

## WAYS TO USE IPO TYPES IN JOINT STOCK COMPANIES

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**Abstract:** this article reveals the main directions of using financial market instruments PPO (Primary Public Offering), SPO (Secondary Public Offering) and DPO (Direct Public Offering) in the primary placement of shares of joint-stock companies to attract investors.

**Keywords:** financial market, financial market instruments, PPO (Primary Public Offering), SPO (Secondary Public Offering), DPO (Direct Public Offering).

### INTRODUCTION

Due to the increasing demand for investment in the world, many companies are using various ways to attract them. In particular, the method of increasing their capital by placing their shares on the primary market through IPOs. Through this method, the company offers the most fair assessment of the market value of its assets. Companies listed on the stock exchange must meet high standards of financial and business disclosure, as well as create investment attractiveness for potential investors. As noted, in countries undergoing privatization by transferring assets to private investors, this process was often not transparent, led to insider dealing and corruption. Despite the benefits for investors, the state and taxpayers usually do not benefit due to low asset prices during privatization. Shareholders are an important factor in the fact that the company's shares are highly liquid and increase in value. Over time, business owners can sell a portion of their stock portfolio on the open market or use it as collateral for a loan. Granting the right to purchase shares of the company can provide long-term incentives to key employees. By listing the company's shares on the right exchange, the company can gain greater market exposure, brand recognition, and international recognition, as well as increase stakeholder confidence in the company.

If a company needs resources to develop its business, it can take out a loan, issue bonds or shares. At the same time, it must pay interest on loans and bonds, and by selling shares, the main owners of the company essentially sell part of their property to new shareholders. At the same time, the company does not assume strict obligations in the form of interest on shares, but when it comes time to distribute profits and receive them from the enterprise in the form of dividends, dividends are distributed among all shareholders in proportion to the number of shares they own. As a result, the main idea of an IPO for a company is to raise additional money for business development by selling as little as possible a share of the company's property.

### LITERATURE REVIEW

We know that the IPO process involves the issuing firm, an investment bank, and investors. Some studies have "discussed the strategic relationships that exist between these entities and why each may earn smaller returns or require a risk premium depending on the level of uncertainty"[1].

Ritter's "one of the first studies to address the problem of IPOs selling at a lower price than their initial public offering price in subsequent years, i.e., declining profitability"[2]. In our opinion, the main phenomena in the study can be explained by the following: poor risk management, randomness, and overestimation of investors' optimistic views. As a result, investors choose a

time for companies to be listed when they are overly optimistic about the company's prospects and at inflated prices.

In the study by Rajan and Servais, “three common anomalies of IPOs have been widely analyzed: inefficient markets, the result of over-optimism by investors, or the presence of restrictions on institutional investors” [3]. Some studies “continue to examine the anomalies of IPOs as undervaluation, under-return, and the presence of an overly high market” [4]. All of these can be found in Ritter’s work.

Analysts "pay particular attention to market activity in their research, agreeing with investors' optimistic views" [5]. Such studies have been conducted by Abarbanell, Brown, Foster, Noreen, Dugar, Nathan, Lin, and McNichols.

In addition, companies with high growth prospects, even if the profitability is positive in the market, do not place an IPO on the market. In some studies, companies place an IPO when there is a high demand for their shares from investors and the multiplier (P/E) value is high. As a result, some studies have observed that the value of the shares of companies decreases by 5-7% after 5 years from the time of placement [7] . “The issue of placing an IPO when the price of the shares of companies is high in the market has been discussed in the research of Keen” [8] .

Ritter and Ridqvist's research "examines the positive relationship between the expected average return of an IPO and the high demand for shares by investors" [9]. The authors reasoned that the higher the demand for shares in the market, the higher the probability that institutional investors will allocate a large share of the IPO to that company, according to the book-building theory.

## RESEARCH METHODOLOGY

a company's shares on the stock exchange through an IPO will help the company gain wider recognition in foreign markets, brand recognition and international recognition, as well as increase the trust of stakeholders in the company.

