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The influence of "offer for sale" by existing shareholders on investors' reaction in the IPO immediate aftermarket

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Abstract: This study investigates the influence of "offer for sale" by existing shareholders on investors' reaction in the IPO immediate aftermarket. The "offer for sale" is measured by the proportion of shares offered to public from the sale of the existing shareholdings prior to IPO against the total number of shares offered during IPO. The "offer for sale" activity suggests that proceed from the shares sold at an IPO would go into the pocket of the existing shareholders. That is, the proceed does not actually meet the primary goals of the IPO to raise funds for business expansion. IPO firms that go public mainly through "offer for sale" activity are expected to receive less demand during IPO from potential investors as the investors are less optimistic in firms which their shares are offered mostly through "offer for sale" activity relative to firms which their shares are newly issued. Thus, firms which their shares are offered through "offer for sale" activity are predicted to produce poor initial aftermarket return and trading. Using a final sample of 419 Malaysian IPOs issued from January 2000 to December 2015, regression results of this study reveal that firms which their shares are offered highly through "offer for sale" report poor and lower initial aftermarket return and trading volume. The results support the proposition of this study that investors are less optimistic in firms which their shares are offered mostly through "offer for sale" activity.

JEL Classifications: G12, G31

Keywords: Offer for sale, investors' reaction, IPO immediate aftermarket, Malaysia

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1. Introduction

The investors' reaction in the initial public offering (IPO) immediate aftermarket has received continuous attention by researchers probably because reaction of the investors in the first few trading days plays a significant role in revealing IPO early and long-term performance. Over the years, IPO early performance is measured usually by the percentage change in prices (or return). Only recently the IPO trading volume in the early days has been recognized also as an alternative mode to measure IPO early performance (Abdul Rahim et al. 2013; Yong 2010). The lag attention given to IPO trading volume is somehow paradoxical given the argument in IPO literature that the silent trading of an IPO in the aftermarket may prompt price of the IPO to be at a lower level to induce demand. This would impede the IPO to offer desirable profits to investors in the initial trading days. The unfavourable immediate aftermarket performance of an IPO will also jeopardize the chance of IPO issuer to absorb and create enough demand and financing when issuing for subsequent equity offerings in the later stage of raising its funds. Thus, apart from focusing only on IPO initial returns, the examination of the investors' reaction

in the IPO immediate aftermarket should be considered also from the insight of IPO early trading volume. In an attempt to understand investors' reaction in the IPO immediate aftermarket, this study centers its attention to one IPO allocation method. In brief, IPOs could be allocated and sourced to investors at least from three main methods; private placement, offer for sale and public issue. In the context of Malaysian market, IPOs are allocated usually using these three methods (Yong and Isa 2003, Yong 2010).

This study focuses on the influence of "offer for sale" by existing shareholders in an IPO firm on investors' reaction in the IPO immediate aftermarket. The "offer for sale" is measured by the proportion of shares offered to public or new individual shareholders from the sale of the existing shareholdings prior to IPO against the total number of shares offered during IPO*. Unlike private placement and public issue, the "offer for sale" activity suggests that proceeds from the shares sold to new investors at an IPO would go only into the pocket of the existing shareholders. In other words, the proceeds do not actually meet the goals of the IPO which is to raise fund normally for business expansion. The expectation of investors is always that the cash flow from the IPOs is to be plough back to the company so that the firm will utilize it to create growth. That is, the new investors expect new cash inflows for the firm to finance new projects and to secure its sustainable growth. However, particularly in the Malaysian market, some IPO firms do not offer entirely new shares; which a portion of shares allocated to new investors during an IPO come from the shares of the existing shareholders. Therefore, the expectation of investors on the fund raising activity for business' expansion and sustainable growth of a firm through IPOs will not always be materialized.

This study raises an issue on the investors' reaction in the immediate aftermarket when IPOs that are issued and rise together with the "offer for sale" as part of the IPO but the offer for sale would be used only to distribute cash to the existing shareholders. What if the total IPO raised is not being used for the future growth of the firm? What would be the perception and reaction of the new investors in this type of IPOs? Would they perceive that the existing shareholders have lack of confidence to the future plan of the firm or the price offered for the share is above its valuation price? Would the negative perception to the selling of IPO shares by existing shareholders lower the demand and price of the IPOs in the initial aftermarket? Can it have an influence on the immediate aftermarket price as well as trading activity of the firm?

