



FIGURE 1. LIFE CYCLE OF EXTERNAL FINANCING AND INVESTMENTS

*Notes:* This graph plots the median level of external financing, equity financing, and investments in the United States across three-digit SIC industries as a function of the number of years since the IPO. External finance is the amount of capital expenditures not financed with cash flow from operations, reduction in inventories, or decreases in trade credit. Equity finance is the net amount of funds raised through equity issues divided by the amount of investments. Investment is the ratio of capital expenditures to net property, plant, and equipment. The IPO year is defined as the first year in which a company starts to be traded on the NYSE, AMEX, or NASDAQ. All the information is obtained from the flow-of-funds data in *Compustat*, except for the SIC code which is from the Center for Research on Securities Prices.