國立臺灣大學管理學院財務金融學系

碩士論文

Department of Finance
College of Management
National Taiwan University
Master's Thesis

政治不確定性對首次公開發行活動之影響：臺灣總統選舉的實證分析

The Impact of Political Uncertainty on IPO Activity: Evidence from Taiwan's Presidential Election Cycles

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中華民國 114 年 7 月
JULY, 2025

doi:10.6342/NTU202502054

國立臺灣大學碩士學位論文
口試委員會審定書

MASTER'S THESIS ACCEPTANCE CERTIFICATE
NATIONAL TAIWAN UNIVERSITY

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Evidence from Taiwan's Presidential Election Cycles

本論文係 王榮祺 (R12723007) 在國立臺灣大學財務金融學系暨研究所完成之碩士學位論文，於民國 114 年 5 月 20 日承下列考試委員審查通過及口試及格，特此證明。

The undersigned, appointed by the Department of Finance on 20th May 2025 have examined a Master's Thesis entitled above presented by Wang, Jung-Chi (R12723007) candidate and hereby certify that it is worthy of acceptance.

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doi:10.6342/NTU202502054

Acknowledgements

First and foremost, I would like to express my sincere gratitude to Professor Park. This thesis would not have been possible without her support and guidance. The research and writing process was often challenging, but her insightful advice and consistent encouragement provided me with both clarity and motivation. I feel truly privileged to have been her student.

I would also like to thank my mother, whose unwavering belief in me and unconditional support gave me tremendous strength.

doi:10.6342/NTU202502054

摘要

本研究探討臺灣總統選舉所帶來的政治不確定性，對首次公開發行（IPO）活動之影響。雖然臺灣選舉制度具高度制度化與可預測性，但政黨輪替往往伴隨政策方向的重大轉變，對企業與投資人皆形成潛在風險。本文特別聚焦於兩個高政治不確定性時點：總統連任任期的第二任期（因法律規定而無連任可能所導致之總統更替）、以及選舉後的第三年亦即下期選舉的前一年（市場對新任總統與其政策尚無明朗之預期），以此作為衡量政治不確定性的指標。

研究使用 2000 年至 2023 年間臺灣 1,419 筆 IPO 資料，透過橫斷面迴歸模型實證分析政治週期如何影響 IPO 的數量、募資金額、承銷折價、估值與上市時機。結果顯示：政治不確定性對 IPO 數量與募資金額的抑制有限，僅在個別市場觀察到 IPO 數量的顯著減少。然而，在總統第二任期的選舉前一年，IPO 折價顯著提高，特別是在中小型市場（上櫃股票市場），顯示投資人於政權更迭前要求更高風險補償。同時，在第二任期的選舉前一年，可以觀察到 IPO 相對估值顯著下滑的現象，顯示投資人對政策的不確定性可能反映於估值中，但整體證據僅提供有限支持。最後，公司並未因政治不確定性而普遍延後上市，故整體而言，IPO 活動主要透過價格調整反映政治風險。

本研究有助於理解制度化政治週期如何影響新興民主國家的資本市場行為，並指出即使選舉制度穩定，若政治領袖更替已成定局，市場仍會對政策方向產生重大反應。研究結果亦對投資人、承銷商及監理機關具實務意涵。其中，對監理機關而言，尤應重視政權交替期間的政治不確定性對 IPO 市場的影響，透過強化資訊揭露、提升政策預測性與監理溝通，穩定市場預期、降低風險溢酬，進而促進資本配置效率。

關鍵詞：首次公開發行、政治不確定性、IPO 折價、臺灣總統選舉

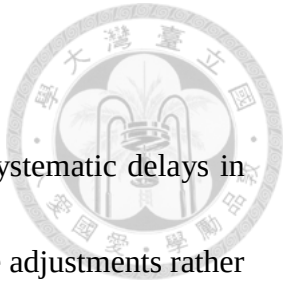
doi:10.6342/NTU202502054

Abstract

This study investigates the impact of political uncertainty stemming from Taiwan's presidential elections on initial public offering (IPO) activity. While Taiwan's electoral system is highly institutionalized and predictable, changes in ruling parties often lead to significant shifts in policy direction, posing potential risks for firms and investors. The analysis focuses on two periods of heightened political uncertainty: the president's second term, when re-election is constitutionally prohibited and leadership change is inevitable, and the third year following an election, which precedes the next presidential race and is characterized by market uncertainty regarding the administration's policy outlook.

Using a dataset of 1,419 IPOs from 2000 to 2023, this study employs cross-sectional regression models to examine how political cycles influence IPO frequency, proceeds, underpricing, valuation, and listing timing. The results show that political uncertainty has a limited suppressive effect on IPO frequency and proceeds, with significant declines in IPO frequency observed only in specific market segments. In contrast, IPO underpricing rises significantly during the pre-election year of a second-term presidency, especially in the TPEx-MB market, suggesting that investors demand greater risk compensation amid anticipated leadership transitions. Valuation discounts are also observed during this period, indicating that political uncertainty may be partially priced in; however, the

doi:10.6342/NTU202502054



empirical support remains limited. Lastly, there is no evidence of systematic delays in listing, implying that political risk is primarily reflected through price adjustments rather than timing shifts.

This study contributes to our understanding of how institutionalized political cycles affect capital markets in emerging democracies. It demonstrates that even within stable electoral systems, predetermined leadership transitions can elicit substantial market responses. While the findings hold implications for investors and issuers, the policy relevance is especially salient for regulators. In particular, the results underscore the importance of enhancing disclosure practices, improving policy predictability, and maintaining consistent regulatory communication during periods of political turnover to stabilize market expectations, reduce risk premiums, and improve capital allocation efficiency.

Keywords: Initial Public Offerings, Political Uncertainty, IPO Underpricing, Taiwan Presidential Elections

doi:10.6342/NTU202502054

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1. Introduction

Political uncertainty surrounding leadership transitions can meaningfully influence corporate financing behavior, especially in emerging market democracies where institutionalized elections may nonetheless lead to sharp shifts in policy direction. In Taiwan, presidential elections are held every four years within a stable democratic framework. Yet, despite the regularity of the electoral process, the alternation of executive power between the Democratic Progressive Party (DPP) and the Kuomintang (KMT) has repeatedly introduced substantial uncertainty regarding future economic policy. These leadership changes have historically led to contrasting stances on industrial development, cross-strait relations, and regulatory priorities, which in turn affect both firm incentives and investor expectations.

This recurring uncertainty becomes particularly salient in two periods of Taiwan's electoral cycle: (1) the third year following a presidential election, when political campaigns intensify and policy direction remains unclear, and (2) the second term of a presidency, when a leadership transition is constitutionally mandated. These institutional features create overlapping sources of uncertainty—one anticipatory, tied to the electoral timeline; the other structural, tied to executive succession rules. Firms considering initial public offerings (IPOs) during such periods may face greater difficulty forecasting future

doi:10.6342/NTU202502054

regulatory conditions and pricing investor sentiment, potentially altering their listing behavior and valuation outcomes.

Taiwan's capital market structure offers a distinct environment in which to study these dynamics. In addition to the Taiwan Stock Exchange (TWSE), which hosts large and mature firms, the market includes the TPEx Main Board (TPEx-MB) and a mandatory pre-IPO phase on the TPEx Emerging Stock Board (TPEx-ESB), where firms must remain listed for at least six months before proceeding to IPO. This multi-tiered system provides a natural laboratory to observe how firms across different scales and risk profiles respond to political uncertainty during the IPO process.

This study examines the impact of political uncertainty related to Taiwan's presidential election cycles on IPO activity, underpricing, valuation, and timing. Using a dataset of 1,419 IPOs from 2000 to 2023, the analysis distinguishes between two key dimensions of electoral risk: the president's second term (capturing structural uncertainty due to guaranteed leadership transition) and the timing within the four-year cycle (capturing temporal uncertainty leading up to elections). Interaction terms between these two measures help identify periods of intensified political risk, particularly the third year following a presidential election, which marks the final year of the four-year cycle and typically precedes a leadership transition during a second-term presidency. This

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convergence—when both electoral contestation and the inevitability of leadership change occur—heightens uncertainty and may significantly influence IPO behavior.

This study investigates whether firms adjust their IPO decisions in response to political uncertainty tied to Taiwan's presidential cycles, and explores through which channels—such as underpricing, valuation, or listing timing—these effects are most visible. It further examines how the responses vary across different market segments, particularly between the TWSE and TPEx-MB, which differ in investor composition and liquidity conditions.

The empirical findings reveal that while IPO activity does not consistently decline under political uncertainty, IPO pricing behavior responds significantly to it. Underpricing increases sharply during the pre-election year of a second-term presidency, especially in the TPEx-MB segment, where political risk appears to be priced more heavily. Valuation discounts are also observed during this period, particularly when benchmarked against sales-based multiples, though these effects are more context-dependent and less robust across alternative specifications. In contrast, the analysis finds no meaningful evidence that firms delay their IPOs by extending their listing duration on the TPEx-ESB, suggesting that timing adjustments are not a primary response mechanism to political uncertainty in Taiwan.

doi:10.6342/NTU202502054

These findings contribute to the growing literature on how political cycles affect capital markets in emerging democracies. Prior studies have primarily focused on developed economies or institutional settings characterized by relatively stable policy continuity (e.g., Jens, 2017; Brogaard and Detzel, 2015; Baker, Bloom, and Davis, 2016). Some studies, such as Julio and Yook (2012), adopt a global approach and include emerging markets like Taiwan, but their analyses do not isolate the institutional dynamics unique to a single emerging democracy. In contrast, Taiwan's institutional environment, where predictable elections can still result in substantial policy divergence, offers new insight into how democratic transitions affect the cost and structure of equity issuance. The study also highlights that political uncertainty is not merely a function of upcoming elections but is compounded when leadership change is imminent and constitutionally mandated.

Building on the observed patterns, the results also offer implications for market efficiency and capital allocation during electoral periods. In particular, the results suggest that political uncertainty, though institutionalized and predictable, still affects investor behavior meaningfully. For investors, the findings highlight that IPOs issued during the pre-election year of a president's second term may offer higher initial returns, but also come with greater pricing uncertainty, making it more difficult to assess firm value under heightened political risk. For issuers, understanding how markets internalize political

doi:10.6342/NTU202502054

uncertainty—particularly in second-term pre-election periods—can help inform more strategic decisions regarding IPO timing, pricing, and investor communication. For regulators, the results underscore the importance of enhancing transparency, improving policy predictability, and maintaining consistent review procedures during politically sensitive periods to mitigate pricing distortions and support smaller firms, which are more vulnerable to political shocks. While these dynamics are studied in the context of Taiwan, they may hold broader relevance for other democracies facing policy uncertainty under cyclical leadership change.

The remainder of this thesis proceeds as follows. The next section introduces the institutional background of Taiwan's political system and capital market. Section 3 reviews the relevant literature and outlines the testable hypotheses. Section 4 describes the data sources and empirical strategy. Section 5 presents the main regression results. Section 6 concludes with a summary of findings and policy implications.

2. Institutional Background

2.1. Electoral Uncertainty in Taiwan

Taiwan operates under a semi-presidential representative democratic system, where the President serves as the head of state and the commander-in-chief of the armed forces. Presidential elections occur every four years, with a constitutional limit of two consecutive terms. Since the first direct presidential election in 1996, Taiwan has

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experienced multiple peaceful transitions of power, predominantly between the Democratic Progressive Party (DPP) and the Kuomintang (KMT). These transitions often generate shifts in policy direction, contributing to heightened political uncertainty during election years.

From 2000 to 2008, President Chen Shui-bian of the DPP emphasized social reform and Taiwan-centric policies amid tense cross-strait relations and significant political opposition. From 2008 to 2016, President Ma Ying-jeou of the KMT sought closer cross-strait economic integration, leading to initiatives such as the signing of the Economic Cooperation Framework Agreement (ECFA). 2016 President Tsai Ing-wen of the DPP was elected and re-elected in 2020, continuing a policy agenda focused on innovation, energy transition, and industrial upgrading.

These leadership changes reflect contrasting economic visions and policy approaches, particularly regarding cross-strait relations and state involvement in strategic industries. Given Taiwan's open economy and reliance on export-oriented sectors, shifts in policy expectations surrounding presidential elections can significantly influence business sentiment and financial market dynamics.

Accordingly, presidential elections in Taiwan serve as recurring sources of institutional uncertainty. Firms contemplating an initial public offering may consider the timing and potential implications of these political transitions, especially when investor

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confidence or regulatory policy direction is perceived to be at risk. This study leverages Taiwan's electoral cycle as a natural setting to investigate how political uncertainty affects IPO activity, pricing, and timing in a democratic emerging market context.

2.2. Taiwan's Capital Market Structure

Taiwan's capital market is structured into multiple tiers, with the Taiwan Stock Exchange (TWSE) representing the highest level of regulation and prestige. The TWSE is designated for large, well-established companies with stringent listing requirements, including consistent profitability, strong corporate governance, and comprehensive financial disclosure. It serves as the primary venue for public equity financing and sets the benchmark for public company standards in Taiwan.

Below the TWSE, the Taipei Exchange (TPEx) operates two additional boards: the Main Board (TPEx-MB) and the Emerging Stock Board (TPEx-ESB). The TPEx-MB, formerly known as the GreTai Securities Market (GTSM), caters to mid-sized firms with established operational track records. The TPEx-ESB is designed for small and medium-sized enterprises (SMEs) and startups that do not yet meet the listing requirements of the TWSE or TPEx-MB. Its lower entry barriers give younger firms access to capital markets under a more flexible regulatory regime.

Since 2005, Taiwan has adopted a mandatory staging mechanism under which firms intending to go public must first register on the TPEx-ESB and remain listed there for at

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least six months before applying for an IPO. This policy institutionalizes a pre-IPO phase that enables firms to begin financial disclosure, interact with potential investors, and establish a preliminary market valuation.

Although the TPEx-ESB operates under lighter regulation and generally lower liquidity than formal markets, it plays a critical role in preparing firms for IPOs. Empirical evidence from Chang, Chiang, Qian, and Ritter (2016) shows that firms with higher trading activity during their TPEx-ESB period tend to experience less pricing inaccuracy at the time of their IPO. This suggests that pre-IPO trading volume contributes to more effective price discovery and helps reduce information asymmetry in Taiwan's public equity market, reinforcing the importance of this preparatory platform.

In summary, Taiwan's multi-tier listing structure—anchored by the TWSE and supported by the TPEx-MB and TPEx-ESB—provides a flexible and progressive pathway for firms to access public equity. The TPEx-ESB, in particular, plays a foundational role in regulatory preparation and market signaling, making it a distinctive institutional feature in Taiwan's IPO landscape.

3. Literature Review and Hypotheses Development

The relationship between political uncertainty and corporate financial behavior has attracted increasing attention in the academic literature. Political uncertainty is broadly defined as the inability to predict future government actions regarding economic policy

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(Julio & Yook, 2012; Jens, 2017; Durnev, 2013), financing choices (Brogaard & Detzel, 2015), and the timing of market entry, such as IPOs (Colak, Durnev, and Qian, 2017).

