THE PERFORMANCE OF INITIAL PUBLIC OFFERINGS IN THE
CONSTRUCTION AND MATERIALS SECTOR OF THE JSE, 2006 – 2007

Prof. H.A. Lambrechts
Department of Financial Management
University of Pretoria
E-mail: hugo.lambrechts@up.ac.za

The study aimed to determine why so few of the 27 listed Initial Public Offerings (IPOs) between 2006 and 2007 in the construction and materials sector on the Johannesburg Stock Exchange (JSE) were successful during the review period (2006-2012), and why the majority of the IPOs failed miserably. This study focuses on the construction and building materials sector during a unique phase of South Africa’s recent history. The 2010 Soccer World Cup represents the biggest world event ever hosted by South Africa. Because of the hype around the ‘construction boom’ in the mid-2000s, it was surmised that companies listed on the JSE mainly to cash in on what they hoped would be a rapid rise in share prices generated by a listing, rather than to generate capital to expand. Market-based and accounting data was used to perform the calculations.