

Going Beyond the Pop: the Long-Run Performance, Survivorship, and Allocation Dynamics Concerning U.S. IPOs



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This white paper does not constitute investment advice. The figures below are long-run historical averages from Jay Ritter's U.S. IPO tables (returns through December 31, 2025) and one unpublished 2021 study of first-year performance. They describe thousands of past deals. They do not predict future IPO return patterns.

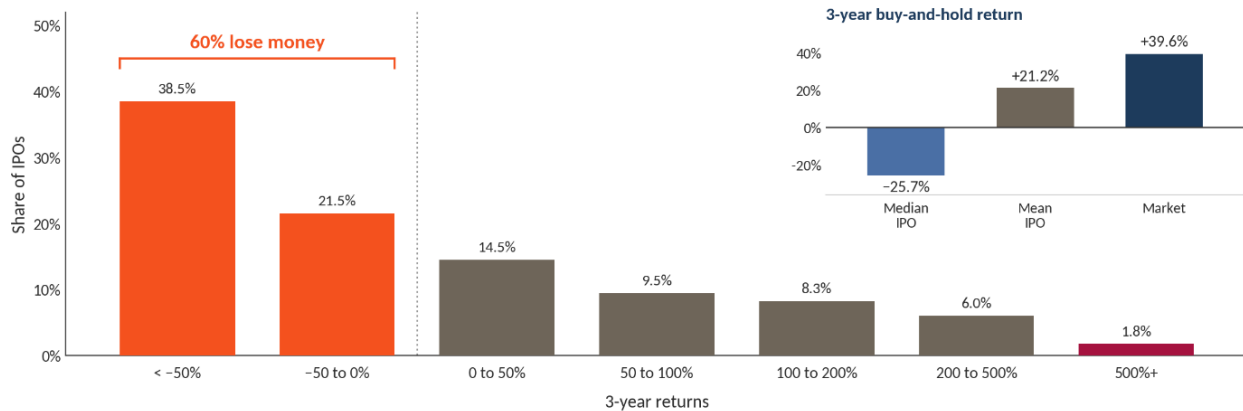
The IPO Lottery

Many of today's most successful companies have had an IPO. Similarly, every lottery winner started by purchasing a ticket. Neither fact, however, makes participation in an IPO a sound investment strategy. IPO returns tend to be highly skewed and often follow the Pareto principle: most result in losses for those who buy after the issuance, while a small number of IPOs yield enormous returns post offering. The amounts gained by these few IPOs are so large that they raise the average return. Nevertheless, the average return on an IPO remains below the markets' return over a three-year period.

IPO returns are driven by outliers.

Most IPOs lose money.

Distribution of 3-year buy-and-hold returns from the first closing price • 9,195 U.S. IPOs, 1975–2021



Source: Ritter, "Initial Public Offerings: Updated Long-run Statistics," University of Florida, Table 16e (rev. 23 March 2026), returns run from the first close to the earlier of the three-year anniversary, the delisting date, or 31 December 2025. Bins follow Ritter's published breakpoints and are not equal-width, so bar heights are frequency, not density. "500%+" aggregates four published bins (1.3 / 0.3 / 0.1 / 0.1). The market bar is the average three-year return on the CRSP value-weighted index over matched IPO holding periods (mean 2.8 years), from Table 16a, whose 1980–2024 sample differs from the 1975–2021 distribution charted here.

