How the stocks change when the company issues the stocks in the market

Xinrun Song*
Senior high school in Shenyang, Shenyang ,China
*Corresponding author: zhao80@iu.edu

Abstract. This article focuses on the process of a company going public, the benefits to the company of issuing shares and why, how to price the shares, and finally how to choose a good stock to buy.In-depth understanding of the whole process of a company from listing to earning money, mainly by searching some information.It has been shown that listing a company is a complex matter and that many companies face liquidity problems less than 5 years after listing.However, some company managers will engage in stock speculation to maximum their own profits, which can instantly break the company's financial chain. Some companies fail because.They don't understand the mode of investing and the conditions for choosing a good partner.this paper explain the whole process of a company and some practical examples and allow investors to invest carefully and learn how to make their company grow.

Keywords: Company; Stock pricing; stocks

1. Introduction

As more and more companies come in to the market recently, more stocks are going to be listed and many companies make false account in the books in today's market, so can beginners invest in stocks maximize benefits. The debate about stock has gained fresh prominence with many arguement that buying stocks is exhausting because investors have to think about whether it is going to lose money. When the company has raised funds from issuing the shares, it will carry out its plans including expanding the size of capital. For instance, the enterprise can introduce more assets such as the factories and the equipment. On the other hand, they can use part of the funds to update the system of running equipment to improve the technology and attract more labor, then its productivity will rise to achieve its profitability. One way for a company to raise money is to issue shares which represents part of the company's profit. This is a type of equity financing. Shareholders will receive voting rights and dividends in proportion to their investment. When the company just start to work, there are several shareholders in this company, so the price of the stocks in this company correspondingly is not very high. As the company developing, the share price in the market will change, if this company has a good yield and assets liquidity, the market price of the stock in this company will become higher, and the number of the shareholders will increase. The modality of the shareholders are individual, institution or company. At that time, the shareholders decision needs to be based on the ratio of shares bought in the company's total published shares, the person whose ratio of shares occupied the majority of the whole shares will have the decision-making power. And they get the dividends from the company profits when the stock value increases. Besides, some shareholders also have the right to choose to stay in this company for a long time or to participate in the process of making decisions. There is another phenomenon that some shareholders will sell out their shares to make profits when they realized that the current stock value has been higher than the original values. However, when the market value of the stocks depreciates, the owners of the stocks will experience loss, because their asset is now worth less than its original price. That also means they have an investment failure.

The stock market function empowers and motivates executives to invest in innovation and control company's resources in strategies and make sure the effectiveness of resources allocation. What's more, employees integrate into the collective which promotes innovation and accumulation of learning. One function of the stock market is to sustain the sources of finance which is used for innovation and reformation. [1].

Therefore this paper will research how the stocks change when the company issues the stocks in the market.

2. Main Body

2.1 The Company Go Public

The investors need to know that a company goes through a lot of processes when it goes public. Going public is an important steps for private companies which need to grow. When the company is go public, increasing funding and liquidity of the company is necessary. Since it can be used for cycle-investment or capital expansion. After going public, the enterprise can issue new issues for public purchasing termed pubic offering. However, this process will take a long period and relatively complexed. Through this, investors can differentiate the public company and private company. After the IPO, it is not difficult for company to issue new shares. The price of hares falls, the company and the person who appealed the shares will face a lawsuit.. The private companies also face to be exposed, but If investors think everything is out, complaints will fall. The corporations issue shares for raise money for their business.

2.1.1 Main Factor

In assessing the feasibility of listing a company and pricing its shares, The underwriters will think about the sales and revenues, and they also compare the trends with the industry. Another one is the adequacy of the cash flow and the situations of working capital. Other important factors are the operating experience, quality and honesty, including the ability to fulfill the responsibilities of the shareholders.

2.1.2 Other Factors

Evaluating the nature, the quantities of the customers and the sources of supply, the diversities and the competitive position. For underwriters, the record for earnings and potential growth have the direct relationship. They consider that if the potential growth of enterprise owned is smaller, the requested profit is smaller. In a period time of heightened person who what to invest in IPOs, there is usually a bit of a boom. Investors tend to buy a lot of new shares in "hot" sectors and then sometimes value stocks that appear to be completely with their apparent intrinsic revalue as measured to more traditional valuation measures. Some companies in this hot sector want to survive the point that want their securities to become very value in the market. However, most of fashion have spawned many poorly ideology public enterprises. In an inevitable period of consolidation, there is a big chance of companies failing and then being acquired by large corporations for newly listed companies, and such acquisitions are often just rescue operations [2].

2.2 Company Issue Stocks

The main way to issue stocks is public issue and non-public issue. Public issue is sell the stocks to the non-specific person. And the non-public issue is put the shares to the specific person. When the company choose non-public issue, in generally the orienteering is point at the investor who is specific, and they can improve the administration and ability to earn money of the company when they join the business, and that can improve the price of stocks in the market [3].

The owners of the target shares will get profits from the company's revenue. Target shares is not only the one component of the company but also the market segment of the company which operates in many various industries. The supporters consider that issuing target shares will reduce the diversification discount, however, it's harmful to the diversified company [4].

2.2.1 Why Company Issue Stock

"The shares achieve the owners equity and dividends, enjoy some rights for voting. On the other hands, it is a form which symbolizes the capital contribution. In addition to issuing stock, another way to finance a company's business is to rely on debt. First, when investors started a new company, it is not realistic for the company to get the debts from the bank or other financial institutions. consequently, lenders will often charge higher interest rates for businesses with insufficient credit or poor credit. Issuing equity will give company more cash than debt financing. When you get a loan, investors need to use the cash flow to afford the loan and pay the additive. The interest will reduce your profit, even bring a burden to your company, which will make your company more risky. Investors will consider how much is owned by creditors. Besides, they commonly believed that the more shares the shareholders own, the more risky that the company has. If your business fails, your assets will need to repay outstanding loans before shareholders receive their share" [5].

