

# Early IPO Database Documentation

## Summary

This Initial Public Offering (“IPO”) dataset was created by Paul Gompers and Josh Lerner (both at the Harvard Business School) for a large, out-of-sample investigation of IPO underperformance.<sup>1</sup>

Information was gathered on the universe of firm-commitment IPOs in the United States from 1935 to 1972. Their returns were measured for up to five years after listing. The total number of companies in the sample is 4,320.

To compile this information, Gompers & Lerner hand-collected over one hundred and fifty thousand observations from such publications as the *Bank and Quotation Record*, the *S&P Dividend Guide*, and the various *Moody’s* manuals.

## Data Description

For each IPO, Gompers and Lerner sought to compute the five-year **calendar** and **anniversary** return. For each IPO, they compute the five-year calendar and anniversary return. To do so, they needed to obtain eleven stock prices. These included the stock price immediately after the offering, on the five anniversaries of the offering, and at the end of the five Decembers after the offering.

The primary source of this information was the *Bank and Quotation Record*, a specialized publication of the *Commercial and Financial Chronicle*.<sup>2</sup> This monthly periodical reports the prices of a wide array of securities at the close of the previous month. The *Bank and Quotation Record* also indicates stock splits, name changes, and delistings, but its coverage does not appear to be comprehensive.

The use of the *Bank and Quotation Record* poses a variety of issues. First, not all securities appear in the listing immediately after their reported IPO date. They treat the first observation as the price immediately after the IPO, as long as it appears within twelve months of the reported IPO

---

<sup>1</sup> Gompers, Paul and Josh Lerner, “The Really Long-Run Performance of Initial Public Offerings: The Pre-NASDAQ Evidence”, *The Journal of Finance*, August 2003

<sup>2</sup>This was the same source used by Jarrell (1981) and Simon (1989) who examined the returns of IPOs and seasoned offerings between 1926 and 1940. In each case, the sample consisted of less than 100 IPOs. This source was also used for at least three studies of returns during the 1960s. Ibbotson (1975) examined returns from 120 IPOs between 1960 and 1969. Logue (1973) examined the returns of 250 IPOs issued between 1965 and 1969. McDonald and Fisher (1972) examined 142 IPOs issued in 1969. This may have also been the source of the data used by Stigler (1964), who examines the wealth relatives of several hundred IPOs (but does not compute traditional risk-adjusted returns).

date. (If it does not appear within twelve months, they do not include the IPO in the sample, as discussed above.) In some cases, a stock price does not appear on a given anniversary month or in the month of December but does so in the month immediately before and after the offering. In this case, they use the average of the two prices. Occasionally, a company will disappear for an extended period (e.g., one year) and then reappear. In the case of absences of longer than three months, they check with the *Wall Street Journal Index* and *Moody's* guides to insure that this is not a new firm using the same name as an acquired or delisted firm.

Due to the poor coverage of stock splits and delistings by the *Bank and Quotation Record*, as well as its failure to record dividends, they supplement its information with the *Standard & Poors' Dividend Record*. They record from this volume all cash or stock dividends paid by the firm through its fifth anniversary. This compilation also has a much more comprehensive coverage of name changes, acquisitions, stock splits, and so forth.

Finally, for some of the firms that went public in our sample in 1968 and thereafter, they were able to obtain some returns data for the final observations from the tapes of the Center for Research in Securities Prices (CRSP).

**Description of Variables**

Variable Name	Description
id	Company identification number
name	Name of company
bookval	Book value of company
numshs	Number of shares of common stock outstanding after the IPO (or at the first period after the offering where this information could be ascertained from Moody's)
date	Date of the IPO
ipoyear	IPO Year
ipomo	IPO Month
price	IPO Price per share
mktval	Market Value at IPO  <i>Product of the number of shares of common stock outstanding after the IPO (or at the first period after the offering where this information could be ascertained from Moody's) and the first price observation of the common stock in the Bank and Quotation Record after the IPO.</i>
btm	Book-to-Market Ratio
szidx	Size Index, 5 quintiles based on market capitalization at the beginning of month as created by Davis, Fama, and French (2000)  <i>To get size breakpoints, firms are grouped based on market capitalization at the beginning of a particular trading month. Davis, Fama, and French allocate an equal number of NYSE stocks to one of five size quintiles.</i>
btmidx	BTM Index, 5 quintiles based on BTM each June  <i>Each June the ratio of book equity to market equity is calculated for each firm on the NYSE. An equal number of firms is allocated to one of five book-to-market quintiles.</i>

szbtmidx	<p>Size and Book to Market portfolio (25 buckets)</p> <p>The annual book-to-market breakpoints are then intersected with the size breakpoints to create twenty-five size and book-to-market portfolios.</p>
ar#	<p>Annual Anniversary Return in Year # after IPO.</p> <p>Years 1 through 6</p>
calret#	<p>Annual Calendar-time Return in Calendar Year # after IPO.</p> <p>Calendar-time Return is calculated from the end of December (following the year of the IPO) to the following December. Years 1 through 4</p>
mret#_ann	<p>Annual Market Return in IPO Anniversary Year #</p> <p>The market return is based on the CRSP value-weighted index.</p> <p>Years 1 through 6</p>
bret#_ann	<p>Annual Benchmark return in IPO Anniversary Year # based on the SZBTMIDX portfolio.</p> <p>Benchmark is based on the same size and book-to-market ratio as the company. Years 1 through 6</p>
mret#_cal	<p>Annual Market Return in Calendar Year #</p> <p>The market return is based on the CRSP value-weighted index.</p> <p>Years 1 through 4</p>
bret#_cal	<p>Annual Benchmark return in Calendar Year # based on SZBTMIDX portfolio.</p> <p>Benchmark is based on the same size and book-to-market ratio as the IPO. Years 1 through 4</p>