

PREPARATION FOR AN IPO AND ITS SUCCESSFUL EXECUTION

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Abstract: the article represents the information regarding Initial Public Offering, hereinafter referred as “IPO” which can be considered as a main tool to raise capital and how tremendous corporations should undergo this process. Also, it would certainly be a sobering thought to assert that fact that using capital market instruments is a crucial step in Uzbekistan’s evolvement of Stock-Exchange. The study assumed to examine the role of an IPO in todays business environment during the period of transformation and privatization of State owned enterprises.

List of Abbreviation:

IPO: Initial Public Offering

SOE: State Owned Enterprise

SOB: Start of Business

LSE: London Stock Exchange

NYSE: New York Stock Exchange

SEC: Securities and Exchange Commission

PCAOB: Public Company Accounting Oversight Board

CEO: Chief Executive Officer

President Shavkat Mirziyoyev signed a decree on 17th of January (2022) aimed at introducing capital market development mechanisms where an IPO plays a great role. It is a commonly accepted fact that in the current economic climate, foreign medium-sized and huge corporations engaged in investment projects are usually financed by undergoing IPO. Nowadays, we have the privatization of state owned enterprises on the agenda, and in order to avoid oligarchic capitalism concepts after mergers or acquisitions, the most salient way to commit proper privatization is by conducting an IPO, it can be whether in London Stock Exchange, New York or even in Uzbekistan’s which can greatly impact upon further amelioration of Republican Stock Exchange “Toshkent”. Of course it goes without saying that if corporations want to conduct successful IPO then they need to hire “too big to fail” book runners also known as underwriters such as Goldman Sachs or JPMorgan Chase & CO. if Uzbekistani’s companies tend to go public abroad.

Majority of companies within Uzbekistan prefer to borrow money from commercial banks to finance their projects, of course it may be more suitable way to obtain funds and not time-consuming and does not require information disclosure in scale that need to be furnished to investors, for example: in the USA going public process takes approximately 180 days, including registration with SEC, due diligence, organizations of road shows and beginning of trade. Nevertheless, IPO still is a main tool of financing for many companies around the world that looking to raise capital.

Steps to execute successful IPO

Taking a company public through an Initial Public Offering (IPO) is a complex process that requires careful preparation and execution to ensure success. There is vast array of important steps to prepare and execute a successful IPO.

First and foremost, the right choice of investment bank. The role of chosen investment bank is similar to laying foundation of the process. Investment banks help the companies to determine the offering prices, create prospectus and offer securities to potential investors.

Another tremendous aspect which can greatly affect IPO is the financial statements. Before going public, companies need to ensure that their financial statements are accurate and up to date. This requires a thorough audit of the company's financials, including its balance sheet, income statements and cash flow statements. In order to prevent such kind of deceptions US government introduced Sarbanes-Oxley Act (2002), that requires information disclosure and assessing audit of accounting, in the United States of America there is a supervision authority (PCAOB) that supervise the audits of public companies. Uzbek companies before publishing these documents must engage an auditing organization with no vested interest in the company or its shareholders to review and confirm the annual financial statements on an annual basis.

Company that wants to go public needs to understand the market for its shares and the potential investors. Therefore, this concept requires conduction of market research to identify potential investors and understand their investment criteria.

Imminently, once the company has identified potential investors, it needs to elaborate a marketing strategy to reach them. Usually this includes roadshows, investors conferences and media outreach. Tombstone advertisements can be also useful during the process of going public. Marketing and investor relations are critical components of a successful IPO in any market, and this is particularly true in emerging countries like Uzbekistan. Companies must be able to effectively communicate their value proposition to potential investors, highlighting their strengths and competitive benefits.

To accomplish all the above said steps, companies have to develop a strong management team. A strong management team is essential for the success of an IPO. The company ought to have experience executives who can lead the company through the transition from a private to a public company. Highly qualified experts who can share experience in this tendency play significant role, that is why Uzbekistan government invited Georgian specialist George Paresishvili who became the CEO of Republican Stock Exchange "Toshkent".

By following these steps, companies can prepare for and execute a successful IPO that will provide the capital needed to fuel growth and take the enterprise to the next level.

Difficulties during an IPO process

Notwithstanding, as everything does possess its own difficulties the execution of IPO in Uzbekistan is not exception. One of the main challenges that companies in Uzbekistan may face during an IPO is the regulatory environment. This includes obtaining approvals from the local stock exchange, as well as meeting disclosure and reporting requirements set by regulatory authority. Another challenge that is closely linked to the previous one is the lack of transparency in the local stock market, consequently this leads to inaccurate valuation that make it sophisticated for companies to attract investors. Because the pricing of the IPO is critical, companies must set a price that is attractive to investors while still providing adequate proceeds to fund its growth strategy. Another significant factor that need to be emphasized is cultural norms. Uzbekistan has a different business

culture than UK and the US, with a greater emphasis on personal relationship and trust. So from this context it can be easily inferred that in Uzbekistan, it may be important to build relationships with potential investors and establish trust before proceeding with an IPO. This may take much time and a greater investment of resources than in the UK or US, where the IPO process is more transactional. Another concept is illiquid market. This make it difficult for companies to raise capital through IPOs, as investors may be reluctant to invest in illiquid stocks. As a result, companies consider listing shares on international stock exchanges such as London Stock Exchange or New York Stock Exchange. Last but not least threat concerning IPO in Uzbekistan is geopolitical risk. Uzbekistan is located in a geopolitically complex region, with potential risks arising from political instability, conflicts and terrorism with neighboring countries like Afghanistan. So if geopolitical risk materializes, they could derail the IPO.

Uzbekistan's IPO

Preparing for an IPO requires careful planning especially preparation in an emerging market such as Uzbekistan. Companies must ensure that the necessary financial, legal and operational infrastructure is in place for a successful IPO. Statistically, Uzbekistan had only 36 IPOs over the past 20 years, despite the relatively low numbers of IPOs in Uzbekistan, there are signs that the market is beginning to mature and more companies consider going public. Uzbekistan's government laid a foundation by signing a decree under №-102 on 24th of March of 2023 concerning "Folk IPO" where 40 huge SOEs (most of them are banks) will undergo IPO process in immediate future. The success of IPO can positively impact on not just a company's economy but also on the country's one. The influx of foreign investments can trigger a creation of jobs and stimulate economic growth, particularly in sectors such as finance and telecommunications, this may help to diversify the country's economy and reduce its dependence on natural resources.

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