The going public process can therefore represent a valid alternative to other sources of funding and can also prove to be decisive for the long-term success of the company. In fact, through listing, companies are able to raise

significant amounts of capital, having access in the majority of cases to new liquidity that can be used for various purposes, for example, R&D, conduct mergers and acquisitions, sustain capital expenditures (Kim and Weisbach, 2007). Furthermore, when a company is financed by private investors such as private equity funds or venture capitalists, once the financing period is over, the pre-IPO investors can decide to resort to the equity markets to close their investment cycle and realize a capital gain from the participation.

2.2 Definitions and Characteristics of the Going Public

The IPO can be defined as the process through which the securities are offered to the general public for the first time, with the prospect of a liquid market developing (Ritter, 2004). While this feature can refer to both equities and bonds issuances, the IPO is the first time in which the equity securities of the companies are publicly exchanged on the stock market (also referred to as the "free float"). As the mechanism for conduct the IPO process can vary from case to case, the most widely adopted approaches are the following (Iannotta, 2010):

- Sale of shares of controlled entities, also referred to as public offer for shares sale;
- Opening of a subscription of new shares for potential investors, also referred to as public subscription offer;
- A combination of the two approaches also referred to as public offer for sale and subscription.

The substantial difference emerges in respect to the nature of the shares allocated to the market and the ultimate destination of proceeds. In the case of public subscription offer, the company issues new shares corresponding to a consequent increase in the share capital. Intuitively, the proceeds associated with the IPO are allocated entirely to the company. If the IPO is undertaken as a public offer for shares sale, the already issued shares held by existing shareholders are offered to the public. In this case, therefore, there is no actual increase in the share capital and therefore, in contrast to the previous approach, proceeds of the issuance are allocated to the former shareholders. The third way is represented by the combination of the two previously mentioned. What is important to observe is that in the former case, following the increase in the company's share capital, there is a corresponding dilution in the control from old shareholders. Finally, in terms of timing an IPO should not be confused with the operations defined Seasoned Equity Offerings (SEO), which represent a follow-on issuance of shares from an already listed company. SEOs feature a lesser degree of uncertainty than in the case of IPO as it is possible to observe a market price of the stock and other company information. For the above reasons, these issuances do not attract a similar extent of interest in academic literature.

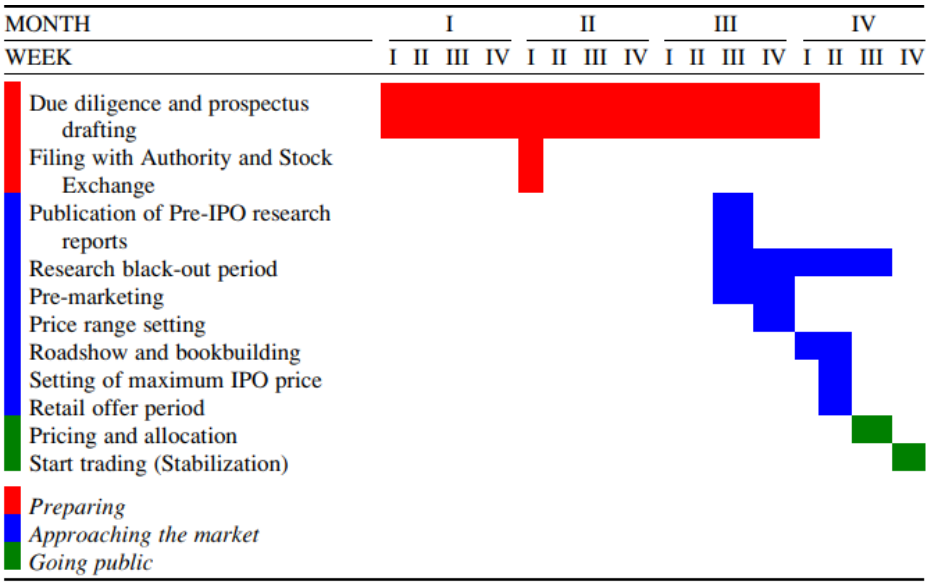
2.3 The IPO Process

Before a company can issue shares, it must undertake a phase process which, depending on the characteristics of the company or the conditions of the market, could be initiated up to two years before the actual share issuance on the market. The overall process can be divided into four main phases, that is: planning, preparation, transaction, and post-IPO activities. In the different stages of the process, the key actors involved (apart from the issuing company) can be listed as: the global coordinator and the bank pool (which width depends on the size and complexity of the IPO), investors, the respective regulatory body that oversees the IPO and the different advisors covering legal, operating and ESG (Environment, Social, Governance) due diligence. Special assistance may be required from case to case depending on the complexities of the process.

During the IPO planning phase, the issuing company prepares itself financially and strategically for the IPO listing process. In order to be able to list its shares on a public market, the issuing company selects a bank (global coordinator), although in many IPOs several banks form a syndicate (acting as co-underwriters). When recruiting the global coordinator, the issuing company selects the bank based on criteria such as reputation, quality of research and expertise in the field (both in terms of IPO track record and industrial sector). This is of particular importance as research shows that the quality of selected banks can influence not only interest from investors but also the long-term performance of the firm. During the preparation of the IPO and the following stages, the global coordinator plays a focal role overseeing a number of strategic tasks. In particular, during the IPO preparation phase, the global coordinator begins to address the key elements of due diligence on the company's levers in terms of actual intrinsic value.

During the actual IPO phase, which is usually initiated one to six months before the IPO, the global coordinator jointly with the syndicate prepare the necessary financial information that the firm is legally required to disclose to meet regulatory and eligibility requirements. Subsequently, the bank pool proceeds with the so called "road show" in which the company's shares are preliminarily marketed to attract investors. At the same time, banks begin to build the order book in which they try to obtain preliminary offers for the purchase of shares from predefined groups of investors, mainly institutional investors. The so-called book building process helps to determine the demand for the shares of the issuing company and thus to set the price range.

Figure 2 – Main Phases of the IPO Process (Iannotta, 2010)



Based on the framework displayed in Figure 1, the IPO process is detailed in the following paragraphs.

2.3.1 The Preliminary Phase

The preliminary phase of the process is based on the preliminary valuation activities necessary to make a decision on whether and how to list. This assessment is very important as it reveals the criticalities of the feasibility or otherwise of the procedure. In this phase, the company is called upon to make a series of choices, which constitute a sort of premise for the path towards the IPO and which, as a rule, are part of the listing project for the company. Specifically, the issuing company, with the support of a financial adviser, works to develop the feasibility study in which the possible advantages and disadvantages arising from the listing are assessed, taking into strict consideration the objectives set and the tools at its disposal. This feasibility analysis also takes into account the balance of costs and benefits. If the outcome of the valuation is positive, the company assessment moves to listing market, so as to start the process. This brings the assessment to the next phase, namely the IPO preparation itself. This stage requires certain changes inherent encompassing the entire organization. In fact, it is necessary that the company, even before the listing, begins to operate in compliance with norms and regulations as it was already listed. These adaptations can be summarized in the following areas of activity:

- Statutory rules: the company willing to join the stock exchange must have a proper statute complying with the applicable laws and regulations of the stock exchange;

- Business organization: the listing company must strengthen its internal administrative structure, as well as its financial department, both in regard to information obligations and with reference to the strategic value of the securities finance. This in many cases reflects into the setup of new internal bodies, such as compliance and audit function, demanded to monitor the correct conduct of the company;
- Corporate policies: this aspect links with particular reference to the establishment of dedicated investment policy, financing, stakeholder policy and communication policy, ensuring that the firm with provide timely and adequate information to stakeholders when listed.

Before the listing process can actually be started, an important step is necessary to trigger the process, that is the resolution of the board of directors. In fact, the company management, following the results of the preliminary assessment, submits the project to the Board of Directors, highlighting the reasons that led to this choice and the risks which may arise. Once the consent of the Board of Directors has been obtained, the shareholders' meeting is convened because the decision must necessarily pass shareholders scrutiny. When the shareholders' meeting resolves and therefore decides to support the listing, consultants are formally appointed.

2.3.2 Due Diligence

With the due diligence activities, the listing process formally begins. In this phase, the sponsor together with other consultants takes care of verifying whether the listed company meets the formal and substantive requirements. Accordingly, between the first and the second month of the process, the economic-financial and legal due diligence process continues. The global coordinator and the consultants carry out an in-depth analysis of the company in order to assess the feasibility of the listing and the value of the securities to be issued. In this phase, the drafting of the prospectus also begins as well as the preparation of the documentation regarding the meetings of the Board of Directors and the Shareholders' Meeting. The prospectus, an official document soliciting the interest from institutional investors, is drawn up by the sponsor, with the collaboration of the company management and the advisors team. The purpose of this document is to provide all the information regarding the company and the global structure of the offering. Once the authorization has been requested, its final version will be filed with the market authority (i.e. CONSOB in Italy) which has the task of issuing it for its publication.

Given the focus on due diligence, it is interesting to understand how such activities are conducted. More specifically, five different types of due diligence are carried out. First and foremost, the business due diligence covers the largest part as its purpose is to understand the key pillars of the listing

company’s business model, its growth prospects and the projections about future performances. Business due diligence includes a deep dive into the company's integration choices, the key success factors of the sector and the ways in which the company pursues and/or intends to pursue in the future. In addition, the issuer is examined from a corporate governance perspective, for example by assessing the management's payment scheme, and thus how strong the pay-performance link is. The second area of focus relates to the financial due diligence, in which the key pieces of financial information are carefully analysed. The company's historical results are therefore observed, and the feasibility of what is declared in the business plan is assessed through a dedicated risk analysis. In addition, the financial statements determine the financial capacity of the company by focusing specifically on the analysis of working capital. The third area of interest is the accounting due diligence in which the correctness and truthfulness of the information reported in the income statement and the balance sheet is checked. The fourth area relates to legal due diligence with focus on the alignment of the act of association with the regulatory framework, the existence of transactions with related parties and the existence of possible controversies. Also, legal due diligence assesses the content of contracts entered into with customers and suppliers and whether the company complies with its obligations, also in terms of dealing with the internal and external environment. The fifth area is the tax due diligence in which the documentation is examined, all the historical and possible future outflows of funds related to this area. In addition, depending on the specific industry of the company, other types of due diligence can be carried out to verify the quality of other types of parameters, such as the HSE due diligence, which is subject to an increasing degree of interest in response to the growing attention from investors to sustainability matters.

The outcome of due diligence activities is summarized in the IPO prospectus. As said, this is an official document, which must be published, with which the issuing company presents its offer to the public savings. In the event that the offer is not placed on the domestic market, but on the international market, it is mandatory to adapt the document in accordance with the rules of the destination market. Apart from describing a wealth of different company aspects the prospectus has a dual purpose:

- Marketing: the prospectus is a document through which the company opens up its information to the market in a transparent manner;
- Liability: because those who are involved in the realization of the IPO prospectus equally responsible for the information contained and therefore can be legally prosecuted by investors who have suffered a loss on the basis of this, the document is associated with potential liabilities for the company and the involved advisors if found voluntarily or culpably providing untrue or incomplete information.

From a practical point of view, the IPO prospectus can be issued in a single document, or in three separate ones such as the summary note, the registration document and the information note on financial instruments.

2.3.3 Market Approach

The market approach phase represents the most sensitive moment through the entire IPO process, in fact it often determines the success or failure of the listing itself. Investors will be reasonably incentivized to invest, the more they consider the company transparent and the shared information as truthful, reliable and sufficient to have a clear idea of the company inside dynamics. Obviously, this is only possible if due diligence is carried out upstream in the best possible way and consequently information is consistently communicated in the prospectus. This phase takes the form of a series of sub-phases that will be explored in the following paragraphs and which in summary are intended to probe the market and ultimately contribute to the definition of the issuance price.

In terms of communication, the research reports of market analysts are a critical piece of documentation, as they are significant in shaping the opinion of investors in terms of the valuation and positioning of the issuer. In this phase, therefore, an investment case of the security is defined, containing information relating to the company's business and the financial instruments about to be issued so that it can be studied by analysts. In fact, the purpose of the marketing phase is not only intended to reach investors but also research analysts. In fact, the latter, based on their reputation and experience, have the power to influence market opinion. The result of an attractive investment case for analysts is the publication of several papers on the company being listed, which generates, through a follow-on process, the interest of investors toward the company shares. After such publication, there is the so-called blackout period, namely, a period in which the issuing company cannot publish any type of document for promotional purposes.

At the same time as the distribution and publication of the research report to analysts, the global coordinator or sponsor take care of the establishment of the placement consortium. The consortium is made up of financial intermediaries, usually banks, which are coordinated by the global coordinator, with the task of placing the issuer's offer on the market. The size of the placement syndicate varies according to the type of issuer in order to spread the risk adequately and reach the market as widely as possible.

In this phase, the financial analysts of the banks constituting the placement syndicate informally present the project to the market and collect feedback. The purpose of these meetings is to share potential investors the company's history, its competitive strengths and potential strategic risk as well

as future strategies. In addition, the comparative market approach and positioning of the issuer in the competitive context compared to its peers is explored. Therefore, through these meetings, analysts identify those investors more inclined to invest by determining whether demand is sufficient to absorb the supply of securities and identify critical supply points that could cause management problems in the subsequent book building phase. The duration of this phase varies according to the scope of the offer, but indicatively fluctuates between 10 and 15 days. The pre-marketing stage, therefore, even if based on informal relations between the involved banks, has a substantial importance in the definition of the price, and often also in that of the offer itself. In fact, it is not uncommon for ongoing changes to be made in the event that the feedback collected are not completely supportive towards the investment case.

The road show is an essential tool in the listing process, as it aims to arouse the interest of the market. This represents the first moment in which there is direct contact between the top management of the listing company (i.e. CEO, , 2018). and other key executives) and potential investors. To this end, in order for the top management to be better trained from a communication point of view, specific preparation is required, following which direct meetings are organized by the banks of the syndicate, usually within fifteen days, between the issuer and the potential market. In this way, the company has the opportunity to express its program directly to financial analysts. From an operational viewpoint, these meetings can be organized in one-to-one form or in group or restricted meetings according to the audience. The roadshow, therefore, like due diligence, is an important phase in the definition of the final offer price. In fact, during these meetings, the issuing company has the opportunity to directly collect investor feedback.

At this point, the bookbuilding or pre-placement phase begins. There are three methods for placing shares: Auction, Fixed price and Bookbuilding. The first consists in allocating the shares through an auction mechanism, and therefore investors interested in the issuer's offer are pushed to make upward proposals. The second approach consists in identifying a unit price of the security to be issued, on the basis of which investors. The determination of the price to be offered on the market is established following a negotiation in which the normal laws of supply and demand apply. The price is usually determined in the two days prior to the placement, and is the result of the concurrence of several factors, such as:

- The interaction between different subjects, each with their own interest and view about the potential of the company;
- The analysis of the data and feedback collected in the previous stages of the IPO;
- Market valuation of similar securities: it is necessary to consider at that historical moment the propensity of the market to buy that kind of securities or of that particular industrial sector;

- Simultaneous issuance of capital of other companies: if there are several opportunities on the market, investors having a wide choice, will decide to expose themselves only to the most advantageous securities.

The choice of price is a very complex phase because it is necessary to reconcile at both ends the needs of shareholders and new investors interested in the deal, and therefore more generally of all the stakeholders involved in the process.