## ANALYSIS AND RESULTS

Increased macroeconomic stability, solid economic data and low base rates in major Western economies led to strong equity market performance in 2024, particularly in the US. The MSCI World index ended November 2024 up 20%. Secondary markets also benefited from the increased stability, as they saw several large deals and sales. As equity market sentiment became more positive, global IPO activity, particularly in Western markets, began to return to normal levels. The gap in valuation expectations between issuers and investors began to narrow, but investors continued to make their choices in favor of new issuers based on the theory of supply and demand in the market. Looking ahead to 2025, we expect global IPO activity to pick up, driven by a recovery in the US IPO market. With more than 700 private equity investments expected to be floated in the private IPO market, the number of U.S. companies looking to go public in 2025 is projected to grow dramatically.

IPO volumes in Europe rose sharply in 2024, indicating a gradual recovery after two years of weak issuance. According to Richard Cormack at Goldman Sachs Global Banking & Markets, there are signs that public offerings will pick up again this year.

According to the current IPO analysis by the audit and consulting company EY, even in the fourth quarter of 2024, the global IPO market was characterized by very mixed developments: Overall, only 343 companies went public worldwide in the fourth quarter – 7% fewer than in the same quarter last year. However, the issue volume increased by 70% to \$43 billion . The number of IPOs worldwide decreased by 10% to 1,215 (2023: 1,351), while the issue volume decreased by 4% to approximately \$121.2 billion . “ In 2024, IPO markets around the world developed

differently: while Europe and the US saw significantly more investment in IPOs, activity slowed down significantly in Asia.

"The reduction in interest rates by Western central banks and the growth of equity markets have had a positive impact, while deglobalization trends in Asia have affected markets there," says Tobias Meer, head of transaction accounting and IPO services in the region at EY Switzerland [ 13 ] .

The US market grew significantly in 2024, with 183 deals (2023: 127) and a total volume of \$22.2 billion to \$32.7 billion .

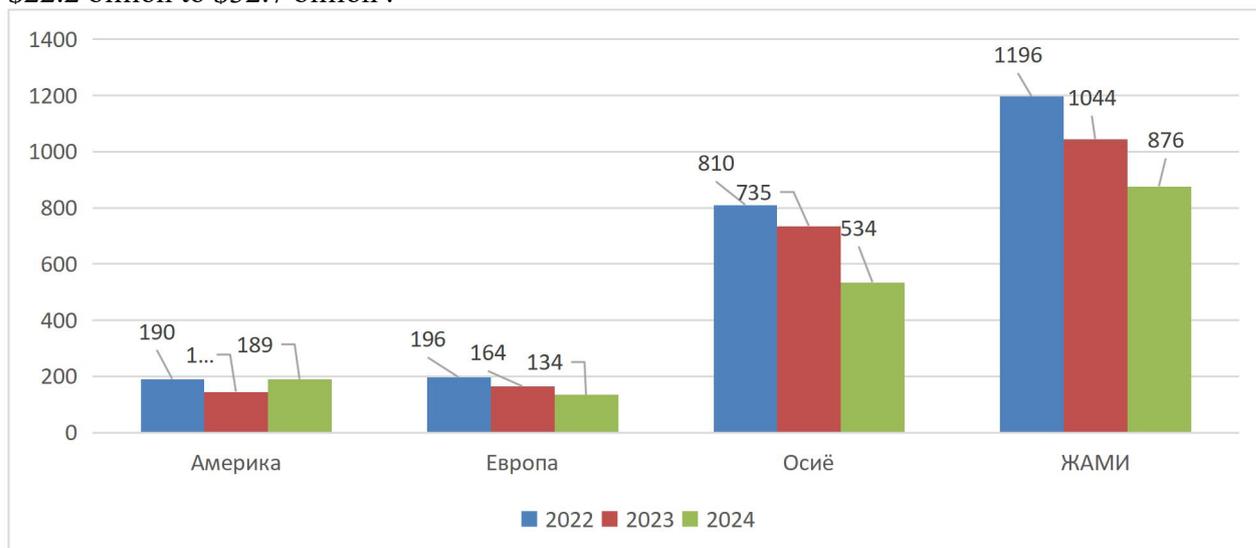
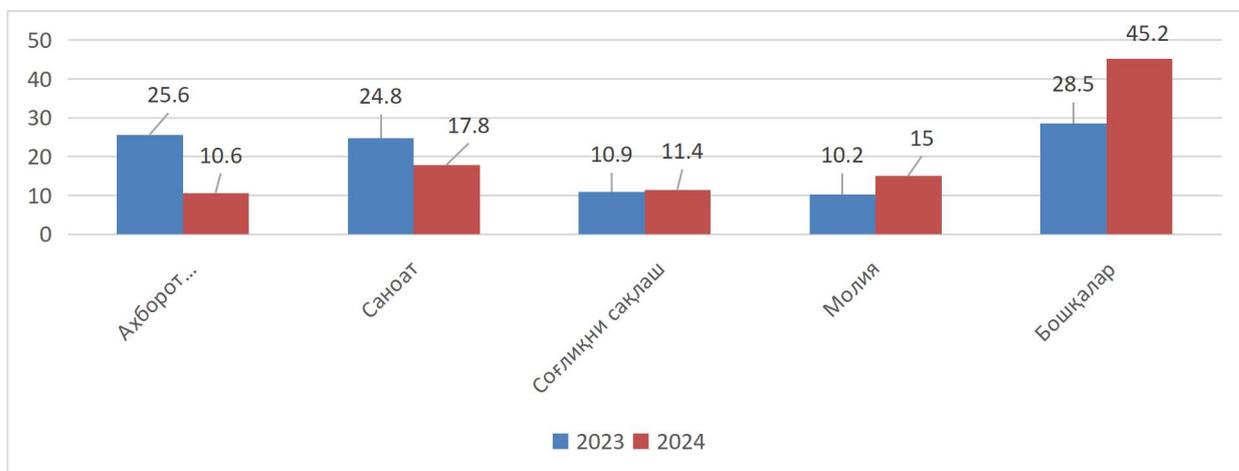


