

Let us work together: The impact of customer strategic alliance on IPO discount and post-IPO performance

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Introduction :

We hypothesize that customer strategic alliance relationships (CSA) lower the IPO discount. But simply having a strategic alliance experience in pre-IPO, without giving any details on the credibility of the relationship, may not be sufficient to overcome value uncertainty in the IPO pricing, that is, the CSA only works when such alliance is genuine and credible.

Hypotheses :

H1: When an IPO firm has CSA relationships, its IPO discount is less than that without such relationship.

H2: When an IPO firm has unrelated-party customers, the impact of its CSAs on its IPO discount is greater.

H3: The impact of CSAs on the IPO discount is most helpful for IPO firms with a high quality information environment.

Results :

1. when an IPO firm voluntarily disclosed CSA, its IPO discount is less than those without the disclosure.
2. the impact of CSA disclosure remains intact only on IPO firms without related-party customers (the CSA relationship is genuine) and in the high quality information sub-samples (the CSA relationship is credible).
3. IPO firms with CSA exhibit significant better buy-and hold abnormal return and higher operational efficiency.

Sample :

2007-2015 Chinese IPO firms; CSAs information are hand collected from IPO prospectus. 1379 IPOs in the final sample, 37.1% of them have CSA.

Contribution :

We contribute to the literature of IPO discount, voluntary disclosure information, and strategic alliance. We also complement the literature on the positive impact of strategic alliance on seasoned firm.