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## FORMATION OF FINANCIAL SUPPLY THROUGH IPO IN FOREIGN PRACTICE

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### ABSTRACT

*A number of scientific researches related to the field have been studied in formation of financial supply through IPO in companies. The IPO practices in the US stock market are analyzed by companies and periods. Conclusions and proposals are developed based on the conducted research.*

**KEYWORDS:** *stock, stock market, IPO, securities, price, stock exchange, SWOT analysis.*

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### INTRODUCTION

Organization of IPO operations in joint-stock companies and its successful implementation provides many opportunities for the company. In particular, a joint-stock company can raise a large amount of capital, achieve an increase in the stock price, increase investment attractiveness, and create its international image through IPO. Institutional investors, selected as financial advisors and underwriters, are also important in achieving these goals. These aspects show that the stages of organizing IPO operations, the participation of institutional investors in them, the methods of IPO operations, as well as the study and analysis of large international IPO operations are relevant in international practice.

Today, special attention is paid to the effective organization of corporate financial relations in our country. Because as a result of corporate financial relations, both the state and the household will have direct incomes, as well as the country's position in the international division of labour will be strengthened. Based on this, legislative documents are regularly improved, and the issue of developing the activities of corporate structures is being taken seriously. The issue of attracting foreign capital is important in increasing the international competitiveness of joint-stock companies operating in our country. This issue is implemented by placing stocks on international stock exchanges in the form of open subscription and has a direct impact on the growth of production and service quality.

### Literature Review

With the help of an IPO, it becomes possible to cover the company's current costs and to attract long-term external financial resources for the implementation of large projects. The processes required for an IPO and their implementation increase the transparency of the company and allow an objective assessment of its financial condition. In general, IPO financing through the issue of common stocks is a multi-stage process that requires a long time (several years) and high financial costs. In addition to internal preparation of the company and passing all necessary processes, it should be noted that the timing of the IPO is related to the current state of the economy. Because the unstable situation in the market can sharply increase the risk level of capital placement and reduce the possibility of achieving the expected level of capitalization.

Foreign economists N.R.Dilesha and A.L.Pierre conducted studies on “The impact of macroeconomic factors on IPO” [1].

A.A. Abgaryan, who conducted research on the development of the share capital market in Russia in the current conditions, emphasized that the company's transparency and investment attractiveness will increase through the IPO. In addition, it will be possible to use a source of long-term financing, the liquidity of securities placed on the stock market will increase, and an alternative source of financing will be formed [2].

L.A. Borlakova, a foreign economist who conducted research on the impact of IPO on the competitiveness of Russian companies, said that the implementation of the IPO before it is ready or the wrong decision of the management will lead to the failure of the IPO. Even companies ready for an IPO must take into account the cyclical development of the economy. IPOs during recessions and depressions tend to fail. In the high phase of the economic cycle, IPOs are effectively executed. Small and medium-sized enterprises are not recommended to carry out an IPO. This is explained, firstly, by their organizational and legal form, and secondly by the high transaction costs [3].

Through an IPO, a broad group of investors will have access to relevant information about the corporation, resulting in increased sources of financing for the corporation and reduced costs of debt capital. One of the advantages of an IPO is that, in addition to covering the public issue and administrative costs, it also ensures the attraction of a large amount of equity capital to the corporation. Moreover, with the reduction of the state's share through SPO, an opportunity to attract private investors to the joint-stock company is also created [4].

There are several reasons for a private company to undergo this transformation and go public:

- increase its owner base;
- have cheaper capital;
- raising money to finance growth opportunities or balance sheet;
- improving the image and reputation of the company [5].

In order to attract potential investors, it is necessary to take into account the level of taxation in the country where the investor's activities are organized during presentations. Because in countries with a high tax burden on dividends, the level of desire to see income by buying stocks is extremely low [6].

Through an IPO, a wide group of investors will have relevant information about the corporation, as a result, the sources of financing for the corporation will increase and the cost of debt capital will be reduced. One of the advantages of an IPO is that it covers the public issue and administrative costs, as well as the attraction of a large amount of equity capital to the corporation [7].

## **Analysis and results**

In international practice, the attracting financial resources from the capital market is widely used by public offering of stocks. The practice of raising capital through public offering of stocks is popular in most of the countries, as it has a number of positive aspects on bank loans. The presence of the ability to attract large-scale financial resources at the same time, such as the lack of obligation to return corporate governance, are in the positive aspects of public offering practices of stocks.

The practice of public offering of stocks in international practice is the country of particular importance. If the U.S. Stock Market is focused, it is possible to see that the number of IPO operations varies from years (Figure 1).

