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Are Mondays different? Evidence from initial public offerings

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ABSTRACT

This paper investigates how and why initial public offerings (IPOs) issued on Mondays differ from those on other days. We provide evidence that Monday IPOs make a significantly larger number of filing price amendments during the road show and set offer prices that exceed the filing price range, resulting in higher positive offer price revisions. We also find that Monday IPOs receive less analyst coverage than other-day IPOs, despite their underwriting fees being the same and their total underwriter compensation being higher. Therefore, Monday IPOs are more likely to change lead underwriters in subsequent equity offerings and have a higher risk of delisting as aftermarket support and maintaining good relations with investment banks are critical for their long run survival. We also investigate why underwriters issue IPOs on Mondays. We suggest four possible explanations for Monday IPOs and find indirect evidence that supports the deliberate road show extension explanation.

1. Introduction

Prior literature has extensively documented the Monday effect on financial markets, suggesting that Monday is distinct from other days of the week (Cross, 1973; French, 1980; Gibbons & Hess, 1981). However, academic research on the Monday effect in the context of initial public offerings (IPOs) is limited (few exceptions include Perfect and Peterson (1997), Higgins, Howton, and Perfect (2000), and Jones and Ligon (2009)). For example, Jones and Ligon (2009) and Nimalendran, Ritter, and Zhang (2007) find fewer IPOs on Mondays and that underpricing is higher for these IPOs due to weekend uncertainty.[1] However, the extant literature does not explore whether these IPOs differ from other-day IPOs from the perspective of several other important IPO characteristics.

The primary goal of this paper is to analyze whether Monday IPOs differ from other-day IPOs, and if so, how and why. Using 4156 US IPOs from 1990 to 2019, we investigate whether IPOs issued on Mondays differ in terms of offer price revisions, underwriting syndicate structure, analyst coverage, lead manager change in subsequent offerings, delisting pattern as a proxy for performance, and

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[1] Underwriters price IPOs using recent market prices of comparable stocks and other valuation metrics such as multiples and discounted cash flow valuation. On Mondays, available prices of comparable stocks are particularly out of date as the prices of comparable stocks are from the previous Friday's close. Moreover, new information arrives after the market closes on Fridays and over the weekend, but the offer price does not reflect this information when the stock market opens on Mondays. For these reasons, Mondays are prone to weekend uncertainty.

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so on.[2] We also investigate whether the issuance patterns and the mentioned IPO characteristics between Monday and other-day IPOs differ during hot and cold periods.

We then investigate why underwriters issue IPOs on Mondays and suggest the following four explanations: Monday IPOs may represent low-quality firms; underwriters may try to accelerate Tuesday IPOs to Monday to avoid the crowd; underwriters may intentionally extend the roadshow to increase their profits and/or reputation as underwriters of successful IPOs by building higher demand; or the IPOs may have slipped from Friday to Monday for various reasons. The results provide indirect evidence that is more consistent with the road show extension explanation.

To examine whether Monday IPOs differ from other-day IPOs, we first investigate offer price revisions, which reflect underwriters' information production. We regress the offer price revision on Monday indicator and find that Monday IPOs have 4.4 % higher upward offer price revisions than other-day IPOs. Our result also suggests that Monday IPO's offer prices over the filing price range are significantly higher than those for other-day IPOs. We also find that Monday IPOs are associated with significantly more filing price amendments during the road show. Both of these may result in a larger upward offer price revision. Following Corwin and Schultz (2005) and Bajo, Chemmanur, Simonyan, and Tehranian (2016), who suggest that larger syndicate size may be associated with offer price revision both ways, we examine whether the size of the underwriter syndicate explains the higher offer price revisions for Monday IPOs. We find that IPOs issued on Mondays are associated with fewer underwriters in the underwriting syndicate, so larger syndicates cannot explain the higher offer price revisions.

The underwriter syndicate structure may be linked to the compensation issuers pay to the investment banks. Corwin and Schultz (2005) suggest that issuers may incur additional costs if they want more underwriters in the syndicate, and if the issuers refuse to pay higher fees, book managers will refuse to add more underwriters. Monday IPOs may have lower underwriter compensation because they involve fewer underwriters. However, we find that Monday IPOs pay the same underwriting fee as other-day IPOs. Meanwhile, the total underwriting compensation for Monday IPOs is slightly higher because it may include underwriters' earnings from selling their inventory position because Monday IPOs are more underpriced (Jones & Ligon, 2009; Nimalendran et al., 2007). Nonetheless, this result is consistent with Chen and Ritter's (2000) finding that compensation is approximately 7 % regardless of the underwriting syndicate structure.

Determining that underwriters receive roughly the same underwriting fee from Monday IPOs and that total underwriter compensation is higher, we examine whether this is reflected in the aftermarket support that underwriters provide and in the analyst coverage that issuers expect from the underwriters. Thus, the same underwriting fee (and higher compensation) paid to underwriters for Monday IPOs should be consistent with the underwriters' aftermarket support and analyst coverage. We use overallotment shares, which are a percentage of total shares offered in an IPO, as an indirect proxy for aftermarket support.[3] Analyst coverage is measured by the number of analysts who issued various types of forecast reports about an issuer within three months of the issue becoming effective. We also separately consider analysts who provide earnings forecasts within three months after the IPO. After controlling for underpricing, we find that Monday is negatively and significantly associated with these variables, implying that Monday IPOs require more aftermarket support but receive less post-IPO analyst coverage than other-day IPOs. The results are consistent with Corwin and Schultz's (2005) finding that analyst coverage increases with the number of managers in the underwriting syndicate.

Following the previous finding, an obvious and related question arises: Are Monday IPO issuers satisfied with the underwriters' activities? This is evident in the issuers' decision to retain lead managers in subsequent or follow-up offerings, such as seasoned equity offerings (SEO). We show that issuers are less likely to change lead managers in SEO if underwriters are more involved in aftermarket support (such as price stabilization) and analyst coverage. However, our main finding suggests that Monday IPOs are more likely to change underwriters in SEO than other-day IPOs. The driving factor behind this result is that analyst coverage for Monday IPOs is comparatively low, despite their underwriters receiving a similar underwriting fee and higher compensation than for other-day IPOs.

Finally, we compare the delisting patterns within a year of going public for Monday and other-day IPOs. Our findings reveal that Monday IPOs have a significantly higher risk of delisting than non-Monday IPOs. We also find that Monday IPOs have a higher risk of bankruptcy. As suggested by Bharath and Dittmar (2010) and Mehran and Peristiani (2010), this could be due to a lack of analyst coverage and aftermarket support, as well as low firm visibility. Our results suggest that analyst coverage is negatively and significantly associated with the probability of delisting, which could explain why Monday IPOs are more likely to delist. This finding extends Corwin and Schultz (2005) and makes an important suggestion to issuers: do not underestimate analyst coverage; instead, choose underwriters who can provide quality analyst coverage to avoid delisting/bankruptcy in the future.

Our main contribution to the IPO literature is that we thoroughly investigate and explore how and why Monday IPOs differ from other-day IPOs. The existing literature only shows fewer and higher underpricing of Monday IPOs. We contribute to the existing literature by demonstrating that Monday IPOs significantly differ from other-day IPOs in terms of other important IPO characteristics. We suggest that Monday IPOs conduct a significantly greater number of filing price amendments during the road show and set offer prices that are higher than the filing price range, resulting in a higher upward offer price revision. We also find that Monday IPOs receive less analyst coverage, despite paying their underwriters a similar underwriting fee and offering higher total underwriter

[2] Following Jones and Ligon (2009), we categorize IPOs based on the days of the week they were issued (i.e., became effective). If IPOs are issued on Mondays, they are referred to as Monday IPOs. IPOs issued on different days of the week are defined similarly. It is important to note that the issuing day does not always coincide with the first trading day. Because the timing of the IPO is critical to the analysis in this paper, we have prepared an Internet Appendix outlining the fundamental elements of the IPO process in the United States.

[3] Schultz and Zaman (1994) and Aggarwal (2000), among others, show that overallotment is one of many common aftermarket support mechanisms for stabilizing the IPOs.

compensation. For this reason, Monday IPOs are more likely to change lead underwriters in subsequent equity offerings and to delist or go bankrupt. Considering the recent research on the timing of IPOs, we provide evidence that differences in IPO characteristics between Mondays and other weekdays are economically significant.[4] Second, we explore why underwriters issue IPOs on Mondays. We suggest four possible explanations for Monday IPOs and find indirect evidence that supports the deliberate road show extension explanation.

The paper is structured as follows. Section 2 reviews the relevant literature and develop hypotheses. Section 3 describes the data collection and sample selection procedures and summary statistics for the variables. We also examine whether Monday IPOs differ from other-day IPOs. Section 4 presents the main empirical results of multivariate regression analyses comparing Monday and non-Monday IPOs and suggests explanations for why underwriters issue IPOs on Mondays. Section 5 summarizes and concludes the paper.