This study attempts to address for these issues and to do a research on the premises that the portion of the IPOs which go back only to the pocket of shareholders will carry an impact to the IPO early aftermarket reaction. To operationalize the proposition on the influence of "offer for sale", this study splits the investors' reaction in the IPO immediate aftermarket into two-dimensional aspects; changes in prices (or return) and trading volume.

This study proposes that IPO firms that go public and allocate its shares mainly through "offer for sale" activity will receive less demand during the IPO from the potential investors. That is, investors are less optimistic in firms which their shares are offered mostly through "offer for sale" activity relative to firms which their shares are newly issued. In other words, firms which their shares are offered through "offer for sale" activity are predicted to produce poor initial aftermarket return as well as lower trading activities. In other words, this study should expect a negative relationship between offer

* Private placement is the sale of IPOs directly to institutional investors while public issue is the sale of newly issued shares to public.

for sale and IPO initial return as well as between offer for sale and IPO initial trading volume. Following these possible relationships, this study aims to examine the impact of "offer for sale" by existing shareholders in an IPO firm on investors' reaction of 419 IPOs listed in the Malaysian IPO market, from January 2000 to December 2015. This study is conducted also to fill up the gap in past studies as none previously has attempted to provide empirical evidence on the impact of "offer for sale" on return and volume, concurrently.

The remaining part of this paper continues with Section 2 as literature review. Section 3 describes the data and methodology used in this study. Section 4 presents and discusses the empirical results while Section 5 concludes the findings.

2. Literature review

A lot of investors love a good IPO story, whether on an IPO firm that soared after its initial offering or one that has overinflated in the early excitement. Mayur & Kumar (2013) posit that Indian firms which go public intend to raise capital, among others, for their growth and expansion, risk diversification, optimum capital structure, minimum cost of capital, liquidity increment of their shares and publicity. The increment in transparency, profit, size and growth are among the main impacts to the firms which went public successfully. However, there will always be a struggle to materialize those positive impacts if the investors' initial sentiment and reaction to the IPO firm is not as favourable as expected. Although investors usually have gathered and scrutinized all available information to secure reasonable returns on investment prior to their decision to subscribe for any IPO, information asymmetry and adverse selection cost will always be a threat to them as well as to any IPO firm. Consequently, investors will react irrationally particularly when their shares are eligible for trading in the aftermarket. To understand the investors' reaction in the immediate aftermarket especially the domino effect on return and trading activity is thus a crucial aspect that should be the center of attention.

Bildik & Yilmaz (2008) propose that the source of shares sold through the IPO affect investors' decisions whether to participate in the IPO. The investors prefer to invest in IPOs whose shares are sold as a "rights issue" as it can increase in firm's paid-in capital. Therefore, more demand for the IPOs through a rights issue may lead to higher initial returns relative to IPOs offered through the sale of shares of large shareholders. Examining a sample of 244 IPOs issued in Istanbul Stock Exchange covering the period from 1990 to 2000, the study finds that firms whose shares are offered mainly from sale of the large existing shareholders show lower performance. This finding is consistent to the claim in Espinasse (2011) that the sale of one or more shareholdings in a company prior to IPO is sometimes viewed suspiciously by investors, especially when no remaining stakes are retained by the sellers after the listing. Therefore, a less favorable reaction of investors can be expected when they can hardly view that the new funds will help finance development of the firm.

In another instance, Garfinkel (1993) suggests that IPO underpricing is the mechanism for signaling firm quality. The study proposes that firms with favorable information about their future prospect will underprice their shares during IPO. That is, this "underpricing" event will work as a mechanism to increase proceeds from SEOs, suggesting that insiders or original shareholders will only sell their shares in the open market at some future date (during SEOs). In other words, the insiders are less likely to dispose their shareholdings

during IPOs to proof quality of their firms to investors during the IPO. Therefore, the signaling theory implies a negative relationship between insiders' sale during IPO and underpricing. In summary, this paper suggests that insiders will hold their shareholdings up to when their firms go for SEOs to proof quality of the firm. The signal of quality can be read when insiders sell their shares during SEOs at a higher price. The finding of this study, however, offers insufficient supports that return of the firm's share is higher during the SEOs relative to IPOs.

