



# SPACs, IPOs, and Social Media: A Comparative Study of Public Listing Options



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## Introduction

In my research I analyzed the relationships between Initial Public Offerings (IPO) and social media activity. I particularly focused on this activity during and after the IPO quiet period.

Although it can be assumed following a period of restricted communication, an increase in communication is highly likely, I specifically was looking to see if the percentage increase in communication was larger if their were lower returns in the initial period. This is with the hypothesis that leaders at the new IPO would be looking to pump up the decreased share price. I also looked to see if the additional social media activity due to a decreased share price was correlated to an increase in price.

My hypothesis is that companies in which stocks perform worse in the quiet period will be posting on social media significantly more in the following period in an attempt to increase share price. I also hypothesize that these efforts will be successful in increasing share price.

## Background

A quiet period can be defined as a, "...set amount of time when a company's management and marketing teams cannot share opinions or additional information about the firm". More specifically a quiet period, "...stretches from when a company files registration paperwork with U.S. regulators through the 40 days after the stock starts trading".

Twitter is a staple social media platform for marketing teams making it an obvious choice as a medium to measure for my research. Although the quiet period starts when a company files registration paperwork, since this time period varies from company to company in order to have an equal measurement I instead started the 40 day period at the IPOs initial trading date. I still used 40 days after, which results in an equal 40 day period for each individual company.

## Methods

To study this relationship, I collected data on company name, ticker, initial trading date, initial listing price, open price, market cap, final trading date for quiet period, final price for quiet period, then I analyzed the performance during the period.

Next, I collected data on the initial date of the following period, initial price, final trading date, final price, then I analyzed the performance.

Finally, to measure social media activity I collected data on tweets, retweets, quote tweets, and a total of these three categories from the company's twitter account. I did this for both periods, than compared the data, as well as with performance during both periods.

## Results

Although the initial results are preliminary, they were inconclusive. They didn't suggest a positive or negative relationship between performance during the quiet period and social media activity in the following period. More research will be needed to make a full conclusion on this relationship.

## Conclusion

Although further research needs to be completed, my initial hypothesis that companies in which stocks perform worse in the quiet period will be posting on social media significantly more in the following period in an attempt to increase share price, which would be successful, was incorrect. The data collected shows no sign of a strong positive relationship between these poor stock performance in the initial period and increased social media activity, as well as it being successful.

## Future Directions

Going forward, I will expand several scopes of my research to acquiring a more complete understand about Initial Public Offerings and their relationship with social media activity. One area in particular I plan to expand on is the number of firms I was researching and include IPO's from several different years. Another area I'd like to expand on is including the social media activity of key leaders in the company and the board of directors. These are the people who would directly benefit from these increases in share price appreciation, making them an interesting additional avenue to research.

## References

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