In third case the price is determined through book building. The issue is presented to institutional investors during a roadshow process, which lasts on average up to two weeks. Investors are indicated a price range and based on the presentation of the roadshow, they are invited to provide non-binding indications of interest, which combined, will constitute the so-called book. Based on the information gathered, the terms of the offers are finalized shortly before the allotment of the shares. One of the main features of the open price approach is that the allocation of shares among institutional investors is decided by the investment bank on a discretionary basis, as this will allow to maximize the proceeds of the listing thanks to an allocation reserved for selected buy and hold investors, who do not intend to sell the shares in the short term. At the end of the book-building period, investment banks subscribe to the shares, directly hedging a market risk for 24 hours, between the closing and the assignment of the shares. As mentioned, offers are not binding, but nevertheless, due to the repeated nature of the relationship between investors and the bank coordinating the process, it is uncommon for an investor to withdraw an offer. Also, the book is only closed when there is sufficient demand at the bid price. Otherwise, the offer would be withdrawn. In summary, even with a low underwriting risk, in order to protect themselves from adverse changes, banks use the force majeure clause, which allows them to cancel the transaction under certain conditions. The book building approach exposes the sensitive aspect of finely tuning the supply of shares in order to reach the right level of market interest. From evidence collected in several studies (Iannotta, 2010) by mutual agreement between the global coordinator and the issuer, emerges the application of a discount (also referred to underpricing), to incentivize the market and ensure the success of the IPO.

2.3.4 Listing and Aftermarket

Once the placement price has been defined, the issuer communicates finalization of the process to the stock market and regulatory authorities, and includes it in the final document. The shares are thus distributed to the various members of the consortium which in turn are responsible for placing them on the market, according to the methods already described (public offer for shares sale, public subscription and public offer for sale and subscription). After shares are allocated in the market,

trading on the secondary market is set to commence. In this phase, which covers the last thirty days of the IPO process, there is an intense exchange of the securities issued, as a result of which there is a stabilization in terms of pricing, in line with the dynamics of supply and demand. Particularly relevant in determining the IPO success is the analysis of the price pattern on the first day of trading. In fact, based on the closing price of the first day of trading, the first analyses can be carried out on the success of the operation.

2.3.5 The Case of Dual Track Approach

Sometimes companies interested in raising equity capital and/or disposing the participation from the existing shareholders may undertake a dual-track process, meaning a process of preparation for listing accompanied by a simultaneous and alternative private process (M&A) for the entry of a new shareholder into the capital (majority or minority, through a capital increase and/or sale by existing shareholders). The dual track process, keeping the two options open up to a certain stage, aims to maximize the value of the company, considering that the latter may differ depending on the type of investors/buyers such as, for example, private equity funds, institutional investors (financial markets), industrial companies or holding companies. In addition, practice shows that even a company prepared for a listing process could be more attractive for a potential strategic buyer as the presence of a parallel listing process as alternative could increase the negotiating power of the company in the M&A process (BCG, 2021).

Another objective of the dual track is to prevent, during the process of preparation for listing, the consequences of any worsening of market conditions that would preclude the favourable finalization of the IPO process. During the dual track, the due diligence activity is a common workstream to both capital raising processes, as make use of a similar information base made available to all parties involved (including potential private buyers). Therefore, from this point of view, there is a clear synergy in terms of costs (which are partly not duplicated) and process for the company.

Following the due diligence activity, as illustrated above, pre-marketing begins aimed at identifying, as part of a quotation process, the indicative price range, which will be the reference for the order collection and book building phase. At the same time, during the M&A process, the potential investors involved in the competitive auction, after having carried out their own analyses and evaluations, submit to the company, through the financial advisor involved, their purchase proposals that define the potential contractual conditions, including the price offered. At this point, a crucial moment opens up for the company and its shareholders to analyse and compare the price range proposed by the global coordinator and the price proposals collected by the financial advisor as part

of the M&A process, this could lead to the decision to interrupt the listing process, if the range proposed by the banks syndicate is lower than the valuation reflected from the proposals collected as part of the M&A process, or, in the opposite case, to continue with the listing process, discontinuing the M&A process.

In the latter case, the company continues with the listing process and starts the book building and pricing phase that leads to the collection of expressions of interest and the potential definition of the share allocation price. If, therefore, the latter price is confirmed to be higher than the price proposals collected in the M&A process, the company may decide to proceed with the IPO, setting the final price and allocating the shares to investors. Otherwise, however, the company will complete the M&A process with the selection of the buyer/investor. It is clear that there may be situations of greater uncertainty than those previously represented, determined by the extreme proximity or overlap between the price range presented by the global coordinator and the prices proposed by potential buyers in the M&A process. This scenario increases the uncertainty in the dual track process and the need to determine only in the final phase which of the two processes will prevail. Finally, if the listing process prevails, it would be advisable for private buyers, if they have had access to material information on the issuer not contained in the prospectus (e.g. forward-looking data included exclusively in the business plan), to refrain from entering orders in the book building process or from buying the securities on the market after the start of trading (at least until they can be considered the above information has been superseded).

2.4 The Pros and Cons of the IPO

An extensive strand of academic literature provides interesting evidences of the key rationales supporting companies in their choice to go public, on the one side, and the possible drawbacks posing challenges in the IPO process, on the other side. The choice of a company to be listed on the stock exchange is the result of an evaluation that includes numerous factors: strategic objectives, governance and compliance constraints, related costs. The company can first of all decide to focus on a target of national investors, through access to a domestic list of interested counterparties, rather than turning to a global market, with possible situation of intermediate cases. This choice is often favoured by specific marketing strategies, aimed at gaining visibility in markets that are important to the company's customers and/or other key stakeholders. Listing on the stock exchange can also be a signal of the quality of the company and an element of prestige (Stoughton et *al*., 2001). Furthermore, by complying with the higher disclosure standards required from stock exchange, a company is more

transparent on its own policies, favouring the research of more virtuous practices (Goktan and Muslu, 2018).

The status of listed company attributes greater credibility and solidity to the company towards suppliers and customers and leads potentially to greater bargaining power towards banks linked to transparency and the better quality of the information available (Brau et *al*., 2006). The same transparency, however, is also an element of risk because it forces the company to release a series of valuable information to the market from which competitors can benefit, perhaps unlisted and therefore not subject to a reciprocal flow. Moreover, DeGraw (2006) provides direct insights into CFOs' subjective evaluations of the IPO process. His findings confirm that, while many CFOs see IPOs as a way to raise capital and enhance visibility, they also express concerns about loss of control, regulatory burdens, and short-term market pressures.

In their analysis, Ritter and Welch (2002) show that IPO sometimes takes place at a stage of the firm's life cycle when growth is consolidated, and existing managers intend to capitalize on the results obtained, perhaps taking advantage of a particularly favourable period on the market (the theory of the window of opportunity). From an organizational point of view, the IPO process forces the company to strengthen the internal management control system, preparatory to the processing of information to be conveyed to the financial community on a regular basis. This can bring operational benefits in terms of efficiency and productivity.

Another positive element is certainly the possibility of offering more competitive conditions to managers, through stock options and incentive plans (Iannotta, 2010), which a company with an unlisted stock could offer with more difficulty and uncertainty of valuation. Turning instead to the costs associated with the listing, it is worth mentioning the direct charges related to the public offer (such as fees for intermediaries and legal consultants), the necessary administrative procedures, the fees to be paid to the company that manages the list, and the charges for the certification of the financial statements. However, the indirect costs necessary for the structuring of the internal reporting system and the investor relator office should not be forgotten.

Considerations related to the ownership structure are then fundamental in defining listing strategies. Surely the controlling subjects must be aware that anyone can become a shareholder by buying the shares on the open market: even if they were to keep the majority of the capital, they will still lose absolute control over the company. The placement of securities with limited voting rights (or even without any voting rights, in peculiar cases) can meet these needs, limiting the voice of investors. According to Zingales (1995), listing is the first step towards the exit of existing shareholders from the company, with this hypothesis appearing more in line with contexts where the newly listed

company remains under the control of the founders even after entering the list and public companies are rare exceptions. In this context, the generational transition can be a decisive factor in favour of listing, with a view to a greater transition toward a managerial approach. It should also be considered that after the IPO the share capital is still more fragmented, with a greater separation between ownership and control due to a larger investor base, which can incentivize majority shareholders to extract more private benefits to the detriment of enterprise value (Jensen and Meckling, 1976). On the other hand, the entry of institutional investors (open-ended funds, pension funds, insurance companies, international banks) into the equity capital can have a stimulating effect on the efficiency of investments, through monitoring and greater activism in social gatherings.

Finally, the choice of timing is another relevant factor. It is well known that the IPO market is characterized by a remarkable cyclicality, in relation to momentum and in response to perceived volatility. Companies prefer to go public in a situation of relative calm on the market, postponing if necessary to better times, when markets are volatile. In agreement with intermediaries (global coordinators and underwriters), there is a series of options to better deal with the uncertainty in the demand for securities by small savers and institutional investors: the green shoe option (which allows an additional share of capital to be placed in the event of sustained demand), the claw back option (which allows flexibility in the allocation of securities between the two categories of investors mentioned above) (Bertoni and Giudici, 2014), the possibility of determining the price of the shares subject to the offer even after the closing of the offer itself (book building with open price). Brau and Fawcett (2006) report the results of a survey conducted among 336 CFOs from newly listed companies in the USA between 2000 and 2002: the most important objectives that companies wanted to achieve from admission to the stock exchange, were to prepare for subsequent acquisitions, obtain an objective valuation of the company and acquire prestige. The objectives of reducing the cost of capital seemed to be less important.

Particular attention in the financial literature has been devoted to the issue of post-IPO acquisitions. For a listed company the route to acquisitions is somewhat facilitated as it can make recourse to its own shares (as well as cash) as currency of payment. For the shareholders of the target, in fact receiving as payment a share in the participation of the capital an unlisted company (therefore illiquid and difficult to fairly evaluate) would be unattractive. Studies by Celikyurt et *al.* (2010) and Hovakimian and Hutton (2010) have highlighted that in the United States a significant share of newly-listed companies complete at least one acquisition in the first year following the IPO (and the share rises expanding the range to the first five years), and that this external growth activity is financed both through cash, and through an exchange of shares. In addition, it is highlighted that M&A transactions contribute to the growth of the company as much as capital expenditures for fixed and

intangible assets. Brau et *al.* (2012) narrow their focus to newly listed firms and find that those investing in M&A activities show better market returns over the long run. In Europe, empirical evidence in this peculiar field appears quite limited to date. Anderson and Huang (2015) analyse the market returns for M&A transactions conducted post-IPO and find better returns than in the case of listed companies not pursuing M&A. Bonaventura and Giudici (2016) analyse 245 newly listed companies that close acquisitions and show that there are no significant differences in operating performance compared the companies not making acquisitions. However, there are better parameters for companies that engage in M&A transactions with a diversification strategy compared to existing investments. Furthermore, there is no substitution effect of investments: the newly listed companies conducting acquisitions do not quit investing in other fixed or intangible assets as much as other newly listed companies.

So far, the discussion has embraced the benefits brought by the go-public process, however it is useful to understand the possible challenges featuring the IPO process and its status as listed company. First of all, the IPO process is a fairly expensive and time-consuming process and the costs attributable to this process can be classified into direct costs and indirect costs. As for the direct costs, they refer to the standard expenses incurred by the issuer, especially to reward the various figures involved in the process, such as sales commission, legal advice, auditing, transaction costs, accounting service expenses and the time dedicated by management in assisting the entire procedure (Ferraro, 2021). The costs are directly proportional to the size of the company, and are divided into:

- Underwriting costs and cover the largest percentage of costs. These fees include underwriting fees charged by banks, particularly the placement syndicate, for which the company pays fees ranging from 4% to 7% of total funds. The syndicate is made up of bookrunners, who typically earn the highest share, and co-bookrunners, who instead receive the remaining share of commissions (Iannotta, 2010);
- Legal costs. They are generally the second highest expense after underwriting costs, they include the preparation of prospectuses and documents relating to the due diligence phase.
- Accounting costs. They include fees for external auditors and financial advisors.

It is important to consider that the costs do not refer only to the IPO process itself. Most private companies do not have the necessary infrastructure to operate as a public company which securities are traded on the stock market. Becoming a public company involves a series of additional, one-off and ongoing costs for many companies. Firstly, there are some expenses that are directly related to the transformation in the company structure: a going-public company undoubtedly needs to handle a greater number of compliance and regulatory activities, which requires an increase in staff and related costs. Of course, the company must have technology that can meet all the new needs and be flawless

in terms of information security from the moment it starts dealing with the public. For this reason, it is also necessary to invest in the company's technical infrastructure. However, compared to private companies, the audit costs for public enterprises are often higher. This variation is caused by the increased risk that auditors face when they are called upon to provide opinions on the financial statements of public companies, as well as the need to comply with additional regulatory requirements.

In response to the complexities of current regulations and in light to the requirements to be fulfilled by listed companies, it is essential to set up a special business functions entirely dedicated to compliance risk management. The latter is the risk associated with non-compliance with laws, rules or regulations that can lead to sanctions, fines, revocation of authorizations or, in the worst cases, suspension of the activity. It is therefore necessary to clearly define responsibilities on specific structures that assesses and monitors the company's compliance with the rules in force on the appropriate listing market, in order to avoid economic sanctions that can often be very burdensome for the company itself. Another crucial aspect related to corporate compliance is the protection of the company's reputation, of which any deterioration could damage the relationship with customers, partners and all stakeholders in general, causing negative effects that spill over into the performance of the entire company. In listed companies, trust is essential to preserve the relationship with investors, and in the event that this were to fail, the effects could be very harmful: hence the importance of efficient corporate compliance activities.

Listed companies are required to issue financial reports on quarterly basis providing updated an accurate information on the economic and financial performance of the company. As such listed companies are therefore required to report quarterly profits, net profit, amount of sales, earnings per share and other data of lesser importance. This information is then used by analysts and investors who use these tools in order to determine the value of the company and update their investment recommendation (Latham and Braun, 2010). This matter is regulated both nationally and internationally: specifically, the international accounting standard IAS 34 requires that each quarterly report must provide timely and reliable interim accounting information that improves the ability of investors, suppliers and other users to understand the company's ability to generate profits and cash flows and its financial and liquidity situation.

In markets where the practice of the public company prevails and in cases where, after the placement, the controlling stake is contestable, the companies are exposed to the so-called takeover risk (Field and Karpoff, 2002). Takeover refers to a transaction in which an economic entity, generally an industrial company or a financial company, obtains control of a listed company by purchasing a sufficient share of shares on the market to hold control of it. Friendly takeovers are distinguished

from hostile takeovers. In the first case, the "prey" company makes an agreement with the future parent company, and this does not turn out to be a problem. In the second case, which often happens following a failure to reach an amicable takeover agreement, there may be either economic or speculative reasons.

A consequence of the limitations and risks mentioned above is the phenomenon of delisting. The latter is essentially the opposite operation to the IPO, that is, the exit of a listed company from the stock exchange. There are three different circumstances related to the delisting decision (Martinez and Steve, 2017):

- Delisting by autonomous decision by a company. When there is a change in market conditions and/or the company, the latter may no longer benefit from the status of a listed company, as a result of the fact that the direct and indirect costs of the stock market increase.
- Exclusion from the market by decision of the authorities. The listing process is subject to the financial, dimensional and organizational requirements which, if the company fails to maintain, lead to exclusion from the stock exchange list by the market management company.
- Acquisition of the company by a new controlling entity. When a takeover transaction is completed, as discussed above, the mandatory public offer can lead directly below the minimum capital threshold that the company must hold in the form of a free float. The company therefore exposes itself to the conditions for the residual public offer and consequently the delisting of the company.

Table 1 summarizes the considerations discussed in the paragraph.

