



Estimating Initial Public Offering Prices using Artificial Neural Networks

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The article set out to compare the explanatory power of neural network models and ordinary least-squares regression to estimate Initial Public Offering (IPO) prices. The aim is to design a model to help investors to identify the accuracy of pricing of IPOs and use profitable opportunities. Therefore the variables used in this research are selected from those available to outside investors immediately before the flotation. On the other hand, the results of this paper can be useful for the issuing firms, consultants, underwriters and regulators of Tehran Stock Exchange. The results show that using neural networks reduces the accuracy of pricing of IPOs to some extent and makes no advantage over regression models.

Key words: Initial public offering, Pricing, ordinary least-squares regression model, Artificial neural networks.



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