Baker, Bloom, and Davis (2016) developed the Economic Policy Uncertainty (EPU) Index, a widely used measure that captures shifts in perceived political and regulatory risk. They find that higher EPU levels are associated with lower firm investment, employment, and overall economic output. Building on this, Brogaard and Detzel (2015) demonstrate that firms exposed to policy uncertainty demand higher risk premia, thereby increasing the cost of equity capital. Pastor and Veronesi (2012, 2013) extend this perspective with theoretical models that show policy uncertainty raises risk premia and depresses stock prices, especially during major political events, such as elections.

Several studies in the IPO literature show that political uncertainty has both timing and valuation effects. Colak, Durnev, and Qian (2017) document that IPO activity decreases significantly during gubernatorial election years in the U.S., and firms going public during these periods experience lower valuations. This suggests that firms strategically delay their IPOs until political uncertainty is resolved. Similarly, Pastor and Veronesi (2013) suggest that increased uncertainty during elections leads to a higher equity risk premium, which can depress firm valuation.

Chemmanur and Fulghieri (2015) provide a theoretical framework in which firms with high information asymmetry may postpone IPOs as a signaling mechanism to

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separate themselves from lower-quality firms. This complements the findings by Yung, Colak, and Wang (2008), who show that IPO waves often coincide with periods of intense market learning, and that firms adjust their issuance behavior in response to changing informational environments. Political uncertainty is a negative informational shock in this context, encouraging firms to defer IPO decisions.

Furthermore, Derrien (2005) and Lowry and Schwert (2002) show that IPO pricing is sensitive to market sentiment and investor demand. In times of heightened uncertainty, investors are more cautious, leading to greater underpricing or withdrawal of IPOs altogether. Boutchkova et al. (2012) add that politically sensitive firms tend to experience higher return volatility during election periods, underscoring the relevance of political cycles in IPO outcomes.

Informed by this literature, the present study investigates how political uncertainty surrounding Taiwan's presidential elections affects IPO activity. Based on the above insights, I propose the following hypotheses:

H1. Political uncertainty reduces IPO activity, resulting in fewer IPOs and lower proceeds during election periods.

H2. Political uncertainty increases IPO underpricing, as investors demand higher risk compensation during periods of political volatility.

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H3. Political uncertainty lowers IPO valuations, increasing discount rates and reducing investor willingness to pay.

H4. Political uncertainty affects IPO timing, with firms opting to postpone listing.

This study empirically tests the proposed hypotheses using a comprehensive dataset of Taiwanese IPOs from 2000 to 2023, covering six presidential election cycles. Taiwan's unique political structure—marked by periodic leadership transitions and varying degrees of policy uncertainty—provides a natural setting to examine how institutional factors shape corporate financing behavior. The analysis focuses on how political uncertainty affects the pricing, valuation, and timing of initial public offerings. The following section outlines the data sources, variable construction, and empirical strategies employed to investigate these relationships.

4. Data and Methodology

4.1. Sample and Data

The dataset used in this study comprises 1,419 firms that conducted IPOs in Taiwan between 2000 and 2023, all listed on the TWSE or TPEx-MB. Firm-level characteristics of IPO companies, including offering details and financial variables, are obtained from the Taiwan Economic Journal (TEJ) database. In subsequent sections, firm characteristics used for matching procedures and pricing analysis are also sourced from TEJ to ensure consistency across data modules.

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Regarding macroeconomic variables, real GDP growth, market return, and market volatility are retrieved from TEJ. The 10-year government bond yield is collected from the Statistics Database of the Central Bank of the Republic of China (Taiwan). Additionally, data on capacity utilization are obtained from the Department of Statistics, Ministry of Economic Affairs (Taiwan).

4.2. Definition of Political Uncertainty

One dimension of political uncertainty examined in this study relates to the re-election eligibility of the incumbent president. In Taiwan's political system, presidents are limited to two four-year terms. When a sitting president serves their second term, a new leader is guaranteed to take office following the next election, which may heighten uncertainty regarding future policy direction. In contrast, during a first term, the possibility of re-election introduces an element of continuity that could reduce perceived uncertainty.

To capture this distinction, I define a dummy variable, *Term*, which equals one during the second term of a presidency, when a leadership transition is constitutionally mandated in the upcoming election, and zero otherwise.

In addition to leadership turnover, this study defines political uncertainty about the timing of Taiwan's presidential elections, which are held every four years. In all election cycles observed within the sample period from 2000 to 2023, presidential

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elections were completed in the first quarter of the election year, specifically in March for the 2000, 2004, and 2008 elections, and in January for the 2012, 2016, and 2020 elections. Given the consistent election scheduling in Taiwan, I assume that most political uncertainty is resolved early in the election year, as the presidential election typically takes place at the beginning of the year. Therefore, I treat the third year after the presidential election year as the period of highest political uncertainty, when market participants begin to anticipate the upcoming election and face increasing ambiguity regarding future leadership and policy direction.

To examine these temporal dynamics, I construct a set of year-specific dummy variables. *T* denotes the presidential election year, which typically involves the lowest level of political uncertainty, as the election is held at the beginning of the year and the leadership outcome is quickly resolved. *T+1*, *T+2*, and *T+3* represent the first, second, and third years following the election, respectively, with *T+3* considered the period of highest political uncertainty, as market participants begin to anticipate the next presidential election and face increased ambiguity regarding future political and policy directions.

To capture how the effects of political uncertainty vary over time and across institutional contexts, I also include a series of interaction terms: *Term*×*T+1*, *Term*×*T+2*, and *Term*×*T+3*. These variables identify years within a president's second term and allow

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the analysis to assess whether election-related uncertainty interacts with institutional constraints on leadership continuity. In particular, *Term*×*T+3* captures the final year of a president's second term, when a leadership transition is imminent and the incumbent is constitutionally barred from re-election. This convergence of timing and institutional limits represents the peak of political uncertainty in Taiwan's electoral cycle and plays a central role in the empirical tests that follow.

4.3. Variable Construction

I construct several variables at both the firm and year levels to capture IPO activity and market conditions. Firm-level variables include the offer price, initial market price, underpricing, valuation, proceeds, firm age, underwriter reputation, and political uncertainty indicators such as the *Term* and *T* to *T+3* dummies. Year-level variables include aggregate IPO counts and proceeds, as well as macroeconomic indicators such as annual market return and GDP growth.

The initial market price, also known as the initial price, plays a central role in calculating both IPO underpricing and valuation. Following Yeh, Shu, and Guo (2008), I adjust for Taiwan's price limit mechanism, which may distort market prices during the first few trading days. Before March 1, 2005, listed stocks in Taiwan were subject to a daily price fluctuation limit of ±7 %. If an IPO hits the price ceiling on its listing day, the initial price is defined as the closing price from the first subsequent trading day when the

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stock no longer hits the price limit**.** For IPOs listed after March 1, 2005, which are not subject to price limits in their first five trading days, the first-day closing price is adopted directly.

All continuous firm-level variables used in the regression analysis are winsorized at the 1st and 99th percentiles to mitigate the influence of outliers. Appendix A1 provides detailed definitions for all variables used in the analysis.

4.4. Empirical Strategy

I estimate annual-level OLS regression models to investigate how presidential election cycles affect IPO activity and outcomes. Depending on the dependent variable, the empirical strategy adopts two types of specifications.

I estimate two baseline models for market-level IPO activity (Tables 2 and 3). The first model uses a dummy variable, $Term_t$, to indicate years of constitutionally mandated leadership transitions, capturing periods of elevated political uncertainty. The second model introduces three post-election dummies, $T+1_t$, $T+2_t$, and $T+3_t$, to compare IPO activity in the years following an election relative to the election year (T). The specifications are as follows:

$$Y_t = \alpha + \beta_1 \mathrm{Term}_t + \lambda' Z_{t-1} + \varepsilon_t \quad (1)$$

$$Y_t = \alpha + \beta_1 T{+}1_t + \beta_2 T{+}2_t + \beta_3 T{+}3_t + \lambda' Z_{t-1} + \varepsilon_t \quad (2)$$

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In both models, the dependent variable Y_t represents either the natural logarithm of one plus the number of IPOs, the gross IPO proceeds, or the average IPO proceeds. To mitigate reverse causality concerns, the macroeconomic control vector Z_{t-1} includes lagged values of real GDP growth, market return, ten-year government bond yield, capacity utilization, and market volatility. These regressions are estimated separately for the Full Market, TWSE, and TPEx-MB samples.

For firm-level IPO outcomes (Tables 4 to 8), I adopt a unified model that incorporates both direct political cycle effects and their interactions with periods of heightened uncertainty:

$$Y_{it} = \alpha + \beta_0 Term_t + \sum_{k=1}^{3}(\beta_k T{+}k_t + \theta_k(Term_t \times T{+}k_t)) + \gamma' X_{it} + \lambda' Z_{t-1} + \delta_j + \varepsilon_{it} \quad (3)$$

This approach enables a more nuanced analysis of how political uncertainty influences firm-level IPO activity. The regression model includes as explanatory variables the terms $Term_t$, $T{+}1_t$, $T{+}2_t$, $T{+}3_t$, along with the interaction terms $Term_t \times T{+}1_t$, $Term_t \times T{+}2_t$, and $Term_t \times T{+}3_t$. The dependent variable Y_t varies by table: Table 4 examines IPO underpricing, while Tables 5 to 7 evaluate valuation outcomes using relative pricing measures, and Table 8 focuses on IPO timing, measured by the number of years a firm remained in the TPEx-ESB before listing.

The macroeconomic control vector Z_{t-1}, defined in previous models, is included to mitigate reverse causality concerns. Additionally, I control for firm-level characteristics

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through vector X_{it}, which consists of the natural logarithm of one plus the values of assets, proceeds, firm age, and underwriter reputation.[1] All regressions include industry fixed effects based on the three-digit industry classification provided by TEJ and employ heteroskedasticity-robust standard errors. The specifications for the Full Market, TWSE, and TPEx-MB samples are estimated separately.

5. Empirical Results

5.1. Descriptive Evidence

Figures 1 and 2 illustrate how the number of IPOs and the proceeds raised vary across Taiwan's presidential election cycle. The figures distinguish between two presidential terms within a typical two-term incumbency, labeled as *Term1* and *Term2*. Within each term, the cycle is further divided into four annual positions: *T* (the presidential election year), and *T+1*, *T+2*, and *T+3*, representing the first, second, and third years following the election.

This structure reflects Taiwan's institutional setting, where presidential elections are held early in the election year, and political uncertainty tends to be low during *T*, as the outcome is quickly resolved. In contrast, political uncertainty gradually builds up over time, especially in year *T+3*, which is the year preceding the next presidential election.

[1] Both the dependent variables and proceeds incorporate the offer price, potentially resulting in endogeneity due to simultaneous determination. To address this concern, I control for the number of shares issued instead of proceeds. The results remain robust to this specification.

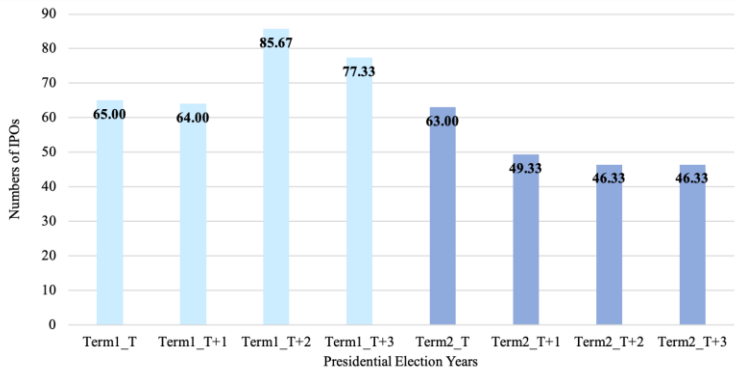
doi:10.6342/NTU202502054

Figure 1

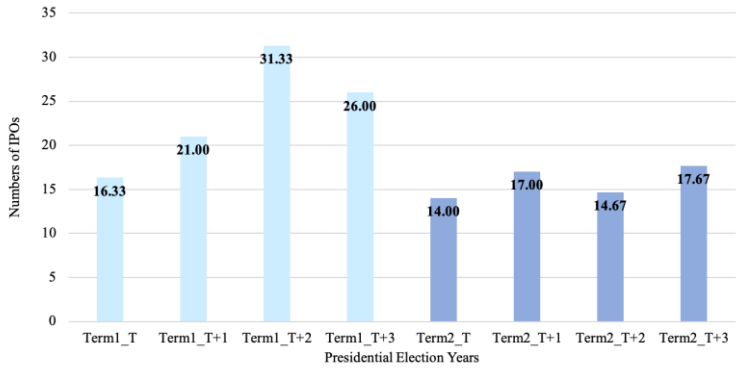
Number of IPOs by Year in the Presidential Election Cycle

This figure presents the average annual number of IPOs across different years of a two-term presidential incumbency cycle in Taiwan from 2000 to 2023. The horizontal axis spans two terms: *Term1*, representing the president's first four-year term, and *Term2*, representing the second term following re-election. In this context, T refers to the presidential election year, while *T+1*, *T+2*, and *T+3* correspond to the first, second, and third years following the election, respectively. Each bar reflects the average number of IPOs in years classified under the corresponding position in the election cycle. Graph A reports results for the Full Market sample, Graph B for firms listed on the Taiwan Stock Exchange (TWSE), and Graph C for firms listed on the TPEx Mainboard (TPEx-MB).

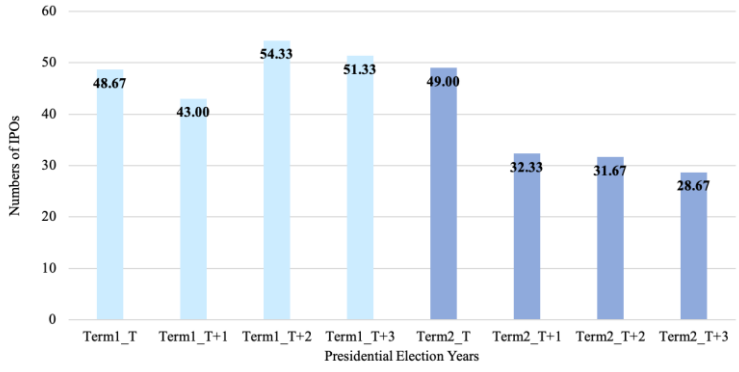
Graph A. Full Market



Graph B. TWSE Market



Graph C. TPEx-MB Market



doi:10.6342/NTU202502054

In *Term2*, political uncertainty tends to be higher, as the incumbent president is constitutionally barred from seeking re-election, increasing the likelihood of a leadership transition.

