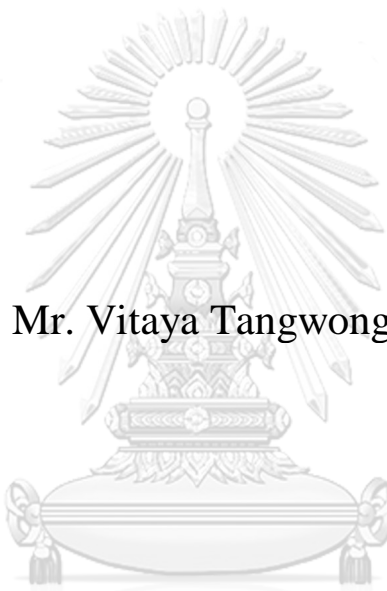


The commitment on the stated use of IPO proceeds and long-run performance



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จุฬาลงกรณ์มหาวิทยาลัย
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An Independent Study Submitted in Partial Fulfillment of the
Requirements

for the Degree of Master of Science in Finance

Department of Banking and Finance

FACULTY OF COMMERCE AND ACCOUNTANCY

Chulalongkorn University

Academic Year 2019

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การปฏิบัติตามวัตถุประสงค์ของการใช้เงินในการเสนอขายหลักทรัพย์ครั้งแรกต่อประชาชนและ
ผลตอบแทนระยะยาว



สารนิพนธ์นี้เป็นส่วนหนึ่งของการศึกษาตามหลักสูตรปริญญาวิทยาศาสตรมหาบัณฑิต
สาขาวิชาการเงิน ภาควิชาการธนาคารและการเงิน
คณะพาณิชยศาสตร์และการบัญชี จุฬาลงกรณ์มหาวิทยาลัย
ปีการศึกษา 2562
ลิขสิทธิ์ของจุฬาลงกรณ์มหาวิทยาลัย

Independent Study Title	The commitment on the stated use of IPO proceeds and long-run performance
By	Mr. Vitaya Tangwongpatikul
Field of Study	Finance
Thesis Advisor	Associate Professor KANIS SAENGCHOTE, Ph.D.

Accepted by the FACULTY OF COMMERCE AND ACCOUNTANCY, Chulalongkorn University in Partial Fulfillment of the Requirement for the Master of Science

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วิชา ตั้งวงศ์ผาดิกุล : การปฏิบัติตามวัตถุประสงค์ของการใช้เงินในการเสนอขายหลักทรัพย์ครั้งแรกต่อประชาชนและผลตอบแทนระยะยาว. (The commitment on the stated use of IPO proceeds and long-run performance) อ.ที่ปรึกษาหลัก : รศ.ดร.คณิศร์ แสงโชติ

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สาขาวิชา การเงิน

ลายมือชื่อนิสิต

ปีการศึกษา 2562

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6182135326 : MAJOR FINANCE

KEYWORD Initial public offering, Long-run performance, Stated use of
RD: proceeds

Vitaya Tangwongpatikul : The commitment on the stated use of
IPO proceeds and long-run performance. Advisor: Assoc. Prof.
KANIS SAENGCHOTE, Ph.D.

This research paper examines the relationship between the commitment to the stated use of IPO proceed and long-run performance. This also examines the effect of hot market condition on the probability of commitment. Furthermore, this paper investigates the effect of the specificity of the disclosure in the filling document on the probability of commitment. The data comprises of the firms that went public in both the Stock Exchange of Thailand (SET) and the Market for Alternative Investment (mai) during the period of 2000 – 2018. The stated use of IPO proceed is classified into 3 groups: Investment, Debt Repayment, and General purposes. Based on the analysis, the study finds that the firms, that commit to the stated use of IPO proceed, have an insignificantly positive impact to the long-run performance. The commitment of the firms with the primary of investment purpose have a significantly positive impact, while there is no relationship between the commitment of the firms with the primary of debt repayment and general purposes and the long-run performance. Although the majority of the firms follows their initial plan, the plan might not be value-creating. For the hot market timing, the study finds no statistical evidence that the hot market condition effect on the compliance to the stated use of IPO proceed. This is due to there are investors to finance the equity market whether the hot market or not. Lastly, the firms that provide the clear explanation of the investment purpose would follow their initial plan. This presents that the disclosure in the filling document reflects the strategic investment plan of the firm.

Field of Study:	Finance	Student's Signature
Academic Year:	2019
		Advisor's Signature
	

ACKNOWLEDGEMENTS

Foremost, I would like to express my sincere gratitude to my advisor Associate Professor Kanis Saengchote, Ph.D. for his invaluable help and constant encouragement of my independent study, for his patience, motivation, enthusiasm, and immense knowledge. I would not have achieved this far and this independent study would not have been completed without all the support that I have always received from him. Beside my advisor, I would like to thank the committee: Associate Professor Sira Suchintabandit, Ph.D. and Jananya Sthienchoak, Ph.D., for their insightful comments and recommendations which immensely improve this independent study.

In addition, I am grateful for all faculty members of a Master of Science in Finance Program at Chulalongkorn Business School for all comprehensive knowledges and skills.

Lastly, I most gratefully acknowledge my parents and my friends for all their support throughout the period of this research.

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1. Introduction

The firms could raise fund through the capital from shareholders, the debt instrument issuance, and the short- and long-term loan from the financial institutions. Another method to raise fund is the initial public offering (IPO) by issuing the equity instrument in the stock market for the first time. The stock market in Thailand comprised of the Stock Exchange of Thailand (SET) and the Market for Alternative Investment (mai). The main difference between SET and mai is a size of the firms. SET is for the large-sized firms with more than 300 million Baht in paid-up capital after IPO while mai is for the small-to-medium-sized firms with over 50 million Baht after IPO. However, there is no difference in term of the regulation.

To go public, the firms need to compliance with the regulation on IPO process of the Securities and Exchange Commission (SEC). The firms need to provide the filling document, including the stated use of IPO proceeds. The stated use of IPO proceeds aims to provide the objective for the fund raising which reflect the investment opportunity of the firms. According to the various empirical evidence, the long-run performance of IPO underperformed for the 3 to 5 years after the offering date. Moreover, the stated use of IPO in term of the investment with the specificity would outperformed relatively to the recapitalization and general purpose.

The interesting investigation is the relationship between the commitment on the stated use of IPO proceeds and the long-run performance of IPO. When the firms did not commit to the disclosure, the uncommitted firms should have a worse long-run performance of the committed firms. This also incorporates the relationship between the market timing and the commitment of the firms. The study aims to identify the intrinsic reason for the firms that do not commit to the stated use of IPO proceeds. Lastly, the study aims to explore the commitment on the stated use of IPO proceeds could detect from the specificity on the stated use of IPO proceeds.

Research Question

Can the commitment on the stated use of proceeds explain long-run performance of the initial public offering (IPO)?

Research Objective

- To examine the firms that use IPO proceeds in accordance with the stated use of IPO proceeds.
- To examine the firms that do not commit to the stated use of IPO proceeds have worse long-run performance.
- To investigate on the firms that do not commit to the stated use of IPO proceeds result from a good market timing.
- To investigate on the commitment on the stated use of IPO proceeds could detect from the specificity on the stated use of IPO proceeds.