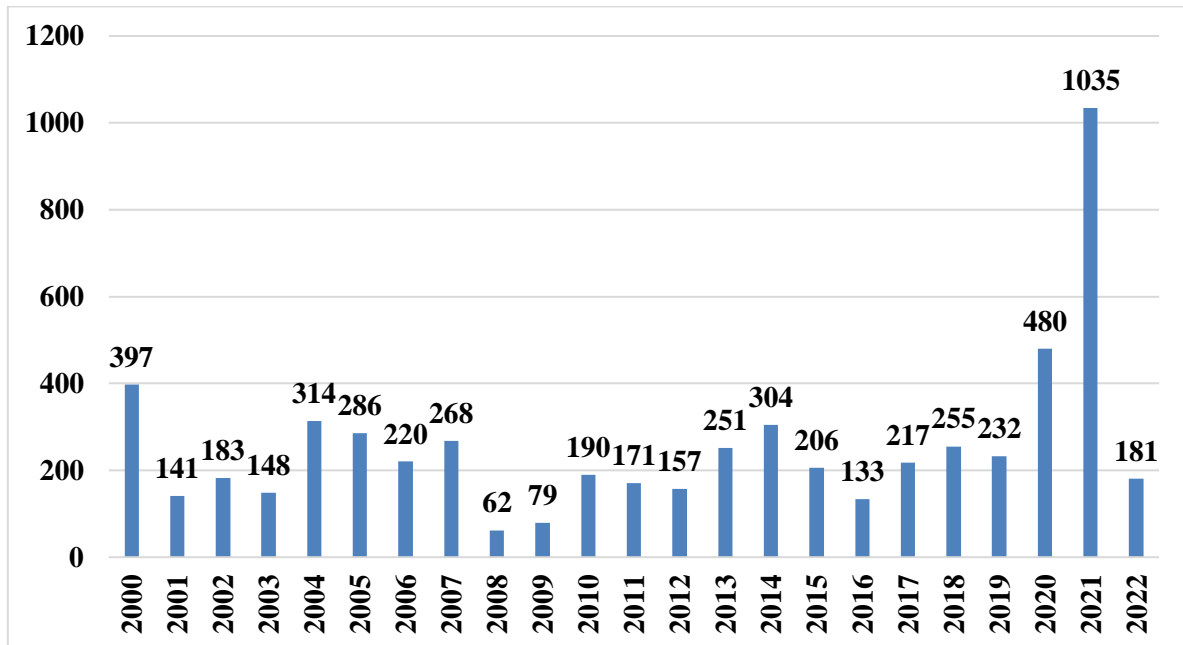


Fig 1. The number of IPO operations performed in the US Stock Market [8]

The information in Figure 1 can be seen that in 2000-2022 the number of IPO operations was much lower during the years of international financial crisis. In 2008, the number of IPO operations in the US stock market was 62 and recorded the lowest rate between the number of years. In 2021, the figure was 1035 and achieved the highest results.

