Master of Philosophy Thesis

by

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Investigation of Australian IPOs:
Road Blocks to becoming a Public Company

Submitted in total fulfilment of the requirements of the degree of

Master of Philosophy by Research

March 2017
Abstract

This study investigates the factors that influence the completion of an initial public offering (IPOs) on the Australian Securities Exchange (ASX). We use a probit regression model to analyze the effect of News Coverage on withdrawal likelihood, we find that News Coverage around the time of an issuing firm’s IPO is positively related to IPO completion. News coverage enables a greater dissemination of information related to the company and the IPO, which in turn reduces information asymmetry. In line with previous finding of Boeh and Southam (2011), news articles also arguably signal lower agency costs and therefore can also be linked to a higher probability of IPO completion. Mahalanbis distance matching approach was adopted to match each company that withdrew its offering from the ASX with a similar company that had a successful IPO during the same period. We use this matching technique to explore partially underwritten IPOs, which is where only a proportion of an IPO is underwritten. We find that almost 20 percent of companies that were not underwritten withdrew their offerings, compared to less than 10 percent of companies that were partially underwritten. With a fully underwritten IPO, the underwriter who takes title to the firm’s shares would bare the risk of undersubscription and it appears that being partially underwritten would therefore remove at least some of this risk.

Keywords: Initial Public Offering, IPO, Withdrawal, Australia, ASX, Capital Raising, Nearest-Neighbour Matching, Propensity Score Matching, Underwritten IPOs, Media Coverage, News Articles
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Declaration

This thesis is submitted to Bond University in fulfilment of the requirements of the degree of Master of Philosophy by Research.

I declare that the research presented within this thesis is a product of my own original ideas and work, and contains no material which has previously been submitted for a degree at this university or any other institution, except where due acknowledgement has been made.

Name: Paul Kelly

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Date: March 1, 2017
Acknowledgements

I wish to thank my supervisor Dr Colette Southam for her endless support in enabling me to complete this thesis.

I am very grateful to Dr Simone Kelly for hiring me to tutor finance subjects in the Bond Business School; this opportunity enabled me to support myself while I studied.

I wish to thank Professor Tom Smith and Dr Shams Pathan from the University of Queensland for generously providing help during my studies.

Lastly, I wish to thank Mr Bastian Breitmayer from Leuphana Graduate School for his comments on, but not limited to, nearest-neighbour matching.
# Table of Contents

Abstract.................................................................................................................................................. 3

Keywords: ............................................................................................................................................... 3

Declaration............................................................................................................................................... 5

Acknowledgements .......................................................................................................................... 7

List of Figures ........................................................................................................................................ 12

List of Tables .......................................................................................................................................... 14

Abbreviations ......................................................................................................................................... 16

Chapter 1 .................................................................................................................................................. 17

1.1 Introduction ...................................................................................................................................... 17

1.2 Motivation ........................................................................................................................................ 21

1.3 Contribution .................................................................................................................................... 22

Chapter 2 - Literature Review and Hypothesis Development ............................................................. 23

2.1 Rationale for the Initial Public Offering ......................................................................................... 23

2.2 IPO Process ..................................................................................................................................... 23

2.2.1 Underwriting Agreement ........................................................................................................... 24

2.2.2 Offer method ............................................................................................................................... 24

2.3 Benefits and Opportunities of the Initial Public Offering ............................................................ 28

2.4 Costs and Obligations of the Initial Public Offering ...................................................................... 28

2.5 Short-run Underpricing (‘Leaving Money on the Table’) ............................................................... 30

2.6 Media coverage and IPOs ............................................................................................................... 30

2.7 The Decision to Withdraw .............................................................................................................. 32

2.8 Australian IPO Literature ............................................................................................................... 33

2.9 Hypothesis Development ............................................................................................................... 34

2.9.1 Media Coverage ......................................................................................................................... 34

2.9.2 Underwritten IPOs and the Risk of Undersubscription ............................................................. 36
Chapter 3 – Methodology.................................................................................................................. 37

3.1 Data Collection .......................................................................................................................... 37

3.1.1 Data Sample Selection ......................................................................................................... 37

3.1.2 Data Collection for the News Stories .................................................................................. 38

3.2 Testing the First Hypothesis – Media Coverage ..................................................................... 39