Using a sample of 100 IPOs issued in the US Stock Exchange covering the period from 2001 to 2002, Scott & Xu (2004) suggest that insider sales and insider purchases are useful in the prediction of subsequent stock performance. Insider purchases are typically associated with positive future abnormal returns whereas insider sales tend to predict smaller, sometimes insignificant, future abnormal returns. The study proposes that if insiders sell shares because of a negative view on the company's outlook, the seller is likely to sell a larger percentage of his or her holding than if the sale is only for liquidity needs. Thus, the study expected insider sales that represent a large percentage of shares owned to be associated with negative future returns. Consistent to the proposition, the study reveals that large percentage of the insiders' holdings sold produced significantly negative future abnormal returns.

Similar finding as to Scott & Xu (2004) is reported in Chua & Naseer (2016) which the insiders sales are not significantly related to first-day returns but a higher level of insider sales results in a significantly lower level of first day returns or lower underpricing. Using 1603 US IPOs, Chua & Naseer (2016) also find that higher levels of insiders' sales due to liquidity need result in lower levels of underpricing and long-run returns. Over in Malaysia, Abdul Rahim et al. (2012) using a sample of 384 IPOs listed on Bursa Malaysia from 1999 to 2008 report that IPOs which are highly participated by institutional investors through private placement exercise during the IPO allocation produce lower initial return relative to firms which their shares are offered via methods other than private placement (e.g., offer for sale).

3. Research methodology

The population of this study is all IPOs listed on Bursa Malaysia (official name to Malaysian Stock Market) from January 2000 to December 2015. There were 540 IPOs listed during this period. The final sample of this study is 419 IPOs contributing to 77.59 per cent of the total population. This study starts the sample period in 2000 to reduce the noise from the 1997/98 Asian financial crisis on its analysis as the crisis probably not exhibit rational reaction of the investors. The sample period of this study ends in 2015 as that is the latest coverage year the analysis could achieve as some information (e.g., proportion of lock-up shares) need to be validated with information provided by IPO issuer in its first annual report a year after the listing. All rare type IPOs (i.e., restricted offer for sale, restricted public issue, restricted for sale to eligible employees, special and restricted issue to Bumiputra investors, tender offer and special issue) and IPOs with missing value were omitted from analysis of this study. The exclusion of all rare type IPOs is done to reduce noises on the impact of other IPO allocation methods to investors' reaction. The IPOs issued by financial and insurance firms are similarly excluded due to differences in the regulatory structure of the industry (Schaub et al., 2003). Data for this

study were sourced from prospectuses of the IPO issuers, the website of Bursa Malaysia and the database of DataStream.

3.1. Dependent variables - initial return and trading volume

The dependent variable of this study, initial return (*RETURN*), is measured as the percentage change in price, between the closing price on the first trading day and the offer price (Mohd Rashid et al., 2014; 2016; Yong, 2010). The measure is shown as follows:

$$RETURN_{CLOSEi} = \left(\frac{P_{CLOi} - P_{OFFERi}}{P_{OFFERi}} \right) \times 100, \quad (1)$$

Where, P_{CLOi} - closing price on the first trading day for the i th issuer, and P_{OFFERi} - offer price for the i th issuer.

The second dependent variable in this study, trading volume (*VOL*), is measured as the total trading volume against the total amount of shares offered in an IPO (Abdul Rahim et al., 2013; Yong, 2010). The two dependent variables of this study; *RETURN* and *VOL* are tested in two different regression models to avoid from endogeneity issue. The measure of *VOL* is illustrated in Equation (2);

$$VOL(i)_i = \frac{NOSH_i}{NOSHI_i}, \quad (2)$$

Where, $NOSH_i$ - trading volume of the i th issuer on the first trading day, and $NOSHI_i$ - total number of shares offered for the i th issuer at the IPO.

3.2. Main independent variable - Offer for Sale

The main independent variable of this study, offer for sale (*OFSALE*), is defined as the selling down one or more shareholdings by existing shareholders during IPO (Espinasse, 2011) and is measured by the ratio of total number of shares offered or sold by existing shareholders to total shares offered in an IPO (Bildik & Yilmaz, 2008). The measure is shown as follows:

$$OFSALE_i = \frac{NOFSA_i}{NOSHI_i}, \quad (3)$$

Where, $NOFSA_i$ - offer for sale of the i th issuer, and $NOSHI_i$ - total number of shares offered for the i th issuer at the IPO.

3.3. Control variables

The list of control variables, predicted sign and relevant literature supporting the employment and prediction on sign of these control variables are summarized in Table 1.