Contribution

There are several empirical studies on the ownership and long-run performance. Typically, the studies find that the long-run performance of the listed firm in the stock market from the various countries declined. Moreover, many literatures study the relationship between the stated use of IPO proceeds and the firm performance. The empirical evidence finds that the listed firms with the stated of specific investment would face the better performance than of the stated of recapitalization and general purpose.

This study investigates on relationship between the commitment on the stated use of IPO proceeds and long-run performance. The firms that do not commit to the stated use of IPO proceeds should have a worse long-run performance because the firm mislead the investor from the disclosure in the filing document and this could provide the signal for a change in the investment opportunity. Furthermore, the study also examines on the commitment of IPO firms and market timing or hot market. The study also examines on the degree of the specificity on the commitment on the stated use of IPO proceeds.

2. Literature reviews

2.1 Theoretical literature

Market Timing Capital Structure Theory

Baker and Wurgler (2002) introduces the Market Timing Theory. The main idea is the financial choices are based on the market timing whether to finance with equity or debt instruments. The firms tend to issue the equity instrument instead of debt instrument when the market value is high, relative to book and past market value. Accordingly, the capital structure is the accumulated financial decision at that point in time.

2.2 Empirical literature on the long-run performance of IPO

Ritter (1991) studies on the long-run performance of the listed firms in the U.S. stock market during the period of 1975 to 1984 and finds that the performance of the firms that went public after 3 years significantly underperformed. The reason of the long-run performance is “window of opportunity”, this means that the firms issue overvalued equity instrument. Ritter and Loughran (1995) extend the literature in 1991 by studying the long-run performance of an initial public offering (IPO) or a seasoned equity offering (SEO) during the period 1970 to 1990. The empirical evidence finds that the long-run performance of the issuing firm significantly underperformed relatively to the non-issuing firms for the five year after the offering date. This conformed with the window of opportunity hypothesis.

Ritter and Welch (2002) expose the reason for the firms that went public from the listed firms in the U.S. stock market during the period 1980 to 2001. The most important factor in the decision to go public are market timing.

2.3 Empirical literature on the post-issue operating performance of IPO firm

Jain and Kini (1994) initially introduces the empirical evidence of the post-issue operating performance decline in the Initial Public Offering (IPO) in the U.S.A. market during the period of 1976 to 1988. There are various explanations for the decline in performance. One explanation is agency theory, this increased the agency

cost when the company transform from private company to public company. The reduction in the ownership of the management is likely to lead to the agency problem in accordance with Jensen and Mecking (1976). The second explanation is the management attempt to window-dressing the pre-IPO performance. The third explanation is based on market-timing theory. The company goes public coincidentally in times of goods but unsustainable performance. Those explanations present the information asymmetry and/or the conflict of interest between the original management and the new shareholders.

Wang (2004) studies the ownership and operating performance of Chinese IPO for the period of 1994 - 1999, that finds a sharp decline in post-issue operating performance of Chinese IPO firms.

For the empirical result from Thailand, Kim et al. (2014) examine the ownership and operating performance of Thai IPO for the period of 1987 - 1993, that find the performance of Thai IPO firm declined. Consequently, the empirical result on the studies of the post-issue operating performance in Thailand conformed with Jain and Kini (1994).

2.4 Empirical literature on the relationship between the intended use of proceeds and firm performance

There are several studies on the relationship between intended use of proceeds and long-run performance of the Seasoned Equity Offering (SEO). Walker and Yost (2008) investigate the company issuing SEOs for the period of 1997 to 2000, by examining the ex-ante reasons stated by the firm for the use of capital, the actual ex post use of funds, and the market reaction to the information. The empirical result finds that, regardless of the stated use of funds, the company increase capital expenditures and research and development following an SEO. In addition, the company increase the long-term debt following an SEO, even the stated use of proceeds as debt repayment. The study also finds that the market reacts more favorably to the anticipated investment increases if the company provides specific plans for the use of capital from an SEO.

Autore et al. (2009) studies the relationship between seasoned equity issuers' stated intended use of proceeds and their subsequent long-run stock and operating performance. The stated intended use of proceeds are investment, recapitalization, and general corporate purposes. The empirical evidence finds that the stated intended use of proceed for investment experience little or no subsequent underperformance while the stated intended use of proceed for recapitalization and general corporate purpose experience abnormally poor performance in the subsequent three year. These results suggest that the issuers with specific plan to use the proceeds for investment purpose are credibly signal profitable investment opportunities. On the other hand, that the issuers without specific investment plans are more likely to be opportunistic market timers.

For the empirical studies focusing on the relationship between intended use of proceeds and long-run performance of the Initial Public Offering (IPO), Amor and Kooli (2017) inspect the intended use of proceeds and post-IPO performance in the U.S.A market during the period of 1996 to 2012. The study classified the intended use of proceeds into four categories; that are generally stated in the S-1 form for the Securities and Exchange Commission (SEC) of U.S.A., are debt repayment, investment, marketing and sales promotion, and general corporate purposes. Furthermore, the investment category includes acquisition, R&D, and capital expenditure. Consequently, the result has shown that IPOs declaring investment plans as the primary use of proceeds exhibit insignificant average abnormal returns in the three years following the IPO, while IPOs that stated debt repayment as the primary use of proceeds are the highest underperformers. The study also provided the evidence that the primary use of proceeds plays in explaining the time motive of IPO firms. Therefore, the stated debt repayment as the primary use of proceeds could be a negative signal. The stated investment as the primary use of proceeds could be a positive signal in accordance with an IPO's growth prospects.

Andriansyah and Messinis (2016) investigate the relationship between intended use of proceed and the declined in post-issue operating performance of IPO firm in the Indonesian Stock Market during the period of 2000 to 2010. This study distinguishes between capital motives (fixed assets investment and investment in

shares of stock) and strategic motives (working capital financing, debt repayment and secondary shares) of IPOs. The empirical evidence has shown that the post-issue operating performance could be explained by firm motivation to IPO issue with the capital motive being the significant key driver of good performance in Indonesia. Therefore, Investment in fixed assets and in stock market shares lead to better performance while other usages lead to poor performance.

3. Hypothesis development

Hypothesis I: The firms use proceeds from IPOs in line with their initial plan.

The objective is to examine the stated and actual use of proceeds for the company listed in the Thai stock market.

Hypothesis II: The firms that do not commit to the stated use of IPO proceeds have worse long-run performance.

The firms that do not follow the use of IPO proceeds as the disclosure in the filing document should have a worse long-run performance than that of the firms that commit to the stated use of IPO proceeds. This is due to the uncommitted firms mislead the investors from the stated use of IPO proceeds. Furthermore, it is the signal of a change in the investment opportunity, the project for the initial plan might not provide the return as predicted.

Hypothesis III: The firms that do not commit to the stated use of IPO proceeds result from a good market timing.

The firms that do not commit to the stated use of IPO proceeds could potentially issue equity during the good market timing or hot market. Consequently, the firms did not use proceeds from IPOs because the firms did not plan to invest in property, plant and equipment or invest in shares of companies.

Hypothesis IV: The commitment on the stated use of IPO proceeds could detect from the specificity on the stated use of IPO proceeds.

To further investigation, the firms that commit to the stated use of IPO proceeds should reflect from the degree of specificity. If the firms did not provide the clear details (specific) on the raising fund objective, the firms would not commit to the stated use of proceeds.