Table 1 – Summary of IPO Advantages and Drawbacks (author's adaptation)

Motivation	**Explanation**	**Authors**
	Advantages	
Transparency	Listed companies benefit from the higher required transparency	Goktan and Muslu (2018)
Resources to finance future growth, including M&A	Use of company's shares as currency for future acquisitions	Anderson and Huang (2015) Bonaventura and Giudici (2016)
Reputation	Better reputation and visibility towards stakeholders	Stoughton et *al*. (2001)
Agency Theory	Use of company's resources for the benefit of managers	Jensen and Meckling (1976)

Motivation	Explanation	Authors
	Drawbacks	
Costs (Direct and Indirect)	Increasing costs in response to requirements of stock market	Ferraro (2010)
Higher Compliance Requirements	Listed firms are required to comply with stock exchange regulations	Iannotta (2010)
Disclosure and Market Scrutiny	Quarterly reporting requirements and scrutiny from analysts	Latham and Braun (2010)
Takeover Risks	Listed companies are more exposed to takeover risk	Field and Karpoff (2002)

2.5 Considerations on Valuation

2.5.1 Valuation Methodologies

Business valuation is the process of estimating the actual value of a company through the use of one or more methodologies. As discussed so far, the IPO process is complex and articulated and involves a multitude of subjects who, working simultaneously and synergistically, aims to achieve the best possible outcome for the listing, that is, reaching the required pricing, consistent with the fair value of the company. At the same time the valuation is also a process that involves various parties: it is to be considered an integral part of the entire due diligence process and must be carried out by the global coordinator following an in-depth analysis of the business model, the strategic positioning, the competitive advantages, financial and financial statement data of the listed company and management systems (Gaughan, 2018).

The valuation process carried out to support the listing requires an adequate information base: before the company enters the stock markets, it may be difficult to collect a consistent data base on the firm's financials. The information available at the beginning of the evaluation process is represented by historical accounting values, forecast data, management information and data on the competitive system. It is clear how it is of fundamental importance to extrapolate the best information base from these sources, organize and manage it in order to optimally direct the entire evaluation process.

Valuation in the context of IPO is a continuous process of analysis and verification, which starts from the initial estimate of the value of the company when all the data of the company is not yet available to the analyst (the so-called pitch phase), to arrive at the determination of a price range when the shares are allocated to investors. During the preparatory phases of the listing, the company makes available specific data and information on the activity and prospects for the future. Then the evaluation process is progressively enriched and becomes an integral part of the due diligence activity and is conducted from a purely business perspective in order to determine the company value.

From this aspect emerges the importance of the business plan as a central tool for the start of the entire evaluation process. Starting from the estimate of an indicative fair value (i.e. an initial estimate of the value of the company that is consistent with the information possessed), the valuation must be progressively compelled with the information deriving from investors during the pre-marketing activity, those obtainable from the performance of the stock markets, and those that can be deduced from the size of the offer and the potential liquidity of the stock. By analysing this information, the analysts reach at the estimate of the discount rate that must have the function of maximizing the level of demand and satisfying investors by increasing the possibility of obtaining a good market return on the investment. This leads to the establishment of a price range and a maximum price level to be published in the prospectus. The basic assumption is therefore that the valuation is considered an integral part of the entire IPO process and sees the active involvement of the listed company with other parties such as shareholders, advisors, global coordinators.

As described below, it is possible to consider three main approaches to determine the fair value of the company, that is, discounted cash flow, market multiples and the economic value added (Damodaran, 2007).

The Discounted Cash Flow Methodology

The discounted cash flow (DCF) method provides the value of a company based on the actual value of the expected future cash flows, discounted at a given discount rate indicating the level of company risk. The DCF responds to a rigorous approach and the concept behind this model is based on the fact that the investment decision toward a given asset, should be based on the expected cash flows to be realized in the future.

The first step in DCF approach is the calculation of the Operating Free Cash Flows (OFCF), that is, the cash flow the company will be able to generate in the coming years, to be discounted according to a Weight Average Cost of Capital (WACC). This rate takes into account both the financial and operational risk that the company must incur to keep itself in business. Usually, the calculation of the value of a company consists of two main phases: the forecast period in which cash flows are

accurately calculated, usually around 5 years are considered as a time horizon (in line with the business plan of the company, reflecting the management's estimates), and a period the following period hypothetically lasts indefinitely. This approach is due to the fact that, even at the end of the initial estimation period, the company will continue its activity and for this reason a final value must be calculated starting from the last year considered in the analytical forecast. The value of the enterprise (EV) will therefore be given by the sum of these two components:

$$EV = \sum_{t=1}^{n} \frac{OFCF_t}{(1 + WACC)^t} + V_f$$

The OFCF are calculated starting from the EBIT (Earnings Before Interests and Taxes), from which operating taxes must first be subtracted, to determine the NOPAT (Net Operative Profit After Tax). At this point, in order to define the cash flows that will be generated in the coming years, it is necessary to add the non-cash costs that are generated by the company such as depreciation, amortization and provisions and changes in the NWC (Net Working Capital). At this point it is necessary to know how to define the second component of the equation or the terminal value (V). Assuming that the firm continues to grow at a certain rate of growth (defined as g) and considering an infinite period, this value will converge to:

$$V_f = \frac{OFCF_{t+1}}{WACC - g}$$

The term V must be discounted by the discount rate in the last year of analytical forecasting. WACC, on the other hand, is simply a weighting of the two capital cost components (equity and debt) that characterize the sources of financing, debt and equity, and is calculated as follows:

$$wacc = \frac{D}{D + E} * r_d * (1 - T_c) + \frac{E}{E + D} * r_s$$

Where:

D is the market value of debt

E is the market value of equity

r_d is the cost of debt

r_s is the cost of stock equity

T_c is the tax rate applicable to the company

It is intuitive to understand that this procedure, although very accurate, requires a large amount of assumptions on the different inputs. To this end, sensitivity analysis is often conducted the check the impact of deviations from the estimated inputs on the final company value. Nevertheless, DCF represents the most widely used methodology to date in conjunction with the other methodologies.

The Market Multiples Methodology

The multiples method (or relative valuation) is another widely adopted and consistent approach for the valuation of a company. It provides a market benchmark on which an analyst can establish a valuation for a private company or analyse the value of a public company at a given point in time. The multiples method has a wide range of applications, but is mainly used for IPO, M&A, corporate restructuring and investment decisions. This model makes it possible to estimate the value of a company (or its equity) as a multiple of certain economic and financial quantities of the same: multiples are therefore a sort of reference benchmark that are used as a basis in order to establish a value, or a range of values, attributable to a target company.

The use of market multiples presupposes a considerable information base, which is based on the collection of data relating to comparable companies: these values are more easily detectable when the comparable companies are companies already listed on the market, but they can also refer to companies subject to transactions that have the sufficient requirements to be considered comparable with the company being assessed. The multiples method has the advantage of being simple to calculate as require limited assumptions to provide elements of evaluation and consistency of the results. Multiples reflect the market situation at the time of the assessment as well as the market developments, and are indicative of investor sentiment over a given time frame. Clearly, this approach is also influenced by factors that represent systematic risk and possible effects of the market volatility which can negatively influence the trend. One of the main critical issues of this model is that it is not always possible to find a significant panel of comparable companies that cover the specificity of the targets to be evaluated, so it could be possible to define multiples used as insignificant benchmarks that call into question the entire applicability and consistency of this evaluation method.

The multiples used in the relative valuation can be divided into two main categories, namely multiples relating to the company value, such as EV/Sales, EV/EBIT or EV/EBITDA and EV/FCFF as opposed to multiples relating to equity value, such as EPS, P/E and P/BV. The first category of multiples focuses on the valuation of the firm or its operating activities: when performing a valuation based on discounted cash flows (DCF), it is more functional to use multiples drivers returning the firm's value, as the comparison concerns firms with different levels of financial leverage. Below it is discussed in detail how these multiples are calculated, how they are used in practice and what are the main limitations related to them.

EV/Sales. This multiple expresses the ratio of the Enterprise Value (EV) to the turnover of a company. The EV/Sales is the multiple least influenced by accounting practices, as it has the advantage of being

stable over time and representing a company's ability to increase revenues. Generally, in practice, this multiple is preferred, as it is perceived to be more accurate since market capitalization alone does not take into account a company's indebtedness. As for the use of this indicator, a low level of EV/Sales indicates that a company is considered attractive or at least that it is undervalued. Furthermore, this multiple can be used also for companies reporting negative economic results. The main limitation of this indicator is the presence of a temporal misalignment between the numerator and the denominator, in fact the former is obtained from market data, while the latter from book values, a problem that could lead to a low level of significance of this multiple.

EV/EBIT and *EV/EBITDA.* This multiple expresses the ratio between EV and EBIT. It is particularly suitable for companies whose assets are characterized by the predominant presence of tangible fixed assets. On the one hand, the EV/EBIT has the advantage of taking into account depreciation policies, while being affected by accounting rules. The EV/EBIT ratio is used to measure the so-called earnings return, so the higher its level, the better the perception of the company in the eyes of investors. The EV/EBIT multiple has several advantages, first of all its use as a measure of profitability, unlike net income, it takes out the possible distortions that are generated by different tax rates. In addition, the use of this indicator eliminates the differences in the capital structures of different companies, as it allows companies with different levels of debt and different tax rates to be compared. EV/EBITDA. It is the multiple that expresses the ratio between EV and EBITDA (earnings before interest, taxes, depreciation and amortization). It is the multiple that finds the greatest use at the application level, as referring to the EBITDA income magnitude, it is able to best express the ability of a company to generate value (and liquidity) through its core business. Moreover, since it is placed in the income statement before all items relating to both financial management and extraordinary operations, it is influenced to a lesser extent by accounting and tax aspects. As with the EV/sales ratio, the main limitation of this multiple is the existence of a time mismatch between EV, which represents a market figure, and EBITDA, which represents a book value. Compared to the EV/EBIT ratio, however, it has the advantage of not being influenced by the companies' financial statements. In the eyes of analysts, a higher EBITDA level is evaluated positively: in fact, a substantial EBITDA indicates that the company achieves sufficient profits to cover operating costs and personnel costs.

EPS. Earnings per share (EPS) is the multiple that relates net income to the number of common shares of a given company and refers to a measure of the net profit available to common shareholders. It therefore represents an estimate of the profitability of a share for the company system, and can be distinguished as follows:

- Basic EPS: when the weighted average of the ordinary shares outstanding is used in the denominator of the ratio, thus taking into account the change in the latter during the year;

- Diluted EPS: when the denominator of the ratio is the total number of ordinary shares held outstanding, also considering those deriving from the conversion of securities equivalent to them.

P/E Ratio. The P/E ratio is the ratio between the current price of a share and its earning, over a reference time horizon of 12 months. It is probably the most widely used multiple in practice as it returns a quick view on how the share is priced based on the earnings realized. Clearly, the P/E ratio is influenced by the economic sector in which the company operates, for example companies in more traditional sectors that have greater competition and therefore a lower possibility of obtaining high profits, will have a lower P/E ratio, while innovative sectors with higher room for growth and high future earnings expectations are generally associated with higher P/E.

P/BV. Correlated with the P/E ratio is the P/BV ratio, namely, the price-to-book value ratio, which indicates the ratio between the price of a share and its book value. The P/BV provides a direct comparison between the book value and the market value of a company's assets, relating the valuation that the market provides of a given company to the book value of the same. If the P/BV ratio is > 1, the equity is valued above its book value and therefore there are substantial opportunities for the company to growth in the future. On the contrary, if the P/BV returns value < 1, the market considers the company's assets to be overvalued compared to the company's real financial and equity situation and a decrease is expected in the future. The P/BV ratio has the advantage of being highly significant in comparisons between different companies, under the assumption of uniformity of criteria, but at the same time it has the defect of presenting a time lag between numerator and denominator. Considering the BV, this is easily influenced by balance sheet policies, and book values do not always fully represent the value of a company. Generally, the P/E ratio and the P/BV ratio should have rather correlated trends, since they are two indicators that express the same phenomenon both from a capital and an income generation point of view.

The Economic Value Added (EVA) Methodology

To overcome the limitations of the market multiples method and in any case continue to exploit a less complex procedure than the DCF, the EVA (Economic Value Added) approach has gained growing popularity. In a nutshell, the EVA is an indicator of a company's performance calculated as the difference between net operating income and the cost of capital employed to realize such income. In the formula, therefore, this value can be explained as follows:

$$EVA = NOPAT - (WACC * NIC)$$

The variables used for the calculation are described below:

NOPAT: Net Operating Profit After Taxes

WACC: Weight Average Cost of Capital

NICs: Net invested capital

Through the EVA estimation, it is possible to assess the company's ability to create value, and by calculating future value as well, it is possible to define the company value which, also in this case, will be composed of two parts: (i) the Market Value Added (MV), corresponding to the sum of the expected and discounted EVAs and, (ii) the net invested capital. With this methodology, the value generated for shareholders is therefore determined as well as the capital invested. The assumption is in fact that in order to really generate economic value, the company must be able to remunerate the risk assumed by shareholders and cover the interest on the capital invested.

The various methodologies used to determine the IPO price underline suggest that the price discovery refers more to a range than to firm value. Also, as discussed in the previous paragraphs, the phenomenon of underpricing may occur. In this regard, the study conducted on the Italian market by Dell'Acqua et *al*. (2015) it is shown that the market multiples approach is the most frequently used in absolute terms. Given the considerable adoption of this methodology, it is appropriate to examine in detail which ratios have been most frequently used in the most recent IPOs and what have been the impacts of the financial crisis on their way of use. Analysing the period 2005-2010, the multiples most used at the time of IPOs were EV/EBITDA and P/E while the EV/EBIT multiple shows a less frequent adoption.

Moreover, the analysis of the data on Italian IPOs suggests a very strong relationship between the valuation method adopted by the company and the phase of the reference stock market cycle. It has been observed that the frequency of use of market methods has increased significantly in correspondence with the years 2000 and 2007 (momentum of bull market for prices and consequently multiples), while it tends to decrease in the so-called bearish phases. During these last phases, multiples have been replaced exclusively by financial multiples (in particular by the DCF), which, by enhancing the future growth potential of the listed company thanks to the methodology for discounting expected operating cash flows, are able to highlight the current value of the company regardless of the negative phase of the markets and consequently of stock market multiples expressed at a high discount. In support of these evidences, it is interesting to underline that, especially in Europe, IPOs are more characterized by the lack of handover of the company's control package: this factor is not taken into account by the financial method, while it is captured by the application of the multiple method, which implicitly incorporates the control premiums.

2.5.2 The Phenomenon of Underpricing

After some references in the discussion, in this paragraph the phenomenon of underpricing is discussed in detail. Also considered as an indirect cost of listing, underpricing can be detected following the trading of securities on the market and occurs in most IPO on global basis. Despite the extensive strand of IPO research (Ljungqvist, 2007), it still represents a research topic today as it is considered another anomaly to which it has not yet been possible to give a complete and exhaustive explanation. In general terms, underpricing can be defined by the following formula:

$$U = \frac{(P_C - P_O)}{P_O}$$

The two variables, as per the definition, can be described as follows:

- P_c it is the closing price on the first day of trading;
- P_o is the offer price to investors.

Another widely used definition to address underpricing is the so-called "money left on the table, defined as the difference between the closing price on the first day of trading and the offer price in the IPO, multiplied by the number of shares issued. In this case, however, a very strong assumption is made, namely that all the shares would be sold at the closing price, thus leading the company to give up that capital. It is therefore intuitive that this type of estimate is very approximate.

*Money Left on the Table: (Pc – Po) * Number of shares offered*

Regardless of the chosen approach, underpricing is a significant short-term source of gain for IPO investors buying securities at the offer price and sell them back on the first day of trading. Recent studies continue to show that underpricing remains a common feature in IPO markets. For example, Suneetha and Latha (2024) looked at how newly listed companies in India performed shortly after going public. They found that IPOs launched in 2021–22 had very high first-day returns—around 30%—but these gains often faded in the following months, likely due to early overvaluation or market corrections. Interestingly, the IPOs from 2022–23 performed more steadily, showing less dramatic changes over time. Their analysis, which included comparisons over various time frames (like one month, three months, and six months), confirmed that IPO results can shift depending on broader market trends and timing.