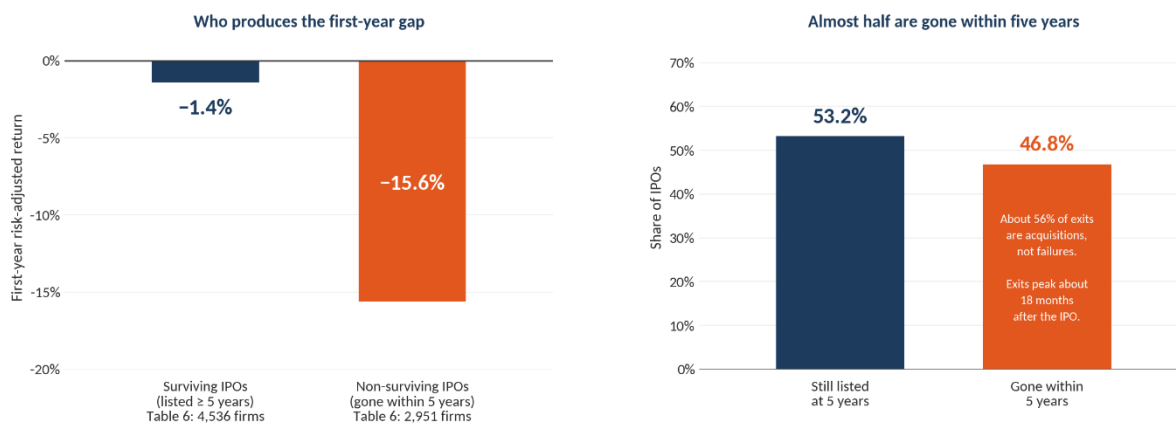
First Survive

A large percentage of IPO companies do not survive past the five-year mark. Many fail, and others are acquired. A 2021 study of first-year performance found that firms still listed five years later lag long-listed public companies by 1.4% in year one. The firms that disappear lagged by 15.6%. Most of those disappearances are acquisitions, not bankruptcies.

Almost all the first-year lag comes from firms that don't last five years.

IPOs that last five years look like long-listed firms. The rest lag by 15.6% in year one.

7,487 U.S. IPOs, 1975–2014 · first year after listing · risk-adjusted vs. long-listed public companies



Source: Hoechle, Karthaus, and Schmid, "The Long-Term Performance of IPOs, Revisited," working paper, 27 May 2021 (SSRN 2929733). Not a published article, and the full text is request-only: the 7,487-IPO sample, the Carhart (1997) method, and the first-year result are confirmed in the public record, but the table, page, and figure references below cannot be checked against a public source. Left panel: Table 6, columns 3 and 5. Four-factor quarterly alpha in the first post-IPO year, measured against every firm listed at least five years — not size- or style-matched, so not comparable to Ritter's style-adjusted returns. Quarterly alphas of -0.361 and -3.902 are multiplied by four as the paper does; compounded, -3.902 is -14.7, not -15.6. The panels rest on different splits: Table 6's 39.4% death rate (left) is right-censored by the 2015 cutoff, so the right panel uses the 46.8% rate from p. 23 and Figure 4.

Peeking under the Hood

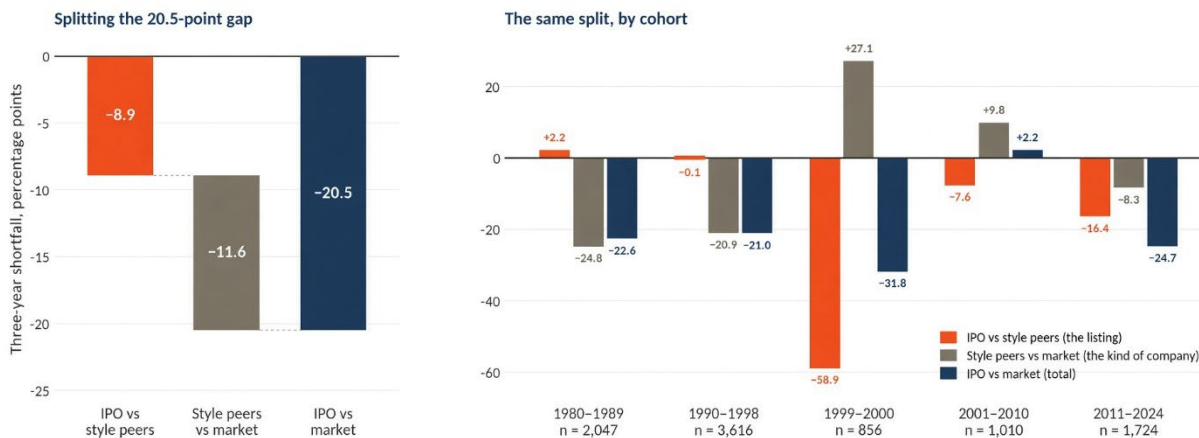
Companies that go public are not mature; they are frequently small, often unprofitable, and valued on optimism. It is more appropriate to compare them with other small growth companies rather than with the market as a whole.

Compared to the market overall, IPOs underperform by 20.5% over a three-year period; compared to companies of the same size and valuation, the underperformance is only 8.9%. This figure includes the effect of the IPO process; the rest is due to the performance of small-growth companies over the same period. Moreover, the relationship shows a relative consistency across different market conditions.

The company type explains half the gap

Pooled, style explains 11.6 of the 20.5-point shortfall. In the 1980s it explained all of it. Since 2011, about a third.

