The Journal of International Scientific Researches

Uluslararası Bilimsel Araştırmalar Dergisi

2017, 2(7)

The Effect of Contract Winning Announcement on the Market Value of Firms: An Empirical Research in Borsa Istanbul

İhale Kazanılması Bildirimlerinin Şirketlerin Piyasa Değerine Etkisi: Borsa İstanbul'da Ampirik Bir Araştırma

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Abstract

The aim of this study is to determine the effect of contract winning announcements made by companies on the stock returns. In this study, which focuses on this aim, the influence of the 112 contract winning declarations belonging to companies traded in Istanbul Stock Exchange between 2011 and 2016 was examined by event study methodology. As a result of the study, it has been determined that the contract winning announcements generated statistically significant cumulative abnormal returns before and after the date of declaration. It is also revealed that this relationship differs between the groups according to the contract size and the ratio of contract size to company's sales.

Keywords: Winning a Contract, Abnormal Return, Cumulative Abnormal Return, Event Study

Öz

Bu çalışmanın amacı, şirketler tarafından yapılan ihale kazanma bildirimlerin hisse getirisine etkisini belirlemektir. Bu amaca odaklanan çalışmada Borsa İstanbul'da işlem gören şirketlerin 2011-2016 yılları arasında ihale kazanmasına ilişkin 112 adet bildiriminin hisse getirilerine etkisi olay çalışması yöntemiyle incelenmiştir. Çalışma sonucunda, ihale kazanma bildirimlerinin, bildirim tarihi öncesinde ve sonrasında istatistiksel olarak anlamlı kümülatif anormal getiriler yarattığı tespit edilmiştir. Ayrıca ihale büyüklüğüne göre ve ihale büyüklüğünün şirketin satışlarına oranına göre ayrılan gruplar arasında bu ilişkinin farklılaştığı görülmüştür.

Anahtar Kelimeler: İhale Kazanılması, Anormal Getiri, Kümülatif Anormal Getiri, Olay Çalışması

JEL Classification: G11, G12, G14

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Introduction

Investors who want to evaluate their savings by investing in stocks in the capital market determine the real value of the stocks they will primarily invest in. Afterwards, they make the investment decision by comparing the real value with the market value. The main problem here is to determine the real value. Actual value is calculated by taking into consideration all factors that affect the price of the shares. When the literature is examined; macroeconomic factors, past price movements of the shares, factors affecting human psychology, company announcements, etc. are among the factors that will affect the share price (Adjasi, 2009; Flannery & Protopapadakis, 2002; Sharma & Mahendru, 2010; Liargovas & Repousis, 2010; Bozkurt, 2015; Bozkurt et al, 2014; Karakuş et al, 2017). The effect of these announcements on the share prices of the company is the main issue of this study.

How the firm's announcements affect share prices can be explained in two ways. First, announcements related to the companies become important data for investors at the point where future cash flows are forecasted. Since the actual value of the shares is calculated as the present value of future cash flows, the data will also directly affect the actual value estimation. Actual value estimates will also affect market prices by influencing demand. The second is that related announcements affect market prices by influencing investor psychology. The assumption that all investors are rational is a phenomenon for many markets; in reality, some of the investors are found in behavior that is far from rational. Such investors invest with their own prejudices without analyzing the economic and social and political events of the country and the world, calculating the actual value of the stocks and doing basic analysis. Again, for these investors, psychological factors are among the most important factors affecting their investments. At this point; it is evident that investors will be able to make investment decisions with positive or negative news about a company.

In this study, the effect of the winning a contract announcements on the stock return of the firm is examined. The impact of the announcements related to the winning of a contract has been the subject of different studies in the literature.

Larson and Picou (2002) examined the impact announcements related to winning a contract on stock price of companies that traded on the New York Stock Exchange, the American Stock Exchange, or the NASDAQ. In the study using the event study methodology, 329 announcements were included in the data set. As a result of the study, positive and significant abnormal returns were detected in 0, +1 days and (0, + 1) and (+ 2, + 5) event windows. In addition, the abnormal returns are compared according to the condition that the tender is arranged by public or private companies in the study. It has been also found that there are higher abnormal returns in the shares of companies which win government contracts.

Chin and Soon (2011) analyzed the impact of winning real estate tenders on share prices of companies listed on the Singapore Stock Exchange during the period 2003-2010. Analyzes were conducted by event study method using data related to a total of 46 contract. As a result of the study, the highest average abnormal return was 0.780 percent on +1 day. In addition the average gains recorded for day -1 is -0.272 percent, -0.163 percent on the event day, +0.433 percent on day +2 and 0.035 percent on day +3. However, the abnormal returns for the day -1, 0, +2 and +3 were found to be poorly significant. Overall, the results of the event study indicate that most of the announcement effect is significantly captured on the day after the event.

Lonkani et al. (2012) investigated the effect of the tender winning announcements on share price of the companies traded in the Stock Exchange of Thailand. In the study using the event study method, 676 announcements were included in the analysis. The CAPM and market model are used together to measure abnormal returns in the study. At the end of the study, statistically significant and positive abnormal returns were detected at 0 and +1 days. Again in the study, according to the market model abnormal returns of 1.17 and 2.23 percent is measured in (-3, + 3) and (-10, + 10) events windows respectively.

Choi (2015) investigated the impact of construction contract winning announcements on the share price by using event study methodology. In the study, a total of 813 new contracts awarded to publicly traded US construction firms data for the years 2000 through 2009 is used. In the study, 0, (-1, +1), (-2, +2), and (-3, +3) periods are used as event window. As a result of the study, positive and statistically significant abnormal returns were found on all days from one day before to 3 days after notification of winning the tender.

When the studies in the literature are examined, it is seen that the announcements about winning the tender have an effect on the share prices. Any study examining the impact of the tender announcements on the share price for the Turkish market is not encountered. For this reason, this study is considered to be an important source for investors by filling this gap in the literature.

1. Data and Methodology

1.1. Purpose and Scope of the Study

The aim of this study is to determine the effect of the winning a new contract announcements made by the companies traded in Borsa Istanbul on the share prices of the companies. In the study, the announcements that the companies declared in the Public Disclosure Platform regarding the winning a new contract were determined and it was investigated whether there was an abnormal return on the stocks in the days around the date of these notifications and whether there were cumulative abnormal returns during certain periods.

All companies traded on the Stock Exchange Istanbul must publicly disclose the matters that are important for the investor through Public Disclosure Platform. The acquisition of a tender can also have a significant effect on the financial position of the company and therefore it is important for investors. The companies that win the tender disclose to the public the information such as the nature of the business the party that regulates the tender, the portion of the company's share from the tender amount, and the ratio of this to the company's income. Announcements regarding the winning of a contract through the Public Disclosure Platform made by the companies listed on Borsa Istanbul during the 5-year period between 2011-2016 were screened the and 210 announcements were identified. However, 16 of these announcements were not included in the dataset because the related period data of the companies were not available. Again, 22 announcements belong to a single company and 60 announcements belong to a single company, so these 82 announcements were excluded from the data set. Thus, 112 announcements related to winning a contract were used in the study. Twelve of these announcements were made in 2011, 20 of them in 2012, 16 of them in 2013, 16 of them in 2014, 20 of them in 2015 and 28 of them in 2016. It is thought that this study will contribute to the literature because it is the first study for the Turkish market.

1.2. Methodology of Study

The event study method was used in the study. Event study, a method that can be used for many disciplines such as finance, accounting, management, economics, marketing, has been the method of many studies since it was first used by Dolly in 1933. In the financial field, event study is used as a statistical method to determine the effect of an event on firm value.

In the event study, firstly, an event window which expresses a certain period of time before and after the event has occurred should be defined. The actual returns of the stocks are determined for each day in this event window. In addition, the expected returns are determined in the event window for the relevant stocks. The part of the realized return that exceeds the expected return is the abnormal return. In the event window, total abnormal returns generate cumulative abnormal returns. Statistical significance of abnormal and cumulative abnormal returns is analyzed by t test to see whether these returns are random or not.

Announcements about the winning a contract by the companies indicate the event in the works. 10 days before and after the date on which the announcements

are made are accepted as the event window of the work. For each company reporting winning a contract, the abnormal returns of the relevant company's stock on the days in the event window are calculated according to equation 1:

$AR_{it} = R_{it} - E(R_{it})$ (1)

AR_{it}: represents the abnormal return of stock "i" calculated on day "t".

R_{it} : represents the realized return of stock "i" calculated on day "t".

$E(R_{it})$: represents the expected return of stock "i" calculated on day "t".

In order to be able to calculate the abnormal returns, it is first necessary to calculate the actual return and the expected return. Actual and expected returns are computed logarithmically to ensure convergence of normal distributions of return distributions.

$R_{it} = \ln \left(\frac{P_{i,t}}{P_{i,t-1}} \right)$ (2)

$P_{i,t}$: represents the closing price on the "t" day of "i" stock.

$P_{i,t-1}$: represents the closing price on the "t-1" day of "i" stock.

Statistical and economic models are used when measuring expected returns. Statistical models are models that do not rely on any economic theory and are based on statistical assumptions about price behavior. These models are fixed average yield model, market model and factor models. The economic models are the capital asset pricing model (CAPM) and the arbitrage pricing model (Koçyiğit and Kılıç, 2008). In this study, market model and capital assets pricing model are used together to determine expected returns. According to CAPM:

$E(R_{it}) = R_{f,t} + \beta_i (R_{mt} - R_{f,t})$ (3)

$R_{f,t}$: represents the risk-free interest rate on the "t" day.

$R_{m,t}$: represents the market return (return of BİST TUM Index) on the "t" day.

β_i : represents the systematic risk of "i" stock.

The risk-free interest rate for day "t" is calculated by converting the interest rate of the two-year government bond to daily interest. The beta (β) coefficients, which express the systematic risk of the stocks, are the coefficients obtained from the regression model in which the return of stocks is dependent variable and BIS TUM index is independent variable for the period 11 days before and 252 days before the event. The market return on the day "t" is also calculated as shown in equation 4.

$R_{mt} = \ln \left(\frac{P_{m,t}}{P_{m,t-1}} \right)$ (4)

$P_{m,t}$: represents the closing price of BIST TUM Index on the "t" day.

$P_{m,t-1}$: represents the closing price of BIST TUM Index on the "t-1" day.

According to the market model, equation 5 was established for each company to determine the expected returns for the period 11 days before and 252 days before the event.

$R_{it} = \alpha_i + \beta_i R_{mt} + \varepsilon_{it}$ (5)

R_{it} : represents the realized return of stock "i" calculated on day "t".

R_{mt}: represents the market return (return of BİST TUM Index) on the "t" day.

ε_{it} : represents the error term

α_i : represents the constant

β_i : represents the measure of sensitivity of "i" stock to changes in the stock market

Using the alpha and beta coefficients obtained as a result of the regression, the expected return of "I" stock for day "t" in the event window is calculated as follows:

$E(R_{it}) = \alpha_i + \beta_i R_{mt}$ (6)

$E(R_{it})$: represents the expected return of stock "i" calculated on day "t".

$R_{m,t}$: represents the market return (return of BİST TUM Index) on the "t" day.

αi, βi: represents the market model parameters determined using least squares estimator.

According to both models after the expected and actual returns for each day in the event window for each stock are determined, the abnormal returns can be calculated as shown in equation 1. Using the abnormal returns, it is possible to calculate the cumulative abnormal returns (CAR) as in equation 7.

$$CAR_{t1}^{t2} = \sum_{t1}^{t2} AR_i \qquad (7)$$

The values of t1 and t2 in the equation represent the event windows in which the cumulative abnormal result is to be computed and cover the period of (-10, +10), (-5, +5), (-1, +1), (-10, 0), (-5, 0), (-1, 0), (0, +1), (0, +5) and (0, +10). After the abnormal returns and the cumulative abnormal returns are calculated, t test is applied to analyze the significance. If the null hypothesis that the cumulative abnormal returns are zero is rejected, in other words the calculated abnormal returns are statistically significant, it is concluded that the announcements of winning contracts by the companies are influential on the price changes of the companies and this activity is an explanatory activity for price changes. In addition, the CAR values obtained as a result of the study will allow the following interpretations to be made based on the studies in the literature (Bozkurt, Öksüz and Karakuş, 2015):

(1)If it is determined that only abnormal results have been obtained before the date of announcements of the winning contracts, (i) transactions are made with insider information, (ii) the market is not fully efficient or (iii) it is assumed that this anomaly is realized by the effect of the rumor trade on the market.

(2) If it is determined that only abnormal results have been obtained after the date of announcements of the winning contracts, (i) the market is not an efficient even in the semi-effective form and (ii) that this anomaly is caused by investors overreacting to the winning contracts by the companies and there is an overreaction effect in the market.

(3) If it is determined that abnormal returns have been obtained both before and after the date of announcements of the winning contracts, (i) the market is not efficient even in semi- effective form and (ii) it appears that this anomaly is caused both by rumor trading and by overreaction effects.

(4) If it is determined that abnormal returns cannot be obtained both before and after the date on which the announcements of the winning contracts are made, it is assumed that the market is strongly or at least semi-efficient and that there is no anomalies in the market.

2. Empirical Results

In this study, it was examined whether the announcements about winning contract created abnormal returns for the relevant stocks. Figure 1 shows the average abnormal returns created by announcements in the (-10, + 10) day event window. In Figure 1, it is seen that the average abnormal returns start to be positive from 1 day before the event occurs. It is observed that abnormal returns have reached the highest level on the (0) day of announcement and on the second day after that (0) day the abnormal returns have fallen to insignificant levels.

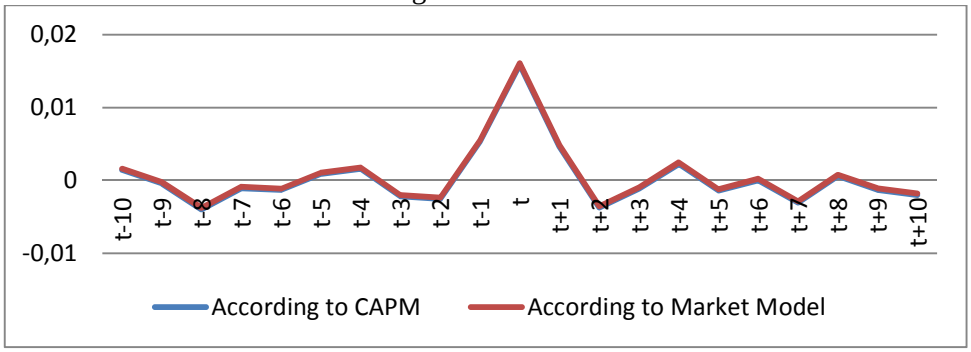

Figure 1. Daily Average Abnormal Returns in the Event Window

The mean abnormal returns obtained for the whole sample and the average cumulative abnormal returns are presented in Table 1 according to CAPM and market model. First of all, when the table is examined, CAPM and market model reveals similar results. It is seen that between 10 days before and 2 days before the announcement of winning the contract, the abnormal returns are sometimes negative and sometimes positive, and that they are not statistically significant except one day. A negative and significant abnormal return was detected only 8 days before the announcement. On the day before the announcement was made and on the day the announcement was made, it was seen that the abnormal returns were positive and statistically significant. The abnormal return on the day prior to the announcement appears to be at a level as low as 0.5 percent, while an abnormal return of about 1.6 percent appears on the day of the announcement. In the days after the announcement is made, it is concluded that the abnormal returns have different values in the form of positive and negative and they are statistically insignificant except the second day after the announcement. It has been determined that there is a negative abnormal return of 0.3 percent on the second day after the announcement. This means that part of the abnormal delivery that occurred on the announcement day is taken back on the second day.

Table 1 also includes average cumulative abnormal returns for the entire sample. There is a positive cumulative abnormal returns for all of the event windows in event windows as (-5 to +5), (-1, + 1), (0, + 1), (0, + 5), (0, -1), (0,-5) and (0, -10) and these abnormal returns are statistically significant. It is the (-1, + 1) event window which provides the highest abnormal return in the event windows. An investor investing to the stock a day before the date of the announcement will be able to obtain a return of approximately 3% higher than expected return until the day after the announcement is made. The positive and significant cumulative abnormal return obtained both before and after the announcement indicates the presence of rumor trading and the overreaction effects in the market and the market is not efficient even in semi- effective form.

Table 1: Average Abnormal and Cumulative Abnormal Returns for the Whole Sample

According to Market Model			***According to CAPM***		
Days	***AAR***	***t statistics***	***Days***	***AAR***	***t statistics***
-10	0.001602	0.515066	***-10***	0.001414	0.459033
-9	-0.000227	-0.100375	***-9***	-0.000415	-0.189015
-8	-0.003774	-2.193037**	***-8***	-0.003963	-2.348942**
-7	-0.000871	-0.412369	***-7***	-0.001060	-0.509556
-6	-0.00128	-0.502444	***-6***	-0.001317	-0.584265
-5	0.001088	0.489176	***-5***	0.000899	0.409896
-4	0.001776	0.822551	***-4***	0.001588	0.739341
-3	-0.002003	-1.150399	***-3***	-0.002192	-1.259881
-2	-0.002350	-1.305592	***-2***	-0.002539	-1.424151
-1	0.005515	2.024036**	***-1***	0.005326	1.955881***
0	0.016076	4.239988*	***0***	0.015887	4.229250*
+1	0.004832	1.438112	***+1***	0.004643	1.395179
+2	-0.003525	-1.874987***	***+2***	-0.003714	-1.957141***
+3	-0.000950	-0.413218	***+3***	-0.001140	-0.504096
+4	0.002468	0.956861	***+4***	0.002278	0.886586
+5	-0.001188	-0.590972	***+5***	-0.001378	-0.687734
+6	0.000226	0.104964	***+6***	3.59e-05	0.016628
+7	-0.002873	-1.441370	***+7***	-0.003062	-1.524554
+8	0.000785	0.356932	***+8***	0.000595	0.271468
+9	-0.001097	-0.668134	***+9***	-0.001287	-0.777791
+10	-0.001789	-0.739593	***+10***	-0.001979	-0.822417
Event Windows	***ACAR***	***t statistics***	***Event Windows***	***ACAR***	***t statistics***
(-10,+10)	0.012594	1.051686	***(-10,+10)***	0.008619	0.818813
(-5,+5)	0.021740	2.456148**	***(-5,+5)***	0.019659	2.382067**
(-1,+1)	0.026423	4.690955*	***(-1,+1)***	0.025856	4.700344*

(0,+1)	0.020908	3.927118*	***(0,+1)***	0.020530	3.923130*
(0,+5)	0.017713	2.080804**	***(0,+5)***	0.016577	2.003301**
(0,+10)	0.012965	1.345354	***(0,+10)***	0.010879	1.172874
(0,-1)	0.021591	4.691473*	***(0,-1)***	0.021213	4.670176*
(0,-5)	0.020103	3.842301*	***(0,-5)***	0.018969	3.856647*
(0,-10)	0.015706	1.905160***	***(0,-10)***	0.013627	1.840829***
*,**,*** represent levels of significance of 1%, 5% and 10%, respectively.					

The differentiation of abnormal returns in different contract sizes has also been examined. The abnormal returns generated by announcements about winning of a contract which size is less than or equal to 10 million TL were considered separately and the results are shown in Table 2. Since the results obtained according to the market model and CAPM are similar, the analyzes in the following sections of the study were performed according to the market model. 43 contacts less than 10 million TL and 69 contracts more than 10 million TL were identified in the total 112 contracts. As a result of the analysis made according to the contract size, it is seen that the results vary significantly. It has been determined that the announcements regarding the winning a contract with a contract amount of less than 10 million TL did not generate positive and significant abnormal returns on any given day. Only significant negative abnormal returns were detected 2 days before and 2 days after the notification. The companies that winning a contract more than 10 TL million were created positive and statistically significant abnormal returns on the day of announcement and one day before. When the cumulative abnormal returns are examined in the event windows, there are also significant differences between the results. Announcements about winning a contract less than 10 million TL creates significant abnormal returns about 1.6% on the (-1, +1) day event window. Announcements of winning a contract more than 10 million TL resulted in positive and significant abnormal return in 7 of 9 event windows. It has been determined that the highest abnormal return is obtained in (-1, +1) day the event window. An investor who owns the share of a company which declares the winning a contract higher than 10 million TL on the day before the announcement is expected to provide a return of 3.28 percent higher than expected until after one day from the announcement. As a result, it has been determined that the abnormal returns differ significantly according to the contract size. It has been determined that for companies that have won a contract higher than 10 million TL, higher abnormal returns can be obtained in a wider period.

Table 2: Comparative Average Abnormal and Cumulative Abnormal Returns by Contract Size

The contract size of less than 10 million TL			**The contract size of more than 10 million TL**		
Days	***AAR***	***t statistics***	***Days***	***AAR***	***t statistics***
-10	0.003273	0.465711	***-10***	0.000562	0.218640
-9	-0.001744	-0.377022	***-9***	0.000719	0.314694
-8	-0.003604	-1.479791	***-8***	-0.003880	-1.644964
-7	-0.005086	-1.309970	***-7***	0.001755	0.730921
-6	0.001411	0.355689	***-6***	-0.002710	-1.010196
-5	0.004536	0.969987	***-5***	-0.001061	-0.499219
-4	0.003736	1.081287	***-4***	0.000555	0.200003
-3	-0.001560	-0.579337	***-3***	-0.002279	-0.995784
-2	-0.005668	-2.055641**	***-2***	-0.000282	-0.120412
-1	0.003276	0.785198	***-1***	0.006910	1.924225***
0	0.006239	1.091533	***0***	0.022207	4.525687*
+1	0.006641	1.332065	***+1***	0.003705	0.822300
+2	-0.004793	-1.871159***	***+2***	-0.002735	-1.047559
+3	-0.001109	-0.259820	***+3***	-0.000851	-0.321802
+4	0.002070	0.501555	***+4***	0.002716	0.816391
+5	-0.003635	-1.370588	***+5***	0.000337	0.119738
+6	0.004640	1.125464	***+6***	-0.002526	-1.085703
+7	-0.003224	-0.769632	***+7***	-0.002653	-1.367266
+8	0.003891	0.794523	***+8***	-0.001150	-0.619427

+9	-0.002774	-1.019545	***+9***	-5.23e-05	-0.025350
+10	-0.005855	-1.179674	***+10***	0.000744	0.309612
Event Windows	***ACAR***	***t statistics***	***Event Windows***	***ACAR***	***t statistics***
(-10,+10)	0.000661	0.029408	(-10,+10)	0.020031	1.479635
(-5,+5)	0.009733	0.713255	(-5,+5)	0.029222	2.526644***
(-1,+1)	0.016156	1.864752***	(-1,+1)	0.032822	4.482760*
(0,+1)	0.012880	1.564096	(0,+1)	0.025912	3.738218*
(0,+5)	0.005413	0.418888	(0,+5)	0.025378	2.265585**
(0,+10)	0.002092	0.128770	(0,+10)	0.019741	1.652407
(0,-1)	0.009515	1.371413	(0,-1)	0.029117	4.892194*
(0,-5)	0.010558	1.111746	(0,-5)	0.026051	4.314454*
(0,-10)	0.004808	0.267542	(0,-10)	0.022497	3.061950*
*,**,*** represent levels of significance of 1%, 5% and 10%, respectively.					

The effect of the winning a contract announcement for the different ratio of contract size to gross sales revenue in the last ıncome table was also compared. The Ratio of Contract Size to Gross Sales Revenue in the Last Income Table is less than 10 percent for 64 announcements and higher than 10 percent for 48 announcements. Announcements with low contract size to sales show only a positive and statistically significant abnormal return of 0.78 percent on the day of the event. It has been determined that the high percentage of the contract size to sales results in positive and significant anomalies in all of -1, 0, + 1 and +2 days. It has also been found that these announcements lead to higher abnormal returns. Only an abnormal return of 2.71 percent occurred on the day of the event. When the event windows were examined, it was found that the results showed significant differences among the groups that were separated according to the ratio of the contract size to sales. Announcements with lower ratio of contract size to sales result statistically significant abnormal returns only in the (-1, + 1), (0, -1) and (0, -5) event windows as approximately 1%. However, it has been found that announcements with higher ratio of contract size to sales creates significant abnormal returns in all event windows except (-10, + 10) and (0, + 10). The lowest abnormal return in the event windows was realized with 2.82 percent in (0, + 10), while the highest abnormal return was realized with 4.84 percent in (-1, + 1).

