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INITIAL PUBLIC OFFERINGS IN THE TOURISM INDUSTRY: AN INTERNATIONAL ANALYSIS OF TAIWAN

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ABSTRACT

This study investigates the short-run and long-run price performances of tourism-related IPOs that listed on Taiwan's two stock exchanges between 1982 and 2002. Taiwan's tourism industry has seen an increasing number of firms going public in recent years. Results are consistent with other studies that IPOs are generally underpriced. The degree of underpricing is more severe when the stock is purchased at the initial offer price. However, it is still smaller than the overall IPO markets in Taiwan, as well as the tourism IPOs in the U.S. After removal of outliers, the island's tourism IPOs perform poorly one year after IPO relative to the market benchmark, while the overall IPO markets show no abnormal return one year after IPO. Moreover, both the magnitude of short-run underpricing and long-run underperformance exhibit wide variations among the sample firms.

Introduction

There has been huge interest in recent years in the research of the apparent IPO (initial public offering) underpricing phenomenon, or high initial IPO return, in which the first-day traded price is generally above the offer price. Loughran and Ritter (2002) find that the average first-day return can be as high as 14.1 percent after studying nearly 3,000 IPOs during 1990 and 1998. In the heyday of bull markets in the late 1990s, some Internet-related firms' IPOs saw first-day run-ups of 200 to 400 percent. Such "IPO underpricing," as Ritter (2002) claims, has been widely documented in operating companies not only in the U.S., but also in other countries. Only non-operating companies such as closed-end funds or real estate investment trusts (REITs) show no evidence of significant underpricing on the first day after IPO, according to Ritter (2002).

This well-known anomaly casts doubt on the notion of market efficiency. Some researchers have begun to believe that there must be some inefficient market mechanisms causing this kind of anomaly. On the other hand, others researchers believe that such an anomaly is a result of market equilibrium. For example, Ibboston (1975) offers a list of possible explanations for underpricing, and several theories have also been developed to show why IPOs are intentionally underpriced. However, these explanations are generally based upon information asymmetry, agency conflict, share allocation, lawsuit avoidance, and signaling (see, for example, Grinblatt & Hwang, 1989; Chemmanur, 1993; Loughran, Ritter, & Rydqvist, 1994; Ritter, 2002). From the underwriter's point of view, such underpricing is often necessary in order to reduce the cost of marketing the issue and to lure investors to buy the stock.

Most studies on IPOs have concentrated on the characteristics of short-term underpricing. Yet, another controversial facet in IPO research that has similarly attracted and further puzzled academics in recent years is the long-term stock performance after initial public offerings. Based on the argument of market efficiency, post-IPO stock performances should simply reflect the stocks' intrinsic value; the method of valuation should be just like any other non-IPO stocks; and the performances should not exhibit any predictable pattern. However, researchers (see, for example, Ritter, 1991; Loughran & Ritter, 1995; Brav, 2000; Eckbo & Norli, 2001) have found that the long-term stock performances of IPOs tend to be poor, indicating that investors are too optimistic about the prospect of the IPO firms although the magnitude of underperformance is sensitive to procedure and time period employed. Levis (1993) and Page and Reyneke (1997) provide a similar long-run underperformance from the U.K. and Turkey, respectively. IPO underperformance not only extends to other countries, but also to seasoned equity offerings. Several hypotheses have been proposed to explain this anomaly, such as listing timing selection, earnings manipulation, market cycle, or insufficient internal funds to finance future projects (see, for example, Teoh, Welch, & Wong, 1998; Page & Reyneke, 1997).

Ritter (2002) provides a detailed review on the theory and empirical evidence of IPO short-term and long-term activities. However, before we accept these two phenomena as examples of true facts of market inefficiency observed in the IPO markets not only in the U.S. but also overseas, Fama (1998) critically reviews these market anomalies and suggests that the short-term underpricing and long-term underperformance phenomena merit further examination. It is thus clear that there is scope for more studies.

The motivations for focusing on the tourism industry in this paper are twofold. First, it seems that the characteristics of tourism IPOs may be different from those of other industries, and tourism IPOs may be treated and valued separately from others by the underwriters during the underwriting process. Canina (1996) argues that "underwriters may view the primary issue of most hotel and casino stocks as more risky than stocks of new companies generally." Second, we have also observed a growing number of IPO activities in the entire U.S. tourism industry during the 1990s. The average number of tourism-related firms that went public per year almost doubled in the 1990s relative to the 1980s. However, despite the growing number of IPOs in the tourism industry, the analysis of tourism IPOs has still basically gone unnoticed by the academics. Thus, it seems reasonable to re-examine the robustness of the U.S. findings by using data from non-U.S. countries.