Figure 1. IPO proceeds by region (in billions of US dollars) [14] .

Global IPO proceeds fell by 9%, from \$116.2 billion in 2023 to \$105.6 billion in 2024, while the total number of IPOs fell from 1,044 to 876. The Americas continued to see positive trends, with IPOs up 57% year-on-year to \$35.4 billion in 2024. This was driven solely by IPO activity in the United States, where the traditional IPO market continued to gradually recover in 2024. U.S. IPO proceeds were up more than 50% compared to 2023 and nearly four times the amount raised in 2022. Activity was broad-based, with significant participation from sectors such as technology, social sciences, consumer markets, and financial services. The overall increase in IPO proceeds was driven by an increase in the number of IPOs (up 30 percent) and an increase in the average IPO price of approximately \$157 million. The US market saw four companies with IPO proceeds of more than \$1 billion during the year, the largest of which was real estate investment trust with proceeds of \$4.4 billion. The outlook for US IPOs is positive, with further interest rate cuts and a predictable policy environment likely to boost investor confidence and create more favorable market conditions.

Positive dynamics were also observed in Europe, where the number of transactions decreased slightly to 125 (2023: 148), but the issue volume increased to USD 19.1 billion (+41 percent; 2023: 13.5 billion). In China (including Hong Kong), 170 new issues (2023: 387) worth USD 19.8 billion (2023: 57.2 billion) appeared - a decrease of 65 percent, the largest decrease among all relevant stock exchanges.



**Figure 2. IPO proceeds by industry (in billions of US dollars) [15] .**

Looking at the sectors, technology companies continued to dominate, followed by companies in advanced manufacturing. The former accounted for 211 IPOs with an issuance volume of approximately \$23.6 billion, while the latter accounted for 174 IPOs with a value of \$9.2 billion [16] . In 2024, IPO companies accounted for 12% of all IPOs and 46% of placements in the portfolios of private equity and venture capital funds worldwide . Companies with AI-based business models, in particular, continue to attract investor interest as a sector that points to IT as a long-term growth sector, and more technology companies are expected to enter the market in 2025 [17] .