TABLE 1. SUMMARY OF CONTROL VARIABLES AND EXPECTED SIGN

NO.	CONTROL VARIABLE	MEASUREMENT	EXP. SIGN	PAST STUDIES
1.	Demand of IPO (<i>DEMAND</i>)	Subscription ratio	+ve	Abdul Rahim et al. (2013), Che Yahya & Abdul Rahim (2015)
2.	Supply of IPO (<i>SUPPLY</i>)	Natural log of the total number of shares offered for an IPO multiplied by its offer price	-ve	Chong et al. (2009), Sopian et al. (2012)
3.	Stock Market Condition (<i>MKTLOOK</i>)	Mean one week return of FTSE Bursa Malaysia EMAS Index	+ve	Chong et al. (2009), Ritter & Welch (2002)
4.	Investors Sentiment (<i>HEUREP</i>)	Mean returns of the three most recent new issues listed prior to an IPO	+ve	Che Yahya et al. (2014), Chong et al. (2011)
5.	Underwriter Reputation (<i>UNDREP</i>)	Percentage of the total shares underwritten by an underwriter to the total amount of shares underwritten by all underwriters in the specific listing year	+ve	Fang (2005), Yung & Zender (2010)
6.	Institutional Investors' involvement (<i>INSVOL</i>)	Ratio of private placement issue to total shares offered	+ve	Aggarwal (2003), Gounopoulos (2006)
7.	Lock-Up Ratio (<i>LURAT</i>)	Percentage of shares locked by promoters	+ve	Mohan & Chen (2001), Wan-Hussin (2005)

Note: +ve - indicates an expectation on the positive relationship; -ve - indicates an expectation on the negative relationship. Expected signs are consistent to both *RETURN* and *VOL*.

4. Empirical results and discussion

4.1. Preliminary results

Table 2 reports the descriptive information on 419 Malaysian IPOs, listed from January 2000 to December 2015. The mean return on the first trading day is 28.20 percent from a minimum of -68.13 percent to a maximum of 404.2 percent. The maximum value of return suggests that there is IPO which offer investors 400 times return higher than their initial capital. The mean trading activity on the first trading day is 59.36 percent ranging from 0 to maximum of 100 percent. The range of trading volume implies that some IPO firms do not report any trading on the first day while some other IPO firms record that all newly offered shares are traded on the day when those eligible for trading in stock exchange. The main explanatory variable of this study, the mean of offer for sale ratio, is 25.10 percent which ranges from a minimum of nil to a maximum of 100 percent. The maximum value implies that some IPO firms allocate their shares entirely through offer

for sale activity. That is, the total proceed of the sale will go only to the pocket of existing shareholders.

TABLE 2. PROFILE OF SAMPLE IPOS, 2000 - 2015

ITEMS	MEAN	MEDIAN	MIN.	MAX.	STD. DEV
Return (%)	28.20	14.54	-68.13	404.16	0.55
Trading volume (%)	59.36	60.20	0.00	100.00	0.37
Offer for sale (%)	25.10	0.00	0.00	100.00	0.31
Subscription ratio (times)	31.00	14.72	-0.89	377.95	47.54
Offer size (RM, millions)	17.60	2.10	2.43	19.50	190
Mean KLCI (%)	0.01	0.04	-1.56	1.07	0.36
Investor Sentiment (%)	0.30	0.16	-0.38	3.17	0.43
Underwriter reputation (%)	7.80	2.70	0.00	90.80	11.78
Inst. investor involvement (%)	0.45	0.53	0.00	1.00	0.33
Lock-up shares (%)	0.56	0.55	0.00	0.84	0.10

Note: Sample size, n = 419 Malaysian IPOs for the period from January 2000 to December 2015.

Table 3 presents correlations among independent variables which are below 0.90 cut-off point (Asteriou & Hall, 2007) for any severe threat of multicollinearity. The highest correlation of 0.427 is reported between trading volume on the first day and demand of IPOs.