4. Data

Long-run performance: stock returns

The sample included public firms that have obtained the securities authority's approval to go public, in both the Stock Exchange of Thailand (SET) and the Market for Alternative Investment (mai), during the period of 2000 - 2018. However, the study would exclude the firm in the financial services such banks, securities and insurance companies. This is due to the difference in the operation of the business and the regulatory involvement. The final samples comprised of 224 and 164 firms listed on the SET and mai, respectively, as our samples for the study on the relationship between the commitment on the stated use of IPO proceeds and long-run performance (Please see Table 1 in Appendix). For the information of the stock return, we obtained the stock price from the Datastream.

The stated use of proceeds

The stated use of IPO proceeds is manually collected from the firms' filings in e-service website of the Securities and Exchange Commission (SEC). Although the information is also provided by SDC Platinum, there is no specific information on the use of proceeds. The stated use of IPO proceeds is classified into 3 categories as follows: investments, debt repayment, and general purposes.

Investments involve acquiring capital expenditure and investment in shares of other's companies, both domestic and international, classifying as variable "INVEST". Debt repayment to the creditors and debtor classified as variable

“DEBT”. General purpose comprises of working capital financing and the stated use of IPO proceeds with the unobvious information, as variable “GEN”.

The degree of the specificity is based on the information that the firms provided in the filing documents. In case that the firms provide the clear raising fund’s objectives to invest to new property, plant and equipment (that would increase the turnover for the firms) and invest in the other companies, the objective or the stated use of IPO proceeds would be classified as the investment purpose. Nevertheless, the unobvious objectives, such as reserving for the capital expenditure in the future and invest in new head office building (that would not expected to increase the turnover for the firms), would be classified as investment purpose with the low degree of specificity.

The examples of the classification of the stated use of IPO proceeds are as follows;

- Osotspa Public Company Limited (Symbol: OSP)

No	The stated use of IPO proceeds	Assigned variable
1	To use for business expansion in both domestic and international such as factory enhancement and product development projects, including: <ul style="list-style-type: none"> - to construct the beverage manufactory in Myanmar. - to acquire new machines for the glass bottle manufactory. - to construct the manufactory for the consumer product. - to use for capital expenditure such as the maintenance of machines and equipment, manufacturing process improvement and enhancement project, and the manufactory for the product development project. 	INVEST (Specificity)

No	The stated use of IPO proceeds	Assigned variable
2	To re-pay the obligations to the financial institution	DEBT
3	To reserve for working capital	GEN

- Asset Five Public Company Limited (Symbol: A5)

No	The stated use of IPO proceeds	Assigned variable
1	To expand radio business unit	INVEST (Non-Specificity)
2	To expand media business unit	INVEST (Non-Specificity)
3	To expand IMC business unit	INVEST (Non-Specificity)
4	To use as working capital	GEN

The commitment on the stated use of proceeds

In consonance with the Securities and Exchange Act (B.E.2535), the disclosure in the filing document (including the raising fund objective/the stated use of IPO proceeds) should not have the material change in the information. However, the law and regulator did not state the exact percentage of compliance rate on the stated use of IPO proceeds.

To measure the commitment on the stated use of proceeds, the minimum compliance rate is 40 percent. The compliance rate represents the degree of material change in the stated use of IPO proceeds.

5. Methodology

Hypothesis I: The firms use proceeds from IPOs in line with their initial plan.

To illustrate the summary of the descriptive statistics on the initial public offerings (IPOs) for 1-, 2- and 3-year.

Hypothesis II: The firms that do not commit to the stated use of IPO proceeds have worse long-run performance.

The long-run performance is measured by the buy-and-hold abnormal returns (BHAR). To test long-run performance on the firms that do not commit to the stated use of IPO proceeds, we use OLS regression with robust standard error. The equation of the hypothesis is:

Equation 1

$$BHAR_i = \alpha + \beta D_{COMMIT_i} + \gamma X_i + \varepsilon_i$$

Variables	Definition
D_{COMMIT}	The dummy variable. The value is 1 if the firms commit to the stated use of IPO proceeds. The value is 0 if the firms did not commit to the stated use of IPO proceeds.

The control variables include:

Variables	Definition
WC/A	Working Capital scaled by total assets
LTD/A	Long-term debt scaled by total assets
CAPEX/A	Capital expenditure scaled by total assets
PPE/A	Property, plant and equipment scaled by total assets
MarCap/A	Market capitalization scaled by total assets

These control variables also used in Walker and Yost (2008).

Hypothesis III: The firms that do not commit to the stated use of IPO proceeds result from a good market timing.

To test the hypothesis, Probit regression with robust standard error is used to test that the long-run performance of the uncommitted firms on the stated use of IPO proceeds could be explained by the good market timing or the hot market. The equation of the hypothesis is:

Equation 2

$$\Pr(y = 1|x) = \Phi(x\beta) \text{ where } x\beta = \alpha + \beta D_{HOT_i} + \gamma X_i + \varepsilon_i$$

Variables	Definition
D _{HOT}	The dummy variable. The value is 1 if the firms go public during the hot market condition. The value is 0 if the firms do not go public during the hot market condition.

The control variables include Change in Profitability, Change in Investment Opportunity, and Indebtedness as follow:

Variables	Definition
<u>Change in Profitability</u>	
EBIT/A	Earnings before interest and taxes scaled by total assets
Log(S)	Capital expenditure scaled by total assets
<u>Change in Investment Opportunity</u>	
Tobin's Q	Total market value of firm scaled by total asset value of firm
<u>Indebtedness</u>	
D/A	Total debt scaled by total assets

These control variables also used in Baker and Wurgler (2002).

Hypothesis IV: The commitment on the stated use of IPO proceeds could detect from the specificity on the stated use of IPO proceeds.

To test the hypothesis, Probit regression with robust standard error is used to test on the commitment on the stated use of IPO proceeds could detect from the specificity on the stated use of IPO proceeds. The equation of the hypothesis is:

Equation 3

$$\Pr(y = 1|x) = \Phi(x\beta) \text{ where } x\beta = \alpha + \beta D_{SPECIFIC_i} + \gamma X_i + \varepsilon_i$$

Variables	Definition
D _{SPECIFIC}	The dummy variable. The value is 1 if the stated use of IPO as investment purpose is specific. The value is 0 if the stated use of IPO as investment purpose is not specific.

The control variables include Change in Profitability, Change in Investment Opportunity, and Indebtedness as follow:

Variables	Definition
<u>Change in Profitability</u>	
EBIT/A	Earnings before interest and taxes scaled by total assets
Log(S)	Capital expenditure scaled by total assets
<u>Change in Investment Opportunity</u>	
Tobin's Q	Total market value of firm scaled by total asset value of firm
<u>Indebtedness</u>	
D/A	Total debt scaled by total assets

These control variables also used in Baker and Wurgler (2002).

6. Empirical result

Hypothesis I: The firms use proceeds from IPOs in line with their initial plan.

