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Can you explain IPO returns based on media coverage?

Guilherme Pamplona Santos

152110020

ABSTRACT

This dissertation explores the role of the media in Initial Public Offerings in three different ways: first, by relating an offering's first-day return with the number of news articles written about that firm during its book-building period. Second, by classifying news articles as positive, neutral or negative and estimating the impact of media hype on first-day returns. And third, by looking at the medium-term performance of portfolios built on both media coverage and media hype. The results show that, in line with previous findings, the number of news articles is significantly related to first-day returns. Furthermore, the impact of each additional monthly news article is significantly different depending on whether the firm receives positive or negative media hype, as opposed to no hype. Finally, the performance of IPO stocks differs considerably depending on both the amount of media coverage and media hype over the first six months of trading.

Professor José Faias

Supervisor

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