Atkinson and LeBruto (1995) examine 14 IPOs in the gaming industry for the period 1992–1993. They support previous findings that IPO investments made at the offer price have returns superior to standard indices, implying that these issues are underpriced. Canina (1996) finds evidence that the magnitude of IPO underpricing is larger for casino-lodging stocks over the 1979–1997 period, compared to restaurant IPOs and the overall IPO markets. This observed phenomenon indicates that when casino-lodging firms' stocks go public, they are underpaid relative to others. She also shows that, similar to other IPO studies, the degree of underpricing is related to the reputation of the underwriter, as well as the business cycle. However, there is some favorable news. The level of

underpricing consistently falls in the sample period possibly due to the increasing familiarity with IPOs in the industry, thereby causing a decline in uncertainty about the industry's future prospects. Moreover, IPOs in the hospitality industry, including restaurants and lodging-casino firms, generally outperform the S&P 500 index by 14.11 percent one year after the issue. The phenomenon of long-term poor performance after an IPO is not found in the hospitality industry.

Except for the two published studies mentioned earlier, the international evidence in this area is poor. As the number of IPOs has increased in Taiwan, there has also been a wave of tourism-related companies choosing to raise their equity capital in Taiwan's stock exchanges since in the 1990s. Traditionally, only big hotels could raise their equity capital in the stock markets, but some large travel agencies and firms in the entertainment theme park segments of the hospitality industry have gradually begun to see the stock market as an attractive source to finance new projects, expand operations, or just start up business. Thus, it is an interesting topic to further investigate if tourism-related firms behave differently from others in the stock IPO markets in Taiwan. Such an understanding should be important for both portfolio managers and investment bankers who wish to invest in this market. This study is, to our knowledge, the first study to examine tourism IPO performances utilizing data from the Asia Pacific region, i.e., Taiwan.

The remainder of this paper proceeds as follows. Section II reviews the listing development of tourism-related firms in Taiwan's two stock exchanges. Section III discusses data and methodology used in the study. Section IV presents the empirical results. Section V summarizes our findings.

Tourism Industry in Taiwan's Stock Exchanges

Taiwan's stock market is the third largest in Asia, and there are two major stock exchanges for traded securities: the Taiwan Stock Exchange (TSE) and the R.O.C. Over-the-Counter Security Exchange (ROSE). The TSE represents the main board, but the trading mechanisms for both exchanges are almost the same except for some differences in listing requirements and margin constraints. As of December 2002, there was a total of 638 companies listed on the TSE with a total market capitalization of NT\$9.09 trillion (US\$268 billion). In 1992, only 256 companies were listed on the TSE with a total market capitalization of NT\$2.55 trillion (US\$75 billion).

Before the establishment of the TSE in 1961, all shares trading were considered over the counter. The OTC was reinstated in 1988 in order to provide small and medium enterprises with a forum for capital raising activities. As of the end of 1992, there were only 11 companies quoted on the ROSE with a total paid-in-capital value of NT\$9.7 billion. However, the growth of the OTC market has been very rapid. The number of listed firms jumped to 384 and the market value increased to NT\$862 billion by the end of 2002.

Table 1 reports firms from the segment of the tourism industry that went public in the TSE or ROSE between 1982 and 2002. During this 20-year period, only 10 firms met our criteria, of which five firms chose to list on the TSE and the other five firms chose to

list on the ROSE. These listed firms come from almost every segment of the tourism industry. Although most of the listed firms are still concentrated in the hotel industry (six firms), other segments of the tourism industry (four firms) have also come out in recent years. Three tourism-related firms with a listing day earlier than 1982 are therefore dropped. One restaurant company with a listing day after December 31, 2002, is also omitted due to insufficient trading dates to measure its long-term IPO performance.¹ Although the sample size is too small to draw a conclusive statistical inference, our results still provide some important emerging market evidence in the study of tourism and hospitality stock IPOs

