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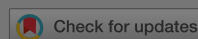
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Wealth effects of convertible-bond and warrant-bond offerings: a meta-analysis

Norhuda Abdul Rahim, Alan Goodacre & Chris Veld

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Notes

1. In one study, Lewis, Rogalski, and Seward ([2003](#)), the significance level of the entire sample is not presented.
2. All these numbers are for firm commitment offerings. Eckbo, Masulis, and Norli ([2007](#)) also calculate the average abnormal return for standby equity rights offerings to be -1.3% .
3. La Porta et al. (2000) find that countries with stronger investor protection have higher IPO underpricing. In their classification, the UK is a country with strong investor protection. Since the UK is a country with strong investor protection, we use the UK as a control group. We also use the UK as a control group to explain the underpricing of IPOs. We did not use the UK as a control group for the other countries.
4. Almost all countries have a high correlation between the IPO underpricing and the IPO size. This high correlation is a variable to see if the IPO underpricing is changing over time.



5. See, for example, Slovin, Sushka, and Lai ([2000](#)), Armitage and Snell ([2001](#)), and Barnes and Walker ([2006](#)) for the UK and Arsiraphongphisit ([2008](#)), and Balachandran, Faff, and Theobald ([2008](#)) for Australia.
6. Another type of non-typical companies is 'financials'. Most studies in our sample eliminate financial companies, because they have different considerations when choosing their capital structure compared to industrial companies and utilities.
7. A problem with our analysis is that we treat the choice between CBs and WBs as exogenous. If unobservable factors determining the decision to issue convertibles versus warrant bonds also influence stock price reactions to these offerings' announcements, then the dummy variable capturing CB versus WB will be biased. Ideally, we would like to use a two-step Heckman ([1979](#)) procedure to verify whether our results are robust for controlling for endogeneity of the choice between hybrid instruments. Unfortunately, this procedure is not possible for us since we do not have access to the data used in the original individual analyses.
8. The definition of equity-like, debt-like, and mixed-like is not the same in each paper. Burlacu ([2000](#)) uses the factor $N(d_1)$ (delta) from the Black-Scholes model and defines convertibles with a delta between 0 and 0.33 as debt-like, between 0.33 and 0.66 as mixed-like, and between 0.66 and 1 as equity-like. Lewis, Rogalski, and Seward ([2003](#)) use the probability of conversion (P_c) and define a convertible as equity-like if $P_c > 0.5$ and debt-like if $P_c < 0.5$. Loncarski ([2005](#)) defines equity-like convertibles as those with a probability of conversion greater than 0.5, debt-like convertibles as those with a probability of conversion less than 0.5, and mixed-like convertibles as those with a probability of conversion between 0.3 and 0.7. Other studies do not define convertibles as 'mixed-like'.
9. The paper by Armitage and Snell ([1996](#)) defines firm size as the sum of total assets and total liabilities. The paper by Armitage and Snell ([1996](#)) define firm size as the sum of total assets and total liabilities.

10. In eight sub-samples, the measures were over a 3-day event window $(-1, 1)$, in two over just the one announcement day (0) , and in one for a 4-day window $(-2, 1)$.

11. One very small ($n=4$) sub-sample with was identified as an outlier during the CAR-based regression diagnostic tests, so is excluded from the CAR regressions; however, it is included in the t-statistic-based regressions.

12. Interestingly, when we use publication in the top-3 finance journals as an alternative proxy for publication bias, we find (in models not reported in the tables) no significant effects. This lack of significance seems to stem partly from a lower mean effect size and partly from reduced power, reflecting smaller sample size for ‘Top 3’.

13. Firm size effects cannot be investigated in the 2-day event window models as the three original studies, investigating the effects use longer than 2-day windows in their analysis (see Section 3.8).

14. However, this result needs careful interpretation as the comparator group (omitted dummy variable) in several comparisons includes studies that do not identify the specific characteristic under test (e.g. high credit rating). This means that the comparator group may actually include an unknown number of companies having the specific characteristic. If true, this would bias the tests against finding significant coefficients.

15. Detailed observations are available



17. De Jong et al. (2011) state that the announcement and issuance dates coincide for more than 90% of

their sample. However, to make results completely comparable, we would like to know the exact announcement effect.

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