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**SHAREHOLDER WEALTH  
EFFECTS OF SEASONED SHARE  
ISSUES IN NEW ZEALAND**

**A THESIS PRESENTED IN FULFILMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF DOCTOR  
OF PHILOSOPHY IN FINANCE AT MASSEY  
UNIVERSITY**

**HAMISH DAVID ANDERSON  
2003**



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This is to certify that the research carried out for my Doctoral thesis entitled "*Shareholder Wealth Effects of Seasoned Share Issues in New Zealand*" in the Department of Commerce, Massey University, Albany, New Zealand is my own work and that the thesis material has not been used in part or in whole for any other qualification.

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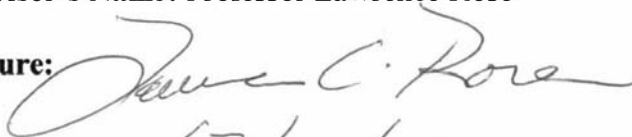


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# ABSTRACT

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This thesis investigates shareholder wealth impact surrounding the issue of seasoned equity by companies listed on the New Zealand Stock Exchange. The first two essays contained in this thesis examine the wealth impact of stock dividends. Technically, issuing new shares through the mechanism of stock dividends is simply a cosmetic accounting change and therefore should not have any impact on shareholder wealth. However, consistent with other international markets we find shareholder wealth is impacted around the announcement date and again on the ex-dates of stock dividends. In both stock dividend essays, we find evidence that investors value imputation tax credits attached to stock dividends. One of the major theories explaining stock dividend ex-dates in the US is the odd-lot cost theory but no direct test has been possible in that market. The New Zealand market enables us to directly test the odd-lot cost argument by examining the ex-date effect when odd-lot costs are present to a later period when they were eliminated. We find evidence supporting the odd-lot cost theory. The final essay contained in this thesis examines the announcements of new shares issued through the private placement mechanism. In New Zealand, private placement price contains important information regarding firm quality. In examining volumes surrounding private placement we find evidence supporting market commentators' conjecture that some placement purchasers may be exploiting relatively weak regulations by immediately reselling the new shares on the market for an instant profit.

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