



IPO AS A FORM OF COMPANIES INTEGRATION IN THE WORLD ECONOMIC COMMUNITY

Boev Bekzod

Tashkent Institute of Finance, Uzbekistan

bekzodbek_92@mail.ru

Abstract

During the integration of Uzbekistan into the world economy, the process of merging Uzbek companies with foreign ones is inevitable, and this is an objective trend in the modern world. This article discusses the problem of Uzbek companies entering IPO and the problems of IPO placement. The development prospects of the first public offering of securities are assessed, the role of companies in development is noted IPO market, areas for solving problems are highlighted. According to results, the main criteria for choosing a site for placement are liquidity (56%), listing cost (41%), access to investors interested in CIS shares (39%) and placement terms (28%).

Keywords: IPO, development, integration, economic community, finance, Uzbekistan

INTRODUCTION

During the initial public offering of shares (IPOs), investors may be offered shares of additional and (or) main issues:

PPO (Primary Public Offering) - the initial public offer of shares of an additional (new) issue to an unlimited circle of persons. It is a "classic" version of IPO.

SPO (English Secondary Public Offering) - a secondary public offer of shares of the main issue (shares of existing shareholders) to an unlimited number of people. It should be distinguished IPO from PO (Public Offering) - a public offer of company shares for sale to a wide range of people. It is understood that the company has already conducted an IPO and (or) its shares are



already traded on the stock exchange. In the process of conducting a public offer of shares (PO), investors may be offered shares of additional or main issues:

Follow-on. The next offer of an additional issue of shares of the company to an unlimited circle of persons. The company's shares are already traded on the stock exchange.

Purpose of Conducting IPO

An IPO (Initial Public Offer), as the name implies, is the first public sale of a company's shares to an unlimited number of people in exchange trading.

What are the benefits of an IPO? First of all, the money received from the sale is invested in the development of the company, while the market value of shares is a fairly accurate indicator of the real capitalization of the business. In preparation for the IPO, the quality of corporate governance is improving. And the need to make the company as transparent as possible implies more stringent reporting and disclosure requirements for the company, which in general increases its business reputation. All of the above allows in the future to rely on cheaper borrowing in the capital markets. It will also be easier to carry out mergers and acquisitions.

There are several main objectives of an IPO, the importance of which may vary depending on the specific case:

Attracting capital to the company: an IPO allows the company to gain access to the capital of a much larger circle of investors.

The presence of shares traded on the capital market provides the most objective assessment of the value of the company, which can be used as a tool for evaluating the activities and motivation of managers, or a guideline for mergers and acquisitions.

Company shareholders are given the opportunity to sell all or part of their shares and thereby capitalize the company's expected future earnings.

The liquidity of shareholders' equity after an IPO also increases sharply, for example, banks are much more willing to issue loans against shares of listed (public) companies than private (private) companies.

The main factors that business owners should pay attention to when preparing a company for an IPO are as follows.

1. Streamlining the legal structure. For the most part, in Uzbek companies, a business consists of several organizations that are not legally related to each other. To attract significant investment resources, on the contrary, it is necessary to justify the interdependence of such companies, prepare consolidated financial statements and convince the investor of their

solvency, profitability and stability. In this regard, it may be necessary to create a company with clear relationships and consolidated reporting.

2. Providing management reporting indicators and official accounting data. In this regard, it is preferable to build management accounting on the basis of accounting data (for example, consolidation of data for several organizations with the elimination of internal turnover) plus the use of non-financial indicators of operational accounting.

3. In preparing for an IPO, the work of the company should be organized within the framework of the Code of Corporate Conduct. The main task in this case is to build transparent relationships with minority shareholders, between the board of directors and top management.

4. The public status of the company implies the formation of a comprehensive objective presentation of the company (due diligence), this is a necessary condition for a successful IPO. The process of forming an objective presentation requires efforts, first of all, from the issuer itself. It is necessary to determine what aspects of the company's activities, and to what extent, should be disclosed in order to talk about sufficient publicity of the issuer. They mainly include the structure of the company, the structure of capital and assets, shareholders, the financial condition of the company, market and specific risks of the activity, corporate policy, development prospects, financial transparency, which is characterized by the fact that representatives should be audited for two or three years one of the world's leading audit firms. In turn, for this it is necessary that the company's financial statements are conducted in accordance with Western standards in the format of IAS (International Accounting Standard - International Accounting Standard, IFRS) or GAAP (Generally Accepted Accounting Principles - generally accepted accounting principles)

5. In recent years, investors have been attentive to the assets of a company offering its shares. The availability of efficient production and modern technology is often rated higher than intangible assets and industry prospects.

