## Initial Public Offering (IPO)

**Private vs Public Company:**

* Before an IPO, a company operates as a private entity. It has a limited number of shareholders, including founders, family, friends, and professional investor (such as venture capitalists or angel investors).
* Going public means, the company’s shares become available for purchases by the general public on stock exchanges like the New York Stock Exchange (NYSE) or Nasdaq.

**Why Companies Choose to Go Public:**

* Access to Capital: An IPO allows a company to raise equity capital from public investors. This infusion of funds can support growth, expansion, and other strategic initiatives.
* Increased Transparency: Public companies must adhere to Securities and Exchange Commission (SEC) regulations, which enhance transparency.

This transparency can also improve the company’s credibility when seeking borrowed funds.

* Exit Strategy: For founders and early investors, an IPO represents an exit strategy. They can realize profits from their private investment by converting their shares to publicly traded ones.

**IPO Process:**

* **Underwriting:** 
  + Companies hire investment banks to manage the IPO process. These banks help set the IPO price, gauge demand, and market the offering.
* **Valuation:**
  + Companies determine the IPO share price through underwriting due diligence. Existing private shareholders’ shares become worth the public trading price.
* **Listing:**
  + Once the IPO is complete, the company’s shares are listed on a stock exchange, and public trading begins.
* **Qualifying for an IPO:**
  + Unicorn Status: Companies often consider going public when they reach a private valuation of approximately $1 billion (known as unicorn status).
  + Strong Fundamentals: Companies with various valuations, strong fundamentals, and proven profitability potential can also qualify for an IPO, depending on market conditions and listing requirements.

Nowadays for IPO process, they have their own systematic and used way to valuate a share of a company price. Usually, the share of the price is based on the number of investor and number of potential clients including funds, angel investors and venture capitalists. If the number of applicants exceeds the overall shares available, then they set the upper limit price. If the overall shares available are not fully being occupied then a lower price limit will be set.

However, in my opinion, this type of rating a stock price has several disadvantages. First it does not really reflect one share of the price in proportional to the overall assets of a company which causes huge fluctuations to the external economic environment. Second, not all applicants have the chances to apply the IPO of some superior or well-known companies, which chances remains to their potential clients including their working partners, joint ventures capitals and some well know listed companies.

So, is there a solution? To answer this question, we might ask what causes this problem? The problem is due to the price and the number of shares of a particular IPO is already predefined without knowing the actual number of applicants. Some not well known or being financial analyst penned as not to buy has limited number of applicants apply, usually this type of IPO has been set to the lower limited price. However some of well known or being rated as must buy has enormous number of applicants, this type of IPO has been set to the upper price or even higher. This kind of unknown number of investors is the main causes of rating a price of the IPO. To solve these issues, the best way is to change the usual way of applying an IPO. Usually, we used to apply an IPO from the bank branch or internet. By filling the form and fill in the number of shares you want to apply equipped with the cheque, that is! My recommendation is 2 processes. We all know before launching an IPO, they usually provide some investor roadshow. This kind of roadshow is a way to attract potential investors.

First my opinion is the first process

* On all the banks or securities, when deliver the IPO prospectus. This kind of prospectus listed out all the information of the companies including gain and loss, total assets (fixed or removable), debts, loan…etc.
* The IPO prospectus should not reveal the share price and the total number of shares provide for subscribe.
* When the investors want to apply the IPO, they just only need to fill in their personal particular including name, address, or bank information.
* For large joint venture companies or potential partners, funds…etc. It is now the one who hired to write for the IPO prospectus to asks the potential clients if they are interested. If interested, they will ask how much in terms of money they will be acquired, usually this type of investors, invested in terms of millions to billions.

Second Process

* Calculates the total number of shares. As we know the company’s overall assets which is stated in the IPO prospectus, we can start to count the total number of applicants (the form received from the bank’s branch). For instance, all the banks and securities receive the total amount of 25,000 forms of single investors. How to calculate the total number of shares available is up to the total investment from the joint ventures or large funds capital. If they acquire the total half of the assets of the companies plus the adding the total number of applicants, then I assume you can approximately calculate the total number of shares available.
* To rate the price of the particular IPO. It is base on the below formular below.

This type of rating or valuation of a price of an IPO has several advantages. First, more robust to the fluctuation of external economic changes, because the share price of the stock really reflects the actual assets of the listed company. Second, many economic formular or new calculation methods (for instances: P/E, P/S, P/B ratios…etc.) can be more accurately apply to the Stock. Third everybody have the chances to apply the stocks for a particular IPO.