9,253 U.S. operating-company IPOs, 1980–2024 · three-year buy-and-hold returns from the first close



Source: Ritter, "Initial Public Offerings: Updated Long-run Statistics," University of Florida, Table 16 (pooled) and Table 19 (cohorts), both updated 16 February 2026; returns through 31 December 2025. Orange and navy are published columns, equally weighted across firms. Market-adjusted subtracts the CRSP value-weighted index of NYSE, Amex, and Nasdaq firms; style-adjusted subtracts a seasoned non-issuing firm with the closest book-to-market ratio in the IPO's size decile. Tan = published market-adjusted minus published style-adjusted. Cumulative three-year shortfall, not annual. The split is an accounting identity between two benchmarks, not a causal decomposition. The two panels use different vertical scales.

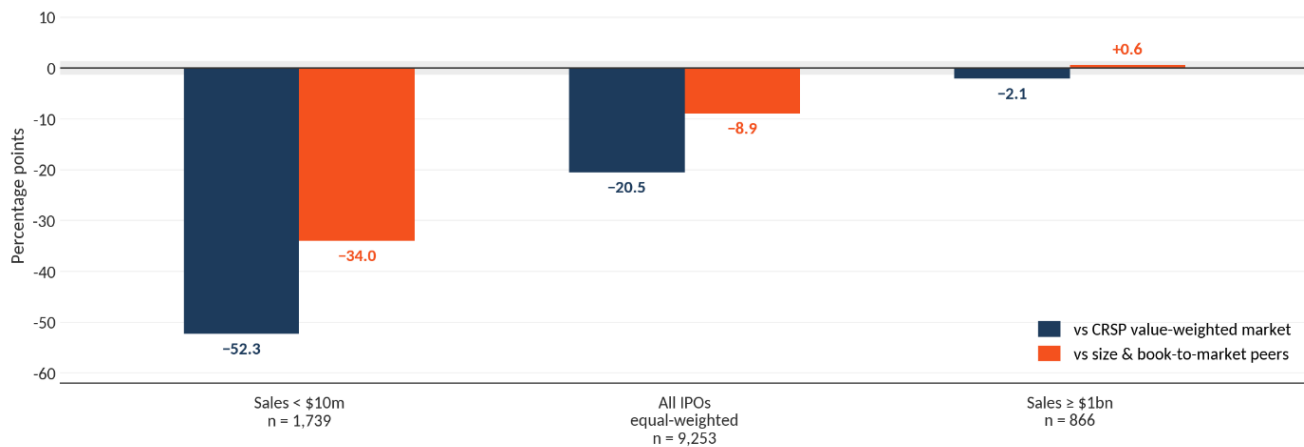
Big Sales Fix the Average, Not the Multiple

The averages frequently hide the source of the damage. In Ritter's data, each IPO is given the same weight regardless of how much money it raised—whether that was \$8 million or \$8 billion. This means that small deals have a disproportionately large impact on the overall figure, even though few investors hold significant amounts of these issuances. Over a three-year period, companies that went public with less than \$10 million in sales underperformed the market by 52%. On the other hand, the 866 companies with at least \$1 billion in sales underperformed the market by only 2 points, performing almost exactly in line with other companies of similar size and valuation.

Large IPOs have roughly matched the market. Small ones have not.

The -20.5 headline is equally weighted across 9,253 firms. The 866 deals with sales ≥ \$1bn print -2.1 / +0.6.

3-year buy-and-hold from the first close · Ritter Tables 16 and 16a · 1980–2024



Source: Ritter, "Initial Public Offerings: Updated Long-run Statistics," Table 16 (sales < \$10m; all IPOs) and Table 16a (sales ≥ \$1bn), both updated 16 February 2026; returns through 31 December 2025. Every published mean is equally weighted across firms, and the columns are nested rather than a partition: the 1,739 microcaps sit inside the 9,253, and the 866 large issuers are 9% of that sample. Figures are cumulative three-year shortfalls, not annual; Ritter's own note converts the all-IPO -20.5 into about -5.5% a year over an average 2.8-year hold. Style-adjusted subtracts a seasoned non-issuing firm with the closest book-to-market ratio in the IPO's size decile. Table 16's caption says January 2024 dollars while its column header says 2025; Tables 16b and 18a both use January 2025.

Avoiding the Worst

It may be impossible to identify winners in the IPO lottery, but it is possible to eliminate many losers. Even when all the proper steps are taken, this still fails to produce substantial gains. IPO issuers that were already profitable and generating at least \$100 million in sales outperformed other small growth stocks by about 5% over a three-year period—yet they still lagged behind the overall market.