2. Literature review and hypothesis development

During the roadshow and book-building process, underwriters gather information about potential IPO share demand. Specifically, they extract information from institutional investors and disseminate it to institutions via their networks with other underwriters and institutional investors (e.g., Bajo et al., 2016). The filing price amendments made during the road show reflect information on issue demand. In most cases, the final offer price is adjusted based on public and private information about investor demand for the securities (e.g., Benveniste & Spindt, 1989). If underwriters know that demand for the issue will be higher, they are more likely to make upward offer price revisions, and vice versa (e.g., Corwin & Schultz, 2005). On the other hand, Benveniste and Spindt's (1989) book-building model and Hanley's (1993) empirical evidence suggest that investors are compensated by higher underpricing in IPOs with upward offer price revisions.[5] Moreover, Jones and Ligon (2009) and Nimalendran et al. (2007) find that Monday IPOs are associated with higher underpricing due to weekend uncertainty. Thus, we propose the following hypothesis.

H_1. : Monday IPOs are associated with higher offer price revisions compared to other other-day IPOs.

Corwin and Schultz (2005) find that syndicate members provide useful information, and that a larger syndicate size increases the likelihood that offer price adjustments will be made in response to information revealed during the filing period. Bajo et al. (2016) also show that the underwriter network has a positive correlation with the absolute value of the offer price revision. As a result, if H_1 is true, and larger syndicate sizes are more likely to result in offer price revisions, we can propose the following hypothesis.

H_2. : Monday IPOs have a greater number of underwriters in the underwriting syndicate than other-day IPOs.

Underwriters are compensated for their promotional efforts (e.g., Cook, Kieschnick, & Ness, 2006) and for additional services such as aftermarket support and analyst coverage. Underwriting fees and commissions are the primary sources of compensation for the IPO (e.g., Ellis, Michaely, & O'Hara, 2000). Underwriters also earn trading and inventory profits from market-making. Moreover, underwriter compensation is linked to the syndicate structure. For example, issuers may incur additional costs if they want more underwriters in the syndicate, and book managers are hesitant to add more underwriters if the issuers refuse to pay a higher fee (e.g., Corwin & Schultz, 2005). Although Chen and Ritter (2000) find that compensation is approximately 7 % regardless of the underwriting syndicate structure, Busaba and Restrepo (2022) suggest that the spread (percentage charged by the underwriters) is positively associated with underpricing and offer price adjustment. Because Monday IPOs are associated with higher underpricing, and if H_1 and H_2 are true, underwriters will likely receive higher compensation for these IPOs. For this reason, we hypothesize that.

H_3. : Underwriter compensation is higher for Monday IPOs.

The underwriter compensation package is based on the services they provide issuers. These services include promoting and marketing the issues, bringing them to public attention, and providing aftermarket support to help the IPOs stabilize. The literature extensively discusses the importance of aftermarket support (e.g., Krigman, Shaw, & Womack, 2001). Meanwhile, analysts add value to firms by monitoring them (e.g., Li & You, 2015) and providing market information (e.g., Bradley, Clarke, Lee, & Ornthanalai, 2014). Dambra, Field, Gustafson, and Pisciotta (2018) suggest that increased analyst involvement influences firm visibility, which increases firm value. Cable (2001) suggests that issuers choose underwriters who can provide adequate analyst coverage. Corwin and Schultz (2005) also suggest that issuers select highly ranked underwriters in the syndicate because they can provide quality analyst coverage. If the previous hypothesis is true, we can formulate our fourth hypothesis as follows.

H_4. : Monday IPOs receive more aftermarket support and analyst coverage than other-day IPOs.

Because lead underwriters play critical roles in the IPO process, issuers who are pleased with their services often retain them for follow-up or subsequent offerings. For example, Cook et al. (2006) suggest that issuers reward investment banks by offering them the lead manager position in the SEO if the issuers are satisfied with the underwriters' pre-offer publicity.[6] Underwriters also place

[4] Because there are fewer IPOs on Fridays, we investigate whether our findings for Monday IPOs also apply to Friday IPOs. We find that it is not the case except for the syndicate size.

[5] Corwin and Schultz (2005) explain this result by stating that underwriters adjust prices only partially to compensate investors for disclosing information.

[6] Liu, Sherman, and Zhang (2014) find a positive correlation between pre-IPO media coverage and the long-term value of the firm and analyst coverage.

particular importance on maintaining their position as lead managers in SEOs because subsequent offerings are frequently lucrative (e.g., Corwin & Schultz, 2005). However, research shows that many IPOs underwritten by less prestigious underwriters eventually graduate to more prestigious underwriters in SEOs because these firms survived and prospered (e.g., Krigman et al., 2001). Fernando, Gatchev, and Spindt (2005) develop a theory of firm-underwriter selection and provided empirical evidence that firms and underwriters choose each other through mutual choice. More specifically, an increase in firm quality is associated with a greater likelihood of switching to higher-ranking underwriters in SEO. Signaling theory also explains the choice of underwriters (Booth & Smith, 1986; Carter, Dark, & Singh, 1998; Carter & Manaster, 1990). If H_4 is true, H_5 can be stated as follows:

H_5. : Issuers of Monday IPOs are more likely to retain their IPO lead managers in SEO than issuers of other-day IPOs.

When a company grows and requires external capital to support its operations, it files for an IPO. Although IPO firms frequently acquire other firms to increase their capital base and market share (e.g., Brau & Fawcett, 2006), many firms delist and declare bankruptcy after going public. Bharath and Dittmar (2010) and Mehran and Peristiani (2010) suggest that one reason for the delisting or acquisition of the firms is their low visibility., Furthermore, to avoid poor performance and distress, companies need to maintain positive relationships with investment banks, receive aftermarket support, and receive continuous analyst coverage. This is because previous research shows that underwriters are well connected with the institutional investors who are primarily involved in financing and monitoring firms.[7] If H_4 is true, our sixth hypothesis is as follows:

H_6. : Monday IPOs are less likely to be delisted than other-day IPOs.

3. Data, summary statistics, and preliminary analysis

3.1. Data, sample selection, and summary statistics

We gathered information from various sources to determine whether Monday IPOs differ from other days. The Securities Data Company's (SDC) Global New Issues Database provided us with data on IPOs from 1990 through 2019. We exclude offerings designated as IPOs on SDC if the database contains previous offerings by the same firm. This period includes 15,508 IPOs. However, similar to previous research, we use some IPO sample selection criteria. Closed-end funds, real estate investment trusts, acquisition companies, financial institutions, limited partnerships, American Depository Receipts, unit offerings (packages of shares and warrants), best-effort issues, auctions, and IPOs not found in the Center for Research in Security Prices (CRSP) database are excluded, for example. Finally, IPOs for which SDC has no offer price, a zero offer price, or a zero number of shares offered are deleted.

The resulting final sample includes 4156 IPOs. For the empirical analysis, we collect variables (for example, underwriters, VCs, and aftermarket support) for the selected IPOs from SDC.[8] We also calculate several variables (for example, underpricing, market volatility, number of analysts following IPOs) using data from CRSP and I/B/E/S. Table 1 describes the variables and provides summary statistics.

3.2. Monday versus non-Monday IPOs

As the primary focus of this paper is the potential Monday effect in IPOs, we must first establish that Mondays differ from other weekdays. To that end, we examine the issuance of IPOs by day of the week, i.e., whether an equal number of IPOs become effective on each weekday.[9] Table 2 shows the number of IPOs that occurred on each day of the week. Monday is the effective (offer) day for the fewest number of IPOs (374, or 9 % of all IPOs), followed by Friday, Tuesday, and Wednesday, respectively.[10] Thursday has the most IPOs (1285 IPOs, or 30.92 % of the total). We also look into the frequency distribution of weekday IPOs during hot and cold IPO periods, which we define based on IPO waves over our sample period.[11] As expected, the total number of IPOs is much higher in hot periods than in cold periods. However, we find that issuance weekday distribution patterns during hot and cold periods are mostly the same as those in the overall sample period. More specifically, Monday continues to have the lowest or second lowest number of IPOs

[7] For example, Aggarwal, Prabhala, and Puri (2002) suggest that underwriters give institutions a large number of shares in IPO firms. They also find that underwriters allocate more shares to institutions in IPOs priced at the higher end of the filing range, which are expected to appreciate more in the aftermarket, and vice versa. They add that underwriters keep private information and use it to ensure that institutions receive fewer of the worst-performing shares. Hanley and Wilhelm (1995) find substantial allocations for institutional investors in underpriced IPOs. Binay et al. (2007) suggest that underwriters have given institutional investors favorable allocations of underpriced IPOs. Moreover, Chemmanur, Hu, and Huang (2010) show that institutions play an important role in supporting IPOs in the aftermarket. To reduce underpricing for the average issuer, Binay et al. (2007) find that institutions assist investment banks in pricing and distributing the issue.

[8] SDC occasionally provides two entries for IPOs. It typically occurs when the initial entry contains an error regarding the underwriters' information. We use the updated underwriter information from SDC's second report.