Table 1
IPO of the tourism industry in Taiwan

Firm Name	Type	Listing Date	IPO Size (in thousands of NT\$)	Offer Price (NT\$)
Listed on the TSE				
Ambassador Hotel	Hotel	11/10/1982	1,300,515	10.00
Leofoo Development	Hotel and Amusement Park	12/24/1988	205,920	33.00
First Hotel	Hotel	06/25/1991	343,200	66.00
Formosa International Hotel	Hotel	03/09/1998	1,118,775	42.62
Holiday Entertainment	Karaoke Pub	11/30/2000	323,900	39.50
Listed on the ROSE				
Janfusun Fancy World	Theme Park	03/12/1998	215,000	43.20
Tung Ho Development	Health Club	12/23/1998	274,170	65.00
Ritz Landis Hotel	Hotel	06/15/1999	149,400	30.00
Royal Chihpen Hotel	Hotel	12/21/1999	104,130	26.00
Phoenix Tours	Travel Agency	11/30/2001	22,113	13.00

As mentioned earlier, many firms in the non-hotel segment of the tourism industry have rushed to the stock exchanges for capital in recent years. Holiday Entertainment is a good example. The company is a very famous karaoke pub with many branches, not only

¹ New Palace is in the restaurant business and listed its stock on the ROSE on January 17, 2003. It is also the first firm in the restaurant business to choose to raise equity in an organized exchange in Taiwan.

in Taiwan, but also in other countries. The company usually relies heavily on internal equity with relatively less debt for financing, but its stock went public in November 2000. Janfusun Fancy World, an entertainment theme park, is also the first firm of its kind that went to the stock exchange for the selling of its shares. Phoenix Tours is also the first travel agency that has ever listed equity shares either on the TSE or the ROSE. Tung Ho Development's main business includes operating health clubs in some major cities, as well as sporting clubs and country clubs in rural areas. The company is part of the Uni-President Group, which is one of the largest business conglomerates in Taiwan.

We observe that the late 1990s was a booming period for tourism IPOs; 7 out of 10 IPOs of our sample went public after 1998.² We believe this trend could be partly attributed to the expansion and growth during the bull markets of the same period. However, there is no doubt that in the future more firms from various segments of the tourism industry will select an organized stock exchange for funding and liquidity. Canina (1996) finds that the average size of tourism-company IPOs is less than the average size of the overall market. In our sample, we can only argue that the size of the IPOs varies across the sample from the lowest of NT \$22 million for Phoenix Tours to the largest of NT \$1.3 billion for Ambassador Hotel.

Data and Research Design

This paper employs data for 10 tourism firms that went IPO on the TSE or ROSE between 1982 to 2002. The post-IPO price and return data used in this study are obtained from the *Taiwan Economic Journal*, which is a local data vendor, and the AREMOS database provided by the TaiwanEconomicData Center. IPO information, such as offer price, number of shares issued, and listing date, is retrieved from the prospectus of each issue and is double checked from data provided on the Websites of the TSE and the ROSE.

The objective of this study is to investigate the short-term and long-term return performance of tourism-related IPOs. Thus, we use three measures of stock returns and also three intervals in this study: first-day IPO initial return, short-term (up to eight-week post-IPO) holding-period returns, and long-term (one-year post-IPO) market-adjusted abnormal returns. The first two measures are intended to evaluate the short-term price behavior, and the last one examines the long-term performance. The first-day initial return $IniR_i$ is defined as:

$$IniR_i = \frac{P_{i1}}{P_{i0}} - 1, \quad (1)$$

where P_{i1} the closing price on the first trading day of IPO i and P_{i0} is the offer price of IPO i .

Following Atkinson and LeBruto (1995), we also calculate the initial return for each of the 10 firms if the investor cannot buy the stock at the offer price and has to wait until

² Canina (1996) documents that tourism IPOs have experienced hot and cold cycles in which the number of issues varies substantially across different time periods.

the end of the first trading day. This allows us to compare the investment made at the offer price since both of the holding periods are the same. In this case, the first-day return $R_{i,1}$ based on the closing price is:

$$R_{i,1} = \frac{P_{i,2}}{P_{i,1}} - 1, \quad (2)$$

where $P_{i,1}$ and $P_{i,2}$ are the closing prices on the first and second trading day of IPO i , respectively. Note that in Taiwan the daily price limit of five percent was relaxed to seven percent after October 1989. It is not unusual for an IPO share to have continuous limit-price moves due to the daily price limit and severe underpricing.³ If this is the case, then both initial returns from Equations 1 and 2 would be equal, and it would be impossible to tell the difference between the price behavior of tourism-related IPOs and non-tourism-related IPOs. For this reason, we next compute the short-term holding-period return up to a holding period of 1, 2, 4, and 8 weeks after the IPO.