TABLE 3. CORRELATION MATRIX

VARIABLES	1	2	3	4	5	6	7	8	9	10
RETURN	1	0.200	-0.201	0.315	-0.192	0.901	0.211	0.063	0.025	-0.140
VOL		1	-0.208	0.427	-0.222	0.129	0.277	0.046	0.060	-0.060
OFFSALE			1	-0.223	0.384	-0.001	-0.063	0.022	-0.255	0.016
DEMAND				1	-0.250	-0.002	0.178	-0.103	0.221	-0.097
SUPPLY					1	-0.031	-0.032	0.243	-0.274	0.054
MKTLOOK						1	0.106	-0.049	0.053	-0.031
HEUREP							1	0.159	-0.131	-0.117
UNDREP								1	-0.268	0.028
INSVOL									1	0.026
LURAT										1

Note: Abbreviations RETURN = percentage change in closing price on the first trading day and the offer price; VOL = total trading volume on the first trading day against the total amount of shares offered; OFFSALE = offer for sale; DEMAND = subscription ratio; SUPPLY = Supply of IPO; MKTLOOK = Stock Market Condition; HEUREP = Investors Sentiment; UNDREP = Underwriter Reputation; INSVOL = Institutional Investors' Involvement; LURAT = Lock-Up Ratio.

4.2 Main empirical results

The regression results are presented in Table 4 using two models. Model A reports regression results where *RETURN* is used as dependent variable. Model B shows results on the usage of *VOL* as dependent variable. Several diagnostic tests, such as Jarque-Bera for normality of data distribution, heteroscedasticity, autocorrelations and the specification of regression models, using Ramsey's RESET, are conducted to ensure reliability of results in this study.

TABLE 4. OLS REGRESSION RESULTS

MODEL A: RETURN				MODEL B: VOL	
VARIABLES	EXP. SIGN	COEFFICIENT	T-STATISTICS	COEFFICIENT	T-STATISTICS
Main variable:					
<i>OFSALE</i>	-	-0.108	-1.991*	-0.760	-2.828***
Control variables:					
<i>DEMAND</i>	+	0.004	4.309***	0.001	1.664*
<i>SUPPLY</i>	-	-0.043	-3.340***	-0.001	-1.622*
<i>MKTLOOK</i>	+	0.151	2.580***	0.218	1.000
<i>HEUREP</i>	+	0.197	2.151***	0.056	1.732*
<i>UNDREP</i>	+	0.003	1.820*	0.014	1.945*
<i>INSVOL</i>	+	-0.006	-2.900**	-0.440	-1.749*
<i>LURAT</i>	+	0.0017	0.100	0.112	0.554
R ²		0.2631		0.162	
Adjusted R ²		0.2488		0.146	
F-statistics		18.303		3.897	
p-value (F-stats)		0.0000		0.000	
Durbin-Watson		1.660		1.892	
Ramsey TEST:					
F-Test Statistics		0.287		0.543	
p-value		0.593		0.221	

Note: Sample size (N) =419. ***, ** and * - indicate significant at 1%, 5%, and 10%, respectively.

As shown in Table 4, the regression models in Eq. (4) produce an adjusted R² of 24.88 percent (Model A) and 14.60 percent (Model B), implying that all predicting variables in total explain to a lowest of 24.88 (14.60) percent of the variations in *RETURN (VOL)* of Malaysian IPOs over the period from 2000 to 2015. The F-statistic (18.303, Model A; and 3.897, Model B) verifies that both models' goodness-of-fit is satisfactory the 99% level of significance. For model specifications, Ramsey's RESET proves that both models are correctly specified with an insignificant probability value of 0.593 (Model A) and 0.221 (Model B). Durbin-Watson statistics also pass Savin and White's critical values (1 < n < 4), ratifying the absence of autocorrelation issue. The White's general heteroscedasticity test is used to solve the potential of homoscedasticity.

In general, the coefficients of almost all predicting variables (inclusive of *OFSALE*) in both models are in the directions hypothesized. The exception is only to *INSVOL*. In terms of explanatory variables that have a significant effect on *RETURN* and *VOL*: *OFSALE*, *SUPPLY*, *HEUREP*, *UNDREP*, and *INSVOL* are in the list (for both models). The reporting on results in Table 4 now proceeds to the main issue raised in the study: the influence of "offer for sale" by existing shareholders during IPO on investors' reaction in the IPO immediate aftermarket. This study tries to understand the investors' reaction by reflecting it at IPO return and trading volume immediately after the IPOs are eligible for selling in stock market that is on the first trading day. This study hypothesizes that offer for sale can influence investors' reaction in the immediate aftermarket based on the

reasoning that the potential investors will not be attracted or are unlikely to demand for an IPO if the IPO firm offers its shares mostly through "offer for sale" activity.