[9] It is important to explore this for the following reasons. The uniform distribution of IPOs across weekdays implies that issuers/underwriters select days for going public randomly, rendering them incompetent for further examination. On the other hand, significantly unequal distribution suggests that they select/avoid specific days to go public, and there are reasons for this.

[10] We ran the chi-square test and found that weekday IPO distribution is not uniform.

[11] Based on IPO waves, we define the years 1991–2000, 2004, 2006, 2007, 2013, and 2014 as hot periods and the rest as cold periods (Banerjee et al., 2016). We also observe the frequency distribution of weekdays for the IPOs for each year during our sample period. Results are available upon request.

Table 1
Variable description and summary statistics.

Panel A: Variable description

Variables	Description
Monday	An indicator variable equals 1 if IPOs are issued on Mondays, and 0 otherwise
Offer price revision	Offer price minus the midpoint of the initial filing price range scaled by the midpoint of the initial filing price range
Number of managers	Total number of leads, co-leads, and co-managers in the underwriting syndicate
Number of lead managers	Total number of lead managers in the underwriting syndicate
Number of co-managers	Total number of co-managers in the underwriting syndicate
Total compensation (million $)	Gross spread paid to underwriters
Underwriting fee (million $)	Compensation paid to underwriters for underwriting an issue
Selling concession (million $)	Compensation paid to underwriters for selling an issue
Percentage overallotment	Number of overallotment shares as a percentage of the total shares offered in the IPO
Number of analysts	Number of analysts who provided reports within three months after the IPO
Number of earnings forecast analysts	Number of analysts who provided earnings forecast reports within three months after the IPO
Lead manager change in SEO	An indicator variable equals 1 if an issuer changes its lead managers in subsequent equity offerings such as seasoned equity offerings (SEO) and 0 otherwise
Delisting within 1 year after IPO	An indicator variable equals 1 if an IPO is delisted within a year after the issue, and 0 otherwise
Lead underwriter rank	Rank of lead underwriters involved in IPOs. The lead underwriter rank measures the quality of the underwriter. The range of underwriter rank is between 1.001 and 9.001; higher ranks represent higher-quality underwriters. When there are multiple lead underwriters in the underwriting syndicate, then the average rank of the lead underwriters in the year when the IPO became effective is used as the rank of lead managers
VC	An indicator variable equals 1 if the firm received financing from venture capitalists prior to the IPO, and 0 otherwise
Days between the filing and issue dates	Number of days between the time the offering's registration statement is filed with the SEC and the offer date of the IPO. The natural logarithm of this variable is used in regressions.
NYSE	An indicator variable equals 1 if the IPO firm is listed on the NYSE, and 0 otherwise
NASDAQ	An indicator variable equals 1 if the IPO firm is listed on the NASDAQ, and 0 otherwise
Amount sold in IPO (million $)	Dollar amount raised in the IPO, which is the same as the total proceeds. The natural logarithm of this variable is used in regressions
Overallotment	An indicator variable equals 1 if the underwriters have overallotment rights and 0 otherwise
Market volatility	Standard deviation of the value-weighted NYSE, NASDAQ and AMEX index return for 1 week prior to the IPO offer dates
Last 12-month (LTM) revenue	Natural logarithm of 1 plus revenue at the maximum of 12 months prior to IPO
Number of amendments to the filing price	Number of amendments to the filing price during the road show
Positive earnings dummy before IPO	An indicator variable equals 1 if the firm has positive earnings close to the IPO date, and 0 otherwise
ROA	Return on assets measured by net income divided by total assets at the time of IPO
Cash flow-to-asset	Cash flow divided by total asset
Higher valuation compared to industry	An indicator variable equals 1 if a firm's market-to-book ratio after IPO is higher than the average of the firm's industry book-to-market ratio, and 0 otherwise
Change in revenue bet on IPO and SEO	Change in revenue between IPO and SEO. Natural logarithm of this variable is used in regressions
Increase in lead manager rank in SEO	An indicator variable equals 1 if the firm graduates to more prestigious lead underwriters in SEO, and 0 otherwise
Hot periods	An indicator variable equals 1 if years are 1991–2000, 2004, 2006, 2007, 2013, and 2014, and 0 in other years (i.e., 0 refers to cold periods) based on IPO waves following (Banerjee, Gucbilmez, & Pawlina, 2016)

Panel B: Summary statistics

	Obs	Mean	Std Dev	25th percentile	Median	75th percentile
Offer price revision	2188	−0.002	0.206	−0.115	0	0.094
Number of managers	4156	3.424	2.809	2	3	4
Number of lead managers	4156	1.600	1.337	1	1	2
Number of co-managers	4156	1.892	1.993	1	2	2
Total compensation (million $)	4148	6.690	11.679	1.753	3.500	7.007

(*continued on next page*)

Table 1 (*continued*)

Panel B: Summary statistics

	Obs	Mean	Std Dev	25th percentile	Median	75th percentile
Underwriting fee (million $)	3228	1.327	2.414	0.400	0.690	1.323
Selling concession (million $)	3857	0.519	0.197	0.380	0.500	0.630
Percentage overallotment	4156	0.095	0.072	0	0.150	0.150
Number of analysts	2861	3.203	2.824	1	2	4
Number of earnings forecast analysts	1072	4.275	3.325	2	3	5
Lead manager change in SEO	1899	0.367	0.482	0	0	1
Delisting within 1 year after IPO	4042	0.022	0.148	0	0	0
Lead underwriter rank	4113	7.459	1.992	7.001	8.001	9.001
VC	4156	0.446	0.497	0	0	1
Days between the filing and issue dates	4153	99.471	140.191	49	68	100
NYSE	4156	0.203	0.402	0	0	0
NASDAQ	4156	0.724	0.447	0	1	1
Amount sold in IPO (million $)	4156	120.162	463.897	25	50	102
Overallotment	4156	0.991	0.095	1	1	1
Market volatility	4156	0.007	0.004	0.004	0.006	0.009
Last 12-month (LTM) revenue	3733	2.535	1.750	1.222	2.391	3.626
Number of amendments to the filing price	4121	3.032	2.204	1.000	3.000	4.000
Positive earnings dummy before IPO	3818	0.554	0.497	0.000	1.000	1.000
ROA	3694	−0.063	0.270	−0.087	0.004	0.028
Cash flow-to-asset	3360	−0.044	0.255	−0.071	0.016	0.041
Higher valuation compared to industry	3818	0.549	0.498	0.000	1.000	1.000
Change in revenue bet on IPO and SEO	1683	23.510	135.022	0.000	5.033	20.393
Increase in lead manager rank in SEO	1687	0.235	0.424	0.000	0.000	0.000

This table provides description and summary statistics for the variables used in the paper. The sample includes 4156 IPOs between 1990 and 2019. Panel A describes the variables used in the paper. Panel B displays the variables' summary statistics.

Table 2
Frequency distribution of weekday IPOs.

Days of the week	Number of IPOs	Percentage (%)	IPOs according to hot/cold periods	
			Hot	Cold
Monday	374	9.00	321	53
Tuesday	832	20.02	657	175
Wednesday	1166	28.06	848	318
Thursday	1285	30.92	1016	269
Friday	499	12.01	457	42
Total	4156	100	3299	857

This table shows the frequency distribution of IPOs by day of the week. The sample includes 4156 IPOs between 1990 and 2019. IPOs are classified by the day of the week on which they became effective. If IPOs are issued on Mondays, they are referred to as Monday IPOs. IPOs that are issued on other days of the week are defined analogously. The table shows the frequency distribution of weekday IPOs over the entire sample period, as well as the hot/cold periods.

during both hot and cold periods.

The results suggest that Mondays and, to a lesser extent, Fridays are not preferred by underwriters for various reasons. However, we contend that Mondays differ from all other days. To study this, we analyze the difference between all pairs of weekdays using a set of empirically chosen variables. The results are available in the Internet Appendix.

The only pair of weekdays that consistently show significant differences in the variables of interest is Monday and non-Monday.[12] Hence, we focus on comparing IPOs held on Mondays to all other days of the week. For example, the evidence suggests an interesting opposite trend in offer price revisions for Monday and other-day IPOs.[13] Monday IPOs, on average, make upward offer price revisions,

[12] For example, Monday IPOs have significantly higher offer price revisions and underpricing and a lower number of underwriters in the underwriting syndicate and analyst coverage than any other day of the week. Monday IPOs are also more likely to delist within a year of the IPO and to change lead underwriters in subsequent equity offerings if they survive and proceed to seasoned equity offerings. For the combination on any other two days, we did not find consistently significant differences in these variables. In addition, we calculate the difference between Monday and non-Monday IPOs during hot and cold periods. The results are also available in the Internet Appendix. They show the same story: Monday IPOs differ from other weekdays.

[13] According to previous literature, offer price revisions are defined as the difference between the offer price and the midpoint of the initial filing price range divided by the midpoint of the initial filing price range from SDC (Benveniste & Spindt, 1989; Cook et al., 2006; Corwin & Schultz, 2005; Hanley, 1993).

whereas non-Monday IPOs make almost no offer price revisions.[14] A statistically significant difference between these two mean values confirms the IPOs' opposite offer price revisions.