In Figure 1, IPO activity in the Full Market increases markedly during the early years of the first term, peaking in *T+2*, and then declines as the following election approaches. In contrast, the second term exhibits a weaker and more muted pattern, with IPO counts declining steadily from *T* to *T+3*. Similar trends are observed across the two sub-markets—TWSE and TPEx-MB—though the magnitude and sensitivity to political uncertainty vary by market segment. This asymmetry suggests that firms are more likely to go public under lower uncertainty in the first term. In contrast, due to inevitable leadership transition, heightened uncertainty in the second term dampens issuance incentives.

A similar dynamic appears in the amount of capital raised. In Figure 2, gross IPO proceeds in the Full Market rise in the early first-term years and taper off before the next election, while the second term features lower fundraising levels. Besides, average proceeds per IPO in the Full Market become more variable in the second term, with a temporary spike in *T+2* likely driven by a few extensive listings. While TWSE Market generally follows this pattern, TPEx-MB Market displays a more stable profile in both

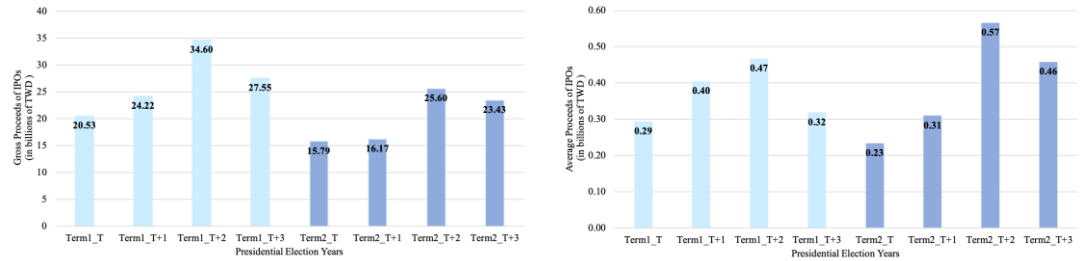
doi:10.6342/NTU202502054

Figure 2

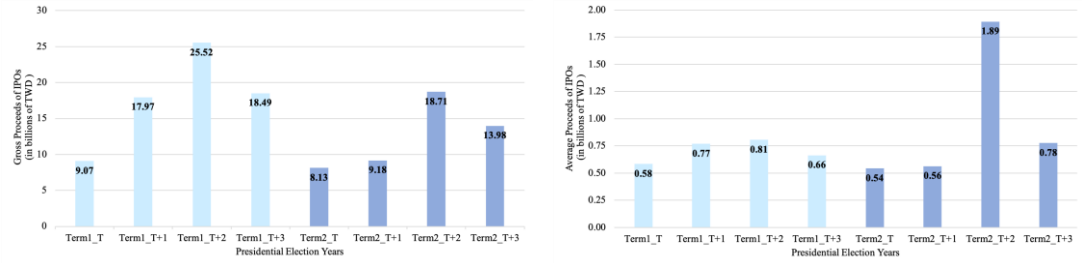
Proceeds of IPOs by Year in the Presidential Election Cycle

This figure illustrates the relationship between IPO proceeds and the presidential election cycle in Taiwan from 2000 to 2023. The horizontal axis spans two terms within a two-term presidential incumbency: *Term1*, representing the president's first four-year term, and Term2, representing the second term following re-election. In this setting, T indicates the presidential election year, while *T+1*, *T+2*, and *T+3* represent the first, second, and third years after the election, respectively. Each bar reflects either the gross or average IPO proceeds in years categorized by their position in the election cycle. Graphs A to C present results for the Full Market, the Taiwan Stock Exchange (TWSE), and the TPEx Mainboard (TPEx-MB), respectively. In each panel, the left subfigure shows the gross proceeds (in billions of New Taiwan Dollars), and the right subfigure shows the average proceeds per IPO.

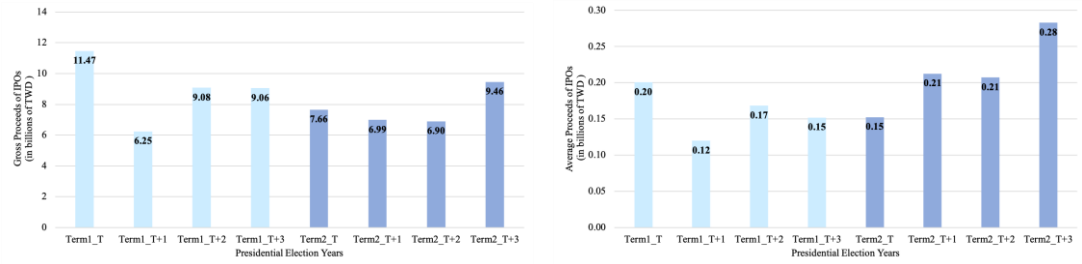
Graph A. Full Market



Graph B. TWSE Market



Graph C. TPEx-MB Market



gross and average proceeds, possibly reflecting the smaller scale of firms and their relatively muted response to election-related uncertainty.

These figures suggest that the political cycle may shape the timing and scale of IPO activity in Taiwan. Firms appear to prefer listing during the more predictable early years of a new presidency, while tending to avoid periods of heightened uncertainty near the

doi:10.6342/NTU202502054

end of a second term. To further illustrate this pattern, Figure A1 in the appendix plots the annual number of IPOs alongside a geopolitical risk index for Taiwan (GPRHC_TWN). While not part of the main empirical analysis, the figure provides a complementary view of how long-term shifts in political uncertainty may relate to IPO activity. One notable spike in the GPR index occurred in 2022, primarily driven by the visit of the U.S. House Speaker in August of that year. Her visit was followed by a marked increase in China's military activity around Taiwan, which drew substantial international media coverage and significantly heightened geopolitical tensions.

In addition to visual patterns, Table 1 summarizes the characteristics of IPO firms and compares key statistics across the two presidential terms. Panel A reports results for the Full Market, while Panels B and C focus on firms listed on the TWSE and TPEx-MB, respectively.

In the Full Market sample, firms going public during the second term tend to raise more capital, with average proceeds increasing from NT$0.319 billion to NT$0.417 billion. Offer prices and initial trading prices are notably higher during the second term. The average offer price rises from NT$48.811 to NT$64.865, and the median from NT$35.000 to NT$42.000. Initial prices show a similar pattern, with the average increasing from NT$58.379 to NT$88.916, and the median from NT$40.000 to NT$56.250. Underpricing also rises substantially, increasing from 17.6% to 34.9% on

doi:10.6342/NTU202502054

Table 1

Descriptive Statistics of IPO Firm Characteristics

Table 1 presents summary statistics for IPO firm characteristics. Panel A reports results for the Full Market, while Panels B and C focus on firms listed on the Taiwan Stock Exchange (TWSE) and TPEx Mainboard (TPEx-MB), respectively. The sample covers IPOs from 2000 to 2023, and distinguishes between first and second presidential terms. *Assets*, *Sales*, and *EBITDA* are measured in billions of New Taiwan Dollars (NTD) for the IPO fiscal year. *Sales Growth* is the year-on-year growth rate of sales in the fiscal year prior to the IPO. *Proceeds* refer to total capital raised at IPO, also in billions of NTD. *Offer Price* is the listing price, and *Initial Price* is the first-day closing price, unless affected by price limits. *Underpricing is calculated as (Initial Price / Offer Price)* − 1. *For firms not affected by price limits, this corresponds to the first-day return. Firm Age* measures the years between firm founding and IPO. *Underwriter Reputation* is the lead underwriter's average market share over the three years prior to the IPO. *Duration in TPEx-ESB* represents the number of years the firm was listed on the TPEx Emerging Stock Board (TPEx-ESB) prior to its IPO. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel A. Full Market

	The Entire Market			The First Presidential Term			The Second Presidential Term		
Firm Characteristic	Mean	Median	Obs.	Mean	Median	Obs.	Mean	Median	Obs.
Assets	8.598	1.742	1419	8.165	1.724	857	9.260	1.782	562
Sales	4.412	1.476	1417	4.432	1.439	855	4.380	1.535	562
EBITDA	0.675	0.225	1402	0.646	0.217	841	0.718	0.236*	561
Sales Growth	0.684	0.203	1397	0.870	0.202	842	0.401	0.207	555
Proceeds	0.357	0.156	1419	0.319	0.153	857	0.417*	0.159	562
Offer Price	55.169	38.000	1419	48.811	35.000	854	64.865***	42.000***	562
Initial Price	70.499	45.500	1416	58.379	40.000	854	88.916***	56.250***	562
Underpricing	0.245	0.074	1416	0.176	0.068	857	0.349***	0.223***	562
Firm Age	14.638	12.008	1419	14.139	11.729	857	15.400*	12.485*	562
Underwriter Reputation	0.084	0.060	1340	0.085	0.063	801	0.083	0.059	539
Duration in TPEx-ESB	2.176	1.227	1072	1.894	1.078	568	2.495***	1.352***	504

Panel B. TWSE Market

	The Entire Market			The First Presidential Term			The Second Presidential Term		
Firm Characteristic	Mean	Median	Obs.	Mean	Median	Obs.	Mean	Median	Obs.
Assets	22.395	4.038	452	21.305	3.996	266	23.954	4.316	186
Sales	9.679	3.428	450	9.884	3.423	264	9.388	3.486	186
EBITDA	1.542	0.543	436	1.471	0.510	251	1.639	0.576	185
Sales Growth	0.716	0.210	443	0.951	0.238	259	0.385	0.190	184
Proceeds	0.695	0.369	452	0.622	0.361	266	0.799	0.375	186
Offer Price	66.889	48.000	452	56.419	43.000	266	81.863***	57.000***	186
Initial Price	87.260	59.500	451	69.577	48.500	265	112.453***	72.80***	186
Underpricing	0.270	0.135	451	0.202	0.069	265	0.367***	0.247***	186
Firm Age	14.268	10.936	452	13.678	10.156	266	15.113	11.758	186
Underwriter Reputation	0.100	0.085	436	0.103	0.095	258	0.096	0.072*	178
Duration in TPEx-ESB	2.566	1.233	313	2.413	1.208	169	2.746	1.288**	144

Panel C. TPEx-MB Market

	The Entire Market			The First Presidential Term			The Second Presidential Term		
Firm Characteristic	Mean	Median	Obs.	Mean	Median	Obs.	Mean	Median	Obs.
Assets	2.149	1.315	967	2.251	1.316	591	1.990	1.311	376
Sales	1.960	1.099	967	1.997	1.107	591	1.903	1.094	376
EBITDA	0.283	0.160	966	0.295	0.154	590	0.265	0.166	376
Sales Growth	0.669	0.199	954	0.834	0.191	583	0.408	0.213*	371
Proceeds	0.200	0.117	967	0.182	0.119	591	0.227**	0.116	376
Offer Price	49.691	35.000	967	45.387	33.000	591	56.457***	38.000***	376
Initial Price	62.666	41.500	965	53.341	37.600	589	77.273***	49.000***	376
Underpricing	0.233	0.070	965	0.164	0.064	589	0.340***	0.209***	376
Firm Age	14.812	12.496	967	14.346	12.236	591	15.543*	13.010	376
Underwriter Reputation	0.077	0.057	904	0.076	0.057	543	0.077	0.058	361
Duration in TPEx-ESB	2.016	1.225	759	1.674	1.027	399	2.395***	1.378***	360

doi:10.6342/NTU202502054

average, and from 6.8% to 22.3% at the median. This pattern may reflect heightened investor uncertainty and a greater willingness by issuers to offer discounts to ensure successful offerings.

Firms listing in the second term appear more mature, with average firm age increasing from 14.139 to 15.400 years. They also spend more time on the TPEx Emerging Stock Board before listing, as average duration increases from 1.894 to 2.495 years, and median duration from 1.078 to 1.352 years. These findings suggest more deliberate listing strategies during the later part of the political cycle.

Across both the TWSE and TPEx-MB samples, firms exhibit patterns broadly consistent with those observed in the Full Market. Underpricing increases during the second term, alongside higher offer and initial prices, and more extended listing preparation periods. One notable difference emerges in the TPEx-MB sample: both the average and median duration on the TPEx-ESB are significantly longer in the second term. This may suggest that smaller firms adopt a more cautious approach, choosing to remain on the emerging board longer before proceeding to IPO amid heightened political uncertainty.

doi:10.6342/NTU202502054

5.2. Regression Analysis

5.2.1. Political Uncertainty and IPO Activity

This subsection examines whether IPO activity and fundraising decline during heightened political uncertainty, as Hypothesis 1 (H1) predicted. If H1 holds, we should observe lower IPO counts and proceeds during the president's second term and in year *T+3*, which is the third year following the previous presidential election and also the year immediately preceding the next election.

Table 2 shows that the second-term indicator (*Term*) coefficient is negative across all markets, suggesting reduced IPO activity. The effect is statistically significant only in the TWSE market, where the coefficient of -0.443 implies a decline of approximately 36% in IPO frequency (calculated as exp (-0.443) - 1 ≈ -0.358), offering partial support for H1. However, the coefficient on *T+3* is positive in both the full market and TWSE, and negative in TPEx-MB, yet none are statistically significant. These results do not support the prediction that political uncertainty discourages IPO activity in the pre-election year.

