

Short-Term and Long-Term Effect of Firms' IPO on Competitors' Performance

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Abstract

This study provides empirical evidence on the short term and the long term effects of initial public offering (IPOs) by firms, on their competitor firms' performance in Indonesia. We perform short-run and long-run event studies and cross sectional regressions over the period 2010 to 2017 and find that both IPO firms and their competitors experience positive stock returns in the short-run and in the long-run. We find that IPO firms' stock performance is relatively stable in the long-run that enables the competitor firms' stock returns to catch up with IPO firms' stock performance. We find negative effect of IPO firms' stock performance on their competitors' stock performance in the short-run, and a positive effect in the long-run. Our findings imply that IPO firms provide good information to the industry and no obvious competitive landscape changes are observed.

Keywords: Competitive effects, competitor performance, event study, initial public offering, information effects.

JEL Classification: D02, G12, G14

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