Next, we analyze the number of underwriters in the underwriting syndicate and underwriter compensation. We obtain the number of lead and co-managers, as well as the total number of managers in the underwriting syndicate, for each IPO from SDC. Monday IPOs have an average of 2.984 underwriters, whereas other-day IPOs have an average of 3.468, and the two-sample *t*-test reveals a significant difference between the means. Our two-sample *t*-test results also show a statistically significant difference in the number of lead managers between Monday and non-Monday IPOs. However, the difference in mean number of co-managers between the two samples is not statistically significant. We use the gross spread, underwriting fee, and selling concession from SDC as compensation variables,[15] but we find no significant differences between Monday and non-Monday IPOs (except for the selling concession).

This paper focuses on aftermarket support and analyst coverage. Following Schultz and Zaman (1994) and Aggarwal (2000), we quantify aftermarket support indirectly by calculating the number of overallotment shares as a percentage of the total shares offered in IPOs. In effect, a higher value indicates that IPOs are hotter, implying that aftermarket support (in the form of price stabilization) is less likely, and vice versa. To assess analyst coverage, we used the I/B/E/S database to calculate the number of analysts who provided reports three months, six months, and one year after each firm's IPO. As shown in Table 1, overallotment shares account for 9.5 % of total shares offered in public offerings, with 3.2 analysts providing reports on average. There are no statistically significant differences in mean percentage overallotment between Monday and non-Monday IPOs (Table 3). However, Monday IPOs have significantly fewer analysts providing forecast reports than other-day IPOs.

A related question is whether IPO lead underwriters can continue to hold their position in subsequent offerings. To conduct this analysis, we investigate whether issuers change lead managers in subsequent offerings. We look at whether each firm has the same lead underwriter for both the IPO and SEO. Since it is quite common for a company to have multiple lead underwriters in both offerings, we carefully observe whether the firm has changed even one lead manager in SEO. If issuers change at least one of the lead underwriters, we construct a dummy variable equal to 1 and 0 otherwise. Table 3 shows that the mean values of this variable are 0.457 and 0.358 for Monday and non-Monday IPOs, respectively, and the difference in means is statistically significant, which suggests that Monday IPOs change lead managers in follow-up offerings more frequently, whereas non-Monday IPOs do the opposite.

Finally, we compare Monday and non-Monday IPOs in terms of delisting trends. We obtain corporate delisting data from the CRSP events file.[16] In practice, we examine the delisting of our sample firms within a year of the IPO.[17] To conduct this analysis, we take the delisting dates from CRSP and the IPO issue dates from SDC and calculate the difference between the two dates. Table 3 suggests that Monday IPOs are more likely to be delisted within one year of going public; the difference in mean values (0.020) for being delisted within one year of the IPO is statistically significant.

In addition to the main variables discussed above, we incorporate control variables into our analysis. These variables, which are mostly based on previous literature, include lead underwriter rank, amount sold in IPO, last 12-month (LTM) revenue, days between filing and issue dates, whether venture capitalists backed a firm, whether an IPO was listed on New York Stock Exchange (NYSE)/NASDAQ, and market volatility one week before the IPO issue dates.[18]

The preliminary analysis results in Table 3 suggest that Monday IPOs differ from their non-Monday counterparts in several important ways. This leads us to believe that the differences warrant further investigation. Furthermore, an obvious question arises: What is the cause of the differences, and given the evidence, why do Monday IPOs exist in the first place, given that underwriters typically do not want to end the road show on Fridays or Mondays to begin trading on Mondays due to weekend uncertainty?[19] Furthermore, the weekend always adds costs to the road show process in direct monetary and psychological terms because the IPOs take longer to complete.

4. Empirical results

4.1. Offer price revisions and underwriter syndicate size

We regress the offer price revision on the Monday indicator and other control variables that have been found to affect offer price revision to see if Monday IPOs differ from other-day IPOs in terms of offer price revision. We use the percentage deviation between the

[14] The mean offer price revision is negative for each day other than Monday. Jones and Ligon (2009) also find a difference in mean price revisions between Monday (5.59 %) and other-day IPOs (1.49 %).

[15] The gross spread includes the underwriting fee, management fee, and sales concession. All compensation variables are in millions of US dollars.

[16] CRSP provides delisting codes for a variety of reasons. The delisting codes 100 to 199 represent active firms, which are not delisted. Firms between 200 and 699, however, are delisted for a variety of reasons, including mergers, exchanges, liquidations, dropping, and so on. Demers and Joos (2007) examine the factors influencing IPO failure risk. Following them, we consider delisting from mergers and exchanges (along with other CRSP delisting reasons) because these firms could be sold in "fire sales" or equivalent.

[17] We chose a one-year time horizon to determine whether post-IPO analyst coverage and aftermarket support can explain delisting.

[18] The amount sold in the IPO equals the total proceeds (dollar amount raised) of the IPO.

[19] Underwriters and issuers typically set the final offer price in the evening following the market's close the day before the IPO offer date. However, the situation may be different for Monday IPOs. If the underwriters and issuers set the final offer price on Friday evening (or over the weekend), the offer price for Monday IPOs is considered stale, as it does not include information from weekends when the market is closed. However, this is not the case with Friday IPOs. Thus, to deal with the uncertainty, underwriters for Monday IPOs may postpone setting the price until Monday. In either case, the weekend effect is severe on Mondays, so we see the fewest IPOs.

Table 3
Comparison between Monday and non-Monday IPOs.

	Monday IPOs			Non-Monday IPOs			
	Obs	Mean	Std Dev	Obs	Mean	Std Dev	Diff in Means
Offer price revision	204	0.036	0.219	1984	−0.006	0.204	0.041***
Number of managers	374	2.984	1.959	3782	3.468	2.876	−0.484***
Number of lead managers	374	1.299	0.722	3782	1.630	1.379	−0.330***
Number of co-managers	374	1.757	1.600	3782	1.906	2.027	−0.149
Lead underwriter rank	370	7.384	2.256	3743	7.467	1.964	−0.083
Total compensation (million $)	373	6.993	11.379	3775	6.660	11.709	0.333
Underwriting fee (million $)	312	1.405	2.259	2916	1.319	2.430	0.086
Selling concession (million $)	361	0.545	0.250	3496	0.517	0.191	0.028**
Percentage overallotment	374	0.094	0.069	3782	0.095	0.072	−0.001
Number of analysts	245	2.637	2.053	2616	3.256	2.880	−0.620***
Number of earnings forecast analysts	58	3.345	2.653	1014	4.328	3.352	−0.984**
Lead manager change in SEO	162	0.457	0.500	1737	0.358	0.480	0.099**
Delisting within 1 year after IPO	371	0.040	0.197	3671	0.020	0.141	0.020**
VC	374	0.428	0.495	3782	0.448	0.497	−0.020
Days between the filing and issue dates	374	98.896	109.296	3779	99.528	142.898	−0.632
NYSE	374	0.193	0.395	3782	0.204	0.403	−0.011
NASDAQ	374	0.738	0.440	3782	0.722	0.448	0.016
Amount sold in IPO (million $)	374	115.12	246.965	3782	120.66	480.071	−5.531
Overallotment	374	0.989	0.103	3782	0.991	0.094	−0.002
Market volatility	374	0.007	0.004	3782	0.007	0.004	0.000
Last 12-month (LTM) revenue	331	2.511	1.690	3402	2.537	1.756	−0.026
Number of amendments to the filing price	369	3.285	2.455	3752	3.007	2.176	0.277**
Positive earnings dummy before IPO	338	0.583	0.494	3480	0.551	0.497	0.032
ROA	325	−0.075	0.338	3369	−0.061	0.262	−0.014
Cash flow-to-asset	295	−0.044	0.246	3065	−0.044	0.256	0.001
Higher valuation compared to industry	338	0.559	0.497	3480	0.548	0.498	0.011
Change in revenue bet on IPO and SEO	139	29.286	82.878	1544	22.990	138.765	6.297
Increase in lead manager rank in SEO	140	0.200	0.401	1547	0.238	0.426	−0.038

This table compares Monday and non-Monday IPOs. The sample includes 4156 IPOs between 1990 and 2019. IPOs are classified by the day of the week on which they became effective. If IPOs are issued on Mondays, they are referred to as Monday IPOs. Non-Monday IPOs are those that are issued on other days of the week. The other variables are defined in Table 1. The two-sample *t*-tests for the variables are shown. ***, **, and * denote significance levels (of the difference in means) at 1 %, 5 %, and 10 %, respectively.

offer price and the expected offer price as a dependent variable. Corwin and Schultz (2005) proposed using the mid-of-the-offer price range as a proxy for the expected offer price. Table 4 presents the regression results. All regressions include industry-specific fixed effects.[20]

In column (1), we find that Monday IPOs have 4.4 % higher upward offer price revisions than other-day IPO. We add a dummy for hot periods in column (2) and find results similar to those in column (1). Column (3) includes an interaction term between Monday and hot periods. We see that the coefficient of the interaction term is negative, indicating that Monday IPOs have lower offer price revisions during hot periods. However, this result should be interpreted cautiously because this interaction term compares Monday IPOs in hot periods to other-day IPOs in both hot and cold periods. Our main explanatory variable, Monday, remains positive and significantly associated with the offer price revision, so we accept H_1.[21]

During the road show, we also study the changes to the filing fee. We find that Monday IPOs have a significantly higher number of amendments (3.28 vs 3.01 with a *t*-value of 2.30).[22] Our unreported results suggest that offer prices for Monday IPOs are significantly higher than those for other-day IPOs over the filing price range. Both of these results suggest that underwriters of Monday IPOs raise the offer price during the road show, which increases offer price revisions.