Companies have been able to raise huge amounts of money by attracting investors by placing their shares on the stock exchange through an IPO . For example, in 2010, the largest Brazilian state corporation Petrobras increased its capital by 70 billion US dollars through an IPO. The US company General Motors increased its capital by 23 billion US dollars, and the Agricultural Bank of China increased its capital by 22 billion US dollars. In addition, the IPO of companies such as Twitter, Google and Facebook, which have become large financial circles, has led to great success in the financial market. For example, in 2014, Twitter increased its capital by 1 billion US dollars by placing 70 million shares on the stock exchange at a price of 15 US dollars. Before the start of trading, offers were received to sell the company's shares at a price of 26 US dollars. After trading began, the company's shares were sold on the market at a price of 45-50 US dollars. As a result, the underwriters and shareholders who participated in the placement of shares managed to make a large profit.

When Google's shares were placed on the market through intermediaries, each share was purchased for \$85. After trading began, the company's shares were sold for \$100, a month later for \$200, and later for \$800 . [18] . Facebook's IPO raised \$16 billion. However, due to the company's share price falling at the beginning of trading, the underwriters were ordered not to sell the shares and not to lower their price below \$38 for 3 months. During these 3 months, the company's share price fell to \$19. Later, the company's share price rose to \$148. The most high-profile IPO in 2019 was by Saudi Aramco, the state-owned oil company of Saudi Arabia. The IPO on the Tadawul stock exchange raised \$25.6 billion (+\$3.8 billion in options), for a total value of \$1.7 trillion. The second-largest IPO was by Apple (\$1.2 trillion). According to Renaissance Capital, 157 IPOs were held in the US in 2019, raising \$46.3 billion [19].

**Table 1**

**The placement of shares of the world's largest companies on the stock exchange through IPOs [20]**

No.	Company name	Exchange/market	Price (price per share)	Otherwise yes (piece)	IPO date	Offered amount
1.	Anbio Biotechnology	NASDAQ Global	5.00	1,600,000	19.02.2025	8,000,000 US dollars
2.	NORTHPOINTE BANCSHARES INC	NYSE	14.50	10,420,000	14.02.2025	151,090,000 US dollar
3.	Karman Holdings Inc.	NYSE	22.00	2 3 000 000	1 3 .02.2025	506,000,000.00 US dollars
4.	SailPoint, Inc.	NASDAQ Global	23 .00	60,000,000	1 3 .02.2025	1 380,000,000.00 US dollars
5.	Artius II Acquisition Inc.	NASDAQ Global	1 0 .00	2 0 000 000	1 3 .02.2025	200 00 0 000 dollars SSHA
6.	Corporation po priobreteniyu Meivuda.	NASDAQ Global	1 0 .00	7 5 00 000	1 3 .02.2025	75,000,000 US dollars
7.	Aardvark Therapeutics, Inc.	NASDAQ Global Select	1 6 .00	5 888,000	1 3 .02.2025	94 208 0 00 dollars SSHA
8.	TEN Holdings, Inc.	NASDAQ Capital	6 .00	1 667,000	1 3 .02.2025	1 0 0 0 2 000 dollars SSHA
9.	Aureus Greenway Holdings Inc.	NASDAQ Capital	4 .00	3 750,000	12. 02.2025	15 000,000 US dollars
10.	Archimedes Tech SPAC Partners II Co.	NASDAQ Global Select	10 .00	20 000 000	12. 02.2025	20 0 000 000 USD SSHA

Analyzing the table data, in order to attract investment through IPO, Anbio Biotechnology Company is expected to raise 8 million US dollars by issuing 1,600,000 shares at an initial price of 5.0 US dollars. In 2024, Goldman Sachs bank agreed to provide financial assistance to Robinhood startup to place its shares on the stock exchange. According to Reuters, Robinhood startup agreed to raise 20 billion US dollars in capital through cooperation with Goldman Sachs investment bank to place its shares on the primary market through IPO.

Robinhood is a company that provides electronic offers for the sale of shares on the stock market, and the fact that it does not charge commissions on transactions made has increased the number of people interested in this startup, and its current audience exceeds 3 million. This company's services are used by companies such as Snowflake, Palantir, and Airbnb to place their shares on the primary market through IPOs [21].

