

Does Global Equity Market Exist? Czech Company-Perspective Analysis.

Romana Nývltová¹

With the passage of time, each company go through various stages of the business life cycle. Financial theory based on empirical findings is consistent with the conjecture that firms tend to adopt specific financing strategies as they progress along the phases of their life cycle. Consistently with a pecking order model of financing, firms prefer internal financing initially, subsequently issue debt securities and in the final stage enter the equity market. By public equity issuance (IPOs) companies gain access to a much larger pool of funds. This is necessary for further economic growth. Necessary precondition of public equity issuance is the access to mature (liquid and efficient) stock exchange.

In the European Union, each country has its own stock exchange (but also some mergers run through such as Euronext N.V.), however several steps had been undergone towards their full integration. There is a wide consensus, that financial integration can generate several potential benefits. The existence of integrated markets decreases the cost of equity financing since investors have better possibilities for country-specific risks elimination by portfolio diversification.

During the last decade, companies from the Czech Republic have undergone six IPOs. To increase the pool of potential investors, all six IPOs have been dual-listed on other European exchanges (such as Warsaw or London). As apparent from these IPOs construction, full equity market integration has not been reached yet in the European Union and investors still have a "home bias" towards holding domestic securities (or more precisely towards holding securities listed on domestic stock exchange).

The aim of this paper is to present the structure of six IPOs undergone by Czech companies so far, to identify obstacles preventing full equity market integration and to present possible impacts on company financial decisions and their economic growth.

¹ Ing. Romana Nývltová, Ph.D., Institute of Finance, Faculty of Business and Management, Brno University of Technology, Kolejní 2906/4, 612 00 Brno, Czech Republic, nyvltova@fbm.vutbr.cz; +420 731 116 605