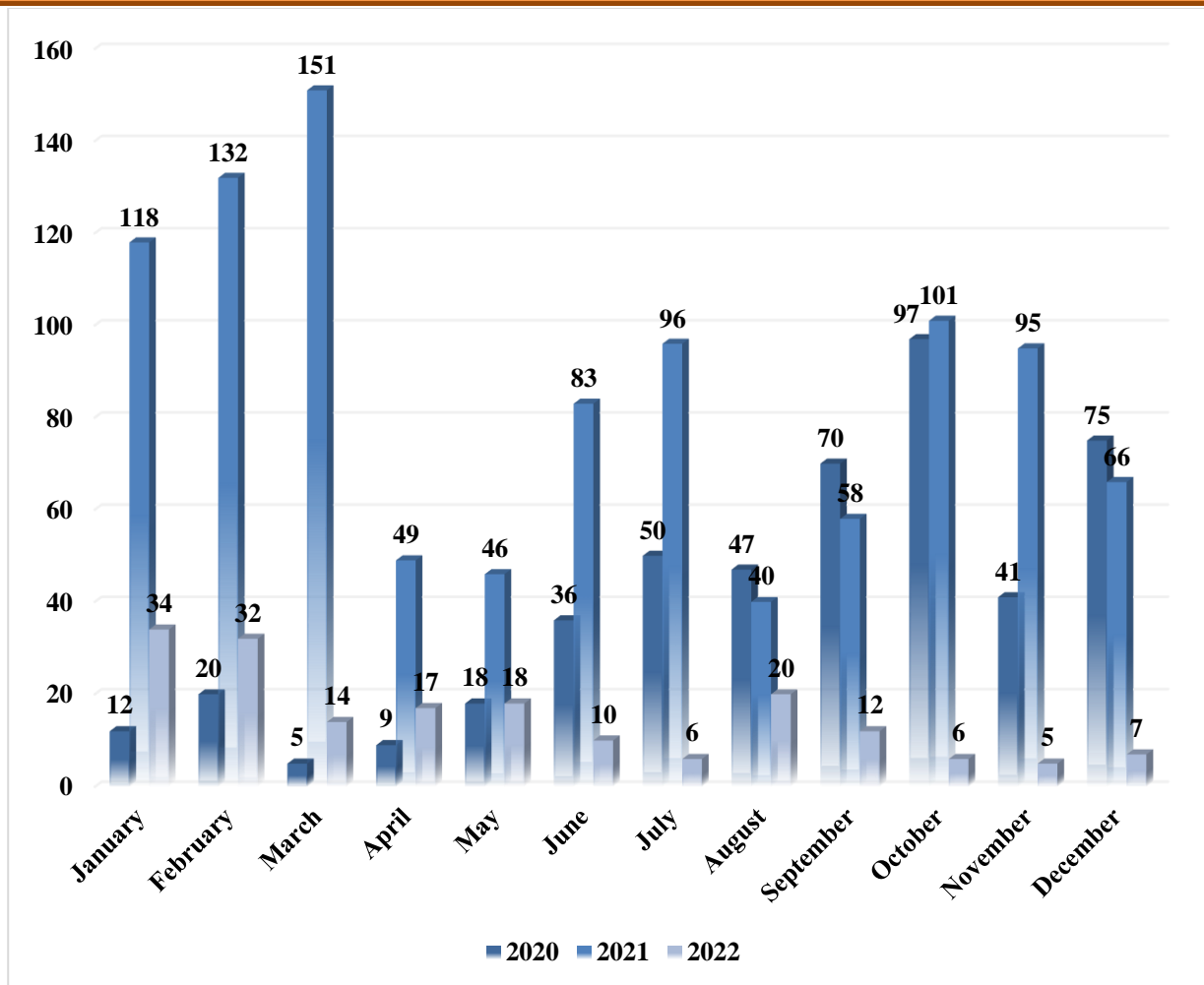


Fig 2. Comparative analysis of the number of IPO operations in the US Stock Market [8]

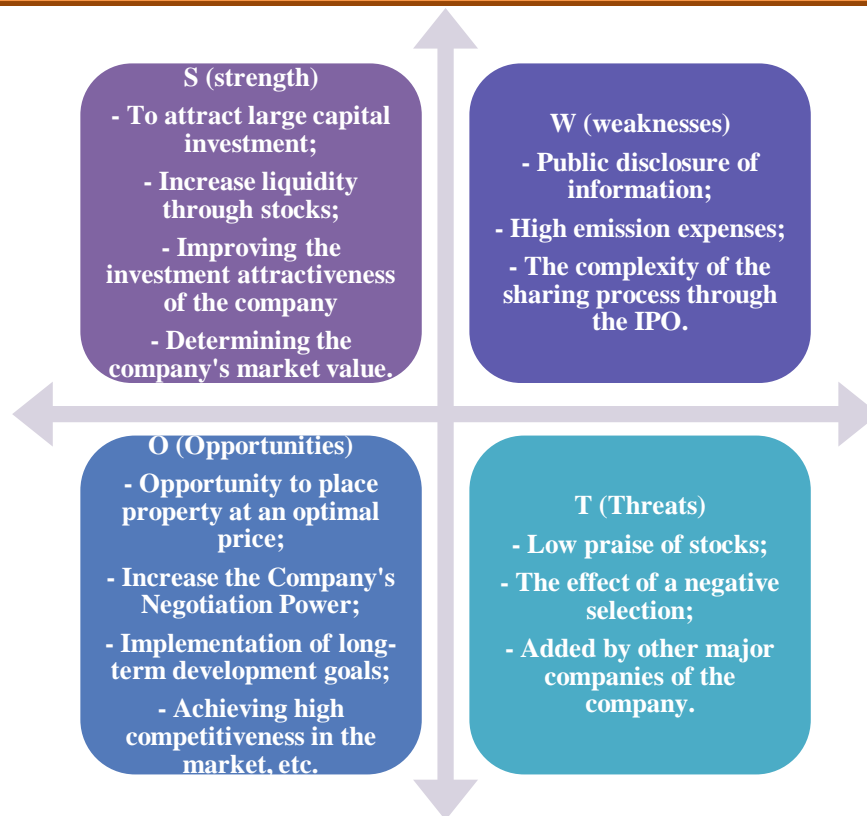
In Figure 2, the number of IPO operations in the U.S. Stock Market in 2020-2022 were due to the highest number of activity in the organization of IPO, February, June, July and July separately can be closed. In 2020, October, March 2021 and the schools were active against other months in January 2022. Months as the lowest activity, in 2020, in 2021, and November 2022 it should be noted in November 2022.

