THE ADVANTAGES OF INVESTING IN IPO

Buy and hold strategy no longer works

What is a pre-IPO

A pre-IPO placement occurs when a portion of an initial public offering (IPO) is placed with private investors right before the IPO is scheduled to hit the market. Typically, private investors in a pre-IPO placement are large private equity or hedge funds that are willing to buy a large stake in the company.

Venture capital investing has traditionally been the domain of the wealthy

That now has changed with the passage of new legislation that will give ordinary investors the chance to **own a piece of the next Google, Facebook, or Twitter.**

Technology is changing the world faster than it ever has before

The main advantages of IPO investing are listed below.

Many dream to invest in IPOs to take advantage of listing price. This means the day the IPO starts trading in stock market, it goes up in value. In the case of Alibaba, the stock went through the roof on the day of float by up to 800% Media gives coverage to only those IPOs which are trading positively the likes of Twitter, Google, Facebook, Alibaba so that the next IPO becomes more attractive to general public.

1. Access to capital to fund growth

Public placement of shares on a stock exchange allows the company to attract capital to fund both organic growth (modernization and upgrade of production facilities, implementation of capital-intensive projects) and acquisitive expansion.

2. Creation of liquidity and potential exit for the current owners

Formation of a public market for the company's shares at fair price creates liquidity and provides an opportunity to sell the shares promptly with minimal transactional costs. The private owners of the company can dispose of their stakes in the business both during an IPO (this route is often taken by the minority financial investors such as venture or private capital funds) and at a later stage (this is often preferred by the majority shareholders).

3. Maximum value of the company

Normally, an IPO is an offer to many institutional and Sophisticated investors to become shareholders of the company. The very multitude of large investors and their confidence in the liquidity of their investment in a public entity assure the current owners of a private company about achieving the maximum possible valuation of the business at the time of an IPO or afterwards.

4. Enhancement of the company's public profile

Listing on a recognised stock exchange means that the business will receive wide media coverage, usually a very favourable one, thus increasing the company's visibility and recognition of its products and services. The company's activities will also be reflected in the reports by professional financial analysts.

5. Improvement in debt finance terms

For domestic (Ukrainian or other CIS country-based) financial institutions – used to working with the low-transparency businesses and often inadequate financial reporting – a company listed on a recognised stock exchange becomes a desirable and reliable partner. Banks are often ready to extend loans to public companies in larger amounts, under smaller collateral, for longer maturities and with lower interest rates.

6. Extra assurances for partners, suppliers and clients

Partners and contractors of a public company feel more confident about its financial state and organizational capabilities as compared to those of a non-transparent private business. Partners take additional comfort in the fact that the public company has gone through rigorous legal, financial and corporate due diligences – all of which are required for a successful completion of an IPO.

7. Enhanced loyalty of key personnel

Publicly available information about the share price of a public company allows development of employee motivation schemes based on partial remuneration of staff in the form of participation in the equity capital (for example, share options). Equity-based incentive schemes stimulate the key personnel to become more efficient in their work in order to support the company's growth rates and profitable development – which in turn increase the operational and financial efficiency of the company and its market value.

8. Superior efficiency of the business

Conduct of various due diligences during the IPO process requires a thorough and comprehensive analysis of the company's business model. During the IPO implementation process, certain internal changes take place, including modification of the organisational structure; selection of the key personnel and delegation of responsibilities; improvement of internal reporting and controls; as well as critical evaluation of the efficiency of the entire business.