Mega IPOs tend to be volatile in the short term

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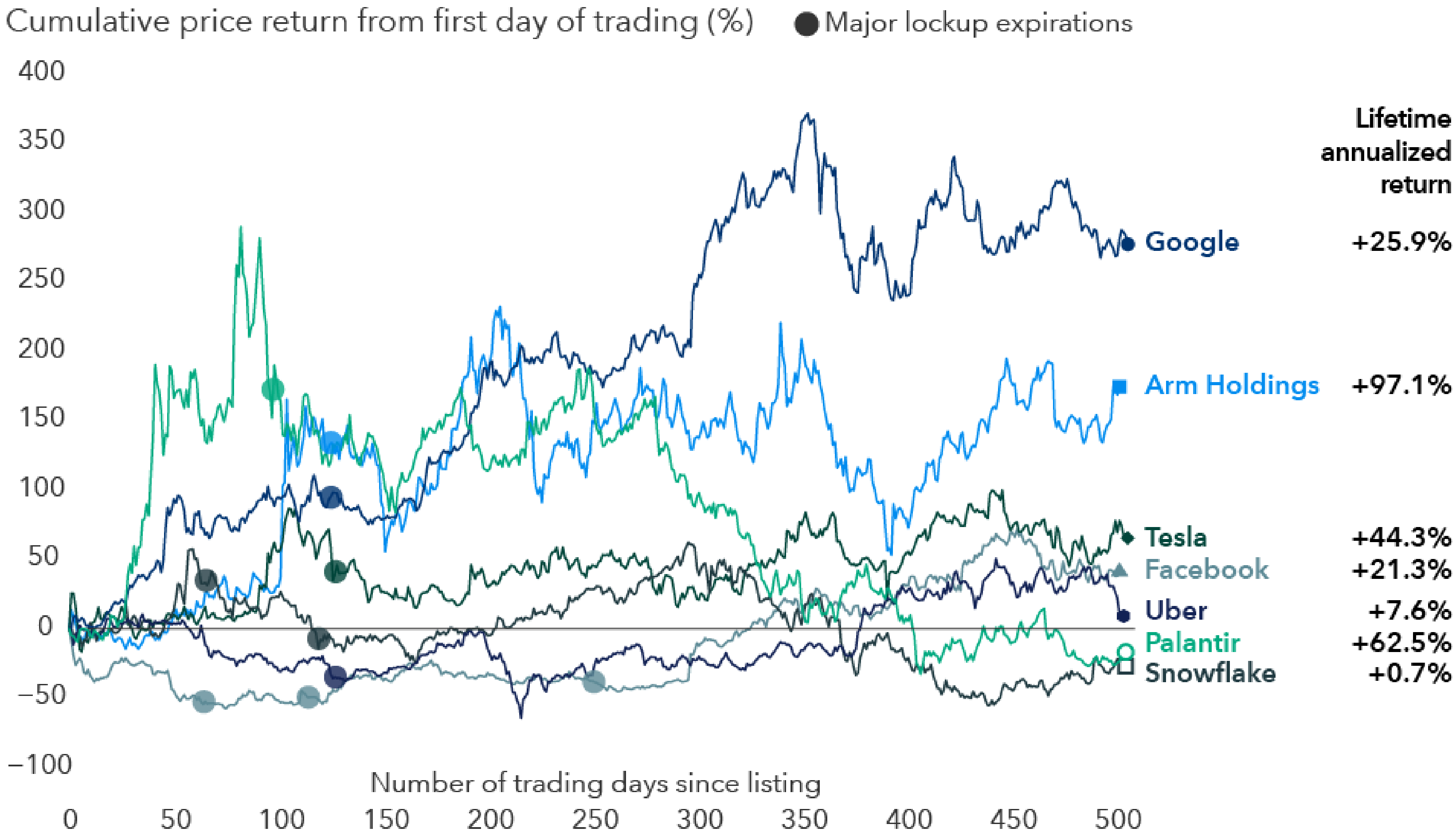
After the initial volatility, stocks settled over time and reflected underlying assets



Sources: Capital Group, FactSet, company filings. Data shown represent cumulative price returns from the opening price on each company's first day of trading over the first two years following its IPO or direct listing. Companies shown are selected examples of widely followed technology listings since the early 2000s, included to illustrate a range of industries, listing types and post-listing outcomes. Returns are shown for illustrative purposes only. Major lockup expirations shown reflect initial or significant subsequent expiration dates for insider share sale restrictions following each listing, based on company filings and publicly reported lockup schedules. Lifetime annualized returns are calculated from each company's first day of trading through May 31, 2026. Returns are based on Class A shares where applicable. Price returns exclude the reinvestment of dividends and capital distributions. Past results are not predictive of results in future periods.

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Key takeaways

An initial public offering megacycle is underway, with OpenAI and Anthropic among other high-profile technology companies expected to come to market after the successful listing of SpaceX. Setting aside the hype, how should investors approach these deals?

Looking at some of the largest U.S.-listed IPOs since 2004 shows that after the initial first-day return, many struggled in the weeks that followed. This reflects a period of price discovery, as some investors take profits, and others build their positions. But over time, shares tend to track earnings potential, and reflect the value of the underlying business. It's a reminder of investment guru Ben Graham's famous quote, "In the short run, the market is a voting machine, but in the long run, it is a weighing machine."

Footnote(s)/Important information

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