Are there abnormal returns surrounding the expiration of the initial public offering lockup periods? An event study

Master Thesis

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Abstract

Almost every initial public offering (IPO) is accompanied by voluntary lockup provisions which avert corporate insiders from selling their shares for a pre-specified time after the firm went public. The conducted thesis applies the event study methodology to test the null hypothesis of - on average - zero abnormal returns (ARs). For a global sample of 2803 IPOs during the period from 2000 to 2012 significant negative ARs are documented surrounding the expiration of the IPO lockup periods. These anomalous declines in stock price are crucially confined to firms financed by venture capitalists. This paper adds to the current literature by introducing new calendar-day specific factors which emphasize this lockup expiration effect. The results remain consistent even after controlling for possible first-order autocorrelated error terms.