As forwarded in Introduction Section of this paper, the proceeds from shares sold through "offer for sale" activity would go only into the pocket of the existing shareholders. That is, the proceeds do not actually meet the primary goals of the IPO to raise fund for business expansion. As a common expectation of investors on the exercise of a firm going public is to see new funds or cash inflows to be plough back to the company for the firm's growth and expansion, offer for sale activity is unlikely to fulfill their expectation. The inconsistency between the investors' expectation on the proceeds of IPO and where the proceeds are actually channeled will result in less demand for the IPO in the pre- and aftermarket. Following demand and supply theory, firms whose shares are offered through "offer for sale" activity are predicted to produce poor initial aftermarket return and trading. The poor IPO initial aftermarket return is a direct implication that can occur when a share received only low demand and order for subscription from investors. In such of this instance, investors will be seen as pessimistic even before the IPOs have its eligibility for trading in the secondary market. The pessimism of investors is expected to persist, such that contributes to the low shares' changing hands-on activities between original shareholders and possible shareholders in the aftermarket. Overall, this study posits that the pessimism of investors on an IPO due to offer for sale activity will result in its poor initial performance as well as its ability to be traded actively in the secondary market.

As reported in Table 4, *OFSALE* is negatively and significantly associated to *RETURN* and *VOL*. The results imply that both IPO return and trading volume in the first trading day are lower when the IPO firm offers most of its shares during IPO through "offer for sale" exercise. While the predicting power in Model B (*VOL*) is found to be higher at 0.01 significance level, the significant influence of *OFSALE* on *RETURN* of 419 Malaysian IPOs from 2000 to 2015 (Model A) which significant at 0.10 level similarly offers support to the proposition of this study: that the investors are less optimistic and plausible in firms whose shares are offered mostly through "offer for sale" exercise relative to firms whose shares are newly issued. This finding could be due to the interpretation of investors that the existing shareholders may have lack of confidence to the future plan and growth of the firm resulting them to liquidate their shareholdings during IPO. If this claim is true, the negative perception of new investors to the selling of IPO shares by existing shareholders should contribute to the lower demand and price of the IPOs in the initial aftermarket as found in this study. The negative perception is expected to persist to potential investors of secondary market who are waiting for attractive shares to own. If the primary concern of these potential investors is on new cash flows during IPO and growth of a firm, they surely will not go close to firms which receive less cash flow during IPO. Consequently, this continuation of investors' pessimism on offer for sale activity contributes to lower trading activities in the immediate aftermarket. The finding of this study is consistent to Bildik & Yilmaz (2008), Chua & Naseer (2016) and Scott & Xu (2004).

5. Conclusions

This study examines the influence of "offer for sale" activity by existing shareholders in IPOs on investors' reaction in the IPO immediate aftermarket. Employing 419 Malaysian IPOs for the period from January 2000 to December 2015, this study finds that *OFSALE*

is negatively and significantly associated to *RETURN* and *VOL*. The results indicate that firms, whose IPOs are offered mostly through offer for sale activity, contribute to lower return and trading volume in the first trading day comparing to firms whose shares are offered through public issue and/ or private placement activity. This study proposes that these results are due to the unfavorable reaction of investors on the potential of firms with offer for sale activity to create sustainable growth in the future. The investors are argued to be pessimistic in IPO firms with higher percentage of *OFFSALE*. The argument of this study seems to be supported when *DEMAND* is also found to be positively and significantly related to *RETURN* (Model A of Table 4) and *VOL* (Model B of Table 4). That is, higher *RETURN* and *VOL* is significantly contributed by higher *DEMAND*. Overall, this study summarizes that high *OFFSALE* leads to low *DEMAND* of an IPO as a result to unfavorable perception and reaction of new investors. Meanwhile, the low *DEMAND*, following demand and supply theory, eventually produces low *RETURN* and low *VOL* in the IPO immediate aftermarket.

To some extent, this study is able to provide a piece of evidence on the influence of "offer for sale" activity by existing shareholders in IPOs on investors' reaction in the IPO immediate aftermarket. Nevertheless, further studies are needed to verify results and justification forwarded in this study. As demand of an IPO plays a role in bridging the investors' reaction and level of IPO return and trading volume in the immediate aftermarket, future studies could possible employ level of demand as moderating factor to verify whether or not demand of IPO does strengthen the relationship between offer for sale and return as well as between offer for sale and trading volume. The unavailability of such analysis is perceived as a major limitation to this study.

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