

[Download This Paper \(Delivery.cfm/SSRN\\_ID668387\\_code269556.pdf?abstractid=668387&mirid=1\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID668387_code269556.pdf?abstractid=668387&mirid=1)[Open PDF in Browser \(Delivery.cfm/SSRN\\_ID668387\\_code269556.pdf?abstractid=668387&mirid=1&type=2\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID668387_code269556.pdf?abstractid=668387&mirid=1&type=2)

Add Paper to My Library

Share:

## Quid Pro Quo in Ipos: Why Book-Building is Dominating Auctions

51 Pages

Posted: 27 Feb 2005

Francois Degeorge ([https://papers.ssrn.com/sol3/cf\\_dev/AbsByAuth.cfm?per\\_id=48380](https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=48380))

University of Lugano - Faculty of Economics; Swiss Finance Institute; European Corporate Governance Institute (ECGI)

François Derrien ([https://papers.ssrn.com/sol3/cf\\_dev/AbsByAuth.cfm?per\\_id=269556](https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=269556))

HEC Paris - Finance Department

Kent L. Womack ([https://papers.ssrn.com/sol3/cf\\_dev/AbsByAuth.cfm?per\\_id=16167](https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=16167))

University of Toronto - Rotman School of Management (Deceased)

Date Written: November 2004

### Abstract

The book-building procedure for selling initial public offerings to investors has captured significant market share from auction alternatives in recent years, despite significantly lower costs in both direct fees and initial underpricing when using the auction mechanism. This paper shows that in the French market, where the frequency of book-building and auctions was about equal in the 1990s, the ostensible advantages to the issuer using book-building were advertising-related quid pro quo benefits. Specifically, we find that book-built issues were more likely to be followed and positively recommended by the lead underwriters and were also more likely to receive "booster shots" post issuance if the shares had fallen. Even non-underwriters' analysts appear to promote book-built issues more, but only when their underwriters stood to gain from acquiring shares in future issues from the recommended firm's lead underwriter. Book-built issues also appeared to garner more press in general (but only after they had chosen book-building, not before). Yet, we do not observe valuation or return differentials to suggest that these types of promotion have any value to the issuing firm. We conclude that underwriters using the book-building procedure have convinced issuers of the questionable value of advertising and promotion of their shares.

**Keywords:** IPO, auction, bookbuilding**JEL Classification:** G3, G24[Suggested Citation](#) >[Show Contact Information](#) >[Download This Paper \(Delivery.cfm/SSRN\\_ID668387\\_code269556.pdf?abstractid=668387&mirid=1\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID668387_code269556.pdf?abstractid=668387&mirid=1)[Open PDF in Browser \(Delivery.cfm/SSRN\\_ID668387\\_code269556.pdf?abstractid=668387&mirid=1&type=2\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID668387_code269556.pdf?abstractid=668387&mirid=1&type=2)

Do you have a job opening that you would like to promote on SSRN?

[Place Job Opening \(https://www.ssrn.com/index.cfm/en/Announcements-Jobs/\)](https://www.ssrn.com/index.cfm/en/Announcements-Jobs/)

## Paper statistics

DOWNLOADS

45


ABSTRACT VIEWS

553


We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our [Cookie Policy](#)

[Policy \(https://www.elsevier.com/legal/cookiepolicy\)](https://www.elsevier.com/legal/cookiepolicy)[Cookie Settings](#)[Accept all cookies](#)

[Submit a Paper > \(https://hq.ssrn.com/submission.cfm\)](https://hq.ssrn.com/submission.cfm)

SSRN Quick Links 

SSRN Rankings 

About SSRN 

 [\(https://www.facebook.com/SSRNcommunity/\)](https://www.facebook.com/SSRNcommunity/)

 [in \(https://www.linkedin.com/company/493409?](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A1)

[trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany\\_493409%2Cidx%3A1](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A1)

  [\(https://twitter.com/SSRN\)](https://twitter.com/SSRN)

(http://www.elsevier.com/)

Copyright (<https://www.ssrn.com/index.cfm/en/dmca-notice-policy/>)      Terms and Conditions (<https://www.ssrn.com/index.cfm/en/terms-of-use/>)

Privacy Policy (<https://www.elsevier.com/legal/privacy-policy>)

All content on this site: Copyright © 2024 Elsevier Inc., its licensors, and contributors. All rights are reserved, including those for text and data mining, AI training, and similar technologies. For all open access content, the Creative Commons licensing terms apply.

We use cookies to help provide and enhance our service and tailor content.

To learn more, visit [Cookie Settings](#).

(http://www.relx.com/)

(<https://papers.ssrn.com/sol3/updateInformationLog.cfm?process=true>)

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our [Cookie Policy \(https://www.elsevier.com/legal/cookiepolicy\)](https://www.elsevier.com/legal/cookiepolicy)

[Cookie Settings](#)

Accept all cookies