3.3 Testing the Second Hypothesis – Partially Underwritten ....................................................... 39

3.3.1 Study Design: Observational Study vs. Randomised Experiment ...................................... 39

3.3.2 Endogeneity: Selection Bias ............................................................................................... 40

3.3.3 Planning the Observational Study To Deal with Select Bias (endogeneity) ................. 41

3.3.4 Methodological Details and Formulas ............................................................................... 41

3.3.4.1 Overview of Mahanlanobis Distance Matching ............................................................ 41

3.3.4.2 Process ............................................................................................................................ 43

3.4 Identification of Confounding Covariates ............................................................................... 46

3.5 Data Overview .......................................................................................................................... 48

3.5.1 Timing of the IPOs .............................................................................................................. 48

3.5.2 Size of the Firms – Implied Market Capitalisation .............................................................. 49

3.5.3 Profitability of the Firm – Asset Turnover Ratio ................................................................ 50

3.5.4 Leverage – Debt to Equity Ratio .......................................................................................... 52

3.5.5 Maturity of the Firm – Age ................................................................................................ 53

3.5.6 Use of IPO proceeds – Research & Design ........................................................................ 54

3.5.7 Media Coverage of the Firm’s IPO .................................................................................... 54

3.5.8 Underwritten IPOs ............................................................................................................. 54

Chapter 4 – Results .......................................................................................................................... 56

4.1 Hypothesis 1 Results - News Coverage .................................................................................. 56

4.2 Hypothesis 2 Results - Average Treatment Effect - Partially Underwritten IPOs ............. 57

Chapter 5 - Conclusion & Discussion ........................................................................................... 60

5.1 News Article Coverage ............................................................................................................ 60
5.2 Partially Underwritten IPOs

5.3 Limitations and future research

Bibliography
List of Figures

Figure 1 – Proportion of IPOs Withdrawn or Listed each year from 2004 to 2014 .................. 49
Figure 2 – Histogram of Market Capitalisation of all Firms ........................................... 50
Figure 3 – Histogram of Log of Market Capitalisation of each Firm .................................. 50
Figure 4 – Histogram of Asset Turnover Ratios for all Firms ........................................... 50
Figure 5 – Histogram of Log of Asset Turnover Ratio of each Firm .................................. 50
Figure 6 – Histogram of Asset Turnover Ratios for all Firms ........................................... 51
Figure 7 – Overlap Assumption: Underwritten Partially Dummy vs Asset Turnover Ratio .... 52
Figure 8 – Overlap Assumption: Underwritten Partially Dummy vs ..................................... 52
Figure 9 – Debt to Equity Ratios for Withdrawn companies vs. Listed companies ............. 52
Figure 10 – Percentage difference of the number of Firms between Withdrawn Firms and
Listed Firms with varying D/E Ratios .............................................................................. 52
Figure 11 – Histogram of Age of all Firms ....................................................................... 53
Figure 12 – Histogram of Age all Firm (winsorised 12%) ................................................... 53
## List of Tables

Table 1 – Institutional differences between Australia and US IPOs .................................................. 27
Table 2 - Probit regression results .................................................................................................. 47
Table 3 - Number of filings per year ................................................................................................. 48
Table 4 - Number of companies: Use of proceeds – R&D vs. Withdrawn ........................................ 54
Table 5 - Number of companies: News Coverage vs. Withdrawn ................................................... 54
Table 6 - Number of companies: Underwritten Fully vs. Withdrawn ............................................... 55
Table 7 - Number of companies: Underwritten Partially vs. Withdrawn ......................................... 55
Table 14 – Probit Regression – Withdrawal Model ............................................................................. 56
Table 11 - Descriptive Statistics: Partially Underwritten IPOs vs. IPOs not Underwritten ............ 57
Table 12 - Covariate balance summary: Underwritten Partially ATE .............................................. 58
Table 13 - Average Treatment Effect Results: Partially Underwritten IPOs .................................. 59
Abbreviations

ABN: Australian Business Number
ASIC: Australia Securities and Investment Commission
ASX: Australian Securities Exchange
ATE: Average Treatment Effect
ATET: Average Treatment Effect on the Treated
BICS: Bloomberg Industry Classification System
CFO: Chief Financial Officer
D/E: Debt to Equity Ratio
GFC: Global Financial Crisis
IPO: Initial Public Offering
PDS: Product Disclosure Statement
PSM: Propensity Score Matching
NNM: Nearest-Neighbour Matching
US: United States