Before getting to the core of the analysis, it is necessary to make some premises. As pointed out several times in the thesis, three figures can be identified to play a fundamental role in the IPO process: the issuer, the underwriters and investor. What is important to underline is that there are different objectives between these actors, which must be reported so as to have a clearer understanding of the problems that could arise from the interaction between them. The issuer's goal

is to maximize the offer price in order to raise as much capital as possible through issuance. The underwriters. The latter, which are compensated according to the IPO success, have a reputation and market shares that make them more or less reliable in the eyes of issuers. Intuitively, the larger the size of the underwriter, the greater the contact he will have with large banks, hedge funds and other entities that can be decisive in calculating the company value thanks to the expert figures who operate within them. The theories that attempt to explain underpricing can be summarized in four main macro-categories, based on the classification made by Ljungqvist (2007). The four macro-categories in which all the studies are grouped are:

- Information asymmetry theories: these theories are based on the assumption that the actors involved in the listing process may have different levels of information and, for this reason, underpricing is a mechanism that is sometimes necessary to make listing possible.
- Institutional theories: among these theories are the one related to the risk of litigation, the theory of tax advantages following listing and the theory of price stabilization.
- Theories of asset allocation: in most private companies, ownership and control are held by the same figures. However, when a certain growth is achieved and it is necessary to raise capital on the stock market, these two areas are separated. At this time, conflicts of interest and agency costs can arise between managers and owners, which are not negligible. As pointed out above, the former very often prefer, instead of making decisions aimed at maximizing the value of the company, to obtain private benefits, whether monetary or non-monetary.
- Behavioural theories: In these theses, the hypothesis of complete rationality of the actors involved in the listing process (i.e. investors, issuers and underwriters) is relaxed. This means that the choice made by these figures also depends on the choices of others. These theories were born to fill the void left by the others as it was not considered possible that information asymmetry, ownership structure or institutional reasons entailed values in certain very high moments of underpricing.

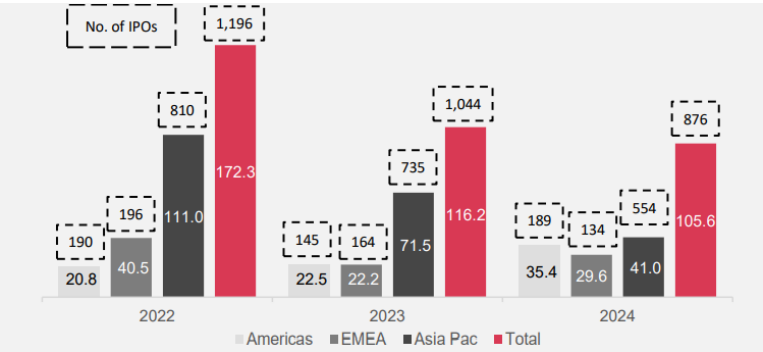
Overall, the practical evidence shows the concurrence among these theories, reflecting the various levels of underpricing, ranging from below 10% to above 20% according to the reference stock market and time horizon (Dell'Acqua et *al.*, 2015).

2.6 The Global Volumes and Market Trends

The final paragraph is dedicated to the overview of the current macro-trends shaping the IPO market on worldwide scale, with a focus on the Italian market. Looking at the global IPO market, overall proceeds (as of December 2024) summed up to $105.6 billion, a 9% decrease from 2023 full year

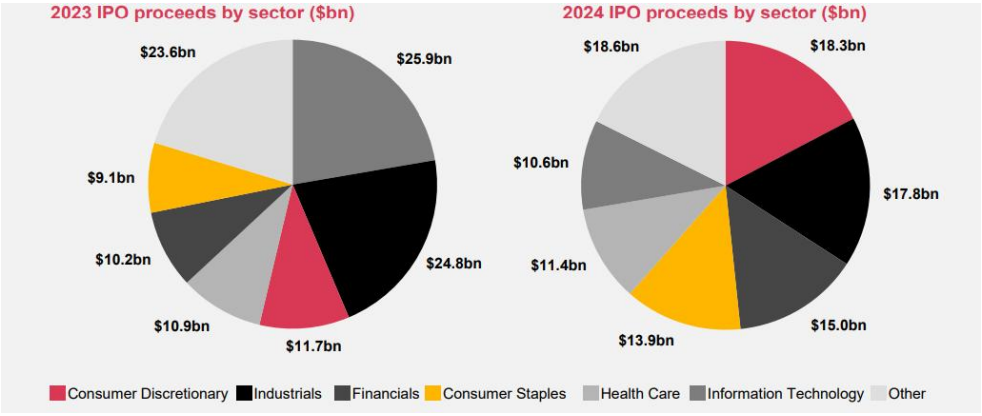
activity. The slowdown in activity in Asian markets (China and Hong Kong), where IPO proceeds dropped by $39.0 billion (76%) in 2024, was the main catalyst for such drop. In contrast, despite the uncertainty surrounding the US and many major European nations' elections, IPO activity in the US and Europe produced significant performance compared to 2023, with proceeds up $12.6 billion (56%) and $8.1 billion (105%), respectively (Figure 2).

Figure 2 – Global IPO Activity (2022-2024)



In general terms, the 2024 global IPO performance can be explained in light of the macroeconomic dynamics. With inflation falling lower towards the goals of 2% established by the major central banks and a number of base rate decreases occurring during the year, there has been ongoing optimism about the more stable global macroeconomic outlook, even though projections for global GDP growth in 2024 and 2025 remain mostly unchanged. With bank lending and industrial activity continuing to recover, especially in the developed economies, the market for IPO remained active, although continuing the contraction trend in place since 2022.

Figure 3 – Global IPO Breakdown by Sector (2023-2024)



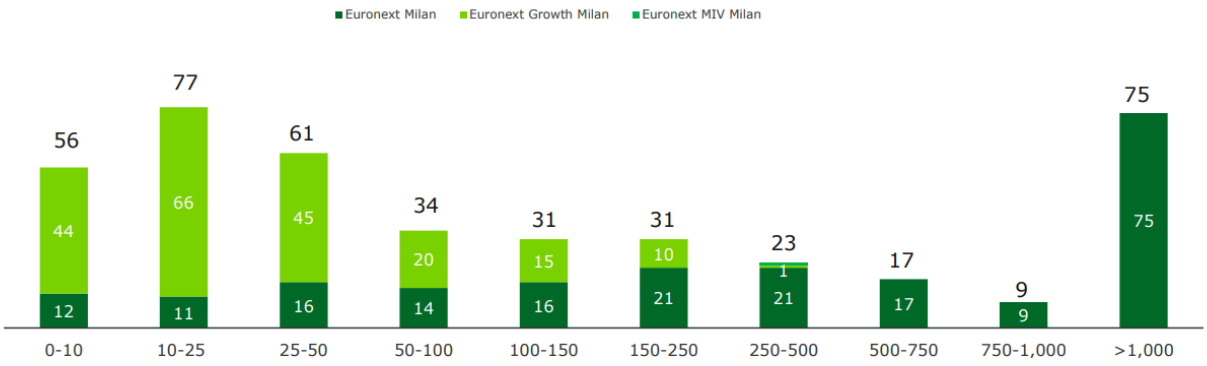
In terms of the key sectorial breakdown, Consumer Discretionary was the top industry in terms of IPO proceeds in 2024, raising $18.3 billion (compared to $11.7 billion in 2023 when ranked third). Consumer Staples ($13.9 billion), Financials ($15.0 billion), and Industrials ($17.8 billion) came next. The success of Consume Discretionary was supported from five IPOs in the sector with proceeds over $1.0 billion, with Hyundai Motor India's IPO coming collecting alone $3.3 billion. Building on

the robust performance in 2024 1H, Consumer Staples and Consumer Discretionary continued to grow also in the second half of the year, with increases of $6.6 billion (56%) and $4.8 billion (53%) in 2024, respectively. As inflation and the interest rate environment continue to stabilise, there could be a more optimistic view on the IPO activity for 2025.

2.6.1 Focus on the Italian Market

Narrowing the analysis to the Italian IPO market, it is possible to observe a situation substantially in line with the Marco Trends described globally with 22 IPOs in 2024 compared to 44 new listings in 2023 (-50% variation). The Italian stock market represents one of the main European markets, and thanks to a total capitalization of about 840 billion euros (Borsa Italiana) it is the fifth market by value after the United Kingdom, Germany, France and the Netherlands. The corporate configuration sees a significant prevalence of companies below 1 billion euros in valuation, defined as Small and Medium-sized Enterprises (SMEs), which represent 339 of the 426 listed entities, with an incidence of about 80%. It is important to note that this figure reflects the composition of the Italian economic fabric.

Figure 4 – Breakdown of Listed Companies on Italian Stock Exchange by Market Cap (€ million)



3. The Determinants of IPO Success

Chapter 3 focuses on the discussion relating to the determinants of IPO success. While recognizing the multiple dimensions of the phenomenon, this chapter tries to conceptualize the existing research around a few key aspects identified as the drivers for IPO success, that is: market conditions, economic uncertainty, firm's lifecycle stage and ownership structure.

3.1 The Drivers Behind IPO Waves

In order to have a clearer idea in defining the objectives of the research that will be presented below, it is essential to underline that the going public process has aroused a very high interest in the economic-financial world as over the years there have been anomalies to which definitive answers have not yet been given. While it is now clear what the benefits and costs associated with this process are, the reasons why IPOs occur in waves are not yet clear. The latter aspect, accompanied by the phenomenon of underpricing determine the IPO activity depending on the moments featuring the market. In addition to the detailed evaluation of the pros and cons of an IPO, there seem to be particular situations and conditions in which it is more convenient for a company to carry out the issuance, at the level of the external environment, sectoral or even at the level of individual company. Accordingly, it appears clear that companies tend to go public when they perceive more likely to reach the IPO success.

Researchers Doidge et *al.* (2013) studying the number of annual IPOs in the 1990-2011 interval investigate the reasons for such a drastic reduction in IPOs in the US in recent decades. According to the authors, the increased regulation and globalization of financial markets have a marginal impact. With regard to the second aspect, the assumption was made that the advantages brought by listing on the American stock market compared to others have decreased over time and for this reason many companies could have opted for other solutions (i.e. issuing on other markets). However, the number of IPOs globally has not increased at the same time. In this context, further reflection must be made on acquisitions, an activity that has become increasingly present in recent years and which allows small companies to operate in markets that are undergoing increasingly rapid changes. Gao et *al.* (2013) point out that the recent decline in IPOs is caused by the lack of willingness from listing of small companies that consider the choice of being acquired as a better-off solution. Based on such considerations, larger companies tend to achieve economies of scope, to acquire know-how and skills that are difficult to imitate and finally to significantly increase their value thanks to the exploitation of network externalities and the number of users of the acquired company. Having made these clarifications, it is clear that there must be further explanatory elements for these movements. In order

to have a clearer idea of the factors and conditions that had the greatest impact on the choice of the individual company, the hypotheses of the experts considered most plausible are reported.

3.1.1 Market Conditions

The theories concerning market timing are the ones that have aroused the most interest and involve in part the study of the individual company but above all the external environment. Looking at the total number of IPOs, it is possible to observe that there are very significant clues as to the correctness of these. The first to offer a starting point were Lucas and McDonald (1990). In their model, companies tend to postpone their IPO if they perceive that they may be undervalued at the time of the IPO in light of market conditions. If a downward phase is underway, they will then wait for a reversal in market sentiment, given the knowledge by management about the value of the company. This theory has also been confirmed by the studies of Boehmer and Ljungqvist (2004). This is a problem that arises from information asymmetries between managers and investors since the latter can overestimate or underestimate fair value. In the first case there will be a greater propensity on the part of the company management to carry out the issue. In addition, Ritter and Welch (2002) suggest a theory explaining this decision-making process which is based on the premise that entrepreneurs, with their experience and knowledge, know how to assess the fair value of the firm in which they operate on a daily basis and depend less on the capital market.

Pagano et *al.* (1998) address this aspect through an analysis conducted on a panel of Italian companies. Results highlight that large companies and companies operating in sectors where there is a high market-to-book ratio, a parameter that identifies potential overvaluation, are more likely to list. In fact, in their work, it is highlighted that in the sample of companies analysed, neither the investments nor the profits of the companies that have undertaken the IPO increase. There are other studies in contrast with such thesis but it is crucial to observe that the sample analysed in terms of geography, population and time frame can significantly influence the results. Boehmer and Ljungqvist (2004), on the contrary, provide a contrasting view of the market-to-book ratio, challenging the premise that this is the main driver in the IPO choice of the firm. In fact, they also add that companies are more likely to carry out an IPO when the uncertainty about its profitability is high (i.e. there is high volatility in the share price of peers in the sector).

Lerner (1994), focusing on the biotechnology sector, argues that the market-to-book ratio is an important factor in choosing between listing or receiving additional funding from venture capitalists. It is generally accepted that a higher state of investor confidence also plays a key role. In this context, it is also important to note that high IPO activity can arise as a result of high valuations in the stock

market but can lead to high underpricing in the following months. Lowry (2003), states that market confidence, growth opportunities, and adverse selection determine IPO volume as underwriters encourage companies to list when there are higher valuations. Finally, Pagano et *al.* (1998) determine that the size of a company and the growth recorded in the pre-IPO years also influence the decision to list significantly. It can therefore be seen that the exploitation of market trends to maximize the capital raised assumes, according to many experts, a particular importance at the time the issue is made. However, as already briefly reported, it is not the only parameter having an impact on the IPO decision.

3.1.2 Sector Uncertainty

Related with the theories on market timing there are those concerning uncertainty, where the main focus is on the sector in which a company operates as investors, over time, may have a different perception of the inherent risks and growth prospects. In fact, there are some sectors perceived by the market as very risky, especially the technological one, while others are considered safer. This uncertainty stems from multiple elements such as market concentration, barriers to entry, economies of scale, capital spent on R&D and therefore the growth opportunities of the companies operating in it. Depending on the level of risk associated with a sector, there is an associate optimal financial structure for companies operating in it. In the event that a company operates under conditions of high growth opportunities, the choice of access the equity market could be beneficial as markets could be interested in the investment case. In contrast, when a start-up or in any case a young company works in a market where there are few competitors and many economic efforts for R&D activities, raising capitals from private equity funds looks a more appropriate option.

Conversely, when the sector is considered less risky, investment is low and the threat of potential entrants is limited, the probability of undertaking the IPO process increases. This greater propensity arises from the fact that when an IPO is carried out, together with accounting information, strategic information is also required that can be exploited by competitors. The disclosure of accounting information and business plans could be dangerous for the listing company but this appears to have little impact on the decision. In sectors such as technology characterized by high growth rates, economies of scale and sometimes high switching costs for users, IPOs are undertaken unusually a few years after the company's inception and, in most cases, even when companies record negative profits in previous years (Schultz and Zaman, 2001). One possible explanation for this unusual behaviour on the part of managers is that there is a goal to gain market share quickly and exploit sources of competitive advantage before other solutions are exploited. In fact, in an increasingly

network-centric world, data is of paramount importance, as it can be used to track consumer preferences for accurate market segmentation and improve advertising services. These incur switching costs. For this reason, listing first can be essential in such type of sector.

3.1.3 The Company Lifecycle Stage

A different area of investigation emerges from the research of Chemmanur and Fulghieri (1999) who state that the reason that pushes a company to list is to provide an exit for existing investors when the pre-IPO shares of capital are held by venture capitalists or angel investors as they have poorly diversified portfolios and therefore are not willing to pay a price similar to what investors are willing to pay. The meaning of this findings can be interpreted as follows. When a company is its early stages and has not yet reached a certain stability and size, in order to grow, it often sells a share to venture capitalists who in turn will have a high incentive and possibility to control the work of the management by claiming to observe high growth rates since the primary objective will be to generate a profit following the investment made in the company. However, when the development phase is over and the company approaches the maturity phase, growth rates flatten and monitoring will be much less expensive. At this point, the sale of shares to a wider shareholding base allows more capital to be raised and at the same time to dilute the control for the existing shareholders.

3.1.4 Ownership Structure

Another aspect attracting particular interest among academics is the composition of the ownership structure and the impact of such dimension on the choice to go public. When a takeover bid is carried out, it is inevitable that there will be a change in the controlling shareholders on financial flows and therefore, intuitively, the ownership structure greatly influences the choice of whether or not to undertake it. When looking at companies in their mature stage, the governance structure is the result of choices made over the years. In such case the IPO decision is made by managers who will seek to maximize the value of the company. However, there are also possible agency problems emerging from these decisions. Managers, in fact, will exploit the issue in its favour to maximize profits in the event of a future sale of the company share or alternatively act in their own interests.

