The Causes and Consequences of Going Public
Firm-level Evidence From Twelve European Countries
by Federico M. Signoretti

Sînâ T. Ateş

University of Pennsylvania

July 2, 2013

This study ...

- Motivation for IPO and its impact on firm performance
- Extensive data
  - 180,000 private firms, 1993-2004
  - 2000 IPOs with income and balance sheet data
  - 12 countries - allows for country specific characteristics
- Closest work is Pagano, Panetta and Zingales (PPZ, 1998), only Italy

Main results

- Managers time IPO.
- Deleveraging and Diversification for initial owners as the important factors of going public
- Little impact of IPO on production and investment
- IPO firms larger than private firms - adverse selection
  - less pronounced in countries with institutions better in info production

General Comments

1. To consider "hot periods", lagged number of IPOs in a country is used.
   - "hot markets" in specific industries? (Chemmanur&Fulghieri 1999)
2. Information produced is proxied by stock market size
   - This can be measuring other aspects.
3. As an indicator of portfolio diversification, positive effect of risk on IPO probability is proposed.
   - Equity financing might be more important for firms in riskier businesses.
4. Size of divestment by the initial owners?
   - to understand better the portfolio diversification

Suggestions

1. Independent firms vs. Subsidiaries
   - can add further insight on "window of opportunity"
2. Introduction of R&D together with CAPEX
   - Kim&Weisbach (2008) on post-IPO R&D
3. Controlling for the use of VC
   - Further exploration of VC market, IPO timing, etc.