Next, we investigate whether Monday IPOs have a larger underwriting syndicate size, which is an important mechanism for

[20] The characteristics of initial public offerings vary by industry (Cook et al., 2006; Corwin & Schultz, 2005). For this reason, we control for the industry effect in our regressions to ensure robustness. We also analyze the industry breakdown of the sample firms; we find similar industry concentrations between Monday and other-day IPOs.

[21] As is always the case in corporate finance research, the effect of potential endogeneity on the results must be considered. However, we consider reverse causality, frequently the primary source of endogeneity, highly unlikely. For example, the model tested here would imply that underwriters specifically chose Mondays due to higher price revisions. To account for potential endogeneity, we re-estimated regression results in Table 4 using the residual approach (also known as two-stage residual inclusion estimation (Terza, Basu, & Rathouz, 2008); this approach is used in finance (Kang, Luo, & Na, 2018)). In the first stage, the Monday indicator serves as the dependent variable. In the second stage, the residuals from the first regression serve as the independent variable (rather than the Monday indicator) for the model in Table 4. The residual approach (columns (2), (4), and (6)) yields similar results to Table 4 (columns (1)–(3)). This implies that our baseline results remain robust even after accounting for Monday's possible endogenous effect.

[22] Table 3 shows the results.

Table 4
Offer price revisions between Monday and non-Monday IPOs.

	Offer price revision		
	(1)	(2)	(3)
Monday	0.044***	0.044***	0.160***
	(2.646)	(2.653)	(2.649)
Hot periods		−0.005	0.003
		(−0.178)	(0.096)
Monday * hot periods			−0.121*
			(−1.932)
Number of managers	0.045***	0.045***	0.046***
	(3.379)	(3.375)	(3.410)
Lead underwriter rank	0.005**	0.005**	0.005**
	(1.969)	(1.968)	(2.035)
VC	−0.015	−0.015	−0.015
	(−1.291)	(−1.287)	(−1.241)
Days between the filing and issue dates	−0.052***	−0.052***	−0.052***
	(−5.577)	(−5.572)	(−5.620)
NYSE	−0.035	−0.035	−0.036
	(−1.509)	(−1.505)	(−1.551)
NASDAQ	−0.025	−0.025	−0.026*
	(−1.638)	(−1.623)	(−1.705)
Market volatility	−4.839*	−4.864*	−4.847*
	(−1.696)	(−1.699)	(−1.693)
Constant	0.184***	0.188***	0.182***
	(4.179)	(3.657)	(3.523)
Industry fixed effect	Yes	Yes	Yes
Adj. R^2	0.107	0.107	0.107
Number of observations	2003	2003	2003

This table reports OLS estimates for models of offer price revision. The sample includes 4156 IPOs between 1990 and 2019. The dependent variable is the offer price revision, which is calculated by dividing the natural log of 1 plus offer price by the midpoint of the initial filing price range. All independent variables are defined in Table 1. *t*-statistics based on robust standard errors are reported in parentheses below the parameter estimates. ***, **, and * indicate significance levels of 1 %, 5 %, and 10 %, respectively.

information generation and can lead to higher offer price revisions. The descriptive analysis shows that Monday IPOs have smaller syndicate sizes on average, but this does not have to be the case after controlling for the usual variables used in the literature.

To study this issue, we estimate several linear models, with the dependent variable being the natural logarithm of various underwriter types involved in the underwriting syndicate. Table 5 presents the regression results. We include the number of all underwriters, lead underwriters, and co-managers in the regressions in columns (1), (3), and (5). Other columns repeat the analyses, such as the hot periods dummy and the Monday-hot periods dummy interaction. Our main explanatory variable in the regressions is an indicator variable that is 1 if the offering went into effect on a Monday and 0 otherwise. Our regression control variables include the rank of lead underwriters, the amount sold in the IPO, whether firms received venture capitalist financing prior to the IPO, and whether they are listed on the NYSE or NASDAQ.[23]

All models in Table 5 show a negative and significant relationship between Monday IPOs and the number of different types of underwriters, even after controlling for IPO characteristics. For example, the −0.096 coefficient for the Monday indicator in column (1) corresponds to approximately 9.6 % fewer managers than other-day IPOs, so we reject H_2. In other words, IPOs issued on Mondays are associated with fewer managers in the underwriting syndicate, so the higher offer price revision cannot be attributed to syndicate size.

The control variables yield consistent results throughout the table. The negative relationship between the number and rank of lead managers stems from the lead underwriters' competence and skills, as well as the compensation they receive for underwriting the issue. Because highly ranked underwriters are capable of conducting a successful IPO and managers receive a fixed amount of compensation for bringing the issue to market (e.g., Chen & Ritter, 2000), these facts do not entice other managers to serve as lead managers. Furthermore, the lead manager prefers not to share the lead underwriting role with other managers (e.g., Jeon, Lee, Nasser, & Via, 2015) and may limit the number of co-managers to avoid competition during the IPO process (Corwin & Schultz, 2005).

4.2. Underwriter compensation

Now, let us examine our prediction about underwriter compensation. Table 6 shows the regression results for the underwriting fee,

[23] Professor Jay Ritter's website provides the underwriter rank. The ranking is based on Carter and Manaster's (1990) measures of underwriter quality, which were updated by Carter et al. (1998) and Loughran and Ritter (2004). The underwriter rank ranges from 1.001 to 9.001; higher ranks indicate higher quality underwriters, and vice versa. When there are multiple lead underwriters in the underwriting syndicate, the average rank of the lead underwriters in the year the IPO went into effect is used to determine the rank of lead managers.

Table 5
Underwriter involvement in the syndicate.

	Number of managers		Number of lead managers		Number of co-managers	
	(1)	(2)	(3)	(4)	(5)	(6)
Monday	−0.096***	−0.250***	−0.110***	−0.256***	−0.061**	−0.149*
	(−4.078)	(−4.260)	(−5.516)	(−3.938)	(−2.320)	(−1.901)
Hot periods		−0.272***		−0.446***		−0.107***
		(−14.012)		(−20.403)		(−4.550)
Monday * hot periods		0.201***		0.206***		0.112
		(3.158)		(3.047)		(1.340)
Lead underwriter rank	−0.003	0.005	−0.068***	−0.054***	−0.024***	−0.021***
	(−0.598)	(0.951)	(−15.206)	(−13.266)	(−3.358)	(−2.931)
VC	0.075***	0.061***	0.042***	0.021	0.069***	0.063***
	(4.289)	(3.603)	(2.686)	(1.480)	(3.487)	(3.163)
Days between filing and	0.068***	0.057***	0.021*	0.001	0.105***	0.099***
Issue date	(6.305)	(5.461)	(1.793)	(0.063)	(7.850)	(7.392)
NYSE	0.114***	0.102***	0.029	0.008	0.062	0.060
	(2.858)	(2.631)	(0.853)	(0.253)	(1.356)	(1.335)
NASDAQ	−0.007	−0.001	−0.107***	−0.098***	−0.043	−0.038
	(−0.235)	(−0.035)	(−4.941)	(−5.030)	(−1.146)	(−1.009)
Amount sold in IPO	0.374***	0.338***	0.331***	0.271***	0.368***	0.353***
	(36.421)	(31.675)	(29.031)	(24.789)	(30.720)	(28.457)
Constant	−0.769***	−0.420***	−0.530***	0.051	−1.181***	−1.034***
	(−13.421)	(−6.804)	(−9.412)	(0.873)	(−15.319)	(−12.428)
Industry fixed effect	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R^2	0.555	0.579	0.438	0.535	0.491	0.495
Number of observations	3917	3917	3917	3917	3224	3224

This table contains OLS estimates for models that represent the number of underwriters in the underwriting syndicate. The sample includes 4156 IPOs between 1990 and 2019. The dependent variables are the log number of all managers, the number of lead managers, and the number of co-managers in the underwriting syndicate, as shown in columns (1) and (2), columns (3) and (4), and columns (5) and (6), respectively. All variables are defined in Table 1. *t*-statistics based on robust standard errors are reported in parentheses below the parameter estimates. ***, **, and * indicate significance levels of 1 %, 5 %, and 10 %, respectively.

selling concession, and total compensation. Our results show that Monday has no significant relationship with the underwriting fee, implying that Monday IPOs pay a similar underwriting fee to non-Monday IPOs who do not. This is logical and expected, given that the underwriting fee is determined well before forming the underwriting syndicate and deciding on the timing of the IPO. The insignificant relationship between Monday and the sale concession proves the finding.