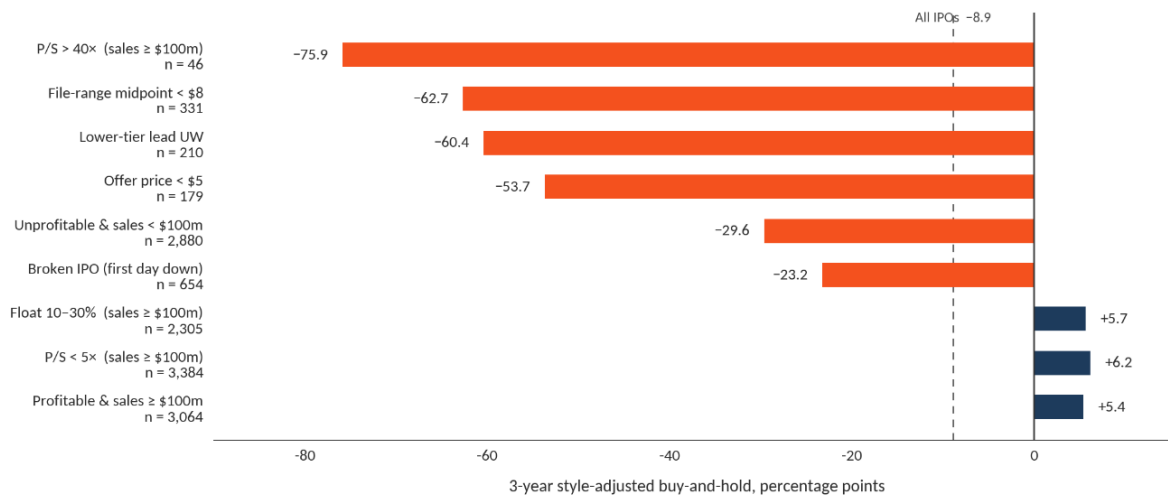
The actual risk lies within those who lose, and it splits into two traps:

- Small issuers with low-priced offerings backed by second-tier underwriters. These companies have high failure rates, burn through cash, and struggle to remain listed.
- IPOs priced for perfection. Large real businesses that go public amid intense demand at extremely high valuation multiples. Even when these businesses survive, their multiples can contract.

In the post-IPO market, long-term performance is determined by what you avoid.

Avoiding bad IPOs matters more than finding good ones.

The winning side clusters near zero. The losing side is catastrophic. The four worst rows are one population, not four signals.



Sources: Ritter Tables 16b, 18d, 18e, 19b, 19c, 19e, and 11a; style-adjusted three-year buy-and-hold from the first close. The dashed line is the published all-IPO style-adjusted return of -8.9 (n = 9,253, 1980–2024), not a separate screen. The rows are not a common sample: the P/S and float rows cover the 4,110 IPOs with pre-issue sales ≥ \$100m; the file-range, offer-price, and broken-IPO rows are 2001–2024; the lower-tier underwriter row is 2012–2024. Float 10–30% is the n-weighted average of the published 10–20% and 20–30% buckets (+5.5 and +5.8). The four worst rows overlap heavily — 179 of the 331 sub-\$8 file-range deals also priced below \$5 — so they are four views of one population, not four independent signals.