Table 3 provides limited evidence that political uncertainty suppresses fundraising. In Panel A, which examines gross proceeds, the coefficients on *Term* are positive but statistically insignificant across all three markets. The coefficients on *T+3* are also positive in all samples, but only significant in the TWSE market. This suggests a potential increase in total funds raised in the year before the election, driven mainly by TWSE-

doi:10.6342/NTU202502054

Table 2

Number of IPOs and the Presidential Cycle

Table 2 presents the OLS regression results analyzing the relationship between IPO activity and the presidential election cycle. The dependent variable is *ln (1 + Number of IPOs)*. *Term* is an indicator variable equal to 1 if the IPO occurred during the president's second term and zero otherwise. *T+1*, *T+2*, and *T+3* are indicator variables for the first, second, and third years following a presidential election. *GDP Growth* is the lagged real GDP growth rate; *Market Return* is the lagged annual return of the Taiwan stock market index; *Interest Rate* is the lagged yield on Taiwan's ten-year government bonds; *Capacity Utilization* is the lagged Taiwan Industrial Production Index; and *Market Volatility* is the lagged standard deviation of weekly Taiwan market returns. Columns (1) to (2) report results for the Full Market, Columns (3) to (4) for the Taiwan Stock Exchange (TWSE), and Columns (5) to (6) for the TPEx Mainboard (TPEx-MB). Standard errors are reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	Dependent Variable					
	ln (1 + Number of IPOs)					
Independent Variable	(1) Full	(2) Full	(3) TWSE	(4) TWSE	(5) TPEx-MB	(6) TPEx-MB
Term	-0.236		-0.443*		-0.134	
	(0.233)		(0.212)		(0.245)	
T+1		-0.434		-0.097		-0.608*
		(0.312)		(0.320)		(0.305)
T+2		0.096		0.204		0.062
		(0.304)		(0.312)		(0.297)
T+3		0.105		0.355		-0.010
		(0.302)		(0.309)		(0.295)
GDP Growth	-0.012	-0.017	-0.029	-0.045	-0.002	-0.002
	(0.042)	(0.044)	(0.039)	(0.045)	(0.045)	(0.043)
Market Return	0.001	-0.001	0.002	0.000	0.000	-0.003
	(0.004)	(0.005)	(0.004)	(0.005)	(0.005)	(0.005)
Interest Rate	0.187	0.142	0.022	0.031	0.256	0.183
	(0.144)	(0.145)	(0.131)	(0.148)	(0.151)	(0.142)
Capacity Utilization	-0.001	-0.003	0.007	0.005	-0.006	-0.008
	(0.009)	(0.009)	(0.008)	(0.009)	(0.010)	(0.009)
Market Volatility	-0.063	0.051	0.000	0.087	-0.102	0.028
	(0.162)	(0.166)	(0.147)	(0.170)	(0.170)	(0.162)
Constant	4.009***	3.886***	2.728***	2.330**	3.740***	3.747***
	(0.894)	(0.876)	(0.814)	(0.899)	(0.941)	(0.858)
Observations	24	24	24	24	24	24
Adjusted R-squared	0.115	0.153	0.0206	-0.191	0.289	0.412

listed firms. In Panel B, which focuses on average proceeds, the coefficients on *Term* are again positive in all markets, with statistical significance only in the TWSE sample. The *T+3* coefficients are positive but insignificant across all three samples. For the TWSE market, the combination of significantly higher gross proceeds in Panel A and no corresponding increase in average proceeds in Panel B implies that a small number of

doi:10.6342/NTU202502054

Table 3

Proceeds of IPOs and the Presidential Cycle

Table 3 presents the OLS regression results analyzing the relationship between IPO proceeds and the presidential election cycle. Panel A uses the *ln (1 + Gross Proceeds of IPOs)* as the dependent variable, while Panel B uses the *ln (1 + Average Proceeds of IPOs)*. *Term* is an indicator variable equal to 1 if the IPO occurred during the president's second term and zero otherwise. *T+1*, *T+2*, and *T+3* are indicator variables for the first, second, and third years following a presidential election. *GDP Growth* is the lagged real GDP growth rate; *Market Return* is the lagged annual return of the Taiwan stock market index; *Interest Rate* is the lagged yield on Taiwan's ten-year government bonds; *Capacity Utilization* is the lagged Taiwan Industrial Production Index; and *Market Volatility* is the lagged standard deviation of weekly Taiwan market returns. Columns (1) to (2) report results for the Full Market, Columns (3) to (4) for the Taiwan Stock Exchange (TWSE), and Columns (5) to (6) for the TPEx Mainboard (TPEx-MB). Standard errors are reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel A. Gross Proceeds of IPOs

	Dependent Variable					
	ln (1 + Gross Proceeds of IPOs)					
Independent Variable	(1) Full	(2) Full	(3) TWSE	(4) TWSE	(5) TPEx-MB	(6) TPEx-MB
Term	0.156		0.094		0.254	
	(0.305)		(0.296)		(0.300)	
T+1		-0.088		0.070		-0.311
		(0.392)		(0.339)		(0.424)
T+2		0.498		0.742**		0.037
		(0.382)		(0.331)		(0.414)
T+3		0.562		0.732**		0.209
		(0.379)		(0.328)		(0.410)
GDP Growth	-0.003	0.002	-0.003	0.005	0.001	0.001
	(0.056)	(0.055)	(0.054)	(0.048)	(0.055)	(0.059)
Market Return	0.003	0.001	0.003	0.001	0.002	0.001
	(0.006)	(0.006)	(0.006)	(0.005)	(0.006)	(0.007)
Interest Rate	0.051	-0.005	-0.096	-0.144	0.264	0.203
	(0.189)	(0.182)	(0.183)	(0.158)	(0.185)	(0.197)
Capacity Utilization	-0.031**	-0.033**	-0.031**	-0.034***	-0.025**	-0.026*
	(0.012)	(0.011)	(0.012)	(0.010)	(0.012)	(0.012)
Market Volatility	-0.096	-0.025	-0.017	0.054	-0.213	-0.159
	(0.213)	(0.208)	(0.206)	(0.180)	(0.209)	(0.225)
Constant	4.800***	4.665***	4.510***	4.207***	3.329**	3.492**
	(1.174)	(1.102)	(1.137)	(0.954)	(1.152)	(1.192)
Observations	24	24	24	24	24	24
Adjusted R-squared	0.333	0.415	0.226	0.457	0.428	0.389

large offerings may be responsible for the observed increase in total fundraising, rather than a broad-based shift across firms.

Overall, the regression results do not offer consistent support for Hypothesis 1. While IPO frequency declines modestly during the president's second term—particularly among larger firms listed on the TWSE—the expected reductions in deal volume and

doi:10.6342/NTU202502054

Table 3 (Continued)

Proceeds of IPOs and the Presidential Cycle

Panel B. Average Proceeds of IPOs

	Dependent Variable					
	ln (1 + Average Proceeds of IPOs)					
Independent Variable	(1) Full	(2) Full	(3) TWSE	(4) TWSE	(5) TPEx-MB	(6) TPEx-MB
Term	0.102		0.236*		0.067	
	(0.064)		(0.116)		(0.040)	
T+1		0.095		0.096		0.048
		(0.089)		(0.164)		(0.061)
T+2		0.150		0.348**		0.007
		(0.087)		(0.160)		(0.059)
T+3		0.125		0.141		0.057
		(0.086)		(0.159)		(0.059)
GDP Growth	-0.001	0.004	0.008	0.025	-0.001	-0.001
	(0.012)	(0.012)	(0.021)	(0.023)	(0.007)	(0.008)
Market Return	0.001	0.001	0.000	-0.001	0.000	0.001
	(0.001)	(0.001)	(0.002)	(0.003)	(0.001)	(0.001)
Interest Rate	-0.032	-0.037	-0.047	-0.078	0.014	0.015
	(0.039)	(0.041)	(0.072)	(0.076)	(0.025)	(0.028)
Capacity Utilization	-0.008***	-0.008***	-0.017***	-0.018***	-0.003*	-0.003
	(0.003)	(0.003)	(0.005)	(0.005)	(0.002)	(0.002)
Market Volatility	-0.032	-0.041	-0.057	-0.063	-0.038	-0.049
	(0.044)	(0.047)	(0.081)	(0.087)	(0.028)	(0.032)
Constant	0.890***	0.872***	1.691***	1.706***	0.406**	0.427**
	(0.244)	(0.250)	(0.446)	(0.462)	(0.154)	(0.170)
Observations	24	24	24	24	24	24
Adjusted R-squared	0.310	0.278	0.442	0.405	0.202	0.0232

proceeds in the year before the election (*T+3*) are not observed. These findings suggest that political uncertainty may affect IPO behavior through two distinct channels: one related to the president's second term, and another tied to the timing of the next election. However, neither effect appears to be consistent or robust across markets.

5.2.2. Political Uncertainty and IPO Underpricing

This subsection evaluates whether political uncertainty increases IPO underpricing, as posited in Hypothesis 2. Table 4 presents regression results across three market segments: the Full Market, TWSE, and TPEx-MB. Within each panel, Columns (1) to (3) include only key political variables, Columns (4) to (6) add firm-level controls, and

doi:10.6342/NTU202502054

Table 4

Underpricing and the Presidential Cycle

Table 4 reports the OLS regression results analyzing the relationship between IPO underpricing and the presidential election cycle. The dependent variable is *Underpricing*, measured as the first-day return unless constrained by price limits. Panel A presents the results for the Full Market sample, Panel B for the Taiwan Stock Exchange (TWSE), and Panel C for the TPEx Mainboard (TPEx-MB). *Term* is an indicator variable equal to 1 if the IPO occurred during the president's second term and 0 otherwise. *T+1*, *T+2*, and *T+3* are indicator variables for the first, second, and third years following a presidential election, respectively. Interaction terms between *Term* and *T+1* to *T+3* are included to capture differential effects across the presidential cycle. Control variables include firm characteristics (*Assets*, *Proceeds*, *Firm Age*, and *Underwriter Reputation*) and macroeconomic indicators (*GDP Growth*, *Market Return*, *Interest Rate*, *Capacity Utilization*, and *Market Volatility*). Robust standard errors are reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel A. Full Market

	Dependent Variable								
	Underpricing								
Independent Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Term	0.160***		0.028	0.160***		0.007	0.037		-0.238***
	(0.020)		(0.027)	(0.021)		(0.029)	(0.024)		(0.043)
T+1		0.188***	0.137***		0.180***	0.117***		0.197***	0.051
		(0.030)	(0.038)		(0.031)	(0.039)		(0.033)	(0.045)
T+2		0.101***	0.060**		0.092***	0.043		0.033	-0.055
		(0.022)	(0.026)		(0.022)	(0.027)		(0.026)	(0.036)
T+3		0.110***	-0.013		0.115***	-0.027		0.083***	-0.227***
		(0.024)	(0.023)		(0.026)	(0.025)		(0.029)	(0.047)
Term × T+1			0.160***			0.195***			0.225***
			(0.058)			(0.060)			(0.068)
Term × T+2			0.124***			0.150***			0.254***
			(0.045)			(0.047)			(0.060)
Term × T+3			0.336***			0.367***			0.611***
			(0.051)			(0.053)			(0.082)
Assets				0.030*	0.027*	0.032**	0.000	-0.002	0.004
				(0.015)	(0.016)	(0.015)	(0.015)	(0.014)	(0.014)
Proceeds				-0.113**	-0.092*	-0.157***	-0.004	-0.015	-0.079
				(0.049)	(0.050)	(0.049)	(0.047)	(0.046)	(0.049)
Firm Age				-0.005	-0.002	-0.017	0.001	-0.002	-0.006
				(0.017)	(0.017)	(0.016)	(0.016)	(0.016)	(0.015)
Underwriter Reputation				0.013	0.007	0.010	0.007	0.005	0.004
				(0.010)	(0.010)	(0.010)	(0.010)	(0.010)	(0.009)
GDP Growth							-1.966***	-2.082***	-0.531
							(0.298)	(0.379)	(0.493)
Market Return							-0.145***	-0.012	-0.073
							(0.045)	(0.053)	(0.057)
Interest Rate							-5.198***	-4.478***	-13.426***
							(1.205)	(1.236)	(1.879)
Capacity Utilization							0.002**	0.002*	-0.002*
							(0.001)	(0.001)	(0.001)
Market Volatility							-0.024	-0.043**	0.034*
							(0.017)	(0.017)	(0.019)
Constant	0.173***	0.143***	0.130***	0.216***	0.163***	0.213***	0.068	0.126	0.480***
	(0.011)	(0.013)	(0.017)	(0.055)	(0.056)	(0.056)	(0.111)	(0.121)	(0.155)
Industry Fixed Effects	No	No	No	No	No	No	Yes	Yes	Yes
Observations	1416	1416	1416	1337	1337	1337	1337	1337	1337
Adjusted R-squared	0.047	0.030	0.114	0.046	0.027	0.115	0.178	0.202	0.256

Columns (7) to (9) further incorporate macroeconomic variables and industry fixed effects. The discussion below focuses on Columns (7) to (9), which provide the most comprehensive specifications.

doi:10.6342/NTU202502054

Table 4 (Continued)

Underpricing and the Presidential Cycle

Panel B. TWSE Market

	Dependent Variable								
	Underpricing								
Independent Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Term	0.157***		0.065	0.167***		0.070	0.069		-0.088
	(0.036)		(0.061)	(0.038)		(0.064)	(0.044)		(0.078)
T_1		0.236***	0.233***		0.241***	0.236***		0.190***	0.135*
		(0.054)	(0.076)		(0.057)	(0.077)		(0.056)	(0.080)
T_2		0.050	0.054		0.047	0.066		-0.019	0.046
		(0.039)	(0.049)		(0.041)	(0.051)		(0.048)	(0.061)
T_3		0.067	-0.046		0.078	-0.049		0.073	-0.166**
		(0.047)	(0.045)		(0.049)	(0.048)		(0.052)	(0.079)
Term × T_1			0.006			0.019			0.081
			(0.109)			(0.110)			(0.126)
Term × T_2			0.011			-0.016			-0.024
			(0.078)			(0.081)			(0.095)
Term × T_3			0.284***			0.321***			0.456***
			(0.096)			(0.098)			(0.141)
Assets				0.033	0.040*	0.050**	-0.015	-0.010	-0.006
				(0.023)	(0.024)	(0.023)	(0.023)	(0.023)	(0.023)
Proceeds				-0.206***	-0.180**	-0.228***	-0.007	0.006	-0.040
				(0.070)	(0.072)	(0.070)	(0.073)	(0.067)	(0.077)
Firm Age				-0.024	-0.025	-0.036	-0.024	-0.027	-0.035
				(0.027)	(0.027)	(0.026)	(0.026)	(0.026)	(0.025)
Underwriter Reputation				0.038*	0.022	0.043**	0.035*	0.032	0.039*
				(0.021)	(0.020)	(0.020)	(0.020)	(0.020)	(0.020)
GDP Growth							-2.687***	-2.893***	-0.761
							(0.483)	(0.580)	(0.804)
Market Return							-0.224***	-0.083	-0.171*
							(0.078)	(0.090)	(0.098)
Interest Rate							-7.820***	-5.053**	-12.331***
							(2.459)	(2.385)	(3.279)
Capacity Utilization							0.003	0.005**	0.001
							(0.002)	(0.002)	(0.002)
Market Volatility							0.022	-0.002	0.054*
							(0.027)	(0.025)	(0.030)
Constant	0.202***	0.180***	0.150***	0.380***	0.294***	0.344***	0.089	-0.020	0.181
	(0.021)	(0.030)	(0.036)	(0.098)	(0.102)	(0.100)	(0.192)	(0.193)	(0.229)
Industry Fixed Effects	No	No	No	No	No	No	Yes	Yes	Yes
Observations	451	451	451	435	435	435	435	435	435
Adjusted R-squared	0.041	0.044	0.103	0.053	0.054	0.126	0.192	0.216	0.255

In the Full Market (Panel A of Table 4), the coefficient on *Term* in Column (7) is positive but statistically insignificant (0.037), suggesting that underpricing does not systematically increase during second-term presidencies. In Column (8), the coefficient on *T+3*—representing the year immediately before a presidential election—is positive and statistically significant (0.083), indicating that underpricing tends to rise in the lead-up to an election year. Column (9) incorporates both variables and their interaction, with

doi:10.6342/NTU202502054

Table 4 (Continued)