Benninga et *al*., (2005) affirm that entrepreneurs, in making the decision, must make a trade-off between high market valuations and the private benefits they derive from controlling the company. Bohemer and Ljungqvist (2004) study the behaviour of family businesses and find that these, unlike those financed by private funds, are much more likely to receive the benefits deriving from the control of the firm and therefore are much less likely to become public. Field and Karpoff (2002) point out

that in their sample of IPO, nearly half were adopted as anti-takeover defence by management. This strategy can be seen as a tool to retain the private benefits deriving from control. Another aspect to consider is that companies financed by large funds such as venture capitalists sometimes suffer excessive monitoring and this could be an incentive to carry out the IPO, in order to spread the shareholding base to a wider audience and benefit from the increase in monitoring costs.

With regard to this balance that is sought by entrepreneurs, it is important to note that in recent years many companies have entered the capital market by making a distinction between the classes of shares issued, in particular with regard to the voting rights associated with them. This type of governance structure is undoubtedly the most effective one available to management to protect itself. The technology sector, characterized by high growth rates, is the one in which this distinction has occurred the most, as exposed in the work of Tallarita (2018). The author affirms that the degree of diversification of the owners' investments also plays an important role in the listing. This would bring owners the opportunity to have liquidity more easily and invest in other assets. As a result, the less diversified the owners' portfolios, the more likely they will be to accept a low price for the shares.

4. Empirical Analysis of IPOs in the Italian Market

With Chapter 4, the dissertation delves into the empirical part, with a twofold analysis aimed to investigate and understand the main dynamics relative to IPO success in the Italian Stock Exchange. To this end, after rolling out a review of the main academic studies conducted on Italian market's IPOs, the discussion addresses the research question through view of both a case study and a regression model. More specifically, the case of The Italian Sea Group ("TISG") is studied, with the aim to provide a comprehensive view of the process, the strategic rationales and the impact of the IPO on the company. At the same time, the regression model, broadens the view on the key dynamics of the Italian market, proposing an analytical model to determine which accounting and financial driver can explain better the IPO success.

4.1 Literature Review on the Italian Equity Market

Many studies over the last decades have focus on the antecedents and the post-IPO performance of listed companies in the Italian market. To this extent, the main researches are summarized to provide evidence on the key emerging dynamics. Arosio et *al.* (2001) start from the consideration that even if IPOs were initially underpriced, listings in the majority of developed markets appear to underperform the market benchmark and the managed portfolios of comparable companies over the long term. In order to investigate the reasons for this occurrence, the authors gather information on a large sample of 150 IPOs occurred on the Italian Stock Exchange between 1985 and 1999 and using the market index as a reference standard, the long-term performance it is examined. The study discovers that whereas IPOs in the 1980s do not show appreciably different returns from the other equities, the most recent IPOs do substantially underperform market. Moreover, evidence of long run relative performance provides a view on the fact that some investors hold superior information on IPOs.

Cassia et *al.* (2004) take into consideration the 182 IPOs on the Italian Stock Exchange between 1985 and 2001. A positive underpricing is found (21.87%) on the broader samples though declining in the late 1990s, which is in contrast to the findings shown in the USA (Ljungqvist and Wilhelm, 2003). It asserts that two factors might explain this pattern: (i) the shift in pricing tactics from fixed-price IPOs to bookbuilding; and (ii) the Italian Exchange's segmentation with the establishment of a separate board for technology and high-growth companies. The fact that pricing only partially incorporates the public and private information available at the IPO demonstrates that IPOs are purposefully underpriced. The findings imply that the offer price more thoroughly incorporates unfavourable

preselling feedback than favourable information. Lastly, it demonstrates that, based on information available to the public at the time of the offering, price changes are rather foreseeable.

Viviani et *al.* (2008) investigate the impact of family ownership and private equity participation on the long-term market performance of a sample of Italian companies, both family-owned and non family-owned, that went public between 1995 and 2005. First, authors look into how private equity involvement and family ownership affect the whole sample of enterprises under consideration. Then the analysis focuses on the subgroup of family-held businesses in order to examine how private equity affects their success in the market, taking a look at the impact of family ownership on the subsample of IPOs supported by private equity. Nevertheless, the study offers no compelling proof of the anticipated benefits of the relationship between family ownership and private equity.

Rossi (2012) investigates the long-run performance of IPOs of venture and non-venture-backed companies. Both venture-backed and non-venture-backed firms had negative valuations, supporting the issue of underperformance, according to an examination of a sample of 102 initial public offerings (IPOs) conducted in Italy between 1998 and 2005. The adopted measures show negative and statistically significant values for venture-backed firms during the 36 months after their listing. Contrary to non-venture-backed businesses, venture-backed firms appear to be able to control losses in the first 12 months. However, regardless of whether they were venture-backed or not, the IPOs had negative and statistically significant values throughout the course of the 36-month period. Results from the test comparing the average abnormal returns were not statistically significant. The results suggest that the "market portfolio" appears to outperform the portfolio of 102 first public offerings. As a result, the problem of underperformance appears to exist in the Italian market and is supported by statistically significant and very negative values derived from the examined IPO samples.

In the study from Dall'Acqua et *al*. (2015), 129 IPOs on the Italian Stock Exchange between January 2001 and December 2012 were sampled for analysis. The findings show that two-thirds of the sample products had underpricing, albeit the average amount of 6.75% was significantly lower than in earlier research. Furthermore, even though our sample does not exclusively exhibit a positive association with hot market moments, the results offer comprehensive temporal insights to demonstrate that the phenomena is varying for time. Underwriters' short-term price support actions are the primary reason why the average stock performance 30 days after listing is lower than the average first-day return. Moreover, evidence shows some key factors having a significant impact on the IPO underpricing: firm size, aftermarket risk, market demand, the occurrence of financial crisis and shares retention by existing shareholders.

Scribano (2015) proposes that the Italian stock exchange fits into the general trend of post-IPO performance decline. The research examines whether the ownership shift that occurred after the IPO explains this decline. Two primary aspects of ownership are specifically taken into account: a quantitative one that shows ownership concentration and is represented by the stake held by top shareholders, and a qualitative one that focusses on the kind of shareholder and the presence of private equity firms both prior to and following the IPO. The primary hypothesis enquires as to whether operational performance and the following aspects are positively correlated: (i) the amount of stock owned by the top three shareholders prior to the IPO; (ii) the degree to what the controlling shareholders changed after the IPO; (iii) if a private equity firm was present prior to the IPO; and (iv) whether a private equity firm was present following the IPO. It's worth to note that, while all of the connections in the sample are confirmed, the evidence shows that ownership structure has a beneficial impact on operating performance in the years prior to the IPO but not in the years after.

On a similar extent, Bonaventura and Giudici (2016) address the IPO valuation procedure for businesses listed on the Italian Exchange between 2000 and 2009. The discounted cash flow (DCF) approach is one of the most popular valuation strategies mentioned in the IPO prospectus to establish the offer price. To determine the short-term profitability related to the offer pricing, a reverse engineering model is implemented. Authors demonstrate that the mean prediction error is quite high and that there is a considerable optimistic bias in the assessment of future profitability when compared to ex-post actual realisation. However, this type of inaccuracy also applies to the estimates made by analysts assessing non-IPO businesses. The projection inaccuracy increases with the company's recent growth rate, IPO firm leverage, and the number of firms that have issued stock on the market. IPO businesses often perform better operationally before to listing than comparable listed companies, but their post-IPO performance in terms of return on invested capital does not differ considerably. While the market price on the first trading day lacks information to further reduce prediction mistakes, pre-IPO book building activity is crucial in amending expectations and lowering forecast errors to some extent.

Dallocchio et *al.* (2022) address the aspect of how shares issued by small and medium-sized businesses (SMEs) in Italy performed from January 2007 to August 2017. The empirical data indicates that, over the same time period, stocks traded on the AIM Italian market (Borsa Italiana's market dedicated to SMEs with strong development potential) perform noticeably worse than those of other similarly listed businesses. Result are explained by the limited liquidity of the majority of underperforming SMEs, not by the small firms' limited size (small firms in the sample perform significantly better than larger ones) or the tendency to inflate the economic results in the fiscal year prior to the IPO.

Finally, Cioli et *al.* (2019) analyse the market-specific and firm-specific factors that contributed to the IPO withdrawals after Borsa Italiana's filing. The Italian Stock Exchange serves as the basis for the study examining entrance requests submitted between 2007 and 2016. A probit regression is adopted to analyse the impact of each variable on the likelihood of withdrawal from the IPO process using a dataset of 52 planned IPOs (15 withdrawals and 37 successful IPOs). Results show that the likelihood of withdrawal from the IPO is negatively impacted by interest rates, market sentiment, and government integrity. Two ex-ante factors, such as the company's age and net profitability, have a favourable and negative impact on the likelihood of withdrawal, respectively.

4.2 Case Study: the IPO of The Italian Sea Group

The discussion of a case study relating to a recent IPO conducted in Italy represents an interesting starting point to understand from the practical side, the main rationales leading a medium-sized Italian company, having a leadership positioning in its industry, to the IPO process. More specifically, the discussion provides the main competitive and strategic traits of the group, providing details on how the IPO funds have been invested and how this transformational phase resulted into a focal point into the company's development cycle.

Overview of the Company

TISG is a global operator in the international nautical sector, specialized, with its Shipbuilding Division, in the design, production and sale of custom-made luxury superyachts (with a length between 17 and up to a maximum of about 100 meters, with a focus on yachts between about 60 and 100 meters). TISG also offers, with its NCA Refit Division, refit services both on its own yachts and on yachts (motor and sailing) realized by third-party manufacturers with a size up to 200 meters, focusing on yachts above 60 meters. Strategically located within the Port of Marina di Carrara, where it run a 98,000 square meter operating area, TISG owns the iconic brands Admiral (including yachts from 40 up to a maximum of about 100 meters) and Tecnomar (including yachts up to 50 meters), characterized by strong complementarities in terms of target markets.

The boats produced and marketed by TISG are aimed (due to their characteristics of size and type of product) at Ultra High Net Worth Individuals ("UHNWI") around the world and include both steel and aluminum yacths. In addition to the design, production and sale of luxury yachts, TISG's offer also includes yacht refit services with a particular focus on yachts over 60 meters, both motor and sailing, under its own brand and from other shipyards. This activity, together with the production,

marketing and recreational and hospitality services designed specifically for the crews of yachts under maintenance, is carried out within the Marina di Carrara shipyard.

The Strategic Levers of TISG Business Model

In order to fully understand the pillars of the competitive success of the company, below the main strategic levers of TISG are described:

- Complementarity of the brands. Innovative design and globally recognized quality place the company in the high-end of the luxury yachting industry. Brand complementarity, innovative design globally and recognized quality position TISG in the high-end of the luxury yachting industry, thanks two of the most iconic brands in the markets: Admiral and Tecnomar. In figures, since 1966, when the Admiral brand activities began, 147 yachts have been built, of which 14 since 2011 (i.e. since the current ownership took over control of the brand). As for the Tecnomar brand, on the other hand, 289 yachts have been built since the year of the start of activities under this brand (1987) of which 17 since 2009 under the management of the current ownership. As of the IPO Prospectus date, TISG offers a total of 17 Admiral brand models and 5 Tecnomar brand models with a high degree of customization based on the owners' preferences both in terms of size and interior and exterior design. These brands cover a wide and exclusive range of complementary products, from 17 meters up to a maximum of approximately 95 meters, of which Tecnomar from 17 to 40 meters and Admiral from 40 meters up to a maximum of approximately 95 meters. The company's strategy is aimed at focusing on lengths with higher added value (i.e. more than 40 meters). This segment has historically been characterized by greater resilience in the presence of market shocks. The experience of 2008 shows that in a time of crisis, the market segment of yachts over 40 meters is more resilient than that between 30 and 40 meters, and when the recovery begins it tends to grow in line with the market. The yachts built by TISG are characterized by high quality and the selection of materials and workmanship, as well as attention to detail, the use of advanced technologies and 100% Made in Italy design. The premium quality of the products is evidenced by a significant price stability in the second-hand market as well as by the most recent awards obtained by the Company at an international level (among which are mentioned the finalist attendance for the best 60-meter super yacht in the Life Saga motor yacht range at the "International awards and accolades: 2019/2020 Super yacht Award").
- Growth in UHNWI segment. Luxury yachting market growth expected to be substantially in line with the recent past and driven by a customer base of UHNWI that is not very penetrated

and immune to shocks, and characterized by competitive dynamics favourable to TISG. The yacht market is characterized by continuous growth from 2014 through 2020s and is expected to grow at rates substantially in line with the recent past, without significant slowdowns. The CAGR in terms of values of the global recreational boating market between 2014 and 2018 is in fact equal to 10.4% against 5.5% in the period between 2018 and 2023. Although the luxury yachting market, which accounts for less than 2% of the overall luxury market in recent years, has grown at higher rates than all other sub-segments of this market, only about 3% of UHNWI own a yacht over 30 meters in length. UHNWI, who represent the only category of clients to which the company offer is addressed, are limited impacted by a possible economic crisis in their decisions to purchase a super yacht and are now more prepared from an asset allocation point of view to face a possible new economic crisis than what happened in 2008 during the financial crisis. Within the TISG reference market, several dynamics are in place that favouring the characteristics of the company. In particular, it is useful to mention: i) growth in the number of superyachts under construction, ii) the increase in the average length of yachts, iii) increase in the number of superyachts delivered by shipyards, iv) concentration of production in Italian shipyards and v) competitive arena with limited presence of active and strongly competitive operators.

- Resilient and diversified revenue streams. Thanks to a loyal, international customer base and UHNWI, and distinctive capabilities in the refitting activity the company has established a significant balancing in TISG revenues base. Since the key shareholders group took control in 2012, the company has always grown year on year in terms of revenues and market share, substantially not affected by the trend of the economic cycle and market dynamics. This was also possible thanks to an international client base more resilient to any recessionary economic scenarios. As discussed, the TISG customer base shows a high percentage of UHNWI customers who have already been customers of the company in the past, a sign of a high level of loyalty and satisfaction. Also, in the company's management opinion, such high level of loyalty, is related to the peculiar characteristics of the luxury yacht product (frequency of purchase, unit value and breadth of offer on the market) and of the reference business – characterized by a high variability of customers and a low incidence of recurring customers.
- Flexible and low-risk business model. TISG, also thanks to the investments made over the years, is able to fully oversee the various phases of the activity, both production and refit through quality control on all steps of the production process. The company's internal control structures (directly led by the CEO) offer premium quality standards, thus minimizing the risk of dependence on third-party suppliers, and this to the benefit of meeting the delivery times

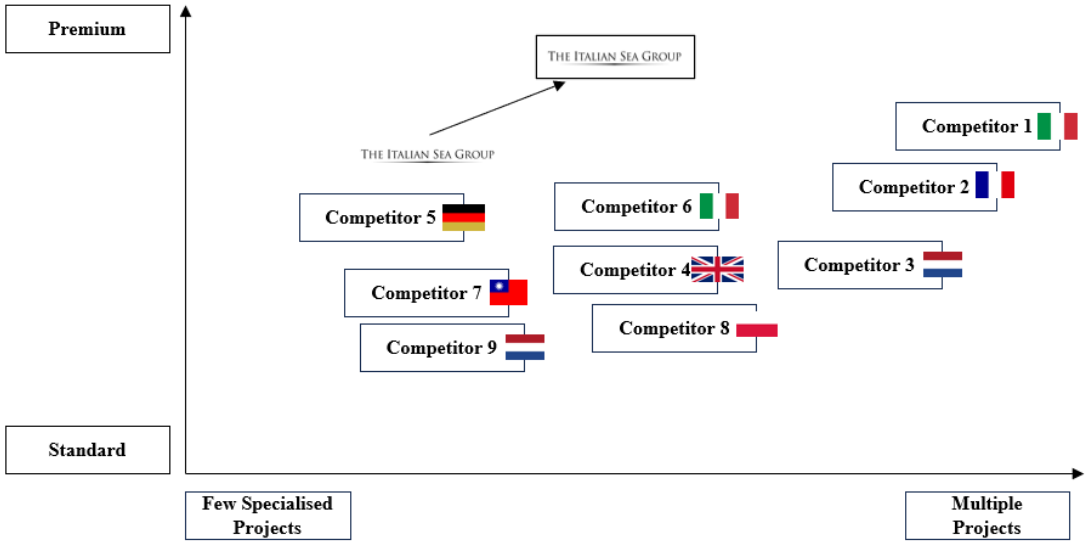
of the yachts. In addition, TISG, through continuous technical controls throughout the production process, oversees the application of quality standards, also allowing client owners continuous and direct collaboration with the internal production teams. TISG's quality control and supervision is also present at the Antalya and Permirasiti shipyards in Turkey and Greece respectively, where TISG has some parts of the yachts built, in particular the hull and superstructures of the ships, made. In fact, pursuant to the contracts stipulated with the contractors who carry out the work in the aforementioned places, a representative of TISG may access the construction sites and buildings of the contractors and/or any subcontractors in order to exercise their controls and checks on the works in progress.