The summary of the descriptive statistic for the commitment to the stated use of IPO proceeds has been shown as the following:

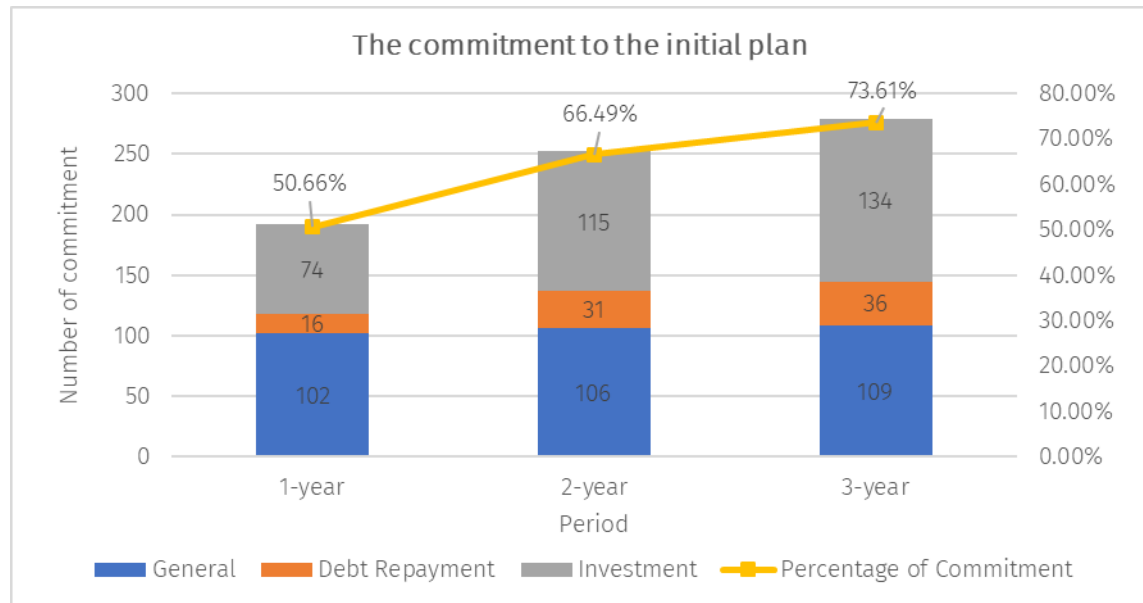


Figure 1: The number of the firms commit to the initial plan (by the purposes)

The data comprises of the firms which went public during the period of 2000 to 2018. This figure reports that most of the firms could be compliant to their initial plan, however, they need time to meet the commitment. The firm with the investment and debt repayment purpose requires up to 3-year period to follow the initial plan, while the firm with the general purpose could maintain their working capital as disclosed in the 1-year period.

Hypothesis II: The firms that do not commit to the stated use of IPO proceeds have worse long-run performance.

The long-run performance OLS regression analysis reported in Table 5 (Appendix) has been shown the relationship between the buy-and-hold abnormal return and the commitment to the stated use of IPO proceeds for all, investment, debt repayment, and general purposes for 1-, 2-, and 3-year period.

For 1-year, the coefficient of the commitment to the stated use of IPO proceeds is positive. This implied that the firms that use proceeds from IPO in line with their initial plan would have a positive impact to the long-run performance and vice versa. However, the firms need time to compliance with their initial plan, up to 3-year period. Therefore, this should focus on the analysis for the further period. As a result, there is no statistical evidence that the commitment to the stated use of IPO proceed effects on the long-run performance for the first year.

For 2-year, the commitment to the stated use of IPO proceed has significantly positive impact to the long-run performance of the following two years for the all and investment purposes, at the 99% and 95% confidence interval, respectively. However, there is no statistical evidence that the commitment to the stated use of IPO proceed effects on the long-run performance for debt repayment and general purposes. As mention in the Hypothesis 1, the firms need to compliance with their initial plan, up to 3-year period.

For 3-year, there is no statistical evidence that the commitment to the stated use of IPO proceed effects on the long-run performance for all, debt repayment, and general purposes. Nevertheless, the commitment to the stated use of IPO proceed has significantly positive impact to the long-run performance of the following three years for the investment purpose, at the 90% confidence interval. To further investigate on the coefficient of the commitment, the firms with the primary of the investment purpose would have a better positive impact to the long-run performance, compared to debt repayment and general purposes. In conclusion, it is good for the firms to follow the initial plan. In conclusion, the commitment to the stated use of IPO proceed with the investment as the primary is positively related to the long-run performance. This is due to the firms might reflect the investment opportunity. In contrast, the commitment to the stated use of IPO proceed for overall, debt repayment, and general purposes does not relate to the long-run performance, this is due to the initial plan might not be value-creating.

Hypothesis III: The firms that do not commit to the stated use of IPO proceeds result from a good market timing.

The probability of commitment on the hot market condition Probit regression analysis reported in Table 6 (Appendix) has been shown the relationship between the probability of commitment and the hot market timing for all, investment, debt repayment, and general purposes for 1-, 2-, and 3-year period.

Based on the analysis, there is no statistical evidence that the hot market timing impact to the probability of the commitment to the stated use of IPO proceed for all, investment, debt repayment, and general purposes for 1-, 2-, and 3-year period. This is due to there were investors to fund the IPO stocks whether the hot market timing or not.

Hypothesis IV: The commitment on the stated use of IPO proceeds could detect from the specificity on the stated use of IPO proceeds.

The probability of commitment on the specificity of IPO disclosure Probit regression analysis reported in Table 7 (Appendix) has been shown the relationship between the probability of commitment and the specificity of the stated use of IPO proceeds for investment purpose for 1-, 2-, and 3-year period.

There is statistical evidence that the specificity of IPO disclosure has a significantly positive impact to the probability of the commitment for 2- and 3-year period, at the 90% and 99% confidence interval, respectively. This implied that the firms that provided the clear explanation in the filing document would have a chance to follow their initial plan.

7. Conclusion

Based on the analysis, the stated use of IPO proceed has an insignificantly positive impact on the long-run performance of the firms that went public. Furthermore, the firms with the primary of the disclosure information as investment purpose have a significantly positive impact to the long-run performance. This reflects that the firms, which acquire property, plant and equipment or investment property, and, purchase the share of other companies, might reflect the investment opportunity for the investors. However, there is no statistical evidence that the stated use of IPO proceed effects on the long-run performance for overall, debt repayment and general purposes. As a result, it is good for the firms to follow their initial plan, but, the initial plan might not be value-creating.

From the analysis of the probability of commitment, there is no statistical evidence that the hot market timing relates to the chance of the firms to follow their initial plan. The hot market condition might not be a good indicator that the firms decide to follow or not to follow their initial plan, the data reflect that the majority of the firms that went public during the period of 2000 – 2018 could follow the plan. Both hot market and non-hot market conditions, there is the investors to fund the equity market and most of the firms use the proceed in line with the disclosure information.

For further investigation of the specificity on the disclosure in the filing document and the probability of the commitment, there is statistical evidence that the firms, which provided the proper detail of the use of IPO proceed as investment purpose, use proceeds from IPOs in line with their initial plan. The firms might provide the disclosure information to the investors from their strategic plan.

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Appendix

Table 1: Initial Public Offerings (IPO) in Thailand

The table represents the initial public offerings (IPOs) in Thailand by listing year and equity market. The equity markets in Thailand comprises of the Stock Exchange of Thailand (SET) and Market for Alternative Investment (mai). IPO data is retrieved from SDC Platinum during the period of 2000 - 2018, excluding the firms in the financial services such as banking and insurance. The data also excludes Real Estate Investment Trust (REIT) and Infrastructure Fund. Furthermore, the sample is manually reconciled with the IPO' filing report from the Securities and Exchange Commission (SEC). The table also provide the IPO data by the stated use of IPO proceeds. The category of the stated use of IPO process is divided into 3 main group: investment, debt repayment and general purposes. The classification is based on the largest portion of the intended use.