Underpricing and the Presidential Cycle

Panel C. TPEx-MB Market

	Dependent Variable								
	Underpricing								
Independent Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Term	0.161***		0.018	0.158***		-0.014	0.005		-0.303***
	(0.024)		(0.030)	(0.025)		(0.033)	(0.030)		(0.054)
T_1		0.151***	0.095**		0.137***	0.065		0.219***	0.049
		(0.035)	(0.043)		(0.037)	(0.044)		(0.044)	(0.061)
T_2		0.119***	0.060*		0.112***	0.030		0.078**	-0.067
		(0.027)	(0.031)		(0.028)	(0.034)		(0.034)	(0.050)
T_3		0.124***	-0.000		0.129***	-0.022		0.103***	-0.248***
		(0.029)	(0.027)		(0.030)	(0.030)		(0.038)	(0.061)
Term × T_1			0.220***			0.263***			0.250***
			(0.068)			(0.072)			(0.086)
Term × T_2			0.170***			0.220***			0.337***
			(0.056)			(0.059)			(0.081)
Term × T_3			0.356***			0.396***			0.675***
			(0.061)			(0.064)			(0.103)
Assets				-0.009	-0.014	-0.013	0.005	0.004	0.003
				(0.020)	(0.021)	(0.020)	(0.020)	(0.019)	(0.019)
Proceeds				-0.015	0.023	-0.096	0.061	0.038	-0.037
				(0.063)	(0.065)	(0.066)	(0.065)	(0.065)	(0.066)
Firm Age				0.009	0.014	-0.004	0.010	0.003	0.007
				(0.022)	(0.022)	(0.021)	(0.021)	(0.021)	(0.020)
Underwriter Reputation				0.001	0.000	-0.005	-0.004	-0.008	-0.010
				(0.012)	(0.012)	(0.012)	(0.011)	(0.011)	(0.011)
GDP Growth							-1.768***	-1.735***	-0.339
							(0.395)	(0.516)	(0.669)
Market Return							-0.117**	0.028	-0.020
							(0.055)	(0.068)	(0.078)
Interest Rate							-4.662***	-4.205***	-14.515***
							(1.483)	(1.549)	(2.438)
Capacity Utilization							0.001	0.001	-0.004**
							(0.001)	(0.001)	(0.002)
Market Volatility							-0.049**	-0.064***	0.025
							(0.022)	(0.023)	(0.026)
Constant	0.160***	0.132***	0.123***	0.154**	0.112	0.165**	0.220	0.349**	0.752***
	(0.013)	(0.015)	(0.020)	(0.068)	(0.069)	(0.069)	(0.147)	(0.143)	(0.172)
Industry Fixed Effects	No	No	No	No	No	No	Yes	Yes	Yes
Observations	965	965	965	902	902	902	902	902	902
Adjusted R-squared	0.049	0.026	0.122	0.043	0.020	0.120	0.171	0.200	0.264

the coefficient on *Term×T+3* remaining positive and highly significant (0.611). This interaction term captures the additional increase in underpricing during the final year of a presidency when a leadership transition is certain and a new election is imminent—a period marked by elevated political uncertainty. To formally assess the total effect in this period, an F-test on the sum of *T+3* and *Term×T+3* confirms that the combined impact

doi:10.6342/NTU202502054

is significantly greater than zero (F = 31.59). This supports the view that underpricing increases meaningfully when political uncertainty is at their peak.

In the TWSE market (Panel B of Table 4), the coefficient on *Term* in Column (7) is positive and insignificant (0.069). The coefficient on *T+3* in Column (8) is also positive (0.073) but not statistically significant. However, the coefficient on interaction term *Term*×*T+3* in Column (9) is positive and highly significant (0.456), pointing to a distinct underpricing effect in the year before an election, when the incumbent cannot seek re-election and political leadership is about to change—even among relatively large, publicly listed firms on the TWSE. The F-test on the sum of *T+3* and *Term*×*T+3* confirms that the combined effect is statistically significant (F = 6.10).

In the TPEx-MB market (Panel C of Table 4), the coefficient on *Term* in Column (7) is slightly positive and insignificant (0.005), while *T+3* in Column (8) is positive and highly significant (0.103), suggesting that underpricing increases in the year prior to an election. The coefficient on *Term*×*T+3* in Column (9) is also positive and highly significant (0.675), indicating that firms listing in the second-term pre-election year experience an even larger rise in underpricing—a pattern especially evident among smaller firms in the TPEx-MB market. The F-test result (F = 23.87) confirms that the total effect of *T+3* and *Term*×*T+3* is statistically significant in this segment.

doi:10.6342/NTU202502054

Taken together, the results provide strong support for Hypothesis 2, which posits that political uncertainty increases IPO underpricing. Across all three market segments, the interaction term *Term×T+3* is positive and highly significant, indicating that underpricing tends to rise specifically during the pre-election year of a president's second term—a period characterized by both imminent leadership transition and the inability of the incumbent to seek re-election. The F-test results further confirm that the combined effect of *T+3* and *Term×T+3* is statistically significant in each market. While the magnitude of the effect varies, the consistent pattern across Full Market, TWSE, and TPEx-MB suggests that political uncertainty exerts a meaningful influence on IPO pricing, especially when political uncertainty is amplified by both the timing of an upcoming election and the certainty of leadership turnover.

5.2.3. Political Uncertainty and IPO Valuation

In this subsection, I assess the relative valuation levels of IPO firms to examine whether political uncertainty affects IPO valuation. The construction of valuation variables follows the methodology of Yeh, Shu, and Guo (2008), whose empirical analysis focuses on the Taiwanese market. Given the alignment in research context, their approach serves as an appropriate reference.

I construct two sets of relative valuation measures based on the IPO firm's offer price and initial price. Each price is divided by the firm's sales per share, book value per

doi:10.6342/NTU202502054

share, or EBITDA per share to compute the corresponding price multiples. These multiples are then scaled relative to the average multiples of matched peer firms. For example, in the case of sales-based valuation:

$$OP/V_{Sales} = \frac{\text{Offer Price}_{\text{IPO Firm}} / \text{Sales per share}_{\text{IPO Firm}}}{\text{Average}\left(\text{Price}_{\text{Matching Firm}} / \text{Sales per share}_{\text{Matching Firm}}\right)}$$

$$IP/V_{Sales} = \frac{\text{Initial Price}_{\text{IPO Firm}} / \text{Sales per share}_{\text{IPO Firm}}}{\text{Average}\left(\text{Price}_{\text{Matching Firm}} / \text{Sales per share}_{\text{Matching Firm}}\right)}$$

I consider both the offer price and the initial price as benchmarks. According to Yeh, Shu, and Guo (2008), the offer price is primarily determined through negotiation between the underwriter and the issuing firm. It may be influenced by strategic pricing behavior or asymmetric information. As such, it may not fully reflect the firm's intrinsic market value. In contrast, the initial market price results from investor trading in the secondary market and is thus a more accurate indicator of perceived market value.

For the matching procedure, I select non-IPO firms in the same industry (defined by TEJ three-digit codes), listed on the same exchange, and in the same year as the IPO firm. To avoid contamination from recent IPOs, matched firms must have been publicly listed for at least one year. In addition, I perform three separate matchings based on different accounting variables: sales, assets, and EBITDA. Each matched firm must fall within ± 20% of the IPO firm's value on the respective characteristic. The samples matched based

doi:10.6342/NTU202502054

on the three accounting indicators—sales, assets, and EBITDA—form the basis of the analyses presented in Tables 5 through 7, respectively.

Hypothesis 3 posits that political uncertainty lowers IPO valuations by increasing discount rates and reducing investor willingness to pay. To test this hypothesis, I examine IPO firms' relative valuation using sales-matched peers, as presented in Table 5. Each panel corresponds to a market segment: the Full Market (Panel A), TWSE Market (Panel B), and TPEx-MB Market (Panel C). Within each panel, Columns (1) to (3) use *OP/V* as the dependent variable—representing valuation based on the offer price—while Columns (4) to (6) use *IP/V*, which captures valuation based on the initial price. All regressions include comprehensive controls for firm characteristics, macroeconomic conditions, and industry fixed effects.

In the Full Market (Panel A of Table 5), the coefficient on *Term* in Column (1) is −0.277 and in Column (4) is −0.282, both negative and statistically significant, suggesting that IPOs conducted during a president's second term are associated with lower valuations. The coefficient on *T+3* is 0.047 in Column (2) and 0.061 in Column (5), but neither is statistically significant. However, the coefficient on interaction term *Term*×*T+3* is significantly negative, with −1.113 in Column (3) and −1.260 in Column (6), indicating that IPO firms experience significantly lower valuations during the year prior to a presidential election when the incumbent president is ineligible for re-election. This

doi:10.6342/NTU202502054

Table 5

Valuation of IPOs and the Presidential Cycle (Matched by Sales)

Table 5 presents the OLS regression results analyzing the relationship between IPO valuation and the presidential election cycle, using sales-matched relative valuation measures. The dependent variables are OP/V_{Sales} and IP/V_{Sales}. OP/V_{Sales} is the ratio of the IPO firm's offer price to its sales per share, divided by the average ratio of sales-matched firms' closing price on the day before the IPO to their sales per share. IP/V_{Sales} is similarly defined, except for the initial trading day closing price instead of the offer price. Panel A reports results for the Full Market sample, Panel B for the Taiwan Stock Exchange (TWSE), and Panel C for the TPEx Mainboard (TPEx-MB). Columns (1) to (3) use OP/V_{Sales} as the dependent variable, while Columns (4) to (6) use IP/V_{Sales}. *Term* is an indicator variable equal to 1 if the IPO occurred during the president's second term and zero otherwise. *T+1*, *T+2*, and *T+3* are indicator variables for the first, second, and third years following a presidential election, respectively. Interaction terms between *Term* and *T+1* to *T+3* are included to capture differential effects across the presidential cycle. Control variables include firm characteristics (*Assets*, *Proceeds*, *Firm Age*, and *Underwriter Reputation*) and macroeconomic indicators (*GDP Growth*, *Market Return*, *Interest Rate*, *Capacity Utilization*, and *Market Volatility*). Robust standard errors are reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel A. Full Market

	Dependent Variable					
	OP/V_{Sales}			IP/V_{Sales}		
Independent Variable	(1)	(2)	(3)	(4)	(5)	(6)
Term	-0.277**		0.108	-0.282*		0.167
	(0.134)		(0.182)	(0.160)		(0.253)
T_1		-0.185	0.031		-0.137	0.127
		(0.144)	(0.178)		(0.168)	(0.212)
T_2		-0.009	-0.167		-0.049	-0.221
		(0.160)	(0.218)		(0.186)	(0.245)
T_3		0.047	0.601**		0.061	0.688*
		(0.172)	(0.302)		(0.201)	(0.372)
Term × T_1			-0.524*			-0.644
			(0.309)			(0.406)
Term × T_2			-0.004			-0.022
			(0.292)			(0.362)
Term × T_3			-1.113**			-1.260**
			(0.442)			(0.578)
Assets	-0.211	-0.173	-0.194	-0.223	-0.184	-0.206
	(0.159)	(0.152)	(0.156)	(0.194)	(0.186)	(0.191)
Proceeds	2.411***	2.229***	2.491***	2.553***	2.359***	2.643***
	(0.693)	(0.675)	(0.705)	(0.778)	(0.755)	(0.795)
Firm Age	-0.028	-0.017	-0.012	-0.024	-0.013	-0.006
	(0.066)	(0.067)	(0.066)	(0.074)	(0.075)	(0.074)
Underwriter Reputation	0.043	0.043	0.044	0.058	0.056	0.058
	(0.068)	(0.069)	(0.069)	(0.074)	(0.075)	(0.076)
GDP Growth	5.179	4.789	-0.372	4.433	3.762	-2.030
	(3.177)	(3.075)	(3.798)	(3.489)	(3.459)	(4.474)
Market Return	0.167	0.012	0.259	0.072	-0.008	0.282
	(0.233)	(0.255)	(0.265)	(0.262)	(0.293)	(0.317)
Interest Rate	-12.493	-13.454	3.587	-17.527*	-17.672*	1.472
	(8.100)	(8.342)	(10.304)	(8.971)	(9.287)	(12.350)
Capacity Utilization	0.007	0.002	0.014**	0.009	0.004	0.017**
	(0.005)	(0.005)	(0.006)	(0.006)	(0.006)	(0.008)
Market Volatility	0.177*	0.192**	0.077	0.200*	0.210**	0.082
	(0.093)	(0.095)	(0.100)	(0.104)	(0.106)	(0.118)
Constant	0.116	0.170	-0.726	0.048	0.056	-0.979
	(0.511)	(0.527)	(0.622)	(0.602)	(0.615)	(0.775)
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	374	374	374	374	374	374
Adjusted R-squared	0.173	0.163	0.184	0.158	0.147	0.166

doi:10.6342/NTU202502054

Table 5 (Continued)

Valuation of IPOs and the Presidential Cycle (Matched by Sales)

Panel B. TWSE Market

	Dependent Variable					
	OP/V_{Sales}			IP/V_{Sales}		
Independent Variable	(1)	(2)	(3)	(4)	(5)	(6)
Term	-0.279		-0.005	-0.258		-0.022
	(0.192)		(0.380)	(0.222)		(0.419)
T_1		-0.128	0.024		-0.007	0.134
		(0.266)	(0.390)		(0.292)	(0.433)
T_2		-0.184	-0.133		-0.193	-0.159
		(0.359)	(0.485)		(0.397)	(0.536)
T_3		0.097	0.312		0.206	0.431
		(0.287)	(0.473)		(0.329)	(0.597)
Term × T_1			-0.318			-0.287
			(0.546)			(0.622)
Term × T_2			-0.413			-0.366
			(0.510)			(0.565)
Term × T_3			-0.509			-0.513
			(0.608)			(0.768)
Assets	-0.041	-0.003	-0.028	-0.011	0.041	0.016
	(0.146)	(0.150)	(0.158)	(0.177)	(0.177)	(0.187)
Proceeds	1.583**	1.330**	1.599**	1.482**	1.205*	1.464**
	(0.610)	(0.555)	(0.632)	(0.658)	(0.611)	(0.698)
Firm Age	0.173	0.197*	0.199*	0.198	0.226*	0.227*
	(0.111)	(0.111)	(0.117)	(0.122)	(0.123)	(0.128)
Underwriter Reputation	-0.063	-0.049	-0.056	-0.058	-0.051	-0.059
	(0.096)	(0.094)	(0.098)	(0.105)	(0.103)	(0.106)
GDP Growth	4.513	3.047	2.496	1.665	-0.200	-0.954
	(4.821)	(4.715)	(5.070)	(5.003)	(4.967)	(5.846)
Market Return	0.450	0.558	0.732	0.243	0.473	0.643
	(0.461)	(0.556)	(0.601)	(0.514)	(0.638)	(0.688)
Interest Rate	-2.110	-1.421	5.762	-3.226	-0.048	7.445
	(16.363)	(18.019)	(20.709)	(18.264)	(20.149)	(23.830)
Capacity Utilization	0.007	0.002	0.012	0.008	0.005	0.015
	(0.008)	(0.009)	(0.011)	(0.010)	(0.010)	(0.013)
Market Volatility	0.167	0.173	0.154	0.150	0.149	0.126
	(0.139)	(0.143)	(0.156)	(0.155)	(0.160)	(0.181)
Constant	-0.907	-0.840	-1.717	-0.951	-1.044	-1.890
	(0.882)	(0.975)	(1.220)	(0.993)	(1.126)	(1.384)
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	145	145	145	145	145	145
Adjusted R-squared	0.235	0.219	0.207	0.214	0.201	0.186

pattern suggests a valuation discount when political uncertainty intensifies due to the impending leadership transition.

