

Is There Information Production in Auctioned IPOs with Uniform Price?

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Abstract

Despite theoretical works on information production in IPO pricing, empirical evidence is sparse and mixed due largely to the difficulty in accessing detailed bidding data. The extant limited evidence mainly focuses on the method of bookbuilding or auctions with discriminatory pricing, and as a result, little is known on information production (if any) in other IPO methods. Using a large proprietary IPO bidding dataset from China, we examine whether there is information production in auctioned IPOs in which uniform price applies and the underwriter has no allocation discretion. We find that investors bid in IPOs in a way broadly consistent with the information production hypothesis that argues bidders possess and reveal information in IPO pricing. Importantly, the results are robust to controlling for a bidder's relationship with the underwriter.

Keywords: IPO; uniform price; allocation discretion; auction; information production.