Year	Number of IPOs			Number of IPOs by the stated use of IPO proceeds			
	SET	mai	Total	Investment	Debt Repayment	General	Total
2000	-	-	-	-	-	-	-
2001	5	-	5	2	1	1	4
2002	16	2	18	11	2	4	17
2003	17	6	23	16	5	2	23
2004	31	13	44	27	8	9	44
2005	29	13	42	22	9	10	41
2006	11	5	16	5	8	3	16
2007	6	6	12	5	4	3	12
2008	9	3	12	3	3	5	11
2009	4	9	13	5	2	6	13
2010	3	7	10	7	1	2	10
2011	3	7	10	3	1	5	9
2012	7	10	17	8	2	7	17
2013	12	13	25	11	3	11	25
2014	14	19	33	15	7	11	33
2015	18	13	31	18	6	7	31
2016	12	12	24	13	4	5	22
2017	19	17	36	16	5	15	36
2018	8	9	17	5	3	7	15
Total	224	164	388	192	74	113	379

Table 2: Descriptive statistics of long-run performance variables

This table reports the descriptive statistics of the 1-, 2- and 3-year long-run performance for the variables used in Equation 1. The buy-and-hold abnormal return (BHAR), which represents the long-run performance of the stock, is the cumulative returns of holding the stock from the IPO date. The commitment to the stated use of IPO proceed (D_{COMMIT}) is the dummy variable. D_{COMMIT} has shown as 1 if the firms could meet the compliance rate in accordance with the disclosure in the IPO' filing report, and vice versa. As to the remainder. The financial information and the stock detail are obtained from the Thomson Reuters Datastream and financial statements.

The variables for all purposes of the stated use of IPO proceeds:

Variable	Mean	S.D.	5 th pct	25 th pct	50 th pct	75 th pct	95 th pct
BHAR T+1	5.3157	64.42	-53.55	-32.63	-11.12	22.18	117.38
BHAR T+2	7.3705	91.50	-71.09	-46.00	-19.27	31.16	150.12
BHAR T+3	12.3769	103.30	-74.91	-53.25	-21.83	34.26	197.69
D_{COMMIT} T+1	0.5066	0.50	0	0	1	1	1
D_{COMMIT} T+2	0.6621	0.47	0	0	1	1	1
D_{COMMIT} T+3	0.7349	0.44	0	0	1	1	1
WC/A	0.0999	0.24	-0.31	-0.06	0.07	0.25	0.55
LTD/A	0.1252	0.16	0	0.01	0.05	0.21	0.47
CAPEX/A	0.0881	0.10	0.004	0.02	0.05	0.12	0.31
PPE/A	0.3880	0.26	0.02	0.17	0.35	0.59	0.83
MarCap/A	2.8125	8.31	0.33	0.77	1.25	2.30	7.31

Pearson's correlation:

	BHAR			D _{COMMIT}			WC/A	LTD/A	CAPEX/A	PPE/A	MarCap/A
	T+1	T+2	T+3	T+1	T+2	T+3					
BHAR	T+1	1.0000									
	T+2		1.0000								
	T+3			1.0000							
D _{COMMIT}	T+1	0.0810		1.0000							
	T+2		0.1237		1.0000						
	T+3			0.0751		1.0000					
WC/A		-0.0879	-0.0445	0.0060	-0.0112	0.0601	1.0000				
LTD/A		0.0146	0.1036	-0.0374	-0.0325	-0.0634	-0.2472	1.0000			
CAPEX/A		-0.0228	0.0042	-0.0253	0.0451	-0.0216	-0.3584	0.2254	1.0000		
PPE/A		-0.0379	-0.0224	-0.0221	0.0278	-0.0460	-0.5705	0.4504	0.4981	1.0000	
MarCap/A		-0.0328	-0.0144	-0.0213	0.0286	0.0351	0.0249	-0.0915	0.0788	0.0049	1.0000

The variables for investment purpose as the stated use of IPO proceeds:

Variable	Mean	S.D.	5 th pct	25 th pct	50 th pct	75 th pct	95 th pct
BHAR T+1	0.6015	52.71	-51.27	-32.23	-10.03	14.44	103.09
BHAR T+2	0.2825	77.45	-71.85	-49.57	-18.26	25.16	131.68
BHAR T+3	7.9486	85.69	-75.04	-53.81	-19.90	33.11	189.54
D _{COMMIT} T+1	0.3854	0.49	0	0	0	1	1
D _{COMMIT} T+2	0.5914	0.49	0	0	1	1	1
D _{COMMIT} T+3	0.7076	0.46	0	0	1	1	1
WC/A	0.1051	0.24	-0.28	-0.05	0.07	0.25	0.54
LTD/A	0.1366	0.16	0	0.01	0.07	0.22	0.47
CAPEX/A	0.1014	0.12	0.004	0.02	0.06	0.14	0.33
PPE/A	0.4345	0.28	0.03	0.22	0.40	0.64	0.87
MarCap/A	3.7080	11.05	0.41	0.88	1.37	2.44	8.86

The variables for debt repayment purpose as the stated use of IPO proceeds:

Variable	Mean	S.D.	5 th pct	25 th pct	50 th pct	75 th pct	95 th pct
BHAR T+1	7.1857	64.66	-61.50	-33.35	-13.24	31.40	114.98
BHAR T+2	7.9305	83.60	-77.14	-51.69	-18.29	54.39	188.15
BHAR T+3	6.3713	104.35	-81.13	-58.88	-28.68	29.78	169.43
D _{COMMIT} T+1	0.2162	0.41	0	0	0	0	1
D _{COMMIT} T+2	0.4306	0.50	0	0	0	1	1
D _{COMMIT} T+3	0.4697	0.50	0	0	0	1	1
WC/A	0.0058	0.19	-0.36	-0.12	0.02	0.12	0.36
LTD/A	0.1909	0.20	0	0.02	0.13	0.31	0.64
CAPEX/A	0.0979	0.10	0.005	0.03	0.06	0.14	0.33
PPE/A	0.4434	0.25	0.05	0.25	0.48	0.67	0.82
MarCap/A	1.3456	1.27	0.35	0.66	1.00	1.62	3.29

The variables for general purpose as the stated use of IPO proceeds:

Variable	Mean	S.D.	5 th pct	25 th pct	50 th pct	75 th pct	95 th pct
BHAR T+1	12.1013	80.35	-56.73	-29.23	-12.76	24.73	169.77
BHAR T+2	19.4275	115.82	-66.21	-41.43	-20.12	41.85	258.80
BHAR T+3	24.5201	128.69	-72.79	-48.25	-21.41	39.68	319.71
D _{COMMIT} T+1	0.9027	0.30	0	1	1	1	1
D _{COMMIT} T+2	0.9434	0.23	0	1	1	1	1
D _{COMMIT} T+3	0.9684	0.18	0	1	1	1	1
WC/A	0.1526	0.26	-0.30	-0.04	0.14	0.34	0.63
LTD/A	0.0629	0.09	0	0.002	0.03	0.09	0.29
CAPEX/A	0.0592	0.07	0.005	0.01	0.04	0.08	0.19
PPE/A	0.2727	0.22	0.01	0.11	0.21	0.41	0.71
MarCap/A	2.2465	4.48	0.15	0.71	1.36	2.19	6.18

Table 3: Descriptive statistics of probability of commitment and hot market condition variables

This table reports the descriptive statistics of the 1-, 2- and 3-year probability of commitment in connection with hot market condition for the variables used in Equation 2. The probability of the commitment to the stated use of IPO proceed (D_{COMMIT}) would present as 1 for the firms that meet the compliance rate for the use of proceeds, according to the IPO' filing report. The hot market condition (D_{HOT}) is the dummy variable. D_{HOT} has shown as 1 if the firms went public during the condition that the number of the IPO in the past 12-months is greater than 50th percentile, and vice versa. As to the remainder. The financial information and the stock detail are obtained from the Thomson Reuters Datastream and financial statements.

