

Report Type

End of Award Report

Full Name

Raghavendra Rau  
Denys Glushkov, Wharton School  
Ajay Khorana, Citigroup

Your E-Mail Address

[r.rau@jbs.cam.ac.uk](mailto:r.rau@jbs.cam.ac.uk)

Faculty/Department

Judge Business School

Project Title

Initial Public Debt Offerings

Project Abstract

We analyze a sample of private firms that choose to go public through an initial public debt offering (IPDO) as an alternative to going public through equity (IPO). These IPDO firms, which have never been analyzed in the prior literature, are more likely to be sponsor backed, significantly larger, and less likely to face information asymmetry than traditional IPO firms. Their debt issues are more expensive and face more restrictive covenants than initial debt issues by publicly listed peers. When these debt-first firms eventually go public, they face lower underpricing than firms without public debt at IPO. However, these cost savings do not appear to completely offset the increase in debt related costs at the initial debt issue, leaving it a puzzle as to why these firms choose the debt first alternative over the traditional equity first route.

Activities and Achievement

The paper investigates a type of firm - a private firm that goes public in the debt market - that has not been investigated in the literature. We try to determine why these firms choose the debt over the equity market in going public.

Dissemination

The paper has been published on SSRN. I am currently revising it and hope to submit to a top finance journal soon.

Outputs

Major Difficulties and Any Other Issues

None

Web Links

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2024375](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2024375)

Additional Information

Declaration

Details of relevant outputs of this award have been submitted to the CERF Database and details of any ensuing outputs will be submitted in due course.