

## **“Bookbuilding vs. Fixed Price: The Effective Pricing Procedures in Thailand**

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### **Abstract**

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This paper tries to investigate the effectiveness of selecting a pricing procedure for an IPO in Thailand. The study estimates initially on 121 IPOs in the Stock Exchange of Thailand from year 2002 to 2006. The results show that Thai underwriters incorporate with IPO issuers use bookbuilding primarily to access market demand. Large IPO companies tend to take advantage from bookbuilding to extract the companies' true value from market, while small ones seem to avoid using this strategic pricing procedure regarding to higher cost and transparency requirement. Fixed price can guarantee income for a risk-averse issuer. Bookbuilding can generate greater income, but leads issuer to greater uncertainty. Institution Investors are targeted in this private evaluation eliciting process and evidently rewarded by larger shares allocation. The study, however, does not find that bookbuilding can significantly beat fixed price in term of IPOs aftermarket performance. Underwriter does not take pre-offering market conditions as key factors when selecting a pricing procedure for an IPO. The bookbuilding procedure in Thailand is not optimal utilized for its ability to counteract adverse conditions created by low market profitability high market volatility and uncertainty as evidently found in other international efficient markets.