In the TWSE Market (Panel B of Table 5), the coefficient on *Term* is −0.279 in Column (1) and −0.258 in Column (4), though neither reaches statistical significance. The

doi:10.6342/NTU202502054

Table 5 (Continued)

Valuation of IPOs and the Presidential Cycle (Matched by Sales)

Panel C. TPEx-MB Market

	Dependent Variable					
	OP/V_{Sales}			IP/V_{Sales}		
Independent Variable	(1)	(2)	(3)	(4)	(5)	(6)
Term	-0.321*		0.078	-0.331		0.202
	(0.184)		(0.197)	(0.222)		(0.325)
T_1		-0.240	0.016		-0.196	0.172
		(0.163)	(0.199)		(0.186)	(0.259)
T_2		0.151	-0.121		0.139	-0.152
		(0.195)	(0.260)		(0.232)	(0.295)
T_3		0.056	0.620		0.017	0.706
		(0.220)	(0.395)		(0.263)	(0.478)
Term × T_1			-0.739*			-1.046*
			(0.436)			(0.587)
Term × T_2			0.108			0.044
			(0.335)			(0.449)
Term × T_3			-1.251**			-1.519*
			(0.580)			(0.778)
Assets	-0.918**	-0.920**	-0.870***	-1.084***	-1.076***	-1.017***
	(0.357)	(0.355)	(0.332)	(0.385)	(0.385)	(0.364)
Proceeds	4.322***	4.138***	4.458***	5.029***	4.825***	5.194***
	(1.487)	(1.377)	(1.425)	(1.578)	(1.461)	(1.520)
Firm Age	-0.188**	-0.169**	-0.158*	-0.204**	-0.193*	-0.182*
	(0.089)	(0.084)	(0.086)	(0.102)	(0.098)	(0.101)
Underwriter Reputation	0.072	0.054	0.069	0.093	0.077	0.095
	(0.084)	(0.085)	(0.085)	(0.090)	(0.092)	(0.092)
GDP Growth	4.888	5.827	-0.528	5.490	6.679	-0.744
	(4.304)	(4.491)	(5.446)	(4.648)	(5.025)	(6.298)
Market Return	0.036	-0.283	0.020	0.056	-0.208	0.196
	(0.291)	(0.315)	(0.299)	(0.323)	(0.355)	(0.380)
Interest Rate	-11.448	-12.218	5.514	-18.561*	-19.566*	1.504
	(9.939)	(9.859)	(12.183)	(10.714)	(10.862)	(14.909)
Capacity Utilization	0.009*	0.005	0.018**	0.013*	0.010*	0.025**
	(0.005)	(0.005)	(0.008)	(0.007)	(0.006)	(0.010)
Market Volatility	0.164	0.196	0.073	0.244*	0.284*	0.138
	(0.132)	(0.133)	(0.132)	(0.146)	(0.150)	(0.158)
Constant	2.013*	2.043	1.378	2.064	2.051	1.258
	(1.212)	(1.238)	(1.241)	(1.383)	(1.414)	(1.436)
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	229	229	229	229	229	229
Adjusted R-squared	0.197	0.184	0.217	0.204	0.190	0.222

coefficient on *T+3* is 0.097 in Column (2) and 0.206 in Column (5), with neither being statistically significant. The coefficient on interaction term *Term*×*T+3* remains negative, with −0.509 in Column (3) and −0.513 in Column (6), but again, neither is statistically significant. This suggests that, although the direction is consistent with the Full Market

doi:10.6342/NTU202502054

Table 6

Valuation of IPOs and the Presidential Cycle (Matched by Assets)

Table 6 presents the OLS regression results analyzing the relationship between IPO valuation and the presidential election cycle, using assets-matched relative valuation measures. The dependent variables are $OP/V_{Book\ Value}$ and $IP/V_{Book\ Value}$. $OP/V_{Book\ Value}$is the ratio of the IPO firm's offer price to its sales per share, divided by the average ratio of sales-matched firms' closing price on the day before the IPO to their sales per share. $IP/V_{Book\ Value}$ is similarly defined, except for the initial trading day closing price instead of the offer price. Panel A reports results for the Full Market sample, Panel B for the Taiwan Stock Exchange (TWSE), and Panel C for the TPEx Mainboard (TPEx-MB). Columns (1) to (3) use $OP/V_{Book\ Value}$ as the dependent variable, while Columns (4) to (6) use $IP/V_{Book\ Value}$. *Term* is an indicator variable equal to 1 if the IPO occurred during the president's second term and zero otherwise. *T+1*, *T+2*, and *T+3* are indicator variables for the first, second, and third years following a presidential election, respectively. Interaction terms between *Term* and *T+1* to *T+3* are included to capture differential effects across the presidential cycle. Control variables include firm characteristics (*Assets*, *Proceeds*, *Firm Age*, and *Underwriter Reputation*) and macroeconomic indicators (*GDP Growth*, *Market Return*, *Interest Rate*, *Capacity Utilization*, and *Market Volatility*). Robust standard errors are reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel A. Full Market

	Dependent Variable					
	$OP/V_{Book\ Value}$			$IP/V_{Book\ Value}$		
Independent Variable	(1)	(2)	(3)	(4)	(5)	(6)
Term	-0.094*		0.107	-0.125*		0.007
	(0.055)		(0.102)	(0.070)		(0.130)
T_1		0.032	0.111		0.150	0.173
		(0.081)	(0.120)		(0.103)	(0.153)
T_2		0.057	0.077		0.115	0.139
		(0.077)	(0.132)		(0.099)	(0.178)
T_3		-0.100	0.150		-0.011	0.133
		(0.082)	(0.112)		(0.095)	(0.141)
Term × T_1			-0.171			-0.053
			(0.150)			(0.202)
Term × T_2			-0.152			-0.121
			(0.163)			(0.220)
Term × T_3			-0.565***			-0.354
			(0.174)			(0.229)
Assets	-0.109*	-0.115*	-0.121*	-0.091	-0.096	-0.101
	(0.058)	(0.061)	(0.061)	(0.086)	(0.093)	(0.095)
Proceeds	1.290***	1.321***	1.472***	1.257***	1.263***	1.381***
	(0.382)	(0.372)	(0.360)	(0.443)	(0.447)	(0.445)
Firm Age	-0.091*	-0.099**	-0.096**	-0.099*	-0.112**	-0.107*
	(0.047)	(0.048)	(0.047)	(0.056)	(0.056)	(0.057)
Underwriter Reputation	0.026	0.019	0.023	0.031	0.024	0.029
	(0.034)	(0.037)	(0.037)	(0.039)	(0.043)	(0.044)
GDP Growth	-0.767	-0.156	-1.568	-2.473*	-1.886	-2.487
	(1.105)	(1.154)	(1.300)	(1.316)	(1.407)	(1.731)
Market Return	-0.249**	-0.296**	-0.252*	-0.404***	-0.392***	-0.385**
	(0.122)	(0.126)	(0.139)	(0.136)	(0.144)	(0.167)
Interest Rate	-3.155	-3.552	3.177	-8.831*	-8.740*	-5.122
	(4.051)	(4.166)	(4.477)	(4.811)	(4.949)	(5.551)
Capacity Utilization	0.002	0.002	0.007***	0.002	0.001	0.004
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)
Market Volatility	0.014	0.021	-0.029	0.004	0.005	-0.026
	(0.044)	(0.045)	(0.045)	(0.056)	(0.057)	(0.059)
Constant	2.232***	2.220***	2.057***	2.494***	2.406***	2.352***
	(0.326)	(0.339)	(0.356)	(0.371)	(0.388)	(0.419)
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	276	276	276	276	276	276
Adjusted R-squared	0.347	0.344	0.355	0.338	0.335	0.335

doi:10.6342/NTU202502054

Table 6 (Continued)

Valuation of IPOs and the Presidential Cycle (Matched by Assets)

Panel B. TWSE Market

	Dependent Variable					
	$OP/V_{Book\ Value}$			$IP/V_{Book\ Value}$		
Independent Variable	(1)	(2)	(3)	(4)	(5)	(6)
Term	-0.237**		-0.207	-0.231*		-0.342
	(0.104)		(0.237)	(0.136)		(0.303)
T_1		-0.137	-0.172		-0.066	-0.247
		(0.123)	(0.207)		(0.165)	(0.264)
T_2		0.040	-0.030		0.022	-0.059
		(0.155)	(0.270)		(0.216)	(0.380)
T_3		-0.232	-0.084		-0.056	-0.012
		(0.167)	(0.242)		(0.212)	(0.338)
Term × T_1			0.079			0.365
			(0.292)			(0.374)
Term × T_2			0.029			0.104
			(0.367)			(0.518)
Term × T_3			-0.227			-0.046
			(0.324)			(0.468)
Assets	-0.079	-0.095	-0.100	-0.029	-0.031	-0.039
	(0.083)	(0.083)	(0.085)	(0.118)	(0.122)	(0.122)
Proceeds	1.233**	1.287**	1.345***	0.950	0.908	0.934
	(0.539)	(0.542)	(0.502)	(0.585)	(0.654)	(0.609)
Firm Age	-0.031	-0.026	-0.031	-0.054	-0.048	-0.059
	(0.060)	(0.059)	(0.061)	(0.074)	(0.076)	(0.079)
Underwriter Reputation	0.023	0.038	0.025	0.053	0.068	0.061
	(0.044)	(0.050)	(0.055)	(0.056)	(0.066)	(0.074)
GDP Growth	-0.191	-0.203	-0.700	-0.660	-1.166	-0.807
	(2.148)	(2.242)	(2.537)	(2.752)	(2.915)	(3.554)
Market Return	-0.022	-0.209	-0.171	-0.131	-0.211	-0.267
	(0.197)	(0.233)	(0.264)	(0.241)	(0.310)	(0.352)
Interest Rate	-7.325	-8.176	-5.392	-9.169	-9.407	-9.505
	(6.547)	(7.318)	(8.201)	(8.615)	(9.809)	(11.137)
Capacity Utilization	0.004	0.002	0.006	0.003	-0.000	0.002
	(0.004)	(0.005)	(0.006)	(0.006)	(0.007)	(0.008)
Market Volatility	-0.021	-0.022	-0.045	-0.061	-0.053	-0.058
	(0.073)	(0.075)	(0.076)	(0.089)	(0.095)	(0.098)
Constant	2.095***	2.280***	2.264***	2.473***	2.543***	2.745***
	(0.550)	(0.614)	(0.669)	(0.657)	(0.775)	(0.860)
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	97	97	97	97	97	97
Adjusted R-squared	0.583	0.565	0.577	0.481	0.446	0.446

results, the effect of political uncertainty on IPO valuation is weaker among larger and more established firms listed on the TWSE.

In the TPEx-MB Market (Panel C of Table 5), the results closely resemble those observed in the Full Market. The coefficient on *Term* is −0.321 in Column (1), which is

doi:10.6342/NTU202502054

Table 6 (Continued)

Valuation of IPOs and the Presidential Cycle (Matched by Assets)

Panel C. TPEx-MB Market

	Dependent Variable					
	$OP/V_{Book\ Value}$			$IP/V_{Book\ Value}$		
Independent Variable	(1)	(2)	(3)	(4)	(5)	(6)
Term	-0.044		0.166	-0.096		0.050
	(0.071)		(0.101)	(0.088)		(0.118)
T_1		0.083	0.164		0.238*	0.288*
		(0.092)	(0.116)		(0.123)	(0.146)
T_2		0.136	0.158		0.242**	0.254
		(0.105)	(0.168)		(0.121)	(0.215)
T_3		0.009	0.226*		0.047	0.171
		(0.090)	(0.124)		(0.099)	(0.131)
Term × T_1			-0.178			-0.141
			(0.167)			(0.249)
Term × T_2			-0.151			-0.104
			(0.200)			(0.264)
Term × T_3			-0.610***			-0.391*
			(0.216)			(0.226)
Assets	-0.278**	-0.300**	-0.300**	-0.341***	-0.372***	-0.375***
	(0.113)	(0.130)	(0.127)	(0.118)	(0.138)	(0.137)
Proceeds	1.778***	1.814***	2.028***	2.167***	2.190***	2.379***
	(0.607)	(0.590)	(0.590)	(0.626)	(0.600)	(0.609)
Firm Age	-0.103	-0.115	-0.129	-0.100	-0.130	-0.134
	(0.083)	(0.081)	(0.083)	(0.096)	(0.094)	(0.096)
Underwriter Reputation	-0.010	-0.008	-0.002	-0.010	-0.009	-0.003
	(0.044)	(0.049)	(0.049)	(0.053)	(0.056)	(0.058)
GDP Growth	-1.242	-0.259	-1.438	-3.438*	-1.772	-2.408
	(1.578)	(1.486)	(1.676)	(1.773)	(1.654)	(1.965)
Market Return	-0.367**	-0.382**	-0.339*	-0.545***	-0.489**	-0.457**
	(0.156)	(0.165)	(0.182)	(0.170)	(0.189)	(0.213)
Interest Rate	-0.619	-2.278	3.755	-9.217	-11.499**	-8.573
	(5.320)	(5.074)	(5.054)	(5.968)	(5.742)	(5.590)
Capacity Utilization	0.003	0.002	0.006**	0.002	0.001	0.004
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Market Volatility	0.016	0.029	-0.012	0.036	0.053	0.027
	(0.062)	(0.061)	(0.060)	(0.079)	(0.076)	(0.076)
Constant	0.921**	0.883**	0.615	1.256**	1.183**	1.017**
	(0.435)	(0.430)	(0.432)	(0.496)	(0.487)	(0.502)
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	179	179	179	179	179	179
Adjusted R-squared	0.257	0.255	0.255	0.281	0.291	0.282

statistically significant, and −0.331 in Column (4), though the latter is not significant. The coefficient on *T+3* is 0.056 in Column (2) and 0.017 in Column (5), but neither is statistically significant. Importantly, the coefficient on interaction term *Term*×*T+3* is significantly negative, with −1.251 in Column (3) and −1.519 in Column (6), suggesting

doi:10.6342/NTU202502054

Table 7

Valuation of IPOs and the Presidential Cycle (Matched by EBITDA)

Table 7 presents the OLS regression results analyzing the relationship between IPO valuation and the presidential election cycle, using sales-matched relative valuation measures. The dependent variables are OP/V_{EBITDA} and IP/V_{EBITDA}. OP/V_{EBITDA} is the ratio of the IPO firm's offer price to its sales per share, divided by the average ratio of sales-matched firms' closing price on the day before the IPO to their sales per share. IP/V_{EBITDA} is similarly defined, except for the initial trading day closing price instead of the offer price. Panel A reports results for the Full Market sample, Panel B for the Taiwan Stock Exchange (TWSE), and Panel C for the TPEx Mainboard (TPEx-MB). Columns (1) to (3) use OP/V_{EBITDA} as the dependent variable, while Columns (4) to (6) use IP/V_{EBITDA}. *Term* is an indicator variable equal to 1 if the IPO occurred during the president's second term and zero otherwise. *T+1*, *T+2*, and *T+3* are indicator variables for the first, second, and third years following a presidential election, respectively. Interaction terms between *Term* and *T+1* to *T+3* are included to capture differential effects across the presidential cycle. Control variables include firm characteristics (*Assets*, *Proceeds*, *Firm Age*, and *Underwriter Reputation*) and macroeconomic indicators (*GDP Growth*, *Market Return*, *Interest Rate*, *Capacity Utilization*, and *Market Volatility*). Robust standard errors are reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel A. Full Market