TABLE 1 ANALYSIS OF IPO OPERATIONS IN THE U.S. FUND MARKET IN APRIL 2023 [9]

№	IPO Date	Ticker	Company	IPO price (price of a stock)	Current Price (1.05.2023)	Difference (percent)
1.	Apr 28, 2023	TRNR	Interactive Strength Inc.	\$8.00	\$6.84	-17.38%
2.	Apr 21, 2023	AAC T	Ares Acquisition Corporation II	\$10.00	\$10.12	1.20%
3.	Apr 21, 2023	JYD	Jayud Global Logistics	\$4.00	\$3.71	-5.25%

	2023		Limited			
4.	Apr 20, 2023	UCAR	U Power Limited	\$6.00	\$5.26	-12.33%
5.	Apr 20, 2023	USGO	U.S. GoldMining Inc.	\$10.00	\$9.85	-7.06%
6.	Apr 20, 2023	WLG S	Wang & Lee Group, Inc.	\$5.00	\$2.17	-56.20%
7.	Apr 18, 2023	TCJH	Top KingWin Ltd	\$4.00	\$5.26	35.75%
8.	Apr 18, 2023	TPET	Trio Petroleum Corp.	\$3.00	\$2.10	-31.67%
9.	Apr 14, 2023	GDT C	CytoMed Therapeutics Pte. Ltd.	\$4.00	\$3.52	-12.50%
10.	Apr 13, 2023	VCIG	VCI Global Limited	\$4.00	\$2.55	-31.50%
11.	Apr 12, 2023	GDH G	Golden Heaven Group Holdings Ltd.	\$4.00	\$4.20	2.25%
12.	Apr 5, 2023	ARB B	ARB IOT Group Limited	\$4.00	\$3.78	2.50%
13.	Apr 4, 2023	ISPR	Ispire Technology Inc.	\$7.00	\$8.66	25.00%
14.	Apr 4, 2023	MGI H	Millennium Group International Holdings Limited	\$4.00	\$2.50	-52.50%
15.	Apr 3, 2023	MWG	Multi Ways Holdings Limited	\$2.50	\$1.36	-19.60%

Table 1 in April 20, IPO operations in the U.S. Fund Market were analyzed. A total of 15 IPO operations conducted this month and received various views after the IPO practice. It should also be noted that the IPO route is below the IPO course below \$ 10.



**Fig 3. SWOT analysis of IPO practice [10]**

Figure 3 has performed the SWOT analysis in Form 3, which reflect the strong and weaknesses of the IPO operation, the opportunities and dangers of the IPO operation. The strengths of IPO practice should attract large amounts through stocks, increasing the liquidity, increasing the Company's investment attractiveness, market capitalization. As weaknesses, we should say the high publicly disclosure of information, the cost of emission expenses, the complexity of the process. If the possibility of long-term development strategies as possible, as competitive, the fact that the stocks are highly assessed from the expected of the company should be paid to the fact that the company is likely to join by other major companies.

## CONCLUSIONS

While analysing formation of financial supply through IPO in foreign practice, the following conclusions are given:

Firstly, public offering of stocks stimulates the process of reproduction and foreign economic relations of the country. It helps to enter the international financial market and strengthen its position;

Secondly, the requirement of credit rating of international rating agencies and the high organizational costs prevent the placement of stocks of local joint-stock companies at the international level. Public offering of stocks requires certain preparatory work and costs. But on the other hand, it allows to attract a high amount of financial resources;

Thirdly, in the financing of joint-stock companies through stocks, initial public offering (IPO) of joint-stock companies, and financing through secondary placement (SPO) at the expense of capitalized profits are important in joint-stock companies;

Fourthly, one of the main factors preventing effective organization of IPO practices in joint-stock companies and attracting large-scale investments through financing of joint-stock companies is related to the extremely high state share in joint-stock companies. Furthermore, the main reason for the stock's inactivity is the unreasonable composition of the total stock capital. Most of the stocks belong to state and economic management bodies. Reduction of the state's share has a positive effect on the development of the secondary market.

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