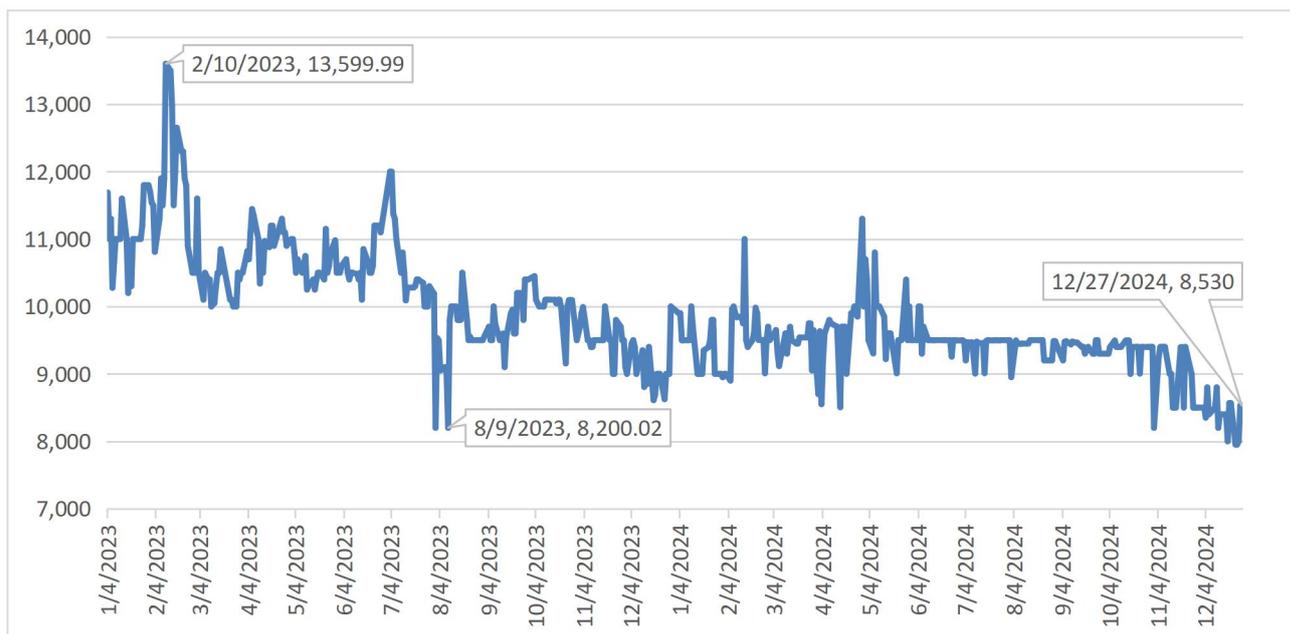
In the Global M&A Advisors ranking, JPMorgan placed \$106.5 billion, Goldman Sachs \$77.3 billion, Morgan Stanley \$73.5 billion, Barclays \$47.7 billion, Lazard \$45.5 billion, Citi \$43.1 billion, Evercore Inc \$37.4 billion, Jefferies LLC \$30.2 billion, Centerview Partners \$29.3 billion, and BofA Securities \$24.5 billion in IPOs [22].

In our republic, in order to attract investors, enterprises and organizations are also slowly implementing the issue of placing their primary shares on the market through IPO. In particular, on April 3, 2019, the Resolution of the President of the Republic of Uzbekistan No. PQ-4265 "On measures to further reform the chemical industry and increase its investment attractiveness" was adopted. This resolution stipulated the sale of state and Uzkimyosanoat JSC shares in the authorized capital of economic entities, in particular, up to 25 percent of shares in the authorized capital of Jizzakh Plastics JSC, at the initial stage, on the basis of an initial public offering (IPO). Uzbekistan has held 6 IPOs/SPOs – primary/secondary placements of securities on the stock exchange – since 2017. Over the past two years (2023 was the most active year in the IPO market), the most notable deals were those involving the telecommunications operator Uztelecom, the automobile company UzAuto Motors, and the insurance company UzbekInvest. Oversubscription for their shares was 131 percent, while subscription for the UzAuto Motors IPO was 29 percent. In terms of trading volume, Uztelecom outperformed other IPOs with a trading volume of 1.7 billion soums in the first 3 days, significantly exceeding the total volume of all other IPOs [23].

