Post-IPO Operating Performance of Venture and Non Venture-Backed Companies in Malaysia

Thesis Submitted to the Postgraduate Studies Othman Yeop Abdullah Graduate School of Business
In Partial Fulfillment of the Requirement for the Degree

Of

Master of Science in Finance
University Utara Malaysia

By

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ABSTRACT

This study examines the changes in post-operating performance of venture-backed and non-venture IPO companies. Moreover, this study also expects to investigate the effect of venture capitalist and pre-IPO characteristics on post-IPO operating performance. The tests are conducted on a sample of 112 companies going public during 2002 to 2008 on MESDAQ market of Bursa Malaysia. Out of 112 IPOs, 22 were venture-backed and 90 were non-venture backed IPO companies.

A significant decline in operating performance subsequent to the initial public offering (IPO) is found. The evidence shows declining performance in the IPO year and up to three years following IPOs relative to the pre-IPO period. In contrast with the previous studies, the result reports that venture-backed IPO do not generate superior post-IPO performance to non-venture backed IPOs in Malaysia evidence. Additionally, there is a significant positive relation between post-IPO operating performance and changes in VC ownership, initial return, company age and company size and also significant negative relation between post-IPO operating performances with market capitalization. However no relation between post-IPO operating performance with VC dummy and company size of offering.

Keywords: Venture Capital, Operating performance, IPO, Malaysia.
ABSTRAK

Kajian ini mengkaji perubahan dalam prestasi operasi syarikat IPO yang disokong oleh pemodal teroka dan syarikat yang tidak disokong oleh pemodal teroka. Selain itu, kajian ini juga menjangkakan untuk menyiaskan kesan pemodal teroka dan ciri-ciri sebelum penerbitan IPO kepada prestasi operasi selepas IPO. Ujian dijalankan kepada sampel 112 syarikat yang menerbitkan IPO pada tahun 2002 hingga 2008 di pasaran MESDAQ Bursa Malaysia. Daripada 112 syarikat IPO, 22 adalah syarikat IPO yang disokong oleh pemodal teroka dan 90 syarikat IPO tanpa sokongan pemodal teroka.

Kajian ini menunjukkan adanya penurunan yang signifikan dalam prestasi operasi selepas IPO. Bukti menunjukkan prestasi yang menurun di tahun IPO sehingga tiga tahun selepas IPO berbanding dengan tempoh sebelum IPO (pra-IPO). Berbeza dengan kajian sebelumnya, hasil menunjukan bahawa syarikat Malaysia yang disokong oleh pemodal teroka tidak lebih unggul menjana prestasi operasi berbanding dengan syarikat tanpa sokongan pemodal teroka. Selain itu, terdapat hubungan positif yang signifikan antara prestasi operasi selepas IPO dengan perubahhan dalam pemilikan modal teroka, pulangan awal, usia syarikat, saiz syarikat dan juga adanya hubungan negatif yang signifikan antara prestasi operasi selepas IPO dengan permodalan pasaran. Walaubagaimanapun tidak ada hubungan antara prestasi operasi selepas IPO dengan proksi modal teroka dan saiz terbitan syarikat.

Katakunci: Pemodal teroka, Prestasi Operasi, Penyenaraian, Malaysia.
ACKNOWLEDGEMENT

In the name of Allah the most Gracious and the Most Merciful, Peace and blessings of Allah be upon Prophet Muhammad. All my effort depends for His sustenance and guidance, for bestowing on me the great strength, patience, and courage to complete this thesis.

I would like to express my sincerely gratitude to my supervisor, Dr. Nurwati Ashikkin binti Ahmad Zaluki who initially introduced me to such an interesting area of the study. Many thanks for being patient while reading drafts of my thesis and giving me constructive comments which were valuable to improve my research skill. I am very appreciate for her knowledgeable supervision. Not forgetting, Dr. Rokiah binti Ishak as my examiner for giving me precious advices.

Very special gratitude is addressed to my family. My mother, Trihastuti for her love, support, and pray. My father, Alm. Siswandi who always become my inspiration. I also thank to my sister, Raras and Arum for the happiness. I am so grateful to them who raised me to have a faith, confidence and power in myself. With love, I dedicate this work to you all.

Last but not least, thanks to all those friends who participated directly or indirectly in completing this thesis. Thanks again for their love and encouragement. May Allah SWT bless us. Amin.
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CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Company performance is widely recognized as an indicator of management performance and a key for investment decisions (Mokhtar, Naser, and Karbhari, 2004). In the management perspective, company performance is used as a measurement to reflect management effectiveness and efficiency. Maintaining the sustainability of company performance is one of the critical things for the management to create investor confidence. Some previous studies (e.g. Jain and Kini, 1995; Coeakley, Hadass, and Wood, 2004; Siang, 2009) relate venture capital (VC) as one of the factors that could improve company performance. It is a well-known economic fact that venture capital significantly contributes to the success of start-up companies and to long-term economic growth.

In the Malaysian market, the number of IPO issuance increases in 2002. Based on the information available on Bursa Malaysia website as shown in Table 1.1, The Kuala Lumpur Composite Index (KLCI) has improved a lot since 2002 after the financial crisis. In 2002, KLCI increased from 646.32 points to 1445.03 points in 2007 as the highest index that has been recorded since 1990s. The total number of IPOs also increases from 20 new issues reported in 2001 to 51 new issues in 2002. After the 1997/1998 financial crisis that had given impact to Malaysian economy, the market stability and confidence took place in 2002.
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REFERENCES