If an investor can buy stock in the individual firm at the offer price, then the holding-period return for IPO firm i is calculated as:

$$HPR_{i,t} = (1 + R_{i,1})(1 + R_{i,2}) \dots (1 + R_{i,n}) - 1, \quad (3)$$

where $R_{i,t}$ is the daily return and defined as $\frac{P_{i,t+1} - P_{i,t}}{P_{i,t}}$, $t = 1 \dots n$, and $P_{i,t}$ is the closing price for IPO i on day t . Similarly, if the investor waits until the end of the first day to buy the stock at the closing price, then the holding-period return for IPO i , excluding the initial return, is calculated as:

$$HPR_{i,t} = (1 + R_{i,1})(1 + R_{i,2}) \dots (1 + R_{i,n}) - 1. \quad (4)$$

The average return and standard deviation for the group as a whole for each time period are computed as well. We then calculate the reward ratio, which is defined by dividing the average return by the standard deviation. This ratio shows the amount of return (mean return) from one unit of variability (standard deviation) from this group of stocks during a particular time period.

To examine the long-term post-IPO price behavior, we calculate the market-adjusted (excess) returns in which the one-year post-IPO daily holding-period return is subtracted by the daily holding-period return in the benchmark portfolio of the same duration. Mathematically, it can be described as:

³ Huang (1999) estimates that in Taiwan the average length between the listing day and the first non-limit trading day is about 9.5 days, ranging from 1 to 53 with a median of 7.5.

$$MAR_i = [\prod_{t=1}^T (R_{i,t} + 1) - 1] - [\prod_{t=1}^T (R_{i,t}^M + 1) - 1], \quad (5)$$

where MAR_i is the one-year post-IPO market adjusted return of *IPO i* and $R_{i,t}^M$ is the corresponding market benchmark return, which is proxied by the Taiwan Weighted Stock Index return on day t . The index is a capitalization-weighted index compiled by the TSE and includes all listed stocks in the Exchange and is the most commonly-used market index. Equation 5 measures the one-year holding-period excess return where the IPO share is purchased at the first-day closing market price.⁴ Clearly, an MAR_i greater than zero indicates that the IPO stock outperforms the corresponding market return; an MAR_i less than zero shows that the IPO stock underperforms the corresponding benchmark return.

Empirical Results

Table 2 reports the results for the first-day returns for each of the 10 firms and as a whole group as well. The numbers in the second and third columns show that the new issues are bought at the offer and first-day closing prices, respectively. It is clear that first-day underpricing is much more evident if investors can purchase at the offer price rather than at the closing price. The average return for the 10 tourism firms in our sample based on the offer price is 2.68 percent. However, if based on the first-day closing price, then the average return is only 1.07 percent. The return range based on the offer price also shows a smaller variability, resulting in a much higher reward ratio of 0.58.

⁴ Therefore, the first-day initial return based on the offer price is excluded.

Table 2
First-day initial return (%)

Firm Name	Based on Offer Price	Based on First-Day Closing Price
Listed on the TSE		
Ambassador Hotel	3.00	-0.49
Leofoo Development	4.85	4.91
First Hotel	6.82	6.38
Formosa International Hotel	7.00	-3.07
Holiday Entertainment	1.27	-3.50
Listed on the ROSE		
Janfusun Fancy World	6.48	6.96
Tung Ho Development	6.92	6.47
Ritz Landis Hotel	-5.67	6.71
Royal Chihpen Hotel	0.00	-6.92
Phoenix Tours	-3.85	-6.80
Average Return	2.68	1.07
Minimum	-5.67	-6.92
Maximum	7.00	6.96
Standard Deviation	4.65	5.82
Reward Ratio	0.58	0.18

The magnitude of underpricing for these 10 tourism firms in Taiwan is much less than their counterparts in the U.S. Canina (1996) reports a first-day return of 16.32 percent for 143 hospitality firms from 1979 to 1994 in the U.S. However, we note that in Taiwan, there is a one-day price limit of seven percent both for the TSE and the ROSE after October 1989.⁵ Hence, we are not surprised to find a much smaller number. Our findings basically support that the IPO stocks in the tourism industry are underpriced, but they should be made based on the offer price, not the first-day closing price.