With the reference strategic plan issued at the time of the IPO (2021-2024), TISG has defined its drive to continue the strategy of differentiating its product from competitors, focusing on the continuous improvement of its positioning within the market and offering its customers yachts with premium quality standards and a high content of made in Italy design. The key levers on improving competitive positioning on international markets:

- USA: increasing the brand awareness of the Admiral and Tecnomar brands through ad hoc marketing campaigns and participation in the most exclusive events in the sector;
- Asia: expanding the Tecnomar range, for which the company envision a growing demand in this area, and improving the interior and exterior design of this line;
- Europe and Russia: increasing collaborations with well-known "starchitects" in the sector to strengthen the exclusivity of TISG product lines;
- Middle East: leveraging Lamborghini's partnership to promote cross-selling of Admiral and Tecnomar and enhance marketing efforts.

Figure 5 displays the competitive positioning of TISG against the main peers operating in the luxury yacht market, including the sought-after strategic direction to be implemented following the IPO process. Considering the two main strategic levers of configuration (defined as few specialized projects as opposed to multiple projects) and the level of offer differentiation (that is, premium as opposed to standard). As it can be seen, TISG is positioned among the premium producers of highly-specialized projects, mainly in the segment of 100+ meters yachts. The actions envisioned as part of the strategic plan in support of the listing, are aimed to reach a twofold target, that is: expand the group capacity in terms of project execution and upscale the TISG market positioning.

Figure 5 – Evolution of Strategic Positioning of TISG



As part of the wider positioning upgrading, the TISG strategy envisioned the key role of partnerships. Below are described the main partnership ongoing with key players:

- Lamborghini: by virtue of this collaboration, the range of products offered is expanded, with a high-speed and super-luxury boat, capable of combining the design and technical performance of the well-known Italian car brand with the know-how of TISG. The development of this partnership should thus take on a role as a focal point for new markets;
- Giorgio Armani: this partnership is aimed at increasing the visibility of the Company;
- The further development of the Refit Division entails through a specialization in high value-added processes such as painting services, interior fittings and mechanical activities with high quality standards.

TIGS Key Financials: Pre- and Post-IPO

To have a comprehensive view of the impact of the listing process on the growth path of TISG, the analysis of financials is initially conducted for the period before the IPO (Table 2).

The summary of selected financial and economic KPIs for the period 2018-2020, provides a consistent view on the constant improvement of TISG in terms of growth, profitability and financial solidity. More in details, Revenues show a growing trend from 2018 to 2020 (+65%) a proof of the strong capacity of the group to intake new valuable projects in its pipeline.

Table 2 – Selected TISG Pre-IPO Key Financials

Metric	2018	2019	2020
Revenues (€m)	68.3	99.2	112.9
EBITDA (€m)	6.1	9.7	14.5
EBITDA (%)	8.9%	9.8%	12.9%
EBIT (€m)	2.8	3.0	9.8
EBIT (%)	4.5%	3.0%	8.3%
Pre-Tax Income (€m)	1.0	1.2	7.8
Net Cash Flow	(1.3)	1.8	12.2
NFP (€m)	29.0	15.8	8.3
NFP / SE (x)	0.86	0.46	0.21
NFP / EBITDA (x)	5.04	2.14	0.60

At the same time, EBITDA and EBIT improve on the same period more than proportionally with a significant improvement in marginality (respectively from 8.9% to 12.9% for EBITDA and from 4.5% to 8.3% for EBIT). This is a material proof on the capacity of the group to enhance efficiency managing operational and corporate costs. Pre-Tax Net Income follows the trend going from ca. €1 million in 2018 to €7.8 million in 2020. Also, regarding the financial position, TISG records a clear improvement in the cash net flow generation (from -€1.3 million in 2018 to €12.2 million in 2020) a result which translates into the reduction of NFP (from €29 million to €8.3 million). Finally, the financial leverage of the group shows a downward trend both in terms of NFP / SE (from 0.86x to 0.21x) and NFP / EBITDA (from 5.04x to 0.60x). Overall, the economic and financial performance of TISG in the pre-IPO phase clearly demonstrate that the company underwent a continuous growth path, based on sound strategic levers, enabling it to go public offering a material value proposition to potential investors through a consolidated development story unlocked by internal resources.

The IPO Process and the Post-IPO Results

On June 3rd 2021, TISG was officially admitted on the Italian Stock Exchange (Borsa Italiana) with a share price of €4.90. The global luxury yachting operator raised €97 million in the placement phase including the full exercise of the over-allotment option. Overall, this amount is raised through 9,5 million of newly issued shares via capital increase, 10,5 million already existing shares allocated from incumber owners and 1,8 million shares allocated due to over-allotment. The resulting free float at the time of the IPO is 22.5%. As part of the process there is the sale of a part of the stake of GC Holding (a company controlled by CEO Costantino), in order to reach the free float threshold

provided for by the MTA requirements (25% of the shares issued). The total market valuation of €260 million. The IPO received an immediate success, with an intraday increase of as much as +9,4%.

Following the listing process a series of actions has been implemented to consolidate the strategic positioning of the group. In order to address in detail the different aspects of the post-IPO, the financial, strategic and operating dimensions are discussed separately.

Table 3 – Selected TISG Post-IPO Key Financials

Metric	2021	2022	2023	2024
Revenues (€m)	185.6	294.7	363.5	405.5
EBITDA (€m)	27.9	47.1	61.2	69.7
EBITDA (%)	15.1%	16.0%	16.8%	17.2%
EBIT (€m)	21.7	37.1	48.6	57.1
EBIT (%)	11.7%	12.6%	13.4%	14.1%
Pre-Tax Income (€m)	18.1	29.4	43.4	56.8
Net Cash Flow (€m)	57.2	(4.3)	(5.1)	(16.9)
NFP (€m)	(41.0)	11.4	(1.2)	13.6
NFP / SE (x)	n.a.	0.10	n.a.	0.09
NFP / EBITDA (x)	n.a.	0.24	n.a.	0.19
Dividends (€/share)	0.185	0.272	0.370	0.245

The analysis of the financial results (Table 3) highlights the substantial continuation of the growth pattern of TISG following the IPO, with a further consolidation of the positive trends in place before the go public. First and foremost, it emerges a seamless top line growth with revenues more than doubling from €185.6 million to €405.5 million in 2021-2024. This trend is accompanied by a sustained increase also in profitability margins, with EBITDA and EBIT improving respectively from 15.1% to 17.2% and from 11.7% to 14.1%. Again, this pattern not only shows a focus on the growth, but also a direct control on the cost structure of the group, maintaining high levels of operating performance. Notably, also Pre-Tax Income materially increases over the period, from €18.1 million to €56.8 million. It is interesting to see the interplay between cash flow generation and the NFP. In fact, a sustained cash flow generation is shown in 2021 with decreases in the following years, the NFP records positive values in 2022 and 2024. Nevertheless, the leverage ratios appear fundamentally low (both considering the SE and the EBITDA). The reason for the worsening in the cash position of the group is related to the outflows due to dividends distribution, in place since 2021, peaking in 2023 for an overall €19.6 million.

Another viewpoint to be taken into account relates to the share price performance compared to other key players in the reference sector. To this end, considering the listed entities in the Italian stock exchange, that is Ferretti Group and Bellini Nautica, Figure 6 summarizes the comparative performance across the group.

Figure 6 – TISG share price performance

Based on relative terms, the stock price performance of TISG shows a stronger trend than its peers. In fact, following initial uncertainties due to the ongoing economic uncertainties through 2022, the stock price seems benefiting during 2023 and the first half of 2024 on the backdrop of the outstanding financial and operating results of the group, nearly reaching a +80% over the IPO price. At the same time, the selected peers Bellini Nautica and Ferretti Group (listed respectively in 2022 and 2023) show a different pattern. On the one hand, Bellini Nautica undertakes a negative trend in 2023 to bounce back during the second half of 2024. On the other hand, Ferretti Group, puts in place a relatively moderate change in share price to date. Interestingly the three peers record a downward trend in share price during the first quarter 2025 due to increasing uncertainties on potential commercial restrictions, hampering the perspectives for the UHNWI market. The financial and market performances of TISG reflect the effective implementation of business strategy at different levels. The main operating and strategic actions supporting the achievement of such results are summarized below:

- Acquisition of Perini Navi and asset optimization. On January 2022, TISG finalized the acquisition of the historical yacht brand Perini Navi, following a competitive bid in relation to the bankruptcy process relating to Perini Navi S.p.A. More specifically, the transaction entailed the entirety of the company's assets (including the shipyards in La Spezia and Pisa), the vessels under construction, trademarks and patents and any exiting legal relationship, for a total consideration of €80 million. The acquisition provided an immediate fit with the

strategic view of TISG leveraging the highly specialized competences and know-how internally developed in the sailing yacht business. Also, the significant growth achieved through Admiral and Tecnomar's worldwide awareness, which demonstrates the demonstrated competence in the appreciation of acquired assets and brands. This potential for value growth has been also supported by the fact that the famous brand's worth has not been impacted in the least by the financial crisis that caused bankruptcy, as prices from the most recent secondary market acquisitions. Thanks to the acquisition, TISG relies on an expanded team of specialists with excellent technical and commercial know-how in the sailing boat industry thanks to the quick and effective integration of the Perini Navi staff. Thereafter, as part of asset optimization, the disposal of the Viareggio shipyard was finalized during June, 2024 for an overall value of €33 million, of which €21 million collected during 2024 (in 2023, the TISG made the separate disposal, for a value of €12 million of the building previously used as the Perini Navi offices, streamlining corporate activities in the Marina di Carrara headquarters with a view to contain costs through a more efficient business management).

- Growth: expansion in across geographical markets and highly-profitable segments. This sustained growth of the units being built and the signing of additional contracts for projects in the bigger dimensions range are responsible for this outcome. With a notable growth of the Americas over the last two years and the goal of further solidifying its position in Asia and the Middle East, TISG's business strategy is really founded on balanced distribution in the various geographical areas. Because of its wide range of products and capacity to satisfy all client needs, TISG has established itself as a leader in luxury boating. In order to exploit the substantial manufacturing capacity now available without compromising design capacity, TISG has created a few new semicustom designs while continuing to concentrate on full-custom yachts. The Admiral Quaranta project, the first unit of which was sold in the second quarter of 2024, is one of these projects, along with the Panorama and Admiral 50 lines. By entering this new market niche, TISG will be able to draw in a new clientele of those looking to shorten the lead time for their boat. With the exception of some work to expand the sales offices in Marina di Carrara ("TISG New Era" Project) or any strategic M&A transactions for Group development and growth, TISG does not anticipate making any additional significant investments in terms of production capacity after the completion of investments in the Marina di Carrara, La Spezia, and Celi sites. In order to increase profits and gain more control over schedule and quality, TISG has solidified its approach of internalising the most valuable supply chain operations over time. A new division dedicated to interior steel finishings was launched in June 2024, operating at the Marina di Carrara site.

- Premium positioning. The recognized success of multiple newbuilt models launched on the market (among which the notable 75-meter mega-yacht Admiral Kenshō, awarded "Motor-yacht of the Year" at the prestigious World Superyacht Awards 2023), demonstrates how strong and acclaimed the positioning of TISG's brands is in the global yachting market. This positioning is further strengthened by the group participation in the world's most recognized shows and exhibition, witnessing a direct connection with customers and brokers. TISG's commercial strategy within the reference markets, thanks also to the collaboration with the main brokers in the sector, has allowed the portfolio brands to express their full potential in markets that have material growth potential such as the Americas.

Overall, the result of the above-described actions is summarized in Figure 7. The main aspect refers to the increase in the overall projects being executed within TISG, a proof of the better positioning of the group in the market, thanks to its specialized competencies and the distinctive portfolio brands. More specifically, from 12 projects in execution as of 2020, (for a total length of 698 meters), TISG shows 22 projects in executions in 2024 (for a total length of 1,346 meters).

Figure 7 – Comparison of Competitive Positioning of TISG (2021 vs 2024)

2021 RANK	COMPANY	TOTAL LENGTH (M)	NUMBER OF PROJECTS	AVERAGE LENGTH (M)	NUMBER OF PROJECTS 2020	2020 RANK
1	Azimut-Benetti	3,521	100	35.2	101	1
2	Sanlorenzo	3,089	86	35.9	87	2
3	Feadship	1,162	17	68.4	16	3
4	Ocean Alexander	1,119	35	32.0	31	7
5	Lürssen	1,049	9	116.6	9	5
6	Damen Yachting	1,028	15	68.5	14	6
7	Horizon	721	25	28.8	24	9
8	Overmarine	692	16	43.3	12	10
9	The Italian Sea Group	688	12	57.3	5	NEW ENTRY
10	Heesen Yachts	626	11	56.9	13	8
11	Oceanco	566	5	113.2	3	15
12	Bilgin Yachts	499	7	71.3	5	13
13	Palumbo	442	11	40.2	8	18
14	Baglietto	422	10	42.2	10	11
15	Turquoise Yachts	334	5	66.8	6	14

2025 RANK	COMPANY	TOTAL LENGTH (M)	NUMBER OF PROJECTS	AVERAGE LENGTH (M)	NUMBER OF PROJECTS, 2024	2024 RANK
1	Azimut-Benetti	5,905	164	36	167	1
2	Sanlorenzo	4,448	125	35.6	132	2
3	Feadship*	1,525	N/A	N/A	N/A	3
4	The Italian Sea Group	1,356	22	202	24	5 ▲
5	Lurssen*	1,254	12	104.5	13	4 ▼
6	Overmarine	1,095	26	42.1	28	8 ▲
7	Princess Yachts	1,094	42	26.0	48	7
8	Ocean Alexander	1,064	33	32.2	30	10 ▲
9	Sunreef Yachts	1,006	35	28.7	35	11 ▲
10	Damen Yachting	1,002	14	71.6	19	6 ▼
11	Baglietto	959	20	48.0	19	12
12	Sunseeker	946	35	27.0	41	9 ▼
13	Cantiere delle Marche	805	20	40.3	20	15 ▲
14	Palumbo Superyachts	744	15	49.6	12	16 ▲
15	Bilgin Yachts	711	12	59.3	9	17 ▲

In conclusion, the analysis of the TISG case study highlights some key evidences. First of all, the IPO process conveyed the necessary financial resources for TISG to fund its development plans as presented in the IPO prospectus and in line with the 2021-2024 strategic plan. This initial consideration summarizes the success of the go public process undertaken by the group even during a phase of market uncertainties (due to geopolitical tensions and concerns on economic growth). Second, looking at the long-term performance, this dimension can be assessed under both a strategic and financial perspective. On the one hand, thanks to the resources raised through the listing process, TISG managed to grow in terms of size, both organically and through external lines. While the main acquisition of Perini Navi stands out as the catalyst for growth, the internal development in key demand areas and in the premium market segments. On the other hand, TISG achieved to meet its guidance targets while maintaining a sustained cost discipline as witnessed by the growing EBITDA and EBIT margins and maintaining a relatively low (or negative) financial leverage. Third, the group has proven capable of translating this positive track record into value creation for its shareholders,

with dividend distribution through the analysed period, another aspect reaffirming the sustainable success of the business model.

