

Initial Underpricing and Post-IPO Financial Performance: An Empirical Study of Moroccan Listed Companies

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Abstract

An initial public offering (IPO) is a pivotal strategic event for companies seeking to access capital markets. A common phenomenon associated with IPOs is initial underpricing, defined as the difference between the offering price and the closing price on the first trading day. While extensively studied in the international literature, the impact of underpricing on post-IPO financial performance remains inconclusive, particularly in emerging markets. This study investigates the effect of initial underpricing on the financial performance of Moroccan listed firms. Based on a sample of 55 companies that went public on the Moroccan stock exchange, we conduct an empirical analysis using ordinary least squares (OLS) regression. Financial performance is assessed using two conventional accounting indicators: return on assets (ROA) and return on equity (ROE). The empirical findings reveal a positive and statistically significant relationship between initial underpricing and subsequent financial performance. These results suggest that, in the Moroccan context, underpricing may serve as a credible signal of firm quality or a strategic mechanism to enhance post-IPO profitability. The study thus contributes to the growing body of research on IPO dynamics in emerging economies and provides new insights into the strategic role of underpricing.

Keywords: initial underpricing, IPO, Financial performance, ROA, ROE, Moroccan market.