	Dependent Variable					
	OP/V_{EBITDA}			IP/V_{EBITDA}		
Independent Variable	(1)	(2)	(3)	(4)	(5)	(6)
Term	0.156*		0.330	0.206*		0.327
	(0.088)		(0.216)	(0.118)		(0.280)
T_1		0.010	0.021		0.125	0.054
		(0.143)	(0.161)		(0.193)	(0.202)
T_2		-0.084	0.073		-0.078	0.099
		(0.140)	(0.160)		(0.179)	(0.194)
T_3		-0.264**	0.016		-0.282*	-0.037
		(0.122)	(0.153)		(0.154)	(0.190)
Term × T_1			0.202			0.442
			(0.391)			(0.524)
Term × T_2			-0.311			-0.306
			(0.279)			(0.369)
Term × T_3			-0.535*			-0.466
			(0.315)			(0.405)
Assets	-0.172*	-0.204**	-0.183**	-0.245*	-0.282**	-0.252**
	(0.092)	(0.092)	(0.087)	(0.124)	(0.125)	(0.113)
Proceeds	0.827**	1.014***	0.965***	0.995**	1.218**	1.115**
	(0.386)	(0.388)	(0.354)	(0.486)	(0.488)	(0.433)
Firm Age	-0.029	-0.015	-0.025	-0.016	-0.001	-0.019
	(0.053)	(0.050)	(0.050)	(0.068)	(0.064)	(0.063)
Underwriter Reputation	-0.129**	-0.120*	-0.114*	-0.156**	-0.145*	-0.140*
	(0.063)	(0.064)	(0.064)	(0.077)	(0.078)	(0.079)
GDP Growth	0.852	2.320	1.161	0.111	1.899	1.101
	(1.382)	(1.449)	(1.748)	(1.821)	(1.865)	(2.272)
Market Return	-0.101	-0.032	-0.186	-0.207	-0.054	-0.296
	(0.194)	(0.234)	(0.245)	(0.233)	(0.301)	(0.310)
Interest Rate	-1.957	-4.424	4.469	-8.176	-11.045	-2.492
	(5.782)	(6.083)	(7.918)	(7.068)	(7.424)	(9.984)
Capacity Utilization	0.002	0.002	0.005	0.002	0.002	0.004
	(0.004)	(0.004)	(0.005)	(0.005)	(0.006)	(0.007)
Market Volatility	0.079	0.072	0.007	0.109	0.093	0.033
	(0.060)	(0.061)	(0.066)	(0.081)	(0.081)	(0.086)
Constant	-0.215	-0.009	-0.274	-0.281	-0.003	-0.238
	(0.452)	(0.495)	(0.587)	(0.583)	(0.616)	(0.717)
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	263	263	263	263	263	263
Adjusted R-squared	0.147	0.149	0.164	0.138	0.141	0.156

doi:10.6342/NTU202502054

Table 7 (Continued)

Valuation of IPOs and the Presidential Cycle (Matched by EBITDA)

Panel B. TWSE Market

	Dependent Variable					
	OP/V_{EBITDA}			IP/V_{EBITDA}		
Independent Variable	(1)	(2)	(3)	(4)	(5)	(6)
Term	0.241		0.407	0.390*		0.572
	(0.178)		(0.512)	(0.229)		(0.661)
T_1		-0.301	-0.296		-0.215	-0.293
		(0.365)	(0.327)		(0.480)	(0.386)
T_2		-0.609	-0.245		-0.791	-0.258
		(0.427)	(0.334)		(0.557)	(0.418)
T_3		-0.638**	-0.220		-0.799*	-0.244
		(0.315)	(0.378)		(0.415)	(0.483)
Term × T_1			0.284			0.626
			(0.839)			(1.070)
Term × T_2			-0.659			-0.896
			(0.594)			(0.760)
Term × T_3			-0.736			-0.973
			(0.710)			(0.921)
Assets	-0.406**	-0.530***	-0.479**	-0.527**	-0.657***	-0.577**
	(0.164)	(0.184)	(0.181)	(0.224)	(0.247)	(0.236)
Proceeds	0.747	1.066*	0.930*	0.832	1.282*	1.024
	(0.568)	(0.574)	(0.535)	(0.737)	(0.752)	(0.671)
Firm Age	0.018	0.073	0.067	0.061	0.138	0.118
	(0.077)	(0.084)	(0.090)	(0.097)	(0.110)	(0.112)
Underwriter Reputation	0.056	0.075	0.072	0.086	0.106	0.103
	(0.137)	(0.139)	(0.141)	(0.179)	(0.182)	(0.184)
GDP Growth	2.151	4.278	2.185	1.275	4.333	1.748
	(2.646)	(3.032)	(4.029)	(3.364)	(3.770)	(5.171)
Market Return	0.738**	1.158**	0.859	0.822*	1.440**	0.929
	(0.333)	(0.520)	(0.625)	(0.431)	(0.688)	(0.827)
Interest Rate	-3.056	-1.899	5.761	-7.348	-2.205	6.994
	(11.037)	(9.019)	(15.987)	(14.867)	(11.356)	(20.716)
Capacity Utilization	0.009	0.012	0.012	0.010	0.015	0.014
	(0.008)	(0.009)	(0.011)	(0.011)	(0.011)	(0.015)
Market Volatility	0.176*	0.183*	0.095	0.207	0.180	0.063
	(0.099)	(0.106)	(0.147)	(0.126)	(0.130)	(0.185)
Constant	-0.046	0.364	0.361	-0.137	0.224	0.390
	(0.800)	(0.805)	(0.984)	(1.026)	(1.071)	(1.239)
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	85	85	85	85	85	85
Adjusted R-squared	0.117	0.162	0.169	0.0816	0.120	0.162

that IPO valuations in the TPEx-MB Market drop substantially during the year preceding a presidential election when the incumbent is serving their final term. This result points to heightened investor discounting among smaller firms in less liquid markets when faced with elevated political risk.

doi:10.6342/NTU202502054

Table 7 (Continued)

Valuation of IPOs and the Presidential Cycle (Matched by EBITDA)

Panel C. TPEx-MB Market

	Dependent Variable					
	OP/V_{EBITDA}			IP/V_{EBITDA}		
Independent Variable	(1)	(2)	(3)	(4)	(5)	(6)
Term	0.111		0.122	0.113		0.026
	(0.109)		(0.177)	(0.151)		(0.236)
T_1		-0.137	-0.145		-0.049	-0.097
		(0.173)	(0.210)		(0.240)	(0.268)
T_2		0.001	0.075		0.064	0.097
		(0.128)	(0.208)		(0.167)	(0.257)
T_3		-0.229	-0.194		-0.227	-0.303
		(0.155)	(0.184)		(0.202)	(0.230)
Term × T_1			0.121			0.168
			(0.291)			(0.414)
Term × T_2			-0.112			0.017
			(0.312)			(0.412)
Term × T_3			-0.059			0.186
			(0.257)			(0.327)
Assets	-0.259*	-0.280*	-0.274*	-0.365**	-0.396**	-0.392**
	(0.145)	(0.148)	(0.158)	(0.175)	(0.184)	(0.191)
Proceeds	1.470**	1.673***	1.621**	1.959***	2.185***	2.043***
	(0.589)	(0.590)	(0.623)	(0.725)	(0.739)	(0.756)
Firm Age	0.027	0.044	0.035	0.048	0.058	0.046
	(0.074)	(0.076)	(0.077)	(0.092)	(0.093)	(0.094)
Underwriter Reputation	-0.209***	-0.201***	-0.202***	-0.258***	-0.252***	-0.261***
	(0.065)	(0.065)	(0.066)	(0.079)	(0.077)	(0.080)
GDP Growth	0.176	1.620	1.948	-0.463	1.456	2.262
	(1.868)	(2.055)	(2.389)	(2.514)	(2.687)	(3.122)
Market Return	-0.511**	-0.623**	-0.685**	-0.710**	-0.775**	-0.829**
	(0.232)	(0.271)	(0.288)	(0.283)	(0.366)	(0.386)
Interest Rate	-0.518	-3.550	-1.946	-8.260	-12.044	-13.532
	(7.331)	(7.552)	(7.740)	(9.072)	(9.332)	(9.675)
Capacity Utilization	-0.005	-0.005	-0.004	-0.007	-0.007	-0.007
	(0.005)	(0.005)	(0.005)	(0.006)	(0.006)	(0.006)
Market Volatility	-0.036	-0.024	-0.022	-0.021	-0.004	0.023
	(0.089)	(0.088)	(0.086)	(0.114)	(0.114)	(0.110)
Constant	-0.142	-0.159	-0.345	-0.095	-0.111	-0.156
	(0.565)	(0.537)	(0.613)	(0.699)	(0.677)	(0.785)
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	178	178	178	178	178	178
Adjusted R-squared	0.260	0.260	0.245	0.250	0.247	0.231

To further examine whether IPO valuations significantly decline in the pre-election year of a president's second term, we conduct F-tests on the joint effect of *T+3* and *Term×T+3* across all three market samples. In the Full Market, the F-statistics are 4.18 (Column 3) and 2.70 (Column 6); in the TWSE Market, they are 0.71 and 0.15; and in

doi:10.6342/NTU202502054

the TPEx-MB Market, 4.22 and 3.93, respectively. While the F-statistics for the TWSE Market are clearly insignificant, those for the Full Market and TPEx-MB Market approach conventional significance thresholds, suggesting a potentially meaningful—though not definitively significant—combined effect of *T+3* and *Term×T+3* on IPO valuations in these markets.

While the individual coefficient on *Term×T+3* is negative and statistically significant in both the Full Market and TPEx-MB Market, the F-tests on the joint effect of *T+3* and *Term×T+3* also provide moderate evidence of valuation discounts in these two markets. In contrast, the TWSE Market shows no statistically significant effects, whether based on individual coefficients or joint tests. Taken together, these results offer some support for Hypothesis 3, suggesting that political uncertainty in the pre-election year of a president's second term may depress IPO valuations—particularly among smaller firms in less liquid markets—but the effect is not robust across all market segments.

Additional analyses using alternative matching samples in Table 6 (based on asset-matched peers) and Table 7 (based on EBITDA-matched peers) yield partially supportive but inconsistent results. When using the relative valuation measure based on offer price as the dependent variable, the coefficient on *Term×T+3* remains significantly negative in the Full Market sample—measured at −0.565 in Table 6 and −0.535 in Table 7—with

doi:10.6342/NTU202502054

stronger statistical significance in the asset-matched setting. These findings provide limited but suggestive evidence for the hypothesis, while highlighting the lack of consistent effects across all market segments and specifications. Notably, in Table 7, Panel C (TPEx-MB Market), when using the relative valuation measure based on initial price as the dependent variable, the coefficient on *Term*×*T+3* displays a positive sign in Column 6—contrary to the hypothesis—further reinforcing the need for cautious interpretation.

5.2.4. Political Uncertainty and IPO Timing

Table 8 explores whether political uncertainty affects IPO timing by examining the duration that firms remain listed on the TPEx-ESB before going public. This section tests Hypothesis 4, which posits that firms may postpone their IPOs during periods of heightened political uncertainty, particularly in the year prior to a presidential election during a second term, resulting in more extended stays in the TPEx-ESB. All regressions include the complete set of firm-level and macroeconomic control variables.

In the Full Market, Column (1) shows that the coefficient on *Term* is negative and insignificant (−0.282), suggesting that IPO firms tend to spend less time on the TPEx-ESB during second-term presidencies—a result contrary to the prediction of Hypothesis 4. Column (2) shows that the coefficient on *T+3* is 0.116, but it is statistically insignificant, providing no standalone evidence that pre-election uncertainty prolongs the

doi:10.6342/NTU202502054

Table 8

Duration in ESM Market and the Presidential Cycle

Table 8 presents the OLS regression results analyzing the relationship between the duration of firms in the TPEx Emerging Stock Board (TPEx-ESB) before their IPO and the presidential election cycle. The dependent variable is *Duration in TPEx-ESB*, measured as the number of years a firm remained listed on the TPEx-ESB before going public. Columns (1) to (3) report results for the Full Market sample, Columns (4) to (6) for the Taiwan Stock Exchange (TWSE), and Columns (7) to (9) for the TPEx Mainboard (TPEx-MB). *Term* is an indicator variable equal to 1 if the IPO occurred during the president's second term and zero otherwise. *T+1*, *T+2*, and *T+3* are indicator variables for the first, second, and third years following a presidential election, respectively. Interaction terms between *Term* and *T+1* to *T+3* are included to capture differential effects across the presidential cycle. Control variables include firm characteristics (*Assets*, *Proceeds*, *Firm Age*, and *Underwriter Reputation*) and macroeconomic indicators (*GDP Growth*, *Market Return*, *Interest Rate*, *Capacity Utilization*, and *Market Volatility*). Robust standard errors are reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	Dependent Variable								
	Duration in TPEx-ESB								
Independent Variable	(1) Full	(2) Full	(3) Full	(4) TWSE	(5) TWSE	(6) TWSE	(7) TPEx-MB	(8) TPEx-MB	(9) TPEx-MB
Term	-0.282		-0.387	-0.412		-0.449	-0.157		-0.272
	(0.177)		(0.339)	(0.395)		(0.858)	(0.201)		(0.344)
T_1		0.013	-0.073		-0.994*	-0.676		0.531*	0.347
		(0.270)	(0.439)		(0.551)	(0.922)		(0.321)	(0.497)
T_2		0.334	0.537		-0.424	-0.623		0.517*	0.833
		(0.268)	(0.541)		(0.676)	(1.068)		(0.281)	(0.586)
T_3		0.116	-0.346		-0.428	-0.673		0.199	-0.280
		(0.209)	(0.339)		(0.533)	(0.761)		(0.224)	(0.356)
Term × T_1			0.058			-0.494			0.195
			(0.573)			(1.322)			(0.672)
Term × T_2			-0.298			0.094			-0.358
			(0.677)			(1.365)			(0.766)
Term × T_3			0.704			0.330			0.802
			(0.526)			(1.257)			(0.556)
Assets	0.416**	0.436**	0.400**	0.490*	0.494*	0.484*	0.145	0.117	0.098
	(0.181)	(0.186)	(0.184)	(0.283)	(0.275)	(0.279)	(0.195)	(0.200)	(0.200)
Proceeds	-0.941*	-1.085**	-0.994**	-1.861**	-2.043***	-1.827**	0.332	0.197	0.182
	(0.494)	(0.505)	(0.497)	(0.754)	(0.716)	(0.753)	(0.694)	(0.713)	(0.715)
Firm Age	0.837***	0.818***	0.836***	1.086***	1.107***	1.154***	0.772***	0.740***	0.758***
	(0.109)	(0.108)	(0.111)	(0.225)	(0.225)	(0.237)	(0.124)	(0.125)	(0.127)
Underwriter Reputation	-0.176**	-0.169**	-0.170**	0.103	0.146	0.120	-0.261***	-0.267***	-0.263***
	(0.084)	(0.083)	(0.083)	(0.195)	(0.199)	(0.199)	(0.093)	(0.091)	(0.090)
GDP Growth	-1.142	-1.233	3.470	-9.893*	-12.472	-10.148	3.438	5.262	10.108*
	(3.183)	(4.065)	(4.912)	(5.857)	(7.687)	(9.668)	(3.918)	(4.820)	(5.517)
Market Return	0.159	-0.163	-0.364	-0.413	-0.651	-0.264	0.517	0.319	-0.066
	(0.327)	(0.342)	(0.497)	(0.630)	(0.732)	(1.044)	(0.408)	(0.400)	(0.595)
Interest Rate	-14.554	-26.201	-41.609**	6.829	-13.231	-5.536	-22.896	-28.545	-49.800**
	(14.405)	(17.137)	(20.128)	(28.016)	(33.378)	(41.377)	(17.612)	(21.076)	(24.368)
Capacity Utilization	0.023***	0.017*	0.013	0.017	0.008	0.015	0.026**	0.021**	0.013
	(0.009)	(0.009)	(0.010)	(0.018)	(0.019)	(0.020)	(0.011)	(0.011)	(0.012)
Market Volatility	-0.423**	-0.353**	-0.283	-0.863***	-0.719**	-0.745**	-0.198	-0.189	-0.085
	(0.169)	(0.170)	(0.190)	(0.329)	(0.339)	(0.370)	(0.202)	(0.204)	(0.238)
Constant	-1.895	-1.744	-1.346	-1.514	-0.492	-1.133	-1.715	-1.468	-1.001
	(1.311)	(1.220)	(1.377)	(2.081)	(2.086)	(2.394)	(1.342)	(1.231)	(1.407)
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1022	1022	1022	304	304	304	718	718	718
Adjusted R-squared	0.216	0.214	0.215	0.205	0.205	0.198	0.219	0.223	0.223