However, total underwriting compensation for Monday IPOs is slightly higher because the former may include underwriters' earnings from selling their inventory position, as Monday IPOs are more underpriced (Jones & Ligon, 2009; Nimalendran et al., 2007).[24] This result is consistent with Busaba and Restrepo (2022). Thus, H_3 is accepted.

4.3. Aftermarket support and analyst coverage

Among others, Schultz and Zaman (1994) and Aggarwal (2000) show that overallotment is one of many common aftermarket support mechanisms for IPO stabilization. We begin our analysis with a simple model that calculates the overallotment shares as a percentage of total shares issued in IPOs. In column (1) of Table 7, we find that the overallotment for Monday IPOs is the same as for other days of the week. Although this result confirms our prediction, it is also somewhat surprising given that Monday IPOs are typically more underpriced than other-day IPOs. In particular, Schultz and Zaman (1994) find that the overallotment option is used 90.4 % of the time for underpriced IPOs, although they show that it can be used for both underpriced and fully priced IPOs. Consistent with their findings, we find a positive and significant relationship between percentage overallotment and underpriced IPOs. This result should also apply to Monday IPOs. To put this to the test, we include an interaction term between Monday and the underpriced IPO indicator in column (2). The results show that underpriced IPOs receive a higher overallotment on Mondays (on average 9.9 % for Monday IPOs and 7.7 % for other-day IPOs). For fully priced IPOs, the overallotment is 1.9 percentage points lower on Mondays, implying that they are more likely to require aftermarket support than other-day IPOs.

To determine whether Monday IPOs receive comparable analyst coverage to other-day IPOs, we counted the number of analysts who issued various types of forecast reports about the issuers within three months of the IPOs becoming effective. Table 8 summarizes the underwriters' analyst coverage results. As a result, the results suggest that Monday IPOs are significantly associated with less analyst coverage from underwriters. Because earnings are of particular interest to firm stakeholders, we examine the analysts who provide earnings forecasts following the IPO. We consider analyst reports within three months of the IPO, followed by six months later. Results in columns (3), (5), and (6) suggest that Monday IPOs are associated with significantly fewer analysts following earnings. The Monday coefficients in these two columns are larger and more negative than those in columns (1) and (2), implying that for Monday

[24] Compensation in terms of percentage of IPO proceeds is 7.13 % for Monday IPOs and 7.04 % for non-Monday IPOs.

Table 6
Underwriter compensation.

	Underwriting fee		Selling concession		Total compensation	
	(1)	(2)	(3)	(4)	(5)	(6)
Monday	0.004	0.001	0.015	−0.007	0.011**	0.037**
	(0.329)	(0.010)	(0.790)	(−0.109)	(2.011)	(2.143)
Hot periods		−0.012		0.038**		−0.020***
		(−1.491)		(2.179)		(−3.858)
Monday * hot periods		0.004		0.024		−0.029
		(0.063)		(0.349)		(−1.617)
Number of managers	−0.013*	−0.015**	−0.075***	−0.068***	0.005	0.000
	(−1.832)	(−2.079)	(−5.316)	(−4.724)	(1.017)	(0.102)
Lead underwriter rank	0.000	0.001	0.046***	0.045***	−0.007***	−0.006***
	(0.092)	(0.141)	(10.624)	(10.430)	(−3.240)	(−2.900)
VC	0.003	0.002	0.033**	0.034**	0.007*	0.007*
	(0.428)	(0.372)	(2.497)	(2.575)	(1.822)	(1.705)
Days between filing and	−0.000	−0.001	−0.061***	−0.059***	0.005	0.004
Issue dates	(−0.019)	(−0.134)	(−7.188)	(−6.813)	(1.560)	(1.229)
NYSE	−0.019	−0.018	0.032	0.033	−0.070***	−0.071***
	(−0.764)	(−0.753)	(0.948)	(0.970)	(−5.997)	(−6.055)
NASDAQ	−0.007	−0.006	0.080***	0.079***	−0.073***	−0.073***
	(−0.295)	(−0.258)	(2.944)	(2.906)	(−8.263)	(−8.238)
Amount sold in IPO	0.890***	0.889***	0.200***	0.202***	0.924***	0.922***
	(122.639)	(122.657)	(16.490)	(16.562)	(145.453)	(144.572)
Overallotment	−0.005	−0.002	0.134	0.127	0.035	0.042
	(−0.190)	(−0.079)	(1.055)	(0.991)	(1.193)	(1.401)
Constant	−3.769***	−3.757***	−1.731***	−1.774***	−2.310***	−2.292***
	(−84.703)	(−84.912)	(−13.333)	(−13.595)	(−65.241)	(−62.664)
Industry fixed effect	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R^2	0.979	0.979	0.482	0.483	0.991	0.991
Number of observations	3025	3025	3628	3628	3909	3909

This table shows the OLS estimates for underwriter compensation. The sample includes 4156 IPOs between 1990 and 2019. Columns (1) and (2) use the natural log of the total compensation underwriters receive for making the issue public. Columns (3) and (4) use the underwriting fee as the dependent variable. Meanwhile, columns (5) and (6) use the selling concession as the dependent variable. All compensation variables are in millions of US dollars. All variables are defined in Table 1. The *t*-statistics based on robust standard errors are reported in parentheses below the parameter estimates. ***, **, and * indicate significance levels of 1 %, 5 %, and 10 %, respectively.

IPOs, far fewer analysts than the average are providing earnings forecast reports. These results, however, are consistent with Corwin and Schultz's (2005) finding that analyst coverage increases as the number of managers in the underwriting syndicate increases. As a result, we reject H_4, which states that Monday IPOs receive more aftermarket support and analyst coverage than other-day IPOs.

4.4. Lead underwriter change in SEO

Table 9 shows the regression results of the probit models concerning the change of lead manager in subsequent equity offerings. The results in column (1) in Panel A suggest that Monday IPOs are more likely than non-Monday IPOs to change their lead managers in SEO, so we reject H_5.[25,26] In Panel B, we investigate whether less analyst coverage and aftermarket support are driving the shift in lead managers in SEO, separately for all IPOs columns (1) and (2)) and Monday IPOs (columns (3) and (4)). Column (1) of Panel B's results suggest that analyst coverage and percentage overallotment are negatively and significantly associated with lead manager change in SEO for all firms.[27,28] However, only column (3) shows a negative and significant relationship between lead manager change and analyst coverage for Monday IPOs. To account for the graduation effect, we add two control variables to columns (2) and (4), Change in revenue between IPO and SEO and increase in lead underwriter rank, following Krigman et al. (2001). The difference in revenue

[25] The Monday indicator variable has a marginal effect of 0.078 based on the probit regression in this model. The industry fixed effect model in column (2) confirms the higher probability of a lead manager change in SEO for Monday IPOs.

[26] One could argue that our findings are the result of low-quality Monday IPOs improving in quality. We have already shown that Monday IPOs are no different in terms of quality than other-day IPOs at the time of the IPO. We also examine whether their quality has improved more than other-day IPOs regarding IPO and SEO. Following Fernando et al. (2005), we employ several variables, including a viability dummy, which indicates whether the firm is viable five years after the IPO, the standard deviation of daily returns between the IPO and SEO, and cumulative daily log returns from the IPO to SEO. After controlling for these firm quality variables, the Monday dummy remains positively and significantly related to the change in lead manager in SEO.

[27] Unreported industry fixed effect models suggest that a one standard deviation increase in analyst coverage is associated with a 15.1 % decrease in the likelihood that issuers will change the lead managers in follow-on offerings.

[28] Specifically, a one-standard deviation increase in percentage overallotment lowers the likelihood of issuers changing lead managers in subsequent offerings by 6.8 %.

Table 7
Aftermarket support.