The understanding of what is the objected of shares issuing come down to may types. But it is not the only one reason why one company may issue stocks. The company will issue stocks to help them have enough money. This money can be used to fund operations, enlarge into the new markets, that can help us product new productions and also can make the investment for the future needs of this company. If this company don't have enough money, they have two choice: they could either borrow money from the leader or issue shares and uae the money that they earn from issue stocks to make the business expand [6].

2.2.2 How to Issue Stocks

"The share issued to the market is means the shareholders invest to the company's money. All the shareholders have the decision-making power in the company, the right to vote, dividends and so on. Therefore, when forming a company, this is a good way to determine how can company issue stocks. First, if we are a new enterprise or a firm have a lower credit rating, obtaining the debt may be too expensive or unrealistic. Loaner typically gather the bigger interest rates to the company with the little or have a poor credit. Issuing the stocks can give us more money to work with than the debt financing. When the company want to have a loan, that not only need to show the cash flow to repay the principal but also need pay the interest. It eats into your profits every month. When company have more debt that can make our business seem risky. Amount of investors want to know how much of the company's assets are owned by the shareholders and how much is for the creditors. When the percentage is high, owned by the lender, the bigger risk of your company will be in the eyes in the investors and lenders in the future. If the business don't have enough money and fail, your assets will repay outstanding loans before shareholders can receive their shares" [7].

2.3 Stock Pricing

Stocks represent the shareholder rights of the holder. The shareholders' direct economic benefit is represent to the dividend and bonus income. The formula price of shares, is the price paid for the right to claim this dividend, dividend income, is an expression of dividend capitalisation.

Whether an investor invests his money in equities or deposits it in a bank depends first and foremost on which investment yields a higher rate of return. According to the theory of equal income from equal amounts of capital, if the interest rate is lower than the dividend rate paid to the shareholders, the demand about the stocks will become larges the price of the stock will also increase, and thus the dividend rate will fall until it is roughly in line with the market rate. The deviation of the liquidity of the stocks obtained at the expense of a bigger number of companies being eliminated in a highly competitive market. Without understanding this, it is easy for an investor to derive a simple long-term equity investment strategy directly from the biased nature of share price volatility. Without the appropriate diversification of capital management measures for the investment crisis, the bias in share price fluctuations does not guarantee a satisfactory return on investment for the investor. The formula price is not the same as the market price of the stocks and there is a big difference between these two price. But the formula price is to predicting the trend of the stock price in the stock market, this is the basic factor to formation the stock price. The factors affect the price of the stock is determined by the market value of the shares, but is influenced by any other not very important factors. In general, the factors that influence the market price of the stocks is following below.

(1) Macro Factors

Includes social, political, economic and cultural aspects that may have an impact on stock market prices.

(2) Industrial and Regional Factors

This is about the impact in the industrial development and the regional economic development on market price of the stocks. This factor is between the macro and the micro, so depend on the strictly structural, it impact on the stock market.

(3) Corporate Factors

This is the effect of the operations of a public company on the price of a stock. As a listed company, it is the user of the funds raised through the issue of shares and the realiser of the income generated from the use of the funds, so its operating conditions have a higher significant discovery of the price to the stocks. An company's management level, the development of the technological, emulatory strength, location in the industry, and financial conditionn all affect the operation of the enterprise, thus affecting the market price of the stock from various aspects. Because the boundaries of the property is clearly, corporate factor generally just also have a deeply influence on the market price.

(4) Market Factors

Many types of stock market operations that influence the shares price in the market. For example, the increase of the price and the price is decrease of the stocks, buying and selling in a short time, closing positions with profits and cycling or cutting. There are also illicit and unlawful manipulation of the share market in unregulated share markets such as location sharing, sharing plot and wheeling and so on. In a generally way, if the share market is more long than short, the stock price increase; on the conversely, if shorting prevails, the stock price have a decrease tend.

A large amount of person believe the stock's value is enunciative by its price, That is just one really true to a convinced range. The investor can survey one company are surly have many money, and they also need to know all the message of this company in the financial statement and the balance sheet. For example, if Company A has a $100 billion market capitalization and has 10 billion stocks, while Company B has a $1 billion market capitalization and 100 million shares, both companies will have a share price of $10. But Company A is worth 100 times more than Company B.A stock with a $100 share price may seem very expensive to some retail investors. They might think that a $5 stock has a better chance of doubling than a $100 stock. But the $5 stock might be considerably overvalued, and the $100 stock could be undervalued. The opposite also could be true as well, but the share price alone is no sign of value. The market can clearly to chow the value of company and also can a good know on the stock price. So call it market ,and it's listed with every stock's price quote [8] .

2.4 How to Buy Stocks

We can select an online stockbroker. The easiest way to buy stocks is use the online stockbroker. And then open and fund the account, company can buy shares through the broker's website in a matter of some time.

So how to choose the stocks? What is the actual value of a company's share? So when investor get a stock at a very high price, then if investor buy stocks of the best company in the world, it will be the worst investment. By the same token, if investor buy a stock at a low price, even if the company is fundamentally mediocre, it may become the star of your portfolio if it has good growth. Investors tend to buy whatever is cheap, but they just don't buy stocks that way. In fