

**Internet Appendix C:
Pooled Regressions with Pre and Post Regulation-Change Samples**

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Table IC-1: Predictability of Initial Returns

The sample includes observations from two periods: our main sample period (October 2005–February 2011) and the post-sample period (March 2011–December 2014). IPOs during the post-sample period are subject to a rule that the IPO offer price must not be lower than 70% of the average ESM trading price during the 10 days before the bookbuilding announcement is submitted to the Taiwan Securities Association. The dependent variable is the *Initial return*, which is the ratio of the first trading day closing price over the IPO offer price minus one. *Expected initial return* is the ratio of the closing price on the pre-pricing day on the ESM over the offer price minus one. *REG dummy* equals to one if the observation is from the post-sample period, and zero otherwise. *Price revision* is the offer price relative to the midpoint of the initial price range, minus one. *Positive price revision* equals price revision if it is positive, and zero otherwise. *Market return* is the three-week value-weighted return of all stocks on TWSE and GTSM prior to the IPO pricing. *Volatility* is the standard deviation of daily stock returns during the 3 months prior to IPO pricing. *VC dummy* equals 1 if the firm is backed by venture capital, and zero otherwise. *Return on assets* is annual earnings relative to assets. All returns are measured as percentages. *Log(assets)* is measured in terms of 2011 purchasing power. *t*-statistics are adjusted for heteroskedasticity. ***, **, and * denote significance at the 1, 5, and 10 percent level, respectively.

Model	(1)		(2)		(3)	
	Coeff.	t-value	Coeff.	t-value	Coeff.	t-value
Expected initial return	1.23	(7.97)***			1.19	(7.30)***
<i>REG</i> dummy	5.79	(0.61)			-1.31	(-0.11)
<i>REG</i> dummy×Expected initial return	-0.04	(-0.15)			-0.03	(-0.14)
Price revision			1.61	(1.98)**	1.21	(2.51)**
Positive Price revision			-0.81	(-0.41)	-1.47	(-1.37)
Market return			3.13	(4.53)***	0.55	(1.66)*
Volatility					1.26	(1.37)
VC dummy					1.09	(0.38)
Return on assets					0.24	(1.92)*
Log(assets)					0.04	(0.04)
Intercept	-16.65	(-2.07)**	43.10	(8.87)***		
Industry dummies					yes	
R^2	0.747		0.098		0.767	
N	390		390		388	

Table IC-2: Determinants of Pre-Market Price Inaccuracy

The dependent variable is the percentage price inaccuracy on the pre-pricing day, i.e., the absolute value of the ratio of the closing price on the pre-pricing day on the ESM over the closing price on the first trading day on the TWSE or GTSM, minus one, multiplied by 100. *%Zero trading* is the percentage of trading days with no trading during the 3 months prior to IPO pricing. *%Zero return* is the percentage of trading days with zero stock return or no trading during the 3 months prior to IPO pricing. *Amihud ratio* is daily average of the absolute value of stock return over dollar trading volume during the 3 months prior to IPO pricing. *REG dummy* equals one if the observation is from the post-sample period, and zero otherwise. *Volatility* is the standard deviation of daily stock returns during the 3 months prior to IPO pricing. *VC dummy* equals to 1 if the firm is backed by venture capital and zero otherwise. *Return on assets* is annual earnings relative to assets. *t*-statistics are adjusted for heteroskedasticity. ***, **, and * denote significance at the 1, 5, and 10 percent level, respectively.

Model	(1)		(2)		(3)		(4)		(5)		(6)	
Variables	Coeff.	t-value	Coeff.	t-value	Coeff.	t-value	Coeff.	t-value	Coeff.	t-value	Coeff.	t-value
<i>%Zero trading</i>	0.15	(2.73)***	0.11	(1.95)*								
<i>%Zero return</i>					0.11	(2.68)***	0.10	(2.09)**				
<i>Amihud ratio</i>									0.19	(2.04)**	0.18	(1.78)*
<i>REG dummy</i>	-1.40	(-1.20)	3.85	(0.96)	-1.56	(-0.96)	2.15	(0.51)	-0.95	(-0.82)	6.26	(1.58)
<i>REG dummy</i> × <i>%Zero trading</i>	0.00	(0.00)	0.04	(0.41)								
<i>REG dummy</i> × <i>%Zero return</i>					0.05	(0.63)	0.12	(1.20)				
<i>REG dummy</i> × <i>Amihud</i>									-0.16	(-1.42)	-0.17	(-1.26)
<i>Volatility</i>			0.14	(0.33)			0.21	(0.46)			0.11	(0.24)
<i>VC dummy</i>			-1.11	(-0.94)			-1.07	(-0.91)			-1.04	(-0.89)
<i>Return on assets</i>			0.06	(1.19)			0.05	(1.14)			0.07	(1.48)
<i>Log(assets)</i>			-0.50	(-1.00)			-0.42	(-0.84)			-0.68	(-1.32)
Intercept	13.29	(15.83)***			11.81	(9.92)***			13.60	(16.25)***		
Industry dummies			yes				yes				yes	
R^2	0.046		0.092		0.049		0.107		0.018		0.090	
N	390		388		390		388		388		388	

Table IC-3: Relative Importance of Pre-Market Price and Peer Firms' Prices in Determining the IPO Offer Price

When calculating the P/E ratio, we exclude two issuing firms with negative EPS and one firm with an outlier P/E value. *Offer-price P/E* is the ratio of the IPO offer price relative to the annual EPS prior to the IPO. *Pre-market P/E* is the ratio of the closing price on the pre-pricing day on the ESM relative to the annual EPS. *Industry-median P/E* is the median P/E ratio for firms in the same industry as the issuing firm, where the P/E ratio is based on a peer firm's closing price on the issuing firm's pre-pricing day and the peer firm's annual EPS prior to that day. For each issuing firm, we identify a matching firm that is traded on either TWSE or GTSM, is in the same industry and has the closest asset value. *Matching-firm P/E* is the ratio of the matching firm's closing price on the issuing firm's pre-pricing day relative to the matching firm's annual EPS prior to that day. *REG dummy* equals to one if the observation is from the post-sample period, and zero otherwise. *t*-statistics are adjusted for heteroskedasticity. ***, **, and * denote significance at the 1, 5, and 10 percent level, respectively.

Panel A: Summary statistics

Variables	N	Mean	Median	Std. Dev	Minimum	Maximum
Offer-price P/E	384	19.99	12.97	29.11	0.37	318.47
Pre-market P/E	384	29.44	18.60	42.14	0.51	454.29
Industry-median P/E	384	16.78	15.60	5.72	5.20	46.85
Matching-firm P/E	384	28.58	15.55	43.01	1.17	290.69

Panel B: Offer price P/E as the dependent variable

Model	(1)		(2)		(3)		(4)		(5)	
Variables	Coeff.	t-value	Coeff.	t-value	Coeff.	t-value	Coeff.	t-value	Coeff.	t-value
Pre-market P/E	0.58	(15.39)***			0.59	(15.40)***			0.58	(15.37)***
Industry-median P/E			0.70	(2.75)***	-0.28	(-1.95)*				
Matching-firm P/E							-0.01	(-0.59)	-0.01	(-0.91)
REG dummy	-2.48	(-1.23)	-4.84	(-0.70)	-0.95	(-0.39)	-1.23	(-0.34)	-2.74	(-1.22)
REG dummyxPre-market P/E	0.21	(2.42)**			0.22	(2.50)**			0.21	(2.45)**
REG dummyxIndustry-median P/E			0.39	(0.96)	-0.07	(-0.31)				
REG dummyxMatching-firm P/E							0.18	(1.20)	0.01	(0.47)
Intercept	1.16	(1.62)	7.29	(1.66)*	5.38	(2.80)***	18.77	(8.39)***	1.31	(1.89)*
R ²	0.933		0.035		0.937		0.019		0.933	
N	384		384		384		384		384	

Table IC-4: Determinants of the Percentage Price Discount

The dependent variable is *Price discount*, defined as one minus the ratio of the offer price over the closing price on the pre-pricing day on the ESM multiplied by 100. *REG dummy* equals to one if the observation is from the post-sample period, and zero otherwise. *Volatility* is the standard deviation of daily stock returns during the 3 months prior to IPO pricing. *VC dummy* equals to 1 if the firm is backed by venture capital and zero otherwise. *Return on assets* is annual earnings relative to assets. *t*-statistics are adjusted for heteroskedasticity. ***, **, and * denote significance at the 1, 5, and 10 percent level, respectively.

Model	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Variables	Coeff. t-value	Coeff. t-value	Coeff. t-value	Coeff. t-value	Coeff. t-value	Coeff. t-value	Coeff. t-value
Price inaccuracy	0.23 (3.04)***					0.19 (2.51)**	
Volatility		3.13 (3.60)***				2.78 (3.34)***	
VC dummy			-0.43 (-0.22)			-0.83 (-0.45)	
Return on assets				-0.02 (-0.20)		-0.11 (-1.27)	
Log(assets)					-3.37 (-3.35)***	-3.05 (-2.98)***	
Expected price inaccuracy							0.86 (3.13)***
<i>REG</i> dummy	-7.79 (-4.14)***	-1.71 (-0.49)	-8.74 (-4.91)***	-10.00 (-5.78)***		-10.18 (-0.83)	1.61 (0.38)
<i>REG</i> dummy×price inaccuracy	-0.14 (-1.28)					-0.14 (-1.36)	
<i>REG</i> dummy×Volatility		-2.10 (-1.85)*				-2.11 (-1.94)*	
<i>REG</i> dummy×VC dummy			-2.18 (-0.94)			-0.79 (-0.35)	
<i>REG</i> dummy×Return on assets				-0.01 (-0.13)		0.09 (0.84)	
<i>REG</i> dummy×Log(assets)					1.78 (1.60)	2.19 (1.9)*	
<i>REG</i> dummy×Expected price inaccuracy							-0.79 (-2.53)**
Intercept	29.58 (19.65)***	21.87 (7.50)***	33.27 (21.99)***	33.25 (22.36)***	57.73 (7.72)***		20.53 (5.39)***
Industry dummies						yes	
R^2	0.018	0.228	0.015	0.150	0.190	0.322	0.182
N	390	388	390	390	390	388	388