	Percentage overallotment				
	(1)	(2)	(3)	(4)	(5)
Monday	−0.001	−0.016***	−0.016***	−0.014**	−0.020**
	(−0.437)	(−3.104)	(−3.007)	(−2.555)	(−2.199)
Underpriced IPO	0.079***	0.077***	0.077***	0.078***	0.077***
	(35.690)	(32.994)	(33.367)	(29.606)	(29.486)
Monday * underpriced IPO		0.019***	0.018***	0.018***	0.018***
		(3.003)	(2.904)	(2.628)	(2.641)
Hot periods					0.010***
					(3.359)
Monday * hot periods					0.007
					(0.680)
Number of managers	0.007***	0.007***	0.007***	0.005**	0.008***
	(4.403)	(4.462)	(2.771)	(2.037)	(2.841)
Lead underwriter rank	0.002**	0.002**	0.001	0.001	0.001
	(2.216)	(2.189)	(1.105)	(0.765)	(0.485)
VC			0.008***	0.005*	0.005*
			(3.219)	(1.676)	(1.767)
NYSE			−0.005	−0.003	−0.003
			(−0.859)	(−0.517)	(−0.470)
NASDAQ			−0.005	−0.005	−0.005
			(−0.892)	(−0.803)	(−0.823)
Amount sold in IPO			0.001	0.002	0.002
			(0.546)	(0.920)	(1.250)
Market volatility			0.314	0.278	0.307
			(1.507)	(1.263)	(1.401)
Constant	0.016***	0.017***	0.016***	0.017***	0.007
	(2.858)	(3.075)	(2.873)	(2.711)	(0.976)
Industry fixed effect	No	No	No	Yes	Yes
Adj. R^2	0.239	0.240	0.242	0.250	0.253
Number of observations	4113	4113	4113	3931	3931

This table shows the OLS estimates for the underwriters' aftermarket support to issuers. The sample includes 4156 IPOs between 1990 and 2019. The dependent variable is the number of overallotment shares, expressed as a percentage of the total shares offered in the IPO. Underpriced IPO is an indicator variable that equals 1 if the IPO has a positive initial return and 0 otherwise. Monday × underpriced IPO refers to IPOs that are both effective on Mondays and underpriced. The other variables are defined in Table 1. *t*-statistics based on robust standard errors are reported in parentheses below the parameter estimates. ***, **, and * indicate significance levels at 1 %, 5 %, and 10 %, respectively.

between IPO and SEO indicates whether a firm has survived and prospered, whereas an increase in underwriter rank indicates whether a firm advances to more prestigious lead underwriters in SEO. Consistent with Krigman et al. (2001), our results support the graduation effect; both revenue growth and graduation to a more prestigious underwriter rank are positively and significantly related to a firm's likelihood of changing lead underwriters in SEO. However, our analyst coverage variable remains negatively and significantly related to the change of the lead manager in SEO, confirming our hypothesis that less analyst coverage, in addition to the graduation effect, is the driving factor for the change of the lead manager on Mondays of follow-up IPOs.

Other control variables show expected results. For example, both the lead underwriter rank and the number of managers show a negative and mostly significant relationship with the lead manager change in SEO. Issuers are less likely to change lead underwriters if they have a high ranking. The issuers may believe that highly ranked underwriters will be able to make the issue successful. In most cases, an IPO's syndicate will include several lead underwriters. In this case, the issuer does not change all of the lead managers in SEO, resulting in fewer changes. The negative and significant underpricing suggests that underpriced issues are less likely to change the lead managers in SEO, which is consistent with previous research.[29] As a result, because Monday IPOs are lower priced (e.g., Jones & Ligon, 2009), they may be less likely to change lead managers in SEO. On the other hand, if underpricing was one of the primary reasons for not changing the lead investment banks in the follow-up offerings, we would see significant underpricing in columns (3) and (4). However, this is not the case. This supports our argument that Monday IPOs change lead managers because they are dissatisfied with the underwriters for not receiving adequate analyst coverage.

4.5. Delisting

To test whether Monday IPOs are less likely to be delisted than other-day IPOs, we estimate probit and OLS models for the delisting

[29] Too much underpricing may change the situation because it leaves more money on the table. This may irritate the issuers and result in a change in the lead manager for future offerings. We tested this by including the squared underpricing variable in the regressions in Table 8 (not reported), and we found that it has a positive and significant relationship with the change in the lead underwriter in SEO.

Table 8
Analyst coverage.

	Number of all analysts		Number of earnings forecast analysts			
	Within 3 months after Issue		Within 3 months after Issue		Within 6 months after issue	
	(1)	(2)	(3)	(4)	(5)	(6)
Monday	−0.091**	−0.218***	−0.107	−0.263**	−0.195***	−0.309***
	(−2.436)	(−2.714)	(−1.464)	(−2.112)	(−2.734)	(−3.045)
Hot periods		−0.134***		−0.010		0.053**
		(−4.536)		(−0.246)		(2.058)
Monday * hot periods		0.159*		0.269*		0.198
		(1.750)		(1.731)		(1.484)
Number of managers	0.481***	0.447***	0.582***	0.582***	0.761***	0.765***
	(16.016)	(14.427)	(8.807)	(8.706)	(11.726)	(11.877)
Lead underwriter rank	−0.015	−0.010	0.009	0.011	0.025*	0.024
	(−1.586)	(−1.053)	(0.529)	(0.597)	(1.696)	(1.626)
Underpricing	0.078	0.095**	0.161*	0.157	0.245***	0.233***
	(1.625)	(1.976)	(1.664)	(1.601)	(3.671)	(3.511)
VC	0.087***	0.081***	0.142***	0.146***	0.124***	0.126***
	(3.397)	(3.183)	(2.851)	(2.919)	(3.483)	(3.549)
NYSE	0.048	0.049	−0.029	−0.035	0.270*	0.272*
	(0.638)	(0.653)	(−0.174)	(−0.207)	(1.751)	(1.810)
NASDAQ	0.038	0.043	0.027	0.022	0.278*	0.282*
	(0.552)	(0.617)	(0.164)	(0.131)	(1.824)	(1.899)
Amount sold in IPO	0.242***	0.235***	0.145***	0.143***	0.081***	0.083***
	(13.459)	(13.179)	(4.185)	(4.119)	(2.697)	(2.761)
Market volatility	1.326	1.044	−6.297	−6.471	−3.378	−2.980
	(0.537)	(0.425)	(−1.417)	(−1.463)	(−1.246)	(−1.113)
Constant	−0.691***	−0.560***	−0.578***	−0.571**	−0.681***	−0.712***
	(−6.932)	(−5.328)	(−2.632)	(−2.548)	(−3.549)	(−3.772)
Industry fixed effect	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R^2	0.481	0.486	0.453	0.453	0.627	0.630
Number of observations	2659	2659	917	917	1074	1074

This table presents the OLS estimates for analyst coverage. The sample includes 4156 IPOs between 1990 and 2019. The dependent variable in columns (1) and (2) is the number of analysts who provided reports within three months of the IPO. The dependent variable in columns (3) and (4) is the number of analysts who provided earnings forecasts within three months of the IPO. The dependent variable in columns (5) and (6) is the number of analysts who provided earnings forecast reports within six months of the IPO. In IPOs, underpricing equals the natural log of 1 plus the initial return. The initial return is the percentage difference between the closing price on the first day the stock appears on CRSP and the offer price of the IPO on SDC. The other variables are defined in Table 1. *t*-statistics based on robust standard errors are reported in parentheses below the parameter estimates. ***, **, and * indicate significance levels at 1 %, 5 %, and 10 %, respectively.

of IPOs. Based on the results in Table 10, we reject H_6.[30] We support the argument that the likelihood of delisting decreases if firms receive more analyst coverage from investment banks.[31] The result is consistent when we repeat the analysis with only Monday IPO observations. These findings highlight the importance of analyst coverage for newly issued companies and confirm our prediction that Monday IPOs are more vulnerable to delisting/bankruptcy due to insufficient or lower analyst coverage from investment banks.

4.6. Why do IPOs occur on Mondays?

Finally, we ask the obvious question: why do underwriters issue IPOs on Mondays, given the weekend uncertainty and additional costs? This question has gotten surprisingly little attention in the literature. In this article, we suggest four possible explanations for the existence of Monday IPOs. First, they may represent low-quality firms, which could differ in quality from other modern IPOs. The second possible explanation is acceleration. Many IPOs want to begin trading on Tuesdays. Some underwriters may choose to make IPOs effective on Monday after the market closes to avoid crowds and competition, or to capitalize on strong demand for the shares and ensure that they have Securities and Exchange Commission (SEC) approval to trade early on Tuesday. The third explanation is that the underwriters deliberately decided to extend the road show until Monday. Underwriters expect that the extension will increase their profits and/or reputation as underwriters of successful IPOs by increasing demand.

The fourth explanation is slippage. The authors of these IPOs intended to end their road shows on Thursdays and start trading on Fridays at the latest. However, they could not do so for a variety of reasons (for example, lower demand for the shares, delays in complying with the SEC's documentation requirements, and so on). They had to extend the road show by a day or two to accommodate

[30] In a separate analysis, we find that Monday IPOs have a higher risk of bankruptcy within a year of going public. The results are not publicly available, but they are available upon request.

[31] The analyst coverage variable in column (3) has a marginal effect of −0.022. The unreported industry fixed effect model suggests that a one-standard-difference decrease in analyst coverage increases the probability of delisting by 17 %.

Table 9
Lead manager change in SEO.

Panel A: Do Monday IPOs change lead managers more frequently than other-day IPOs?