Table 3: Comparative Average Abnormal and Cumulative Abnormal Returns by the Ratio of Contract Size to Gross Sales Revenue in the Last Income Table

The Ratio of Contract Size to Gross Sales Revenue in the Last Income Table less than 10 percent			**The Ratio of Contract Size to Gross Sales Revenue in the Last Income Table more than 10 percent**		
Days	***AAR***	***t statistics***	***Days***	***AAR***	***t statistics***
-10	-0.001718	-0.381473	***-10***	0.006030	1.491438
-9	0.000925	0.293035	***-9***	-0.001762	-0.552634
-8	-0.001634	-0.802651	***-8***	-0.006627	-2.258824**
-7	-0.001022	-0.362135	***-7***	-0.000670	-0.208209
-6	-0.002523	-0.928148	***-6***	0.000733	0.192815
-5	0.002729	0.888027	***-5***	-0.001100	-0.344338
-4	0.001678	0.606031	***-4***	0.001908	0.550701
-3	0.001003	0.469288	***-3***	-0.006010	-2.132395**
-2	-0.004276	-1.974123***	***-2***	0.000216	0.071747
-1	0.002859	1.033940	***-1***	0.009056	1.750026***
0	0.007800	1.938100***	***0***	0.027112	4.008673*
+1	0.002859	1.033940	***+1***	0.012241	1.745669***
+2	-0.001987	-0.903444	***+2***	-0.005575	-1.706527***
+3	3.22e-05	0.010808	***+3***	-0.002260	-0.622883
+4	0.001792	0.617894	***+4***	0.003369	0.725006
+5	-0.001770	-0.938852	***+5***	-0.000412	-0.103433
+6	0.002219	0.803778	***+6***	-0.002432	-0.714771
+7	-0.002838	-1.088818	***+7***	-0.002919	-0.934962
+8	0.001269	0.406752	***+8***	0.000140	0.046107
+9	-0.001934	-1.045109	***+9***	1.81e-05	0.006135
+10	-0.002378	-0.691245	***+10***	-0.001004	-0.301739

Event Windows	*ACAR*	*t statistics*	*Event Windows*	*ACAR*	*t statistics*
(-10,+10)	-0.000498	-0.033014	***(-10,+10)***	0.030051	1.557986
(-5,+5)	0.009136	0.990239	***(-5,+5)***	0.038545	2.349762**
(-1,+1)	0.009934	1.989679***	***(-1,+1)***	0.048409	4.568202*
(0,+1)	0.007075	1.614040	***(0,+1)***	0.039353	3.765914*
(0,+5)	0.005143	0.617194	***(0,+5)***	0.034474	2.118590**
(0,+10)	0.001482	0.135288	***(0,+10)***	0.028276	1.664443
(0,-1)	0.010659	2.140017**	***(0,-1)***	0.036168	4.504441*
(0,-5)	0.011792	1.710259***	***(0,-5)***	0.031184	3.982620*
(0,-10)	0.005820	0.481596	***(0,-10)***	0.028887	2.791918*
*,**,*** represent levels of significance of 1%, 5% and 10%, respectively.					

Conclusion and Discussion

In this study, the effect of companies' contract winning announcements on stock returns was investigated by event study methodology. During the 2011-2016 periods, 112 contract winning announcements incidental to the companies listed in the BİST were determined. The impact was tested by determining abnormal returns occurring in companies' stocks in 10 days before and 10 days after the date of announcement.

According to the results of the analysis, it is seen that positive and significant abnormal returns are obtained before the date of announcements about the winning a contract. On the day of the event, a statistically significant abnormal return of about 1.6 percent was detected. The cumulative abnormal returns were found to be positive and significant in the event windows as (-5, +5), (-1, +1), (0, + 1), (0, +5), (0,-1), (0,-5) and (0,-10). For any of the event windows mentioned, it appears that investors who have invested in the relevant stocks can earn more than the expected return. For this reason, the rumor trade and overreaction effects in the market have supported the idea that the market is not efficient even in semi- effective form.

The study also examined whether the abnormal returns created by the announcements differed according to contract sizes. Analysis results reveal that announcements with higher contact size results to higher abnormal returns in wider event windows. It has also been determined that the announcements with the higher ratio of contract size to sales cause similar high and long term anomalies in stock prices.

This study focuses only on the short-term effects of contract winning announcement. The future studies that will determine the impact of winning a contract on the long-term performance of the companies will be able to make a significant contribution to the literature.

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