

Key terms and definitions

Term	Definition
Abnormal returns	The abnormal return, e_{it} , is the difference between the observed return and the predicted return (Khotari, Warner, 2006)
Benchmark	An investment benchmark is a standard against which the performance of an individual security or group of securities is measured (Morris, Morris, 2007).
Cold market	Cold periods in the IPO markets are described as those which have low volumes of IPO (Saade, 2015).
Hot market	Hot periods in the IPO markets are described as those which have high volumes of IPO (Saade, 2015).
Initial Public Offering	The first sale of shares by a private company to the public on a securities exchange (Reber, Vencappa, 2015).
Investor sentiment	It is a belief about future cash flows and investment risks that is not justified by the facts at hand (Baker, Wurgler, 2007).
Macro indicators	External indicators which cannot be influenced by the firm itself. These indicators are: the state of the public equity markets generally; the perception of the firm and its industry segment by the financial community (Steven, Avina, Cheng, 2015).
Market cycles	Market cycles are the recurrent patterns of expansion and contraction that characterize the securities and real estate markets (Morris, Morris, 2007).
Micro indicators	Internal indicators of a firm which depend and can be influenced by a firm itself. These indicators are: the financial condition and recent operating results of the firm; and the quality, experience and commitment of the firm's management and the board of directors, as well as other members of the working group (Steven, Avina, Cheng, 2015)
Not venture-capital-backed IPO (non-VC-backed)	A firm privately provided with funding by other type of investors than venture capital investors.

Overpricing	A situation when the IPO shares offer price substantially exceeds the corresponding intrinsic value computed using multiples of firms in the peer group of the issuing firm. Then difference between IPO market value and intrinsic value represents overpricing (Gao, 2010).
Overvaluation	A stock whose price seems unjustifiably high based on standard measures, such as its earnings history, is considered overvalued (Morris, Morris, 2007).
Underpricing	Underpricing is a situation when the IPO shares offer price is set lower than the fair value of the shares (Gao, 2010).
Undervaluation	Any stock that trades at a lower price than the issuing company's reputation, earnings outlook, or financial situation would seem to merit is considered undervalued (Morris, Morris, 2007).
Underwriter	An underwriter, typically an investment banker, may buy an entire new securities issue from the company or government offering it and resell the issue as individual stocks or bonds to the public (Morris, Morris, 2007).
Venture-capital-backed IPO (VC-backed)	A firm privately provided with funding by venture capital investors (Pommet, 2017).