4.3 Analysis of Italian IPOs

Following the analysis of TISG IPO case study, the discussion moves forward with an empirical analysis conducted on the IPOs carried out on the Italian Stock Exchange in the period 2015-2024 with the aim to detect the main factors influencing the success of the process. In particular taking the view of the balance sheet analysis, the goal is to assess if, and to what extent, the pre-IPO accounting metrics of the listing company have an impact on the shareholders' value creation.

4.3.1 Methodology

The main areas of methodology adopted for the analysis are presented here below, that is regression model.

Regression Model

To reach significant evidences a quantitative analysis, conducted on empirical data, is developed adopting the multiple linear regression model. The model, estimated through the method of the ordinary least squares (OLS), assumes that between the dependent variable (Y) and the independent or explicative variables (X) there is a linear relationship. It is assumed that, from uncorrelated sample data observations, it can be estimated a number of relationships corresponding to the single variables featuring the sample. Hence, the result will feature a series of β coefficients measuring the variation of dependent variable in function to the unit variation of each independent variable, being the other variables kept constant.

The analytical section is complemented with the commentary on the results for each β coefficient their respective significance and finally it is evaluated the general fit of the regression model. Here below, the model is expressed:

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \ldots + \beta_n X_{ni} + \varepsilon_i$$

$$E(\varepsilon_i) = 0$$

Where:

Y_i is the dependent variable (where y_i represents the *i-th* sample observation of the dependent variable);

β_n is the slope corresponding to the *n-th* dependent variable X_n keeping constant the other dependent variables (where β_0 represents the regression intercept);

X_{ni} is the n-the independent variable (where x_{ni} represents the sample observation of the n-the variable subject to the analysis in respect to the *i-th* observation);

ε_i is the *i-th* error component of the model (where the expected value of the average of the errors of the model is equal to 0);

$n = 0, \ldots, N$ identify the regression coefficients;

$i = 0, \ldots, I$ identify the single observation.

The regression model is therefore used to understand the relationships between key transaction variables on abnormal returns. To verify the degree of fit and the accuracy of the model estimates, the R^2 coefficient and the F test will also be analysed. The coefficient of determination, or R^2, is a measure that provides information about how well a model fits. In the context of regression, it is a statistical measure of how well the regression line is close to the actual data. It is therefore important in analysis aimed at predicting future outcomes or in *hypothesis testing*. On the other hand, with reference to the F test, this is used in understanding the significance of the regression model with respect to the reference population, indicating, if significant, how at least one variable of the model is significant in the analysis carried out.

4.4 Research Hypothesis

In this paragraph the research hypothesis are presented with supporting rationales in line with the evidences proposed in the main studies of the matter. As discussed in introduction section the focal area of analysis of the study refers to the investigation of the impact of accounting measures on IPO success, the key aspect which will be the main focus of analysis in the next chapters. One of the researches addressing this point comes from Yetman (2001), in which it is evaluated how well the data from accounting-based value metrics, involving accounting data as inputs, is integrated into early market pricing for initial public offerings. The author looks at how these indicators relate to three-year returns and first-day underpricing effect. Results expose that both the first-day underpricing and the three-year returns are linked to accounting-based value metrics in relation to market prices. This suggests that the information in these metrics, which is available at the time of the IPO, is not effectively embedded into prices.

The study from Bhabra and Pettway (2003) address the most significant factors by comparing business and offering characteristics to later performance using prospectus data. In general, offering features are less important than company factors, such as size, R&D expenditure, free cash flow, and

leverage. The evidences find that prospectus information is less helpful for forecasting winners and more helpful for predicting enterprises with poorer performances.

Demers and Joos (2007) create an IPO failure prediction model incorporating accounting data, a proxy to incorporate information on banks involved, and other IPO deal-related attributes. To scope of the study is to investigate the elements linked to post IPO failures. Authors report statistically significant differences between failure models that apply to high-tech and non-tech IPO. These differences are primarily driven by accounting-based proxies for financial leverage, operating performance, and businesses' investments in intangible assets. For each of the two sectors the study tests IPO failure forecasting models showing a negative correlation with abnormal returns one year after the IPO.

Hasan et *al*. (2013) by means of a sample of IPO conducted from 2000 to 2008, examine the effect of ex-ante uncertainty, as measured by several financial measures and other information provided in the prospectuses, on the short-term post-IPO performance. According to the study's findings, analysed IPO show a significantly higher average market-adjusted first-day IPO. Additionally, it has been revealed that these high initial IPO returns are inversely correlated with proxies of historical profitability and the level of formation of the issuing enterprises, but positively correlated with the proxy of risk of financial default.

Abraham et *al*. (2015) examine the effect of informed traders' purchases of stock returns on volatility. Based on the assumption that companies with strong returns on equity and the adoption of growth strategies would boost returns in the post-IPO phase. Further analysis was done to see whether return on equity was directly impacted or if it was influenced by factors like cash flow, profit margin, volatility, or sales growth. Xiong et *al.* (2010) contend that firms showing better pre-IPO profitability may be associated with higher post-listing stock performance. Although the study do no find conclusive evidence in this regard, authors suggest that that pre-IPO profits management is crucial, even though investors might not be knowledgeable enough to gauge the degree of earnings management of the listed company. Finally, the study from Cioli et *al.* (2019) shows that the likelihood of withdrawal from the IPO is negatively impacted by interest rates, market sentiment, and government integrity. Two ex-ante factors, such as the company's age and net profitability, have a favourable and negative impact on the likelihood of withdrawal, respectively.

Based on the discussion presented above, the following research hypothesis are stated.

Study Hypothesis: Is post-IPO market performance related to pre-IPO financial performance in the Italian market?

In accordance with the broader literature, an important area of investigation in IPO research relates to the understanding of the existing relationship between the post-IPO performance and which variable(s) cause such change against the IPO share price. As discussed in previous paragraphs, and in line with the object of the thesis, a focus is maintained on the pre-IPO financial perspective, that is, determining if, and to what extent, pre-IPO financial performance, in terms of accounting measures reflects into the share price performance of the company. Three main dimensions are investigated, based on: operating profitability, net profit profitability and the degree of liabilities ratio. Moreover, a set of control variables is used, in order to control the potential effect of external variables on the post-IPO share performance. These are related to: economic growth, the shareholders' capital floating share allocated in the market and the proxy of IPO proceeds.

To this extent and to ensure consistence, a twofold level of analysis is proposed, carrying out the regression model using as dependent variable the stock price change after 1 week and 1 month after the IPO date.

Table 4 – Expected associations for regression variables

Variable (Exp. sign)	Rationale
ln_Proceeds (+)	In line with findings in academic research, evidences on Italian Stock Exchange show a significant underperformance for SMEs, due to lack of liquidity in the market. On the contrary, such issue is not encountered for listed companies with larger market capitalization. Accordingly, for the scope of the analysis, a positive sign is assumed for the variable.
Floating Share (+)	The percentage stake involved in the IPO process is assumed to have a positive effect on the post-IPO share performance as larger public float may be associated to better share performance due to higher availability of shares on the market improving the degree of liquidity (Michel et *al.*, 2014).
GDP_Growth (+)	The conditions of economic growth is another variable assumed to have a potential impact on the stock price performance after the IPO. In particular, a positive relationship is expected between GDP Growth and price change as during phases of economic expansions, stock markets show a positive trend.

Variable (Exp. sign)	Rationale
EBIT_Margin (+)	The pre-IPO EBIT Margin, considered as a proxy of the operating efficiency of the company, is expected to be positively associated with the dependent variable as it shows the share of revenues the company can turn into EBIT. Such relationship is due to the fact that investors are more interested in companies able to operate under higher operating efficiency (Demers and Joos, 2007).
Profit_Margin (+)	The pre-IPO Profit Margin is assumed to have a positive impact on the dependent variable as this represents a proxy for shareholders profitability and therefore the higher the profit marginality the higher would be the appeal to purchase the company's shares (Xiong et *al*. 2010).
Liabilities_Ratio (-)	The pre-IPO Liabilities Ratio (in terms of total assets) is expected to have a negative impact on the post-IPO share price performance as the higher the liabilities ratio, the more indebted is the company, with potential negative implications on the future growth prospects.

5. Empirical Analysis and Results

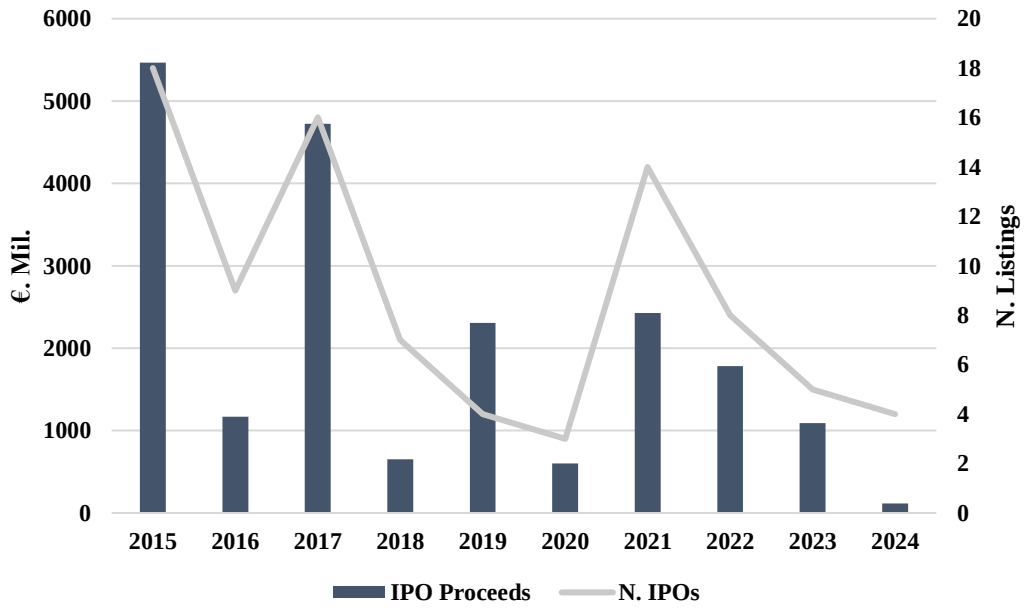
In this Chapter 5 the empirical analysis is rolled out with discussion on implications and limitations of key evidences. More specifically, in the first paragraph, the selected sample is presented and key descriptive statistics are summarized to provide an overview of the transactions subject to the analysis. The second paragraph focuses therefore on the presentation of the results, providing the description of the associated empirical interpretation and potential limitations of the analysis.

5.1 Sample Presentation

The empirical analysis is carried out on a sample of IPOs conducted in the Italian market, collected through the Aida dataset adopting the following search criteria:

- Transaction Type: Initial Public Offering (SPAC listings excluded)*;*
- Operation Status: Completed;
- Deal Value Threshold: €1 million;
- Analysis period: 10 years (01/01/2015 to 31/12/2024);
- Geographical scope: Italy;
- Company Status as of today: Listed/Unlisted;
- Industry: All.

Figure 8 – Sample Summary (Deal Value and Deal Count)



Based on the criteria discussed above, an initial sample of 88 IPOs has been selected. Excluding any observation associated with missing values from the preliminary selection, a final sample of 63

observations has been derived for an overall, worth €20.3 billion in overall proceeds. Figure 8 displays the distribution of the IPOs included in the sample through the considered time span (in terms of both proceeds and number of IPO processes). Overall, while taking in consideration that the analysed sample does not take into account the entirety of IPOs occurred on the Italian market, some trends emerge in line with the overall activity on the Borsa Italiana Stock Exchange. First of all, the sustained activity in 2015 and 2017 is mainly related to a few major listings from large cap companies above €1 billion in total proceeds (i.e. Poste Italiane and Inwit in 2015 and Pirelli in 2017), with the majority of other IPOs being below the threshold of €100 million. In terms of general market trends, a substantial slowdown is recorded in 2020, due to the market turmoil related to Covid-19, followed by a recovery in 2021. Evidences of decline appear in the period 2022-2024 on the wake of renewed uncertainties due to increasing interest rates and fears on global trades, affecting both the number of IPOs and the proceeds collected.

The variables used in the regression model are described below.

Share Price Change (Dependent variable)

The chosen dependent variable refers to the company's share price change, in percentage terms, compared to the issuance price. The change in measured respectively 1 week and 1 month after the IPO date. Such time intervals are considered adequate enough on the one hand to ensure the neutralization of any substantial volatility during the first trading days, and on the other hand, to avoid the potential impact from co-founding effects related to external factors to the analysis (i.e. changes in the issuer's conditions, market changes, etc.)

ln_ Proceeds (control variable)

The variable expresses the value of the proceeds through the IPO process in Euro million, to account for the effect relating to the size of the IPO. Considering that the variable is associated with substantial volatility in observations, a logarithmic transformation is implemented in the model.

GDP_Growth (control variable)

The variable *GDP_Growth* incorporate in the model the dimension related to the economic status at the time of the IPO. As such the variable is taken in terms of real GDP growth for Italy with regard to the year in which the IPO has occurred.

Floating_Share (control variable)

The variable includes in the regression model the percentage ownership being allocated as part of the IPO process. As per criteria discussed earlier in this thesis, the transactions considered involve a transfer percentage leading the acquiring company to a majority stake post-transaction.

EBIT_Margin (independent variable)

The variable *EBIT_Margin* is calculated as ratio between the EBIT and the Revenues of the listing company as of the last financial year before the IPO. *EBIT_Margin* includes in the regression model the dimension of operating efficiency of the company before the listing.

Profit_Margin (independent variable)

The variable *Profit_Margin* is calculated as ratio between the Net Income and the Revenues of the listing company as of the last financial year before the IPO. *Profit_Margin* includes in the regression model the dimension of company's profitability before the listing.

Liabilities_Ratio (independent variable)

Liabilities_Ratio is determined as ratio between the company's financial liabilities and the total assets of the listing company as of the last financial year before the IPO. *Liabilities_Ratio* includes in the regression model the dimension of the company's degree of financial indebtedness before the listing.

5.2 Results and Discussion

The research hypothesis is analysed through the adoption of data determined by the share price change observed in regard to the IPO processes included in the sample. In particular, two separate time windows are addressed for which the relative significance is observed. The regression formula for the price change after 1 week is stated below:

$$Price\_Change\_1W_i = \beta_{0i} + \beta 1 GDP\_Growth_i + \beta_2 Floating\_Share_i + \beta_3 Ln\_Proceeds_i + \beta_4 EBIT\_Margin_i + \beta_5 Profit\_Margin_i + \beta_6 Liabilities\_Ratio_i + \varepsilon_i$$

Results of Model 1, as shown in Table 5, summarize the effect of the variables considered with respect to the share price change of the IPO transaction considered and the relative level of significance. First of all, it is possible to appreciate how the signs are in line with preliminary assumption as stated in Chapter 4.

Table 5 – Regression Output Model 1

Coefficients

Model 1	Unstandardized Coefficients		Standardized Coefficients	t	P-Value
	B	**Std Err.**	**Beta**		
(Costant)	,012	,030		,403	,688
GDP_Growth	,113	,180	,077	,627	,533
Floating_Share	,197	,055	,455	3,586	,001***
Ln_Value	-,009	,004	-,262	-2,109	,039**
EBIT_Margin	,065	,098	,143	,660	,512
Profit_Margin	,036	,088	,085	,404	,688
Liabilities_Ratio	-,026	,038	-,087	-,670	,506

*, **, *** Significant at α level respectively of 0,10, 0,05 and 0,01.

