

References

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**INITIAL PUBLIC OFFERING IN BELARUS**

**ПЕРВОНАЧАЛЬНОЕ ПУБЛИЧНОЕ  
ПРЕДЛОЖЕНИЕ АКЦИЙ В БЕЛАРУСИ**

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*Abstract. The article deals with theoretical aspects and the essence of the process of IPO, and the benefits and disadvantages for the Issuer, the stages of entry into the market of the IPO. Analyzed the formation of the market of IPO in Belarus and prospects of its further development.*

*Аннотация. В статье рассмотрены теоретические аспекты и сущность процесса IPO, определены преимущества и недостатки для эмитента, этапы выхода компаний на рынок IPO. Проанализировано становление рынка IPO в Беларуси и перспективы его дальнейшего развития.*

In international practice, one of the effective mechanisms to increase the capitalization of companies, including the financial sector, is entering the stock market through an initial public offering (IPO). In almost all economically developed countries IPO is one of the most common methods of raising funds to finance the activities of the corporation. At the initial public offer, the type of securities can be practically anything. The main purpose of an IPO is to attract investment. Public placement of securities is beneficial when it is necessary to relatively cheaply attract large funds. During the public sale of shares, capital is attracted, which does not require its return in the future.

There are several main objectives for conducting an IPO, the importance, which may vary depending on the case. Issue of securities or access to IPO is carried out:

- 1) in order to manage the structure of the company's balance sheet, i.e. to regulate the ratio of borrowed funds and raised funds;

- 2) in order to "cash" the former owner and founder of the company's own business.

The advantages of IPO in comparison with other forms of borrowing include the following:

- attraction of perpetual capital, which does not need to be serviced;
- acquisition of market value (capitalization);
- attracting investments in the future on more favorable terms;
- ensuring liquidity of ownership of the company's owners;
- increase in the value of shares;
- compilation of the financial reporting under the international standards and image improvement, increase of prestige of the company;
- obtaining a listing on the stock exchange.

The disadvantages of an IPO include the following:

- partial loss of the company's freedom, control and closure (if required);
- IPO requires certain significant costs for advertising, payment of various commissions to PR-agents, underwriters, audit organizations, law firms (consultants).

The first attempt to place an IPO in Belarus was made by OAO “Borisovskiy Zavod Meditsinskikh Preparatov”. But that share issue was a little strange - they had long negotiations with a strategic investor who was ready to buy up to 25% of the shares. And when they all prepared and went to the stock exchange, the investor changed their mind and bought nothing. As a result, only 0.2% of the shares were sold from the entire issue prospectus.

In 2012, OAO “Minskiy Zavod Igristykh Vin”, with the so-called "first public IPO", entered the stock exchange. Under the terms of the issue of shares, there were restrictions on the purchase of shares by one person (no more than 999 shares), also stocks could not be purchased by non-residents of the Republic of Belarus. Within the IPO, about 68% of the offered shares were sold. Just the timing of its holding was too limited, because it was not possible to sell all the shares. But the general meeting of shareholders of the IPO was recognized as successful. Soon there was an interested strategic investor who began to buy these shares on the secondary market. As a result, in 2013 there was another additional issue, just by the number of deals. These shares were sold during seven days of trading on the stock exchange. As a result, the factory received money for its investment projects, paid off ahead of schedule [1].

Then, in 2014, OAO “Gomelskiy Zhirovoy Kombinat” was set up on the IPO market. There were no restrictions on the purchase of shares by either non-residents or by the number of shares. This IPO was not as successful as the sparkling wine factory. For various reasons - a smaller percentage of shares was sold, there was no such massive advertising, etc. Shares were offered mainly to legal entities, and the company was looking for a strategic investor. However, not all recommendations found a lively response from the company's managers. Perhaps, because it is an enterprise with a predominant share of the state.

Individuals in the IPO market buy very few shares - 3-4% of all sold. And this is an occasion for reflection. According to legislators, no restrictions on the purchase of shares, including labor collectives, are needed. A few years ago, such restrictions were adopted - on the pretext that we need strategic investors, and they are interested

in controlling stakes and there is no sense in diluting shares among a large number of individuals. But if the collective buys shares, then from the point of view of PR it is a very good signal for other investors. If the employees themselves believe in their enterprise, then it is worth paying attention.

Under favorable conditions, several Belarusian enterprises can enter the Warsaw Stock Exchange (GPW) in 2017. Examples of a possible initial public offering of shares (IPO) on the stock exchange are Belarusbank, BelAZ, MPZ and Naftan [2].

GPW is an IPO partner in Belarus for seven years. Now there is an interest on the part of the exchange to step up work with Belarus to identify opportunities for companies to enter the IPO. There is growing interest in finding alternative sources of financing from the Belarusian side, both from the private and public sectors. Until now, this source was bank loans. But there is growing interest in raising funds through the sale of shares. The average Belarusian private and state-owned enterprises have a special potential for conducting an IPO.

The entry of Belarusian enterprises into the Warsaw Stock Exchange may be the first IPO of the resident of Belarus on the international site. However, the Estonian Silvano Fashion Group, which owns of ZAO "Milavitsa", already successfully places its shares on GPW.

Holding an IPO is a very difficult process, for which the company spends a lot of money, time and effort. Therefore, an IPO must be carefully prepared so that all the advantages do not turn into disadvantages. In the world practice, there are many examples of unsuccessful IPOs, which are the result of an ill-conceived strategy of the company's development, premature access to the financial market, and other illiterate actions by the company's management. Such companies only worsen their financial position (due to high costs of IPO) and acquire managerial problems (due to the loss of some control over the company).

In Belarus, the IPO as a method of attracting investment has not received adequate distribution. The reason is the general underdevelopment of the country's stock market. Prospects for IPO of Belarusian companies depend on the degree of readiness of issuers for placement, the interest of investors in acquiring and the overall situation on world markets. In the near future large-scale IPO is not expected. However, in the present conditions, IPO can become an effective mechanism for attracting investments in the Belarusian economy, both domestic and foreign.

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