

ABSTRACT

This study aims to test and analyze the effect of impression management in mediating the relation between financial performance and underpricing. This research is an initiative to resolve the inconsistency of research results on financial performance and underpricing. Impression management is viewed as an approach by management to mask the company's actual performance and as a way to increase the initial return on its shares. A communication approach is adopted to develop an impression management-based underpricing model.

Population are IPO (initial public offering) firms in Indonesia from 2011 to 2019. The samples are selected using purposive sampling and the final sample is 176. Research data gathered from prospectus reports and stock price databases on the Indonesia Stock Exchange. Manual content analysis is applied in coding for readability and tone indicators. The hypotheses test uses Structural Equation Modeling (SEM) analysis with the Partial Least Square method.

This result confirms that impression management mediates the relationship between financial performance and underpricing. Moreover, the presence of impression management makes financial performance have no significant effect on underpricing. Therefore, the narrative disclosure can act as a mask that can conceal the firm's poor performance and cause the shares to immediately increase in price when they enter into secondary market. This implies that the impression management strategy can be used to enhance the initial return of the listed company.

Keywords: *Financial performance, Impression management, Readability, Tone, Underpricing.*