The variables for all purposes of the stated use of IPO proceeds:

Variable	Mean	S.D.	5 th pct	25 th pct	50 th pct	75 th pct	95 th pct
<u>T+1</u>							
D_{COMMIT}	0.5066	0.50	0	0	1	1	1
D_{HOT}	0.5000	0.50	0	0	1	1	1
EBIT/A	-0.0400	0.12	-0.29	-0.07	-0.02	0.02	0.10
Log(S)	0.0935	0.17	-0.09	0.01	0.07	0.14	0.39
Tobin's Q	-1.4430	-1.45	-5.99	-0.78	-0.22	0.24	1.92
D/A	0.1852	0.19	0	0.02	0.14	0.31	0.53
<u>T+2</u>							
D_{COMMIT}	0.6631	0.47	0	0	1	1	1
D_{HOT}	0.5000	0.50	0	0	1	1	1
EBIT/A	-0.0230	0.09	-0.16	-0.05	-0.01	0.02	0.08
Log(S)	0.0478	0.14	-0.14	-0.08	0.05	0.10	0.25
Tobin's Q	0.0583	1.29	-1.59	-0.51	-0.12	0.20	1.67
D/A	0.2105	0.19	0	0.02	0.17	0.37	0.58

Variable	Mean	S.D.	5 th pct	25 th pct	50 th pct	75 th pct	95 th pct
<u>T+3</u>							
D _{COMMIT}	0.7389	0.44	0	0	1	1	1
D _{HOT}	0.5000	0.50	0	0	1	1	1
EBIT/A	-0.0470	0.44	-0.14	-0.05	-0.01	0.01	0.09
Log(S)	0.0360	0.16	-0.18	-0.02	0.04	0.08	0.24
Tobin's Q	-0.0820	1.17	-1.30	-0.33	-0.06	0.13	1.08
D/A	0.2352	0.23	0	0.04	0.21	0.39	0.57



Pearson's correlation:

T+1

	D _{COMMIT}	D _{HOT}	EBIT/A	Log(S)	Tobin's Q	D/A
D _{COMMIT}	1.0000					
D _{HOT}	-0.0343	1.0000				
EBIT/A	0.0601	0.0341	1.0000			
Log(S)	0.0889	0.0488	0.2179	1.0000		
Tobin's Q	-0.0394	-0.0510	0.1821	-0.0696	1.0000	
D/A	0.1601	0.0048	0.2089	0.0887	0.0968	1.0000

T+2

	D _{COMMIT}	D _{HOT}	EBIT/A	Log(S)	Tobin's Q	D/A
D _{COMMIT}	1.0000					
D _{HOT}	-0.0149	1.0000				
EBIT/A	0.0387	0.0480	1.0000			
Log(S)	0.2077	-0.0733	0.3632	1.0000		
Tobin's Q	0.0682	0.0462	0.2976	0.1197	1.0000	
D/A	0.1805	-0.0364	-0.0396	0.0826	0.0056	1.0000

T+3

	D _{COMMIT}	D _{HOT}	EBIT/A	Log(S)	Tobin's Q	D/A
D _{COMMIT}	1.0000					
D _{HOT}	-0.0698	1.0000				
EBIT/A	-0.0452	-0.0524	1.0000			
Log(S)	-0.1174	-0.0706	0.1516	1.0000		
Tobin's Q	-0.0130	-0.0991	-0.1333	-0.0094	1.0000	
D/A	0.1513	0.0051	-0.5146	0.0495	0.0839	1.0000

The variables for investment purpose as the stated use of IPO proceeds:

Variable	Mean	S.D.	5 th pct	25 th pct	50 th pct	75 th pct	95 th pct
<u>T+1</u>							
D _{COMMIT}	0.3854	0.49	0	0	0	1	1
D _{HOT}	0.5260	0.50	0	0	1	1	1
EBIT/A	-0.0540	0.14	-0.35	-0.08	-0.04	0.01	0.09
Log(S)	0.1005	0.18	-0.09	0.01	0.07	0.14	0.40
Tobin's Q	-2.3430	11.00	-8.06	-0.98	-0.31	0.16	1.27
D/A	0.1692	0.17	0	0.01	0.12	0.28	0.52
<u>T+2</u>							
D _{COMMIT}	0.5947	0.49	0	0	1	1	1
D _{HOT}	0.5260	0.50	0	0	1	1	1
EBIT/A	-0.0290	0.09	-0.18	-0.05	-0.01	0.02	0.08
Log(S)	0.0513	0.16	-0.15	-0.002	0.04	0.11	0.29
Tobin's Q	-0.1280	0.86	-1.27	-0.50	-0.18	0.12	1.44
D/A	0.1965	0.19	0	0.01	0.15	0.36	0.55
<u>T+3</u>							
D _{COMMIT}	0.7011	0.46	0	0	1	1	1
D _{HOT}	0.5217	0.50	0	0	1	1	1
EBIT/A	-0.0190	0.09	-0.14	-0.05	-0.01	0.02	0.10
Log(S)	0.0427	0.17	-0.14	-0.02	0.04	0.09	0.24
Tobin's Q	-0.0190	0.83	-1.04	-0.31	-0.05	0.14	1.26
D/A	0.2206	0.19	0	0.03	0.21	0.39	0.57

The variables for debt repayment purpose as the stated use of IPO proceeds:

Variable	Mean	S.D.	5 th pct	25 th pct	50 th pct	75 th pct	95 th pct
<u>T+1</u>							
D _{COMMIT}	0.2162	0.41	0	0	0	0	1
D _{HOT}	0.5676	0.50	0	0	1	1	1
EBIT/A	0.0051	0.07	-0.11	-0.03	0.01	0.03	0.13
Log(S)	0.0787	0.19	-0.11	-0.01	0.06	0.13	0.35
Tobin's Q	-0.1830	1.43	-1.88	-0.67	-0.10	0.31	1.93
D/A	0.2485	0.18	0.001	0.09	0.22	0.43	0.56
<u>T+2</u>							
D _{COMMIT}	0.4189	0.49	0	0	0	1	1
D _{HOT}	0.5676	0.50	0	0	1	1	1
EBIT/A	-0.0230	0.06	-0.14	-0.05	-0.01	0.01	0.07
Log(S)	0.0275	0.12	-0.19	-0.01	0.03	0.08	0.20
Tobin's Q	-0.1490	0.94	-1.77	-0.38	-0.06	0.16	1.52
D/A	0.2769	0.19	0	0.11	0.28	0.42	0.59
<u>T+3</u>							
D _{COMMIT}	0.4857	0.50	0	0	0	1	1
D _{HOT}	0.5714	0.50	0	0	1	1	1
EBIT/A	-0.1560	0.99	-0.23	-0.05	-0.02	0.01	0.05
Log(S)	0.0302	0.19	-0.24	-0.04	0.01	0.07	0.33
Tobin's Q	-0.0770	0.77	-0.85	-0.28	-0.09	0.07	0.55
D/A	0.3119	0.33	0.001	0.10	0.27	0.45	0.66