	Lead Manager Changer in SEO	
	(1)	(2)
Monday	0.222**	0.081*
	(1.974)	(1.696)
Lead underwriter rank	−0.078***	−0.036***
	(−3.088)	(−3.388)
Number of managers	−0.227***	−0.070**
	(−3.041)	(−2.233)
underpricing	−0.653***	−0.188***
	(−3.935)	(−3.343)
VC	0.062	0.037
	(0.927)	(1.248)
NYSE	0.258	0.110
	(1.263)	(1.462)
NASDAQ	0.239	0.116*
	(1.326)	(1.729)
Amount sold in IPO	−0.155***	−0.060***
	(−2.996)	(−2.917)
Constant	0.980***	0.874***
	(4.105)	(9.215)
Industry fixed effect	No	Yes
Pseudo/adj. R^2	0.061	0.077
Number of observations	1864	1689

Panel B: Determinants of lead manager change in SEO

	Change in SEO lead manager			
	All IPOs in the sample		Monday IPOs	
	(1)	(2)	(3)	(4)
Lead underwriter rank	−0.065**	0.047	−0.015	0.142
	(−2.531)	(1.523)	(−0.161)	(1.197)
Number of managers	−0.114	−0.183*	0.015	−0.042
	(−1.432)	(−1.937)	(0.053)	(−0.125)
Underpricing	−0.311*	−0.304	−0.747	−0.662
	(−1.734)	(−1.596)	(−1.116)	(−0.830)
VC	0.062	0.064	0.257	0.215
	(0.921)	(0.855)	(0.987)	(0.760)
NYSE	0.305	0.441**	5.052***	5.452***
	(1.496)	(2.036)	(10.937)	(10.128)
NASDAQ	0.294	0.384**	4.973***	5.201***
	(1.641)	(2.046)	(17.053)	(14.734)
Amount sold in IPO	−0.075	−0.116*	0.030	0.036
	(−1.387)	(−1.866)	(0.188)	(0.175)
Analyst coverage	−0.317***	−0.357***	−0.441**	−0.597**
	(−4.961)	(−4.866)	(−2.041)	(−2.159)
Percentage overallotment	−1.185**	−1.247**	−1.266	−1.529
	(−2.299)	(−2.189)	(−0.719)	(−0.804)
Change in revenue between IPO and SEO		0.549***		0.516**
		(7.984)		(2.278)
Increase in lead underwriter rank		0.795***		0.767**
		(9.224)		(2.182)
Constant	0.938***	−0.196	−4.386***	−6.024***
	(3.884)	(−0.713)	(−5.939)	(−6.070)
Pseudo r^2	0.072	0.172	0.062	0.149
Number of observations	1864	1650	149	127

This table shows the probit and OLS estimates for the change in SEO's lead manager. The sample includes 4156 IPOs between 1990 and 2019. The dependent variable is the indicator variable, which equals 1 if an IPO changes its SEO lead managers and 0 otherwise. All models in Panel A, except column (2), are based on probit estimates. In IPOs, underpricing equals the natural log of 1 plus the initial return. The initial return is the percentage difference between the closing price on the first day the stock appears on CRSP and the offer price of the IPO on SDC. Table 1 includes definitions for all other independent variables. The *t*-statistics based on robust standard errors are reported in parentheses below the parameter estimates. ***, **, and * indicate significance at 1 %, 5 %, and 10 %, respectively.

Table 10
Delisting.

	Delisting within 1 year after IPO					
	All IPOs in the sample					Monday IPOs
	(1)	(2)	(3)	(4)	(5)	(6)
Monday	0.342***	0.024*				
	(2.635)	(1.802)				
Lead underwriter rank	−0.021	−0.001	0.043	−0.019	0.043	0.399**
	(−0.659)	(−0.346)	(0.936)	(−0.602)	(0.919)	(2.089)
Number of managers	−0.027	−0.001	0.135	−0.042	0.150	0.292
	(−0.251)	(−0.087)	(0.976)	(−0.400)	(1.086)	(0.686)
VC	0.294***	0.016**	0.382***	0.291***	0.369***	0.336
	(3.294)	(2.511)	(3.679)	(3.314)	(3.567)	(0.924)
Analyst coverage			−0.471***		−0.505***	−0.584**
			(−5.337)		(−5.848)	(−2.486)
Percentage overallotment				0.145	1.381*	10.486***
				(0.249)	(1.841)	(3.127)
NYSE	0.097	0.002	0.274	0.099	0.291	3.271***
	(0.400)	(0.164)	(0.703)	(0.410)	(0.749)	(6.809)
NASDAQ	0.040	0.002	0.307	0.048	0.319	3.522***
	(0.207)	(0.206)	(0.834)	(0.254)	(0.871)	(12.677)
Days between filing and	0.121	0.006	0.122	0.125	0.127	0.194
Issue dates	(1.575)	(1.210)	(1.447)	(1.643)	(1.527)	(0.829)
Amount sold in IPO	0.005	−0.002	0.162**	0.012	0.160**	0.157
	(0.084)	(−0.430)	(2.152)	(0.193)	(2.092)	(0.763)
Constant	−2.606***	−0.002	−3.582***	−2.628***	−3.711***	−11.112***
	(−6.572)	(−0.097)	(−5.759)	(−6.626)	(−6.026)	(−5.103)
Industry fixed effect	No	Yes	No	No	No	No
Pseudo/adj. R^2	0.022	0.012	0.057	0.015	0.061	0.188
Number of observations	3962	3777	3609	3962	3609	303

This table shows the probit and OLS estimates for the delisting of IPOs. The sample includes 4156 IPOs between 1990 and 2019. The dependent variable is an indicator variable that is 1 if an IPO delists within a year of its initial public offering and 0 otherwise. Table 1 describes the independent variables. All models, except for column (2), use probit estimates. *t*-statistics based on robust standard errors are reported in parentheses below the parameter estimates. ***, **, and * indicate significance levels of 1 %, 5 %, and 10 %, respectively.

this. Obviously, the costs of extending the road show are undesirable, but the expected benefits of being able to finalize the IPO outweigh the expenses.

To investigate whether the first explanation (i.e., Monday IPOs are low-quality companies) is true, we use some variables to measure firm quality following Fernando et al. (2005) and Binay, Gatchev, and Pirinsky (2007): an earnings dummy to determine whether the company has positive earnings close to the IPO date, a venture capital dummy for companies backed by venture capitalists, a cash-flow-to-asset ratio, and a dummy for firms with higher valuation compared to the industry based on the book-to-market ratio. We did not find any statistically significant differences when comparing these variables between Monday and other-day IPOs (Table 3). Thus, Monday IPO firms are unlikely to differ in quality from other-day IPOs.

We run a probit model with a subset of Monday and Tuesday IPOs to study the second acceleration explanation. The result (unreported) shows that a higher number of IPOs on Tuesday does not increase the likelihood of an IPO on Monday. Thus, this explanation is unlikely to be the primary motivator for the Monday IPOs.

It is difficult to study the last two explanations, namely whether Monday IPOs are primarily driven by the road show's deliberate extension or unintentional slippage over the weekend. One could, for example, interview underwriters, but it may be difficult to obtain unbiased answers because the answers are also reputational. Here, we look at market data and indirect evidence, particularly offer price revisions. Extending the road show over the weekend typically increases costs more than other days. Furthermore, market uncertainty is higher than on other days.[32] If the extension explanation is true, the underwriters expect the extension to increase demand for the shares, and the benefits will eventually outweigh the costs as they can raise the offer price for the IPO shares. However, if the slippage hypothesis is true, the benefits will outweigh the costs, but we expect less demand for the shares and, as a result, fewer upward price revisions.

Jones and Ligon (2009) find that Monday IPOs are more underpriced, and we found that they are also associated with higher price revisions. Therefore, our result supports the deliberate road show extension explanation for observing Monday IPOs. Obviously, this is only indirect evidence, and more research is required on this topic.

[32] For example, using the S&P500 index as the sample period, the annualized volatility of continuously compounded daily returns on Mondays is 19.04 %. On all other days, it is consistently less than 17.80 %. For example, on Fridays, the volatility is 16.09 %.

5. Conclusion

This paper studies how and why Monday IPOs are different from other-day IPOs. We demonstrate that the characteristics of Monday IPOs differ significantly from those of other-day IPOs. The results show that Monday IPOs conduct significantly more filing price amendments during the road show and set offer prices above the filing price range, resulting in a higher upward offer price revision. However, despite paying their underwriters a comparable underwriting fee and paying them a higher total compensation, Monday IPOs receive less analyst coverage. As a result, Monday IPOs are more likely to change lead underwriters in subsequent equity offerings and to delist or go bankrupt.

We also study why underwriters issue IPOs on Mondays, despite weekend uncertainty and increased costs. We suggest four possible explanations for Monday IPOs and find indirect evidence that supports the deliberate road show extension explanation. We add to the empirical literature by showing that generalizing inferences about IPO attributes without taking weekdays into account is impossible. Our results provide a fresh perspective on the subject.

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CRediT authorship contribution statement

Abu Chowdhury: Writing – review & editing, Writing – original draft, Visualization, Methodology, Investigation, Formal analysis, Data curation, Conceptualization. **Mika Vaihekoski:** Writing – review & editing, Writing – original draft, Visualization, Methodology, Investigation, Formal analysis, Data curation, Conceptualization. **Mir Zaman:** Writing – review & editing, Writing – original draft, Visualization, Methodology, Investigation, Formal analysis, Data curation, Conceptualization.

Declaration of competing interest

None.

Data availability

Data will be made available on request.

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Appendix A. Supplementary data

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