Thus, the activities of stock exchanges contribute to the development of the country's economy by facilitating the creation of new forms of capital raising for companies, stimulating business development, and creating opportunities for investors to diversify their portfolios and generate income. The participation of foreign investors is also important in this regard. One of the important reasons is additional investments.

The list of 40 enterprises whose share packages of large enterprises in our republic will be sold through public auctions in the "international IPO" procedure on the principle of "one share - one lot" has been approved. In particular, the state stake in 40 large enterprises and banks will be sold through the "international IPO". In particular, for the first time, an average of 2 percent of shares of such large enterprises as the Navoi and Almalyk Combines, the Metallurgical Combine, "Uztelecom", and "Sanoatqurilishbank" will be offered to the public. This will create an opportunity for the public to purchase shares directly. Enterprises whose shares are sold will direct at least 30 percent of their net profit to pay dividends for five years.

The JSC's dividend policy stipulates the distribution of net profit received annually and the main share is directed to the development of the company. In this case, the distribution of income is determined as follows: 25% - dividends (in cash), 5% - reserve capital and 70% - increase in the nominal value of the share due to capitalization of the authorized capital [26].



**Figure 3. Changes in the share price of the Dori-Darmon enterprise, which was listed in the "Xalqchil IPO" [27]**

The nominal price of the shares of the joint-stock company is set at 4300 soums. The total number of shares is 86309600000, and at the shareholders' meeting on June 27, 2024, the dividend payment for 20072000 ordinary shares was set at 0.3977 soums. In February 2025, a decrease in the change in shares was observed compared to previous years. As of February 17, 2025, the nominal price on the stock exchange was 8000 soums, and the volume of trades per month was 1302 shares, with a total value of more than 10 billion soums. The distribution of the net profit of the joint-stock company in 2023 was carried out as follows. Not less than 5-10% of the net profit was sent to the formation of the Reserve Fund in accordance with the Company's Charter. The allocation of net profit to the reserve fund is determined to be suspended after the reserve fund reaches the amount specified in the Company's Charter. On average, 25% of net profit is allocated to paying dividends, and on average, 65-70% of net profit is allocated to increasing the authorized fund and using it in the Company's investment activities in order to develop the Company.

### CONCLUSION AND SUGGESTIONS

The following conclusions were reached as solutions to the problems raised in our article:

1. In order to increase the price of shares in joint-stock companies and achieve positive results through IPO, it is advisable to do the following:

Before the IPO, it was necessary to fulfill a number of requirements for information disclosure and introduce international criteria, namely, work should be carried out to determine the structure of information that should be disclosed within the framework of the GRI (Global Reporting Initiative) - a global reporting initiative - sustainable development and preparation for the IPO concept.

This assessment goes beyond the traditional aspects of financial reporting and fully reflects the long-term perspective. The report helps to determine the social and environmental contribution of the organization, and the value of products and services from a sustainable development perspective.

IFRS (International Financial Reporting Standards) – introduction. This is a set of documents (criteria and interpretations) that regulate the rules for preparing financial statements that external users need to make economic decisions about an enterprise.

2. Companies that place their shares on the primary market through an IPO can later sell the company's shares publicly on the stock exchange through an FPO (Follow-on Public Offering), based on the revaluation of the price of their shares through market correction.

3. Green-Shoe Option (GSO) is a mechanism for stabilizing prices and issuing additional shares outside of an IPO. This is an informal agreement between the issuing company and underwriters that gives investors the right to sell more shares than originally planned. This mechanism is used to stabilize prices and smooth out price fluctuations after listing by increasing the volume of shares issued by the issuing company.

4. It is advisable for companies that place their shares on the primary market through an IPO to use the IPO methods "Primary Public Offering" (PPO - Primary Public Offering) and DRO (Direct Public Offering), as well as "Primary-Secondary" IPO (SPO - Secondary Public Offering).

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