How firms’ product life-cycle (PLC) influences their trade-off between benefits and costs of going public?

Based on theoretical models:

**ANALYSIS**

1) **MEASURE PLC**
- Textual analysis of S-1 registration statements

2) **ANALYZE HOW PLC AFFECTS:**
- The going public decision (proceed or withdraw)? Innovative PLC withdraws less
- The fraction of equity offered at IPO? Innovative PLC offers less
- IPO underpricing? Innovative PLC underprices more
- Post-IPO seasoned equity offering? Innovative PLC performs more SEOs
- Post-IPO dividend payout? Innovative PLC pays less dividends

3) **INSTRUMENTAL VARIABLE APPROACH**
- Average product life cycle of similar public firms
- Relevance + exclusion restriction

4) **DIFFERENCE IN DIFFERENCES APPROACH**
- American Investor Protection Act
- Exogenous shock to the trade off between benefits and costs of IPO
- After AIPA, innovative PLC faces lower costs

**CONTRIBUTION**

Firms with diverging PLC differently weigh the importance of raising capital through IPO, information asymmetry with investors, and revealing information to competitors.