ANOVA

	Sum of Squares	df	Quadratic Mean	F	P-Value
Regression	,055	6	,009	3,110	,011**
Residual	,165	56	,003		
Total	,220	62			

*, **, *** Significant at α level respectively of 0,10, 0,05 and 0,01.

Model Summary

R	R-Square	R-Square Adjusted	St. Error
,500	,250	,170	,05424

The results exposed in Table 5 are described below.

- *Floating_Share* is associated with a positive and significant effect (at an *α level* of 0.01) on the dependent variable *Price_Change_1W*. This empirical evidence sheds lights on how the increase in the portion of share capital floated in the market is associated with an increase in the share price change. Such relationship, as anticipated may be possibly related to the perceived higher liquidity of the newly issued shares.
- Conversely, *Ln_Proceeds* is associated with a negative and significant effect on the share price change at 1 week from the IPO (at an α level of 0.05), providing evidence that the higher the IPO proceeds related to the deal, the worse the impact on the market reaction on the

company shares. This aspect appears not in line with the expected sign of the relationship, a sign that markets may not see positively the issuances associated with high proceeds.

- Looking at the dependent variables subject to the analysis no significant relationship is detected in the regression model. Looking more in detail, both *EBIT_Margin* and *Profit_Margin* show a positive effect on the dependent variable, confirming in part the initial assumption. On the other hand, *Liabilities_Ratio* is negatively associated with the 1-week price change of company share, again in line with stated hypothesis. Nevertheless, such results are of no conclusive meaning, considering the lack of statistical significance, meaning that, the evidences for the considered sample cannot be generalized.
- Finally, no significant effects are found with reference to the other variable *GDP_Growth*. In particular, while maintaining the expected sign on the dependent variable, no statistical significance is found, a finding that hints on further research may be suggested to investigate on this aspect. In fact, as economic growth is assumed to create favourable conditions to listings and share price appreciation, it could be useful to make recourse to more tailored proxies then annual GDP growth.
- Looking at the model, the degree of adaptation appears relatively low with an R^2 of 0.250 (R^2 Adjusted 0.170), but can be considered satisfying in the context of the empirical nature of study. The F-test of 3.110 is significant for a α level of 0.05, an evidence that there is at least one explanatory variable adopted in the model with a significant relevance on the dependent variable. Finally, with reference to multicollinearity, the VIF test does not show any critical value (results in Appendix).

After having discussed the results related to the results collected after 1 week from the IPO, the analysis now progresses with the results relating to the period after 1 month. The regression formula for the price change after 1 month is stated below:

$$Price\_Change\_1M_i = \beta_{0i} + \beta 1 GDP\_Growth_i + \beta_2 Floating\_Share_i + \beta_3 Ln\_Proceeds_i + \beta_4 EBIT\_Margin_i + \beta_5 Profit\_Margin_i + \beta_6 Liabilities\_Ratio_i + \varepsilon_i$$

Table 6 – Regression Output Model 2

Coefficients

Model 1	Unstandardized Coefficients		Standardized Coefficients	t	P-Value
	B	**Std Err.**	**Beta**		
(Costant)	-,093	,038		-2,482	,016
GDP_Growth	,036	,227	,020	,160	,873
Floating_Share	,242	,069	,443	3,493	,001***
Ln_IPO_Value	-,001	,005	-,016	-,132	,895
EBIT_Margin	,014	,006	,228	2,441	,016**
Profit_Margin	,013	,111	,025	,121	,904
Liabilities_Ratio	-,012	,006	-,182	-2,013	,046**

*, **, *** Significant at α level respectively of 0,10, 0,05 and 0,01.

ANOVA

	Sum of Squares	df	Quadratic Mean	F	P-Value
Regression	,087	6	,015	3,122	,010**
Residual	,261	56	,005		
Total	,349	62			

*, **, *** Significant at α level respectively of 0,10, 0,05 and 0,01.

Model Summary

R	R-Square	R-Square Adjusted	St. Error
,501	,251	,170	,06833

Findings from Model 2, presented in Table 6, are substantially in line with the evidences discussed in the previous Model 1, though presenting some different results. To this extent, some differences emerge in terms of statistical significance. In particular, the outcome of the regression analysis regarding the price change after 1 month highlights the following evidence:

- Both the signs and significance of the variable *Floating_Share* are confirmed to be positive and significant (maintaining an *α level* of 0.01) on the dependent variable. While these findings are in line with the evidence shown in respect of Model 1, the robustness implies that the impact of the variable appears to be consistent through time, with market investors recognizing the value of higher liquidity in the market.

- To a different extent, *EBIT_Margin* and *Liabilities_Ratio* confirm the sign shown in Model 1 and become statistically significant (respectively for an α level of 0.05 and 0.1) on the dependent variable. In particular, both variables demonstrate alignment with the initial assumptions, and overcomes the results shown in relation to the price change after 1 week. Therefore, results suggest that the 1-month share price change can be explained by the operating performance and the indebtedness of the newly-listed company.
- No significant effect is determined with respect to the control variable *GDP_Growth and Ln_Proceeds* and regarding *Profit_Margin.* All the variables show the same sign as per in Model 1, however no statistical significance can be found, witnessing in the case of *Ln_Proceeds* that the statistically significant relationships found in respect to the one week price change, does not hold true for the extended 1-month period.
- Finally, considering the fit of the model, the adaptation is substantially the same as shown in Model 1, with an R^2 of 0.251 (R^2 Adjusted 0.170). The F-test of 3.122, which is significant at a α level of 0.05, reaffirms the presence of at least one dependent variable with a significant value within the model. Also, the F-test shows a similar value in relation to what determined in Model 1. Finally, with reference to multicollinearity, the VIF test does not highlight any critical value (results in Appendix).

In summary, the regression models elaborated have provided evidences in line with the expectations exposed in the hypothesis section. It should be noted however, that the findings can be considered statistically relevant within the sample considered. Indeed, possible changes in the composition of the reference IPO sample could result into potential difference in the identified relationships and the relative level of statistical significance. In this regard, it is necessary to consider the fairly limited sample dimension, which has been subject to limitations in terms of data availability. Furthermore, it could be interesting to investigate the impact of different variables into the regression models. In fact, the chosen variables constitute only a selection of the potential set of variables having an impact on the share price change of a newly listed company. Additional variables, or different adaptations of the dimensions adopted may provide new or more precise insights on how post-IPO share price-based performance materializes. Notwithstanding the mentioned limitations, the results shown and discussed in this statistical section prove and support, from an empirical point of view, the fact that IPO is a fundamental strategy conducive to growth and wealth creation companies in the Italian market. To this end, the study constitutes a key starting point for future research in the field, as new and more detailed evidences on IPO will unfold in the future.

5.3.1 Practical and Theoretical Implications

Based on the results obtained it is now possible to make a draw an overview consideration of the practical and theoretical implications of the research evidences. First of all, the analysis has demonstrated that, while on average the IPO sample is associated with an increase in share price in both time windows (suggesting a potential under-pricing phenomenon) the dynamics leading to such value increase are indeed quite peculiar. Post-IPO share price change can be explaining through a series of both macroeconomic and company-related factors and irrespective of the specific equity market momentum, new IPO tend to show a positive pattern. Nevertheless, the explaining variables across time windows support different relationships since, if IPO based variables are significant in the one-week period, the financial and accounting characteristics of the listing company become meaningful in the one-month window. In particular, the operating profitability and the degree of indebtedness explain significantly the share price change after one month from the IPO. Such evidence suggests that these two dimensions are the most relevant aspects for investors in selecting opportunities of newly listed companies. While exploring the multiple areas of investigation available to date, empirical results appear in line with previous research contribution in addressing a set of key variables which can explain what drives price reaction.

The apparent discrepancy between the selected time windows can be explained in different manner. As discussed, such multiple level of analysis has been implemented to ensure enough consistency in the model and avoiding the potential pitfalls of either short or extended periods. The significance of empirical results suggests that the impact of financial and accounting dimensions on the share price performance emerges after the initial trading days. To this extent, the comparison of the two models supports that during the initial phase post-IPO investors may look at different aspects, more related to the IPO process, whereas they tend to focus more on the quality of financial statement in the longer run and based on this aspect the share price reacts accordingly.

At the same time, the conventionally sought-after dimensions taken in consideration in previous studies in the field have been confirmed. That is, operating efficiency and the degree of indebtedness of the listing company are two key aspects in the valuation of a firm’s financial and economic conditions. Thus, the findings obtained are support the view that the target operating in high tech sectors proves to be a key element in explaining the relative takeover premium. As such, acquirers are willing to recognize a higher valuation, far above the market price to gain control of the company, based on the higher growth prospect of the company. Conversely, for transactions conducted in lower growth sectors, such relationship does not hold true. In line with the previous research analysed the relationship between the acquisition premium and the presence of several competitors during the agreement phase is replicated. While this may resemble as a fairly common sense, it is still important

to reaffirm from practice how two or more competing offers to gain control of the target tend to generate an increasing takeover premium. The conventional wisdom suggests that, in such context, the company most interested will try to speed up the purchase by offering a comparatively higher premium, as a trade off against the potential additional costs associated with a long negotiation.

6. Conclusions

The study has investigated the dynamics related to IPO context, with a focus on the Italian market. While the IPO have since decades inspired a substantial interest in the financial field, there is still need to shed lights on the evidences in this regard. Accordingly, the aspects characterizing IPO process are a point of significant interest in the discussion about firms finance and strategy, which are at the core of growth choices for companies. Based on these premises, the analysis of an aspect such as the success of the go-public process remains central, that is, if and to what extent through the recourse to IPO leads to an effective benefit for the shareholders of the firms and how this aspect is influenced by the features of the company itself.

After introducing the work and the study hypotheses a part of the initial section, Chapter 2 elaborates on the path bringing a firm to embark on the go-public process. An initial aspect of analysis related to the comparison of different capital sources for the company, explaining that the recourse to public capital is inherent to the development of the activities. The IPO process is articulated in some key phases, categorized as: preliminary phase, due diligence, market approach and listing and aftermarket trading. Each phase responds to peculiar activities in which the firm is assisted by multiple advisors and financial institutions as counterparties, with the ultimate goal of maximizing the value (in terms of proceeds) deriving from the IPO process. The go-public process presents a series of key advantages for the firm, among the other: access to new funding base, use of listed stocks as a manner of payment for M&A, promotion of the firm to attract and retain key management figures or talents and offering an exit for incumbent investors. On the other side, the complexities and the uncertainties of the process make necessary to consider some potential risks, arising from: the costs and the disclosure requirements of being public, exposure to takeover risks and compliance to market regulations. The discussion also delved into the overview of the key issues relating valuation, highlighting the phenomenon of underpricing and its supporting theories. Existing research shows the pro-cyclical pattern of IPO trends, strongly related to economic growth and market stability. To this extent, global IPO activity over the last years underwent a substantial slowdown a response to increasing interest rates and sustained concerns due to geopolitical tensions.

In Chapter 3, the study proposes the discussion on the determinants featuring the IPO success. In the recognition of the multiple dimensions leading to IPO success, the existing academic research has been addressed, summarizing some main dimensions, that is: market conditions, economic uncertainty, firm's lifecycle stage and ownership structure. First, positive market conditions (in terms of GDP growth, low interest rates and stability etc.) are found to pave the way for IPOs. Second, IPOs are related to sector uncertainty, meaning that the higher the visibility on growth and financial results the higher the probability to choose the IPO path. Third, the company lifecycle stage accounts for

another material dimension in supporting the case for IPO, as established firms tend to make recourse to IPO, as opposed to firms embarking in their initial growth stages. Fourth, the ownership structure both in terms of qualitative aspects (i.e. the presence of the private equity) and due to agency issues could have an impact in pursuing the option for the IPO.

Chapter 4 and Chapter 5 have proposed the empirical section, divided in two parts. A first part has been dedicated to the case study of the IPO conducted by TISG on the Italian Market in 2021. This peculiar process is of peculiar interest due to the nature of middle capitalized company approaching the equity market to fund its development plans through access to new financial resources. The analysis showcased the successful IPO path taking a twofold perspective: pre- and post-IPO. Prior to the IPO, the company has shown a consistent growth trajectory, thanks to the strong management vision and the positioning in the market of premium yachts. The performances of TISG demonstrate a continuous improvement under different dimensions, including top-line growth, increase in EBITDA/EBIT margins, profitability and decrease of financial leverage. Such positive trend has continued even after the IPO phase, through the acquisition and the successful integration of Perini Navi, the effective implementation of partnership and the specialization in the premium segment. The TISG case not only demonstrate the importance of the IPO but it also provides practical evidence on how strategy-driven growth plans can drive the firm even through market uncertainties.

Chapter 5 focuses on the empirical analysis conducted on a sample of IPOs conducted in the Italian market between 2015 and 2024. The focus of the analysis relates to the consideration of the pre-IPO financial performance of the company and their impact on the IPO success, measured in terms of price change compared to IPO price. More specifically, a set of variables is selected to measure the pre-IPO operating performances, the profitability and the indebtedness of the selected firms. Also, a set of control variables are taken to factor in their potential impact. These are: economic growth, IPO proceeds and floating share. A sample of 63 IPOs is considered, with results showing the significant impact of the floating share (+) and the IPO proceeds (-) on the 1-week price change. Considering the 1-month price change, a significant impact is found with respect to floating share (+), *EBIT_Margin* (+) and *Liabilities_Ratio* (-). Overall, results of the 1-month time span appears to be more consistent with the study hypothesis, suggesting that the relationship in such longer period are stronger in the considered sample.

The thesis has encompassed the fundamental aspect of discussion regarding IPOs as a focal moment for firm's transformation. This consideration reflects into the multiple aspects of analysis related to the IPO process, which have been addressed in the study. The evidences discussed provides new and significant findings on how the go-public process can be effectively managed from the point of view of the firm, highlighting which factors may have an influence on the success of the process. Also, the

research adds on the extent of studies conducted in the Italian stock exchange, during a period of several market uncertainties. In summary, the analysis carried out in this study allows to appreciate and reaffirm the central role of the IPO in growth path of a company.

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Appendix

Sample Summary

n = 63	*Price_Change_1W*	*Price_Change_1M*	*GDP_Growth*	*Floating_Share*	*Ln_Proceeds*	*EBIT_Margin*	*Profit_Margin*	*Liabilities_Ratio*
Min	-9,77%	-15,94%	0,72%	10,10%	0,1177	-1,32%	-2,05%	0,0085
Max	37,8%	35,12%	8,93%	100,00%	8,1207	47,26%	46,85%	0,8362
Mean	2,9%	3,13%	2,39%	28,47%	3,6967	15,78%	13,34%	0,3791
Median	1,4%	1,26%	1,24%	25,95%	3,4202	13,52%	11,95%	0,3532
Std. Dev.	10,82%	12,05%	3,91%	13,92%	1,8257	11,48%	10,16%	0,1980

Annex 2 – Correlation Matrix

n = 63	*Price_Change_1W*	*Price_Change_1M*	*GDP_Growth*	*Floating_Share*	*Ln_Proceeds*	*EBIT_Margin*	*Profit_Margin*	*Liabilities_Ratio*
Price_Change_1W	1							
Price_Change_1M	,362	1						
GDP_Growth	,175	,148	1					
Floating_Share	,401	,436	-,144	1				
Ln_Proceeds	-,130	,075	,118	,323	1			
EBIT_Margin	,081	,113	-,117	-,049	,009	1		
Profit_Margin	,025	,062	,131	-,161	-,001	,808	1	
Liabilities_Ratio	-,067	-,153	-,127	-,003	-,167	-,297	-,100	1

Annex 3 – Collinearity Statistics

Variable	Tolerance	VIF
GDP_Growth	,893	1,119
Floating_Share	,831	1,204
Ln_Proceeds	,869	1,150
EBIT_Margin	,284	3,524
Profit_Margin	,303	3,303
Liabilities_Ratio	,793	1,261