05, 06, 07 e 08 de novembro de 2024
ISSN 2177-3866

Forecasting Bias and IPO Performance in Brazil

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Agradecimento à orgão de fomento:
Agradecemos a Fundação Coordenação de Aperfeiçoamento de Pessoal de Nível Superior (CAPES) por fornecer recursos para elaboração deste artigo científico.

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Introdução
Initial Public Offerings (IPOs) have been a rich field for both academic and market analyses. Often, financial institutions conduct evaluations and projections on the company intending to go public to meet the demand for information from potential investors. Accurate budgeting and indicators are critical for a successful IPO. However, many companies end up with a significant gap between projected values and actual results, constituting projection errors, and the market penalizes newly listed companies for significant underperformance (Boubaker et al., 2017; Saada, 2017).

Problema de Pesquisa e Objetivo
Analyze the discrepancies between the projected numbers obtained during the analysis performed by various Equity Research Companies during the IPO process and the actual numbers performed by the companies in different time-lapses.

Fundamentação Teórica
IPO is a moment of transition between two periods in company's ownership structure (Oliveira et al., 2023) and the primary sale of stock to the public (Gale, 2000; Brealey & Myers, 2003). Furthermore, in IPO funds are raised by corporations to meet financial needs (Oliveira et al., 2023). Based on this, possible advantages of going public include improved financial condition and liquidity, increased capital to sustain growth and innovation, enhanced corporate image, and better future financing opportunities (Go, 2018).

Metodologia
This study measures the forecast error the IPO, based on the difference between the indicator forecast and the real indicator. We analyzed EBITDA, revenues and net income in period between 2004 and 2020. This article uses a quantitative approach to provide greater precision in results on IPO forecast performance. Cross-sectional secondary data was used, including revenue, earnings before interest, taxes, depreciation, and amortization (EBITDA) and net profit of brazilian companies. The period analyzed was between 2004 and 2020.

Análise dos Resultados
The results show that Equity Research Companies make error forecasts and make forecast more otimist.There are statistical difference between estimated values and real values at a level of 5% for revenue and EBITDA and 1% for net income, both in t test t (average difference), and Wincoxon test (median difference). Based on this, the hypothesis that the analyst makes the forecast more optimistic than the real performance can’t be rejected.

Conclusão
The banks have interest in the IPO and will succeed in securing your subscription rate and keep good relationshipp with the companies of the IPO. Furthemore, the companies has an interest in enhance the evaluation of the market to maximize the resources captured.

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