6. Another important point is that the company has prospects in the sector of the economy where it operates. Factors such as the company's market share, the availability of modern production technologies, a clear development strategy, high quality operational management, the prospectivity of the industry and the market sector - all this will determine the company's prospects and, accordingly, affect the placement efficiency.

Another component requiring an internal change in the company is the satisfaction of the stock exchanges with the issuer, in particular in the area of corporate governance, the list of which is given below:

- observance of the rights of shareholders and interested parties; - the presence of an effective supervisory authority;

- a clear separation of powers and responsibilities between governing bodies;
- A built-in management reporting system for the supervisory authority;
- a formalized and transparent company policy, a public procedure for the appointment / re-election and remuneration of directors and managers of the company;
- information transparency for shareholders and interested parties;
- the availability of effective systems of internal control and internal audit.

It is necessary to determine the main characteristics (competencies) of the organization necessary to achieve the optimal state and further development. Then place the reference characteristics in a multidimensional attribute space and place the existing parameters of a specific organization there, make the necessary comparison and suggest options for optimizing an existing organization to achieve an effective state.

When deciding on an IPO, company management should be aware that the desire to enter the public market is not enough; it is necessary that the company meets the criteria put forward by the market. To one degree or another, any company needs structural adjustment, a preparatory stage is needed.

Preliminary stage - at this stage, the issuer critically analyzes the following aspects of its activities:

financial and economic situation,

- organizational structure and asset structure,
- information and financial transparency,
- corporate governance practice (presence and development of senior management institutions, disclosure rules, distribution of powers and responsibilities, relations with shareholders, creditors and other influence groups),
- general management and personnel management,
- accounting and reporting system - the existence of a mandatory external audit of all companies of the group for a three-year period, starting from the moment of decision-making and ending with the date of listing,
- legal support of activities,
- external relations and reputation of a group of companies - level of disclosure of information about significant transactions and projects,
- analysis of financial and economic activities,
- position of a group of companies in the market.

Based on the results of this analysis, the company seeks to eliminate identified weaknesses and weaknesses that may interfere with the successful IPO.

This is a long-term process and must be started in advance. Time is needed in order to make the legal structure of the company transparent, to earn a reputation as a trustworthy borrower, to increase the brand awareness of the company - in other words, to become recognizable in the market, which will subsequently be placed.

Separately, it is necessary to note the importance of reporting in IFRS format.

Before entering an IPO, companies have to change the structure and methods of disclosing information in IFRS statements to reflect business processes most attractive to investors.

Properly disclosed information when placing shares on the stock exchange is the key to a successful IPO and attracting more investors to the company.

The goals and objectives of entering an IPO are fully consistent with the objectives of preparing financial statements in accordance with IFRS.

The main goals and objectives of the preparation of financial statements in accordance with IFRS for IPO are:

- transparency for external and internal users;
- reliable and objective reflection of the financial situation, its changes and the results of the company;
- systematization of financial flows within the enterprise;
- search for investors to expand production;
- purchase (sale, rental) of assets;
- Attraction of additional funds in foreign banks.

All this is necessary for the company to maintain and improve its market position, to strategically approach the solution of the main problems.

The preparatory phase - during which: - A team of IPO participants is selected. The main partners of the company in preparing for an IPO and directly in the process of placing on the exchange are: - an underwriter bank that coordinates the entire project, it depends on it whether the company will be able to enter the market on the rise, the structure of future shareholders of the company and, therefore, stability of future trading. As an underwriter, it is better to attract a company that has a large client base and is known in the market where the placement will take place.

All this is necessary for the company to maintain and improve its market position, to strategically approach the solution of the main problems.

Preparatory phase - during which:

- A team of IPO participants is selected. The main partners of the company in preparing for an IPO and directly in the process of placing on the exchange are:

- the underwriter bank, which coordinates the entire project, depends on it whether the company will be able to enter the market on the rise, the structure of future shareholders of the company and, therefore, the stability of future trading. As an underwriter, it is better to attract a company that has a large client base and is known in the market where the placement will take place. In some cases, the bank becomes the underwriter with which the company already has joint projects. Together with the underwriter, preliminary details of the IPO project are discussed: the exchange platform is finally selected, the range of the possible offering price and the size of the block of shares put up for auction are determined, as well as the desired structure of investors.
- a legal and audit company (they need to be selected in advance, since before entering the IPO the company requires audited reporting and a legally transparent structure).
- PR agency.