pre-IPO listing period. In Column (3), the coefficient on *Term×T+3* is 0.704, yet it also lacks statistical significance, indicating that even under second-term pre-election conditions, there is no substantial evidence that firms meaningfully delay their IPOs.

doi:10.6342/NTU202502054

In the TWSE Market, Column (4) shows that the coefficient on *Term* is negative and insignificant (−0.412), again suggesting that shorter durations on the TPEx-ESB during second-term presidencies, contrary to the hypothesis. The coefficients on *T+3* (−0.428 in Column 5) and *Term*×*T+3* (0.330 in Column 6) are both statistically insignificant, reinforcing the lack of support for strategic IPO timing adjustments in this segment.

In the TPEx-MB Market, the coefficient on *Term* is −0.157 in Column (7) and is insignificant. The coefficients on *T+3* (0.199 in Column 8) and *Term*×*T+3* (0.802 in Column 9) are statistically insignificant, indicating no strong evidence of delayed IPO timing in response to pre-election uncertainty in this segment.

Taken together, the results from Table 8 do not support Hypothesis 4. While coefficients on *Term*×*T+3* are positive—directionally consistent with the notion of IPO delays under heightened political uncertainty—the lack of statistical significance across all specifications suggests that political uncertainty does not meaningfully affect IPO timing, at least as measured by the duration firms remain on the TPEx-ESB before going public.

An additional observation across all three market samples is that the coefficients on *Term* remain negative when it is included as the sole explanatory variable. This consistent pattern raises the question of whether firms choosing to go public during a president's second term—despite potentially heightened political uncertainty—are driven

doi:10.6342/NTU202502054

by strong underlying incentives. One possible explanation is the pursuit of relatively higher valuations. A proxy for such pre-IPO valuation potential is the firm's sales growth in the year before listing. However, further analysis reveals that firms going public during second-term presidencies exhibit, on average, lower pre-IPO sales growth than those listing during first-term presidencies, regardless of the market segment.

6. Conclusion

This study investigates how presidential election cycles—an institutionalized form of political uncertainty—affect IPO activity and outcomes in Taiwan. While the literature has examined political uncertainty in developed markets, relatively few studies focus on emerging markets, such as Taiwan, where political transitions occur regularly but can still introduce economic frictions. Leveraging the two-term presidential limit and fixed election schedule, this study provides novel evidence on how election-related uncertainty influences IPO behavior.

The findings offer only partial support for Hypothesis 1, which predicts that IPO frequency and fundraising decline under heightened political uncertainty. IPO frequency decreases modestly during second-term presidencies, especially among TWSE-listed firms, but there is no consistent evidence of reduced IPO activity in the year immediately preceding an election ($T+3$). Fundraising activity appears stronger during a president's second term and in the pre-election year, contradicting the notion that political uncertainty

doi:10.6342/NTU202502054

suppresses capital-raising efforts. These patterns suggest that political uncertainty may influence listing behavior selectively, rather than uniformly suppressing IPO activity.

In contrast, the results provide strong and consistent evidence in support of Hypothesis 2. IPOs conducted during the pre-election year of a president's second term exhibit significantly higher underpricing across all market segments. The coefficients on interaction terms between *Term* and *T+3* are positive and statistically significant in every sample. The consistent F-test results across all panels confirm that investors demand greater compensation for risk during periods marked by imminent political turnover and limited policy continuity.

Hypothesis 3, which predicts valuation discounts under political uncertainty, receives limited and segmented support. Firms going public during the pre-election year of a second-term presidency experience lower relative valuations in the Full Market and TPEx-MB, particularly when using sales-matched comparables. These discounts are statistically significant in interaction terms, indicating increased investor discounting in the presence of leadership transition risk. While F-tests yield statistically significant joint effects in the Full Market and TPEx-MB samples, they remain insignificant in the TWSE Market, and results from both asset-matched and EBITDA-matched samples provide only partial support for Hypothesis 3.

doi:10.6342/NTU202502054

Regarding Hypothesis 4, the evidence does not support the notion that political uncertainty delays IPO listings. On the contrary, the duration firms remain listed on the TPEx-ESB tends to decrease during second-term presidencies, a result contrary to expectations. No significant increase in ESB duration is observed in the pre-election year (*T+3*), nor under the combined effect of *Term*×*T+3*. A possible explanation is that firms choosing to go public despite elevated political uncertainty are motivated by other factors, such as valuation opportunities. However, supplementary analysis shows that these firms tend to have lower pre-IPO sales growth, on average, than those listing during first terms, casting doubt on the valuation-motivation notion.

In summary, this study finds that political uncertainty driven by Taiwan's presidential election cycles—especially during the pre-election year of a second-term presidency—has a significant influence on IPO underpricing, while its impact on valuation is more limited and context-dependent. These effects are more pronounced in smaller market segments, such as TPEx-MB, where investor sentiment may be more sensitive to macro-level risk. In addition, Political uncertainty appears to exert little influence on overall IPO activity or timing. The results highlight two distinct but overlapping channels of political uncertainty: one tied to the president's second term, and another linked to the proximity of an upcoming election.

doi:10.6342/NTU202502054

These findings carry practical implications for investors, issuers, and regulators. The consistent pattern of elevated IPO underpricing during periods of heightened political uncertainty suggests that price discovery becomes less efficient in the face of leadership transitions. For investors, the results suggest that IPOs during the pre-election year of a president's second term may offer higher initial returns, but also involve greater pricing uncertainty that requires careful evaluation. For issuers, understanding how markets internalize political risk—particularly during second-term pre-election periods—can inform more strategic IPO timing, pricing, and investor communication. For regulators, the results highlight the importance of strengthening transparency and predictability in the IPO process, particularly during politically sensitive periods, to reduce pricing distortions and protect smaller firms that are more vulnerable to political uncertainty.

While Taiwan's institutional setting is unique, the broader implication is clear: even in democratic systems with stable transitions of power, election cycles can meaningfully influence IPO pricing behavior. Understanding these dynamics is essential for designing robust regulatory frameworks and improving market resilience in emerging economies.

doi:10.6342/NTU202502054

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doi:10.6342/NTU202502054

Appendix

A1. Variable List

Variable	Definition	Usage Classification
ln (1+Number of IPOs)	Natural logarithm of one plus the number of firms going public in a given year and market.	Dependent Variable
ln (1+Gross Proceeds of IPOs)	Natural logarithm of one plus the total proceeds raised by all IPOs in a given year and market, measured in billions of New Taiwan Dollars	Dependent Variable
ln (1+ Average Proceeds of IPOs)	Natural logarithm of one plus the average proceeds raised per IPO in a given year and market, measured in billions of New Taiwan Dollars.	Dependent Variable
Underpricing	IPO underpricing, defined as *Initial Price* / *Offer Price* − 1	Dependent Variable
OP/V	Calculated by first dividing the IPO firm's *Offer Price* by its firm-specific accounting variable (sales per share, book value per share, or EBITDA per share) to form a price multiple. This multiple is then divided by the average price multiple of matched peer firms with the same accounting basis.	Dependent Variable
IP/V	Calculated by first dividing the IPO firm's *Initial Price* by its firm-specific accounting variable (sales per share, book value per share, or EBITDA per share) to form a price multiple. This multiple is then divided by the average price multiple of matched peer firms with the same accounting basis.	Dependent Variable

doi:10.6342/NTU202502054

A1. Variable List (Continued)

Variable	Definition	Usage Classification
Duration in TPEx-ESB	Duration (in years) between initial registration on the TPEx Emerging Stock Board (TPEx-ESB) and the official IPO on TPEx-MB or TWSE	Dependent Variable
Term	Dummy variable equal to one if the IPO occurred during the president's second term, and zero otherwise.	Main Explanatory Variable
T+1, T+2, T+3	Indicator variables for the first, second, and third years following a presidential election, respectively.	Main Explanatory Variable
Term×T+1, Term×T+2, Term×T+3	Interaction terms between the second-term presidency dummy (*Term*) and election year dummies (*T+1* to *T+3*).	Main Explanatory Variable
Assets	Total assets of the firm , measured in billions of New Taiwan Dollars. Used in raw form for summary statistics; transformed using the natural logarithm with a plus one adjustment in regressions.	Firm-level Control Variable
Proceeds	Total capital raised at IPO, measured in billions of New Taiwan Dollars. Used in raw form for summary statistics; transformed using the natural logarithm with a plus one adjustment in regressions.	Firm-level Control Variable
Firm Age	Number of years between the firm's founding year and IPO year. Used in raw form for summary statistics; transformed using the natural logarithm with a plus one adjustment in regressions.	Firm-level Control Variable

doi:10.6342/NTU202502054

A1. Variable List (Continued)

Variable	Definition	Usage Classification
Underwriter Reputation	Average market share of the IPO firm's lead underwriter over the three years prior to listing, measured by total IPO proceeds underwritten. Used in raw form for summary statistics; transformed using the natural logarithm with a plus 0.0001 adjustment in regressions.	Firm-level Control Variable
GDP Growth	Real GDP growth rate of Taiwan, lagged by one year.	Macro Control Variable
Market Return	Annual return of the Taiwan stock market index, lagged by one year.	Macro Control Variable
Interest Rate	Average yield on Taiwan's ten-year government bonds, lagged by one year.	Macro Control Variable
Capacity Utilization	Taiwan Industrial Production Index, lagged by one year.	Macro Control Variable
Market Volatility	Standard deviation of weekly returns on the Taiwan stock market, lagged by one year.	Macro Control Variable
Sales	Sales in the IPO fiscal year, measured in billions of New Taiwan Dollars.	Descriptive & Matching
EBITDA	EBITDA in the IPO fiscal year, measured in billions of New Taiwan Dollars.	Descriptive & Matching
Sales Growth	Year-on-year growth rate of sales in the fiscal year prior to the IPO.	Descriptive Only
Offer Price	IPO listing price. Used to construct the underpricing variable and relative valuation measures such as *OP/V*.	Descriptive & Constructed Variable

doi:10.6342/NTU202502054

A1. Variable List (Continued)

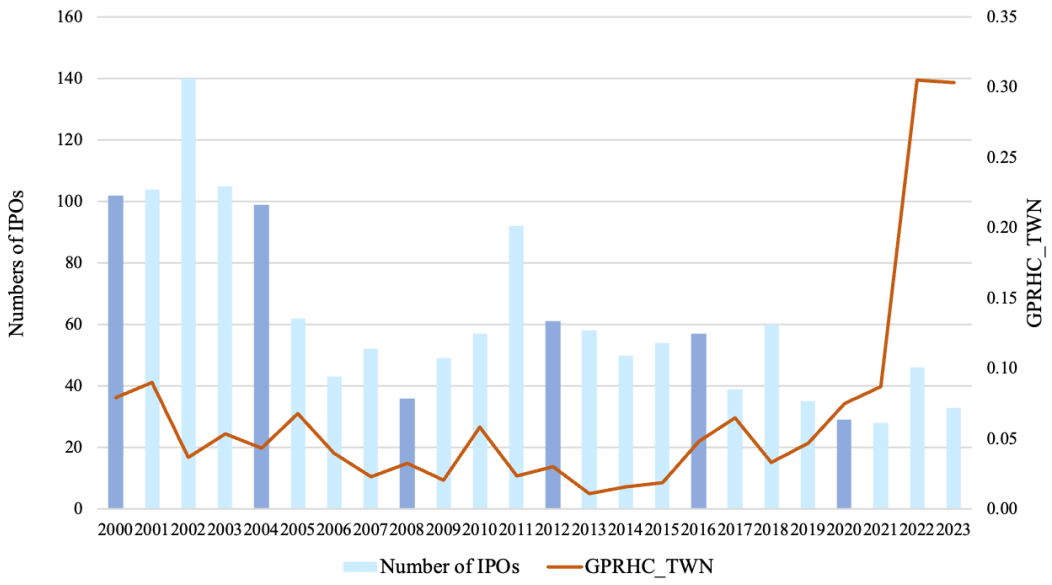
Variable	Definition	Usage Classification
Initial Price	First-day closing price, unless affected by price limits; otherwise, the first unrestricted closing price. Used to construct underpricing and relative valuation measures such as *IP/V*.	Descriptive & Constructed Variable

A2. Figure A1

Figure A1

IPO Activity and Broader Political Uncertainty in Taiwan, 2000–2023

This figure presents the annual number of IPOs in Taiwan (left axis, bars—dark blue bars indicate presidential election years) and the average monthly values of the GPRHC_TWN index (right axis, line), which reflects high-clarity political events reported in the press. The index serves as a proxy for political uncertainty and is used here for descriptive comparison. Data are downloaded from https://www.matteoiacoviello.com/gpr.htm on July 8, 2025.



doi:10.6342/NTU202502054