The variables for general purpose as the stated use of IPO proceeds:

Variable	Mean	S.D.	5 th pct	25 th pct	50 th pct	75 th pct	95 th pct
<u>T+1</u>							
D _{COMMIT}	0.9027	0.30	0	1	1	1	1
D _{HOT}	0.4159	0.50	0	0	0	1	1
EBIT/A	-0.0450	0.10	-0.19	-0.08	-0.02	0.01	0.09
Log(S)	0.0912	0.14	-0.06	0.01	0.08	0.14	0.38
Tobin's Q	-0.7670	4.50	-4.83	-0.65	-0.20	0.35	2.32
D/A	0.1710	0.18	0	0.01	0.12	0.30	0.53
<u>T+2</u>							
D _{COMMIT}	0.9381	0.24	0	1	1	1	1
D _{HOT}	0.4159	0.50	0	0	0	1	1
EBIT/A	-0.0120	0.09	-0.14	-0.05	-0.01	0.03	0.12
Log(S)	0.0551	0.12	-0.12	0.005	0.05	0.11	0.22
Tobin's Q	0.1178	1.91	-1.74	-0.63	-0.06	0.26	2.63
D/A	0.1904	0.19	0	0.01	0.11	0.33	0.57
<u>T+3</u>							
D _{COMMIT}	0.9717	0.17	1	1	1	1	1
D _{HOT}	0.3962	0.49	0	0	0	1	1
EBIT/A	-0.0260	0.11	-0.14	-0.05	-0.02	0.02	0.09
Log(S)	0.0283	0.11	-0.21	-0.01	0.04	0.07	0.19
Tobin's Q	-0.1960	1.76	-2.49	-0.51	-0.07	0.12	0.70
D/A	0.2098	0.19	0	0.01	0.19	0.36	0.53

Table 4: Descriptive statistics of probability of commitment and specificity of the stated use of IPO proceeds variables

This table reports the descriptive statistics of the 1-, 2- and 3-year probability of commitment in connection with the specificity of the stated use of IPO proceeds for the variables used in Equation 3. The probability of the commitment to the stated use of IPO proceed (D_{COMMIT}) would present as 1 for the firms that meet the compliance rate for the use of proceeds as investment purpose, according to the IPO' filling report. The specificity of the stated use of IPO proceeds (D_{SPECIFIC}) is the dummy variable. D_{SPECIFIC} has shown as 1 if the firms provide the disclosure for the investment purpose with the length of a string is greater than 50th percentile, and vice versa. As to the remainder. The financial information and the stock detail are obtained from the Thomson Reuters Datastream and financial statements.

The variables for investment purpose as the stated use of IPO proceeds:

Variable	Mean	S.D.	5 th pct	25 th pct	50 th pct	75 th pct	95 th pct
<u>T+1</u>							
D_{COMMIT}	0.3854	0.49	0	0	0	1	1
D_{SPECIFIC}	0.3900	0.50	0	0	0	1	1
EBIT/A	-0.0540	0.14	-0.35	-0.08	-0.04	0.01	0.09
Log(S)	0.1005	0.18	-0.09	0.01	0.07	0.14	0.40
Tobin's Q	-2.3430	11.00	-8.06	-0.98	-0.31	0.16	1.27
D/A	0.1692	0.17	0	0.01	0.12	0.28	0.52
<u>T+2</u>							
D_{COMMIT}	0.5947	0.49	0	0	1	1	1
D_{SPECIFIC}	0.3900	0.50	0	0	0	1	1
EBIT/A	-0.0290	0.09	-0.18	-0.05	-0.01	0.02	0.08
Log(S)	0.0513	0.16	-0.15	-0.002	0.04	0.11	0.29
Tobin's Q	-0.1280	0.86	-1.27	-0.50	-0.18	0.12	1.44
D/A	0.1965	0.19	0	0.01	0.15	0.36	0.55

Variable	Mean	S.D.	5 th pct	25 th pct	50 th pct	75 th pct	95 th pct
<u>T+3</u>							
D _{COMMIT}	0.7011	0.46	0	0	1	1	1
D _{SPECIFIC}	0.3900	0.50	0	0	0	1	1
EBIT/A	-0.0190	0.09	-0.14	-0.05	-0.01	0.02	0.10
Log(S)	0.0427	0.17	-0.14	-0.02	0.04	0.09	0.24
Tobin's Q	-0.0190	0.83	-1.04	-0.31	-0.05	0.14	1.26
D/A	0.2206	0.19	0	0.03	0.21	0.39	0.57



Pearson's correlation:

T+1

	D _{COMMIT}	D _{SPECIFIC}	EBIT/A	Log(S)	Tobin's Q	D/A
D _{COMMIT}	1.0000					
D _{SPECIFIC}	0.1117	1.0000				
EBIT/A	0.1442	0.0451	1.0000			
Log(S)	0.1316	-0.0366	0.1958	1.0000		
Tobin's Q	-0.0764	-0.1093	0.1982	-0.0281	1.0000	
D/A	0.3310	0.0076	0.2533	0.0974	0.1158	1.0000

T+2

	D _{COMMIT}	D _{SPECIFIC}	EBIT/A	Log(S)	Tobin's Q	D/A
D _{COMMIT}	1.0000					
D _{SPECIFIC}	0.1317	1.0000				
EBIT/A	0.0507	-0.0591	1.0000			
Log(S)	0.2433	-0.0036	0.4557	1.0000		
Tobin's Q	0.0714	-0.0308	0.3072	0.1599	1.0000	
D/A	0.2754	0.0152	-0.0126	0.0914	0.0159	1.0000

T+3

	D _{COMMIT}	D _{SPECIFIC}	EBIT/A	Log(S)	Tobin's Q	D/A
D _{COMMIT}	1.0000					
D _{SPECIFIC}	0.2316	1.0000				
EBIT/A	-0.1277	0.0544	1.0000			
Log(S)	0.1606	0.1143	0.3407	1.0000		
Tobin's Q	0.0287	-0.0320	0.0559	0.0090	1.0000	
D/A	0.2406	-0.0066	-0.0093	0.1017	-0.0756	1.0000

Table 5: The relationship between the IPO long-run performance and the commitment to the stated use of IPO proceeds

The tables report OLS regressions of the buy-and-hold abnormal returns (BHAR) on the commitment to the stated use of IPO proceeds (D_{COMMIT}) and other control variables for all, investment, debt repayment and general purposes in 1-, 2-, 3-year. White robust standard errors are used and shown in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

BHAR	All	Investment	Debt Repayment	General
<u>T+1</u>				
D_{COMMIT}	10.3383 (6.549)	1.5734 (9.611)	19.4682 (17.280)	11.1450 (18.657)
WC/A	-43.0365*** (13.955)	-38.3937** (16.900)	-85.9638* (48.448)	-37.6894 (27.852)
LTD/A	16.8598 (17.483)	44.4404* (25.415)	-13.7028 (35.790)	34.7586 (56.973)
CAPEX/A	-11.0238 (27.554)	-27.8125 (31.460)	53.1096 (56.978)	-60.8654 (100.987)
PPE/A	-33.8357** (16.964)	-3.5640 (15.906)	-110.0880** (43.701)	-52.1053 (54.506)
MarCap/A	-0.1953 (0.244)	-0.2518 (0.173)	4.2594 (5.856)	1.3450** (0.645)
Constants	16.8896* (9.173)	3.2605 (8.5198)	43.9652 (27.274)	20.3721 (22.909)
Observations	378	192	74	112
R-Squared	0.0279	0.0530	0.1382	0.0234