Direct preparation for entering the exchange takes four to six months, depending on whether it is a domestic or international market, after which an IPO is carried out. Analysts believe that the most reasonable strategy is to prepare for an IPO and wait for a favorable market situation.

The main factors affecting the timing of an IPO include both the company's readiness to implement this project and the state of the market (for example, it should not be placed if the initial offering is planned during the same week, for example, ten more companies or during holiday "periods).

But even with these external factors taken into account, market conditions can quickly change, so the uncertainty of the IPO's success will remain until the very end of its implementation. Formal decisions are made by the issuer's bodies, formal procedures are followed, and formal documents are drawn up (securities prospectus).

In the implementation of IPO, pre-marketing also plays a very important role. Its purpose is to obtain the response of investors to determine the exact size and price range of the placement.

It is important to choose the site on which the listing procedure will take place.

The main stage - during the main stage, the actual collection of applications for the purchase of offered securities takes place, pricing - determining the price (if it has not been previously determined), satisfying applications (allocation) and summing up the results of public offering (circulation).

The final stage is the beginning of the circulation of securities and, in the light of it, the final assessment of the success of the IPO

All companies that have placed their shares on the stock exchange claim that the IPO is just beginning.

Work with investors, organization of publications of regular reports, support of a corporate website, disclosure and correct presentation of significant facts from the life of a company

require the constant work of Investor Relations-service. The presence of independent representatives on the board of directors of the company, the observance of the rights of minority shareholders - all this leads to significant changes in the nature of doing business.

Future IPOs in Uzbekistan

The State Assets Management Agency of Uzbekistan is preparing an IPO of 20 large state-owned companies in the country.

According to him, the department is currently developing a Management and Privatization Strategy for state-owned enterprises, which will reflect sectors where the state's share will be preserved. The development of the document should be completed by February 1, 2020.

It was stressed that, on behalf of the president, the state will be withdrawn from the economy as much as possible.

According to the online publication Kommersant.uz, among state-owned companies that will be listed on IPO: state-owned banks Alokabank and Uzpromstroybank, as well as JSC Uzbek Commodity and Raw Materials Exchange.

CONCLUSION

Currently, this need is mainly realized through corporate bond loans. However, the accelerated development of the corporate bond market contributes to the formation of the Uzbekistan IPO market. The fact is that the procedure for issuing and placing bonds is very similar to the procedure for issuing and placing shares.

Regardless of which exchanges companies prefer to register on, they have to go through the process of initial public offering in order to attract external share capital in public stock markets. As noted above, IPO is one of the most important mechanisms in capital markets. It is at the same time a channel for young companies to obtain new capital, as well as a way for initial investors to withdraw from participation in capital and realize profit on their investments.

I would like to note that any public fundraising - be it a bank loan or IPO - is primarily a sale of the future of the company as it is seen by its current owners. In order for the transaction to be successful, it is necessary to clearly formulate and communicate to the market participants your goals and strategy. Many companies direct their efforts to achieving short-term results that they think the market expects from them.

According to the study, the main criteria for choosing a site for placement are liquidity (56%), listing cost (41%), access to investors interested in CIS shares (39%) and placement terms (28%).

Factors such as geographic distance and industry are also taken into account. For example, listing on the New York Stock Exchange is more difficult than listing on the LSE. The procedure for entering an IPO on this site is too bureaucratic and takes a very long time (usually more than a year).

This leads to the fact that, despite the great opportunities for raising capital provided by the New York Stock Exchange, most domestic companies prefer London when entering an IPO.

Specialized sites are more prone to fluctuations in the market than regular stock exchanges. With signs of a downturn in the industry, all securities traded on them become cheaper almost simultaneously, even if issuers are located in different parts of the globe.

REFERENCES

Гвардин С.В. IPO: стратегия, перспективы и опыт российских компаний. – Изд-во «Вершина», 2007.

Лябах Н.Н., Шабельников А.Н. Техническая кибернетика на железнодорожном транспорте. Ростов-на Дону: Изд-во Северо-Кавказского научного центра высшей школы, 2002. С. 41–48.

Нетёсова А. Российский рынок IPO. Перспективы развития рынка. – «Финансовый директор», www.whcmarket.ru, 2008.

Нефедов П. Ждет ли Россию бум IPO? // Рынок ценных бумаг. 2002. N 20.