Although first-day underpricing in the tourism IPO is clear, the degree of underpricing is smaller than the first-day return of the overall Taiwan IPO market. Huang (1999) examines Taiwan's IPO markets from 1971 to 1995 and finds that the average numbers of trading days from the listing day to the first non-limit trading day is 9.5, indicating that

⁵ Before October 1989, the daily price limit was five percent.

most IPO stocks have continuous price jumps of seven percent (or five percent before October 1989) until the 10th trading day after IPOs. In our sample, the first-day closing price of only one firm, Formosa International Hotel, reached the seven percent price limit. The first-day closing prices of two firms, Ritz Landis Hotel and Phoenix Tours, fell below their offer prices. It seems that the market response to the first travel agency to list on the ROSE was not so positive. Moreover, the first-day closing price of Royal Chihpen Hotel is equal to its offer price. It is therefore an interesting topic to answer the question of whether the smaller degree of underpricing in tourism IPOs indicates less information asymmetry.⁶ Firms in the tourism industry, especially in the hotel segment, are generally characterized by stable cash flows, and none of the listed hotel firms in Taiwan has ever been delisted from an exchange due to financial problems. Further research may help clarify this issue.

Tables 3 and 4 examine the returns based on longer time frames assuming the new issues are bought at the offer price and first-day closing price, respectively. After holding the IPO stocks for 1, 2, and 8 weeks, there are four individual investments with negative returns, regardless of whether they are bought at the offer or the first-day closing price. The average eight-week return is 36.60 percent with a reward ratio of 0.33 if based on the offer price. However, the range of returns in the tourism industry is dramatic. Leofoo Development shows the most astonishing price performance, and its eight-week holding-period return is as high as 339.39 percent and 319.08 percent if purchased at the offer and the first-day closing price, respectively. The company's offer price was NT\$33, but two months later its closing price was NT\$112 on February 24, 1989. Even after treating this firm as an outlier and omitting it from the calculation, the average eight-week return for the remaining nine firms is still a positive 2.96 percent. The same number falls to 0.10 percent if the investments are made at the first day's closing price. Again, the returns seem to imply that most IPOs are more underpriced at the offer price, which support past studies in this field.

⁶ Baron (1982), Rock (1986), and Beatty and Ritter (1986) propose that the asymmetrical information problem may be a factor forcing underwriters to deliberately underprice IPOs.

Table 3
After-IPO holding period return (%) based on offer price

Firm Name	1-week close	2-week close	4-week close	8-week close
Listed on the TSE				
Ambassador Hotel	-8.00	-12.00	-22.00	-19.00
Leofoo Development	22.73	59.09	72.73	339.39
First Hotel	56.82	67.42	51.52	6.82
Formosa International Hotel	-2.63	-0.99	0.19	-6.62
Holiday Entertainment	-13.16	-13.42	-12.91	3.29
Listed on the ROSE				
Janfusun Fancy World	34.26	41.20	58.56	57.41
Tung Ho Development	25.38	16.15	16.92	21.54
Ritz Landis Hotel	0.00	-3.67	-4.67	-18.33
Royal Chihpen Hotel	-13.08	-20.38	-11.54	-3.85
Phoenix Tours	-15.38	-9.23	-17.69	-14.62
Average Return	8.69	12.42	13.11	36.60
Minimum	-15.38	-20.38	-22.00	-19.00
Maximum	56.82	67.42	72.73	339.39
Standard Deviation	24.63	32.13	35.05	108.82
Reward Ratio	0.35	0.39	0.37	0.33

Table 4
After-IPO holding period return (%) based on first-day closing price

Firm Name	1-week close	2-week close	4-week close	8-week close
Listed on the TSE				
Ambassador Hotel	-10.68	-14.56	-24.27	-21.36
Leofoo Development	17.05	51.73	64.74	319.08
First Hotel	46.81	56.74	41.84	0.00
Formosa International Hotel	-8.99	-7.46	-6.36	-12.72
Holiday Entertainment	-14.25	-14.50	-14.00	2.00
Listed on the ROSE				
Janfusun Fancy World	26.09	32.61	48.91	47.83
Tung Ho Development	17.27	8.63	9.35	13.67
Ritz Landis Hotel	6.01	2.12	1.06	-13.43
Royal Chihpen Hotel	-13.08	-20.38	-11.54	-3.85
Phoenix Tours	-12.00	-5.60	-14.40	-11.20
Average Return	5.42	8.93	9.53	32.00
Minimum	-14.25	-20.38	-24.27	-21.36
Maximum	46.81	56.74	64.74	319.08
Standard Deviation	20.86	28.21	31.06	102.73
Reward Ratio	0.26	0.37	0.31	0.31

