

Examination the Long-Run Performance of Taiwanese Initial Public Offerings

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Abstract

Previous works have documented that the Taiwanese initial public offerings do not have long-run underperformance. This study demonstrates that the failure of existing studies to detect underperformance is attributed to the use of daily data, which leads to the systematic risk being underestimated, and also to the right-skewed distribution of returns. This study employs monthly trimmed return to calculate the buy-and-hold excess return and cumulative abnormal return, and finds a negative three-year abnormal return. Moreover, the calendar-time analyses of one-factor and three-factor models suggest that investors holding Taiwanese IPO shares suffer a 19% loss relative to their benchmark performance of the Taiwan stock market. This study concludes that Taiwanese IPOs suffer long-run underperformance.

Keywords: Initial Public Offerings (IPOs), Long-Run Performance, Event-Time Analysis, Calendar-Time Analysis.