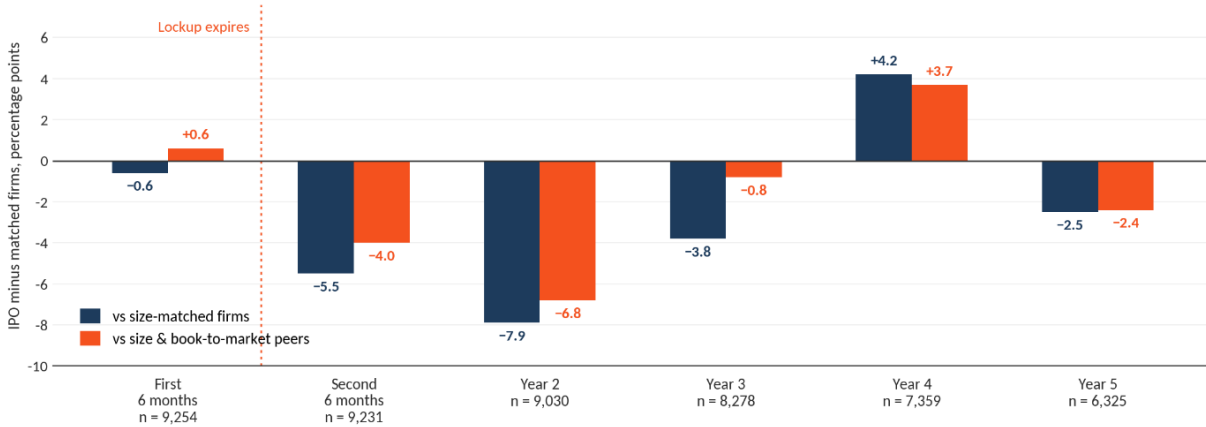
Timing Matters

The lag is not consistent over time. For the first six months, new issues roughly track similar companies. This often when insiders are locked up and cannot sell shares. Over the next six months, the gap widens, and the second year is the worst. This timing lines up with lock-ups burning off, but it is a pattern, not proof that lockups are the cause. The fourth year often looks good on paper. By then, about one in five of the original companies are gone (delisted, acquired, etc.). Years four and five as a public company often measure the survivors.

The drag is front-loaded, and worst in the year after the lockup expires.

Equal-weighted event-year returns, 1980–2024. Size-matched lag averages 3.6% a year; size and book-to-market, 2.1%.

9,254 U.S. operating-company IPOs · Ritter Table 20 · first close, not the offer



Source: Ritter, "Initial Public Offerings: Updated Long-run Statistics," Table 20 (updated 7 July 2026); returns through 31 December 2025. Size match = non-issuing firm of the same or next-higher market cap; style match = closest book-to-market in the IPO's size decile. The published Year 1 subtotal (-5.8 / -2.8) is not shown as its own bar. Counts fall from 9,254 to 6,325, so the later bars measure survivors. The 3.6% and 2.1% are Ritter's summary figures; the table's geometric-mean rows give 3.3 and 1.9. Lockups typically expire at six months; the timing is a pattern, not evidence of cause.

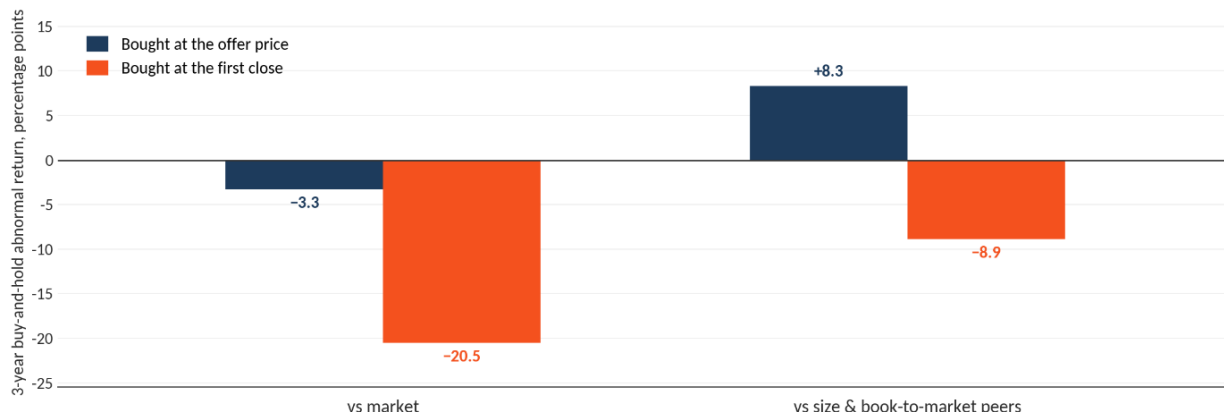
The Winner's Curse

How an investor buy shares matters, too. Across 9,253 U.S. IPOs from 1980 to 2024, buying at the offer price and holding for three years beat comparable small-growth stocks by 8.3%. Buying at the first day's close trailed those stocks by 8.9%. That 17-percentage-point gap is not the same as the 18.9% average first-day pop, but it tells the same story: the jump happens before most people can buy. After-market investors pay the pop and bear the business risk.

17.2 points separate the two ways to buy the same IPO.

Offer-price style-adjusted return +8.3. First-close style-adjusted return -8.9. Same 9,253 firms.