In order to further examine the long-term post-IPO performance, Table 5 reports the one-year holding-period return, corresponding market-portfolio return, and market-adjusted return following IPOs based on Equation 5.⁷ The average one-year market adjusted return is 265.13 percent with a minimum of -60.43 percent and a maximum of 429.02 percent. Leofoo Development still outperforms the other companies one year after its IPO with a market price of NT\$215 on December 26, 1989. However, if we again remove this outlier, the average one-year market-adjusted return for the others changes to -18.63 percent. It seems that the Taiwan's stock markets do not efficiently price tourism IPOs in the one-year period. We find evidence to support the suggestion that tourism

⁷ In table 5 we do not perform the usual statistical significance test due to the small number of samples.

IPOs in Taiwan perform poorly in the long run relative to the general market, although the results display a very large variation for each sample firm.

Table 5
1-year holding period return (%), 1-year market portfolio return (%), and 1-year market adjusted return (%) following the IPOs

Firm Name	1-Year Holding Period Return	1-Year Market Portfolio Return	1-Year Market Adjusted Return
Listed on the TSE			
Ambassador Hotel	0.97	50.70	-49.73
Leofoo Development	480.92	51.90	429.02
First Hotel	15.60	-25.18	40.78
Formosa International Hotel	-59.65	-29.35	-30.30
Holiday Entertainment	-61.25	-18.98	-42.27
Listed on the ROSE			
Janfusun Fancy World	-25.22	-30.99	5.77
Tung Ho Development	-43.60	16.83	-60.43
Ritz Landis Hotel	-24.03	6.53	-30.56
Royal Chihpen Hotel	-24.62	-42.92	18.30
Phoenix Tours	-19.20	0.03	-19.23
Average Return	23.99	-2.14	26.13
Minimum	-61.25	-42.92	429.02
Maximum	480.92	51.90	-60.43
Standard Deviation	162.33	33.67	
Reward Ratio	0.15	-0.64	

These results are contrary to those found by Ku (2003) who documents that after the end of short-term abnormal price performance, there is no abnormal long-run behavior for the overall IPO markets between 1989 and 1999 in Taiwan. Huang (1999) also finds that in Taiwan there is no significant cumulative abnormal return for IPO stocks between 1971 and 1995 when the performances are estimated by the market model. Similarly, Canina (1996) also argues that the poor long-run performance in hospitality IPOs is not quite evident in the U.S. The average 250-day (one-year) holding-period return of hospitality IPOs is 14.11 percent, which is even better than the S&P return over the 1979–1994 period.

Conclusions

This paper studies the short-run and long-run share performance of initial public offerings in Taiwan's tourism industry during the period from 1982 to 2002 and compares the results to the overall IPO markets in Taiwan, the tourism IPOs in the U.S., and the overall IPO markets in the U.S. as well. The purpose is to further examine if the special characteristics embedded in tourism IPOs make underwriters and investors price the tourism IPOs differently from the manufacturing or service industries that are listed on the two stock exchanges in Taiwan. We believe that the results and comparisons are useful to both entrepreneurs and general investors as well.

We have witnessed a wave of tourism firms rushing to list their stocks on the two organized stock exchanges in Taiwan over the past few years. These newly-listed firms come from almost every segment of the tourism industry. Our empirical results exhibit short-run price underperformance in tourism IPOs similar to those reported in the other industry segments of IPOs. However, the underpricing shows a wide degree of variation and is more severe when the IPOs are purchased at the initial-offer price, and the magnitude is also smaller than the overall IPO markets in Taiwan. Comparing our results to similar studies in the U.S., the degree of underpricing in Taiwan's tourism IPOs is smaller as well. We believe that the difference can be partly attributed to the particular industrial characteristics of tourism firms relative to the other firms, as well as to the unique trading mechanism in Taiwan. We intend to leave this doubt to future research.

We also find that the subsequent long-run performance of tourism IPOs is quite poor. Although such IPO underperformance has been widely documented and appears to be internationally pervasive, this phenomenon is not consistent with the overall post-IPO performances usually observed in Taiwan's stock markets. It is suggested that perhaps further research may help clarify the determinants of why tourism IPOs exhibit a different price pattern in the long run.

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