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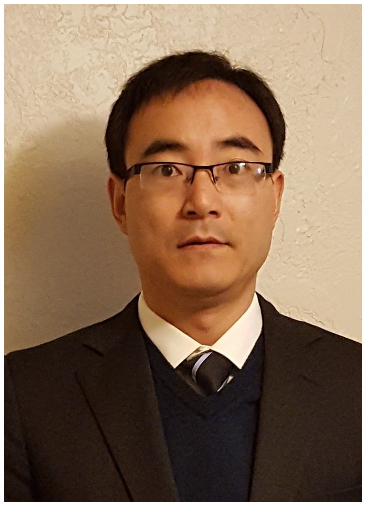

Finance Seminar

Dr. Feng Zhang

Associate Professor of Finance
University of Utah

Non-Random Survival and Long-Run Performance of IPOs

Friday, September 24, 2021 | 10:30—12:00 pm

Bio

Feng Zhang is an associate professor of finance at the University of Utah. He received his PhD in finance from the University of British Columbia. His research interests are in the areas of long-run event studies, corporate decisions, and asset pricing. His work has been published in the *Journal of Financial Economics*, *Review of Financial Studies, Management Science*, *Critical Finance Review*, and the *Journal of Corporate Finance*. His research has also been featured in numerous media reports including the *Harvard Business Review, Wall Street Journal, Reuters, Time Magazine, CNBC, New York Times, Los Angeles Times, BBC World Radio, Fox News, Washington Post, Huffington Post,* and *Telegraph*.

Abstract

I find IPO firm survival is not random: better-performing IPOs are more likely to survive. Some unlucky IPO firms are delisted early after experiencing negative idiosyncratic shocks. These IPOfirms' average observed performance understates their true performance, creating the reverse survivorship bias. Because of non-random survival, seasoned firms have greater expected returnsthan IPO firms, creating the survivorship bias. Buy-and-hold abnormal returns relative to matched seasoned firms underestimate IPO firm performance because of the two biases. Alpha of the calendar time portfolio of IPO firms, unaffected by the biases, offers an unbiased measure of the average IPO firm alpha.