9,253 U.S. operating-company IPOs, 1980–2024 · Ritter Table 16f



Source: Ritter, "Initial Public Offerings: Updated Long-run Statistics," University of Florida, Table 16f (aftermarket returns with and without the first-day return), updated 16 February 2026; returns through 31 December 2025. Both groups use the same 9,253 IPOs, equally weighted across firms. Offer-price row: market-adjusted -3.3, style-adjusted +8.3. First-close row: market-adjusted -20.5, style-adjusted -8.9. The 17.2-point gap is +8.3 - (-8.9) against style peers and -3.3 - (-20.5) against the market. Market-adjusted subtracts the CRSP value-weighted index of NYSE, Amex, and Nasdaq firms; style-adjusted subtracts a seasoned non-issuing firm with the closest book-to-market ratio in the IPO's size decile. Cumulative three-year shortfall, not annual. An allocation beats style peers; it does not beat the index. Bookbuilt allocations are directed by the underwriter, and Ritter does not publish the retail share of them. The winner's-curse framing is Rock (1986), not a measured participation rate.

It is not easy to buy at the offer price. Syndicate banks allocate shares at their discretion. When an offering is strong, institutional demand greatly oversubscribes the book, and “non-prioritized” accounts are rationed to zero. When an offering is weak or overvalued, institutional demand softens, orders are filled in full, and unprivileged investors receive their requested allocations. If you are a retail investor who receives an allocation at the offer price, you might be a victim of the winner’s curse.

Even a filled order at the offer does not beat the market. The +8.3% is relative to other small-growth stocks, not the S&P. Against the market, buying at the offering price still trailed by 3.3% over three years. The discount only cushions the usual drag on small-growth stocks.

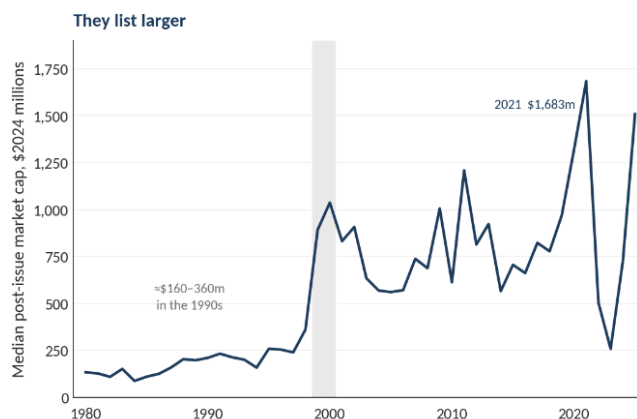
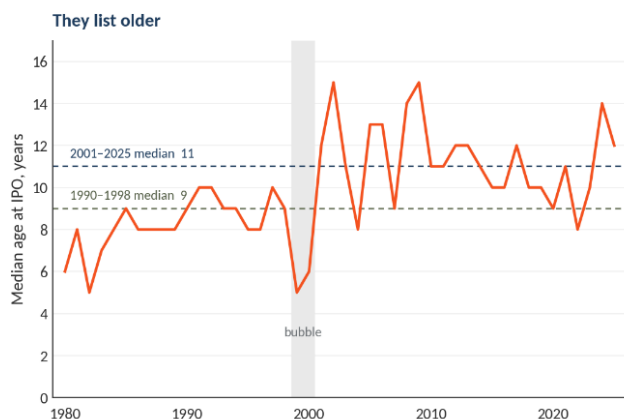
Regime Changes

Public and private markets have changed in recent years; the median age of companies at the time of an IPO has increased. Those firms that were previously listed early and achieved much of their compounding in public markets now achieve most of it in private rounds. Consequently, the situation where outstanding companies were available at the time of their IPO and then remained cheap afterward has, in part, disappeared. If this trend continues, the advice to ‘wait three years’ will be worth less than it used to be, since the “seasoning discount” will come later relative to value creation.

The compounding now happens before the listing.

Median age at IPO: 9 years in 1990–1998, 11 years in 2001–2025. Firms also arrive larger.

9,343 U.S. operating-company IPOs, 1980–2025 · Ritter Tables 4 and 12a



Source: Ritter, University of Florida. Left: Table 4, “Median Age of IPOs Through 2025” (table updated 24 December 2025); age = IPO year minus founding year. Published subperiod medians: 1980–1989 = 8, 1990–1998 = 9, 1999–2000 = 5, 2001–2025 = 11. Right: Table 12a, “Sales Statistics Through 2025” (updated 1 January 2026); median post-issue market value at the first close, millions of 2024 dollars. Sample is 9,343 IPOs on both panels. The 2022 and 2023 prints rest on thin samples ($n = 38$ and 54). The figure shows listing age and listing size; it does not measure how much value was created in private rounds, nor the cost of waiting.

Sources

Daniel Hoechle, Larissa M. Karthaus and Markus Schmid. Unpublished working paper, 27 May 2021.

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