BHAR	All	Investment	Debt Repayment	General
<u>T+2</u>				
D _{COMMIT}	25.3316*** (8.781)	28.9463** (13.685)	1.2328 (18.908)	30.2896 (39.617)
WC/A	-32.2467 (21.763)	-11.7786 (31.007)	-37.1802 (59.435)	-71.9638 (47.278)
LTD/A	87.0692** (33.394)	71.0619* (36.521)	99.1659 (71.136)	114.8824 (137.042)
CAPEX/A	4.9262 (45.680)	-37.5515 (37.198)	72.0786 (124.162)	143.7353 (252.152)
PPE/A	-50.3557** (22.409)	-17.2941 (21.231)	-66.0243 (56.301)	-111.6016 (70.145)
MarCap/A	-0.0435 (0.539)	-0.3877* (0.209)	-4.3282 (6.493)	4.4376*** (1.554)
Constants	1.9986 (11.296)	-12.4469 (13.725)	17.0038 (29.790)	5.8050 (48.076)
Observations	363	186	72	105
R-Squared	0.0389	0.0598	0.0733	0.0584

BHAR	All	Investment	Debt Repayment	General
<u>T+3</u>				
D _{COMMIT}	18.9956 (12.624)	26.0825* (13.295)	-12.3709 (26.114)	-6.0176 (86.527)
WC/A	-20.9061 (29.019)	-28.0042 (34.142)	-72.2750 (91.339)	5.3281 (62.336)
LTD/A	59.7931 (38.589)	84.1888* (48.739)	32.8874 (78.573)	56.3322 (152.925)
CAPEX/A	-0.3243 (58.711)	-44.2220 (52.956)	-69.4942 (86.277)	277.4013 (347.130)
PPE/A	-29.3354 (30.041)	8.6668 (33.884)	-86.9913 (84.955)	-77.8292 (81.778)
MarCap/A	-0.1706 (0.437)	-0.2356 (0.394)	-2.4783 (6.492)	1.4823 (0.927)
Constants	5.2365 (19.781)	-16.7791 (15.530)	54.7740 (54.957)	27.9000 (96.159)
Observations	331	171	66	94
R-Squared	0.0142	0.0635	0.0526	0.0261

Table 6: The relationship between the probability of commitment and hot market timing

The tables report Probit regressions of the probability of commitment (D_{COMMIT}) on the hot market condition (D_{HOT}) and other control variables for all, investment, debt repayment and general purposes in 1-, 2-, 3-year. White robust standard errors are used and shown in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

Nevertheless, there is no Probit regression of D_{COMMIT} on D_{HOT} and other control variables for general purpose in 3-year. This is due to D_{COMMIT} and D_{HOT} are perfectly correlated.

D_{COMMIT}	All	Investment	Debt Repayment	General
<u>T+1</u>				
D_{HOT}	-0.1146 (0.131)	-0.0073 (0.193)	0.0693 (0.364)	0.1076 (0.346)
EBIT/A	0.2479 (0.573)	0.9736 (0.659)	2.1839 (3.354)	1.9053 (1.434)
Log(S)	0.5274 (0.402)	0.5677 (0.624)	0.1373 (0.890)	-1.0327 (1.230)
Tobin's Q	-0.0094 (0.007)	-0.0171** (0.008)	-0.0996 (0.101)	-0.0296 (0.023)
D/A	1.1196*** (0.382)	2.4805*** (0.596)	3.5261*** (1.031)	-0.6382 (0.748)
Constants	-0.1869 (0.128)	-0.7826*** (0.201)	-1.9148*** (0.442)	1.5460*** (0.276)
Observations	378	192	74	112
Pseudo R-Squared	0.0262	0.1058	0.1731	0.0292

D_{COMMIT}	All	Investment	Debt Repayment	General
<u>T+2</u>				
D_{HOT}	0.0087 (0.139)	0.2029 (0.197)	0.3066 (0.337)	-0.5190 (0.369)
EBIT/A	-0.9108 (0.910)	-1.4364 (1.265)	-1.6489 (3.139)	-2.3498 (2.231)
Log(S)	2.3397*** (0.576)	2.7383*** (0.762)	2.1484 (1.758)	2.3183** (1.138)
Tobin's Q	0.0672 (0.051)	0.0839 (0.120)	-0.0508 (0.135)	0.1318 (0.118)
D/A	1.2230*** (0.374)	1.8658*** (0.560)	3.5329*** (0.916)	-1.0074 (0.637)
Constants	0.0653 (0.130)	-0.3715** (0.185)	-1.5033*** (0.394)	1.9313*** (0.289)
Observations	377	190	74	113
Pseudo R-Squared	0.0640	0.1111	0.1984	0.1012
D_{COMMIT}	All	Investment	Debt Repayment	
<u>T+3</u>				
D_{HOT}	-0.1716 (0.147)	0.1012 (0.208)	-0.1214 (0.326)	
EBIT/A	-1.7230** (0.862)	-3.4932*** (1.259)	-1.3649 (1.545)	
Log(S)	1.2744** (0.618)	1.7671** (0.832)	1.4152 (1.034)	
Tobin's Q	-0.0325 (0.053)	0.0963 (0.125)	-0.2350 (0.219)	
D/A	1.0713*** (0.409)	1.6559**** (0.568)	2.2921*** (0.869)	
Constants	0.4161*** (0.138)	0.0213 (0.194)	-0.7668** (0.363)	
Observations	360	184	70	
Pseudo R-Squared	0.0480	0.0967	0.1334	

Table 7: The relationship between the probability of commitment and the specificity of IPO disclosure

The tables report Probit regressions of the probability of commitment (D_{COMMIT}) on the specificity of the stated use of IPO proceeds (D_{SPECIFIC}) and other control variables for investment purpose in 1-, 2-, 3-year. White robust standard errors are used and shown in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

D_{COMMIT}	Investment
<u>T+1</u>	
D_{SPECIFIC}	0.2793 (0.201)
EBIT/A	0.9167 (0.659)
Log(S)	0.6057 (0.612)
Tobin's Q	-0.0155** (0.008)
D/A	2.4792*** (0.610)
Constants	-0.9053*** (0.190)
Observations	192
Pseudo R-Squared	0.1137

D _{COMMIT}	Investment
<u>T+2</u>	
D _{SPECIFIC}	0.3633* (0.203)
EBIT/A	-1.2350 (1.284)
Log(S)	2.6957*** (0.772)
Tobin's Q	0.0968 (0.125)
D/A	1.8682*** (0.562)
Constants	-0.3965** (0.162)
Observations	190
Pseudo R-Squared	0.1199

D _{COMMIT}	Investment
<u>T+3</u>	
D _{SPECIFIC}	0.7124*** (0.225)
EBIT/A	-3.8515*** (1.318)
Log(S)	1.7856** (0.865)
Tobin's Q	0.1264 (0.125)
D/A	1.6456*** (0.171)
Constants	-0.1788 (0.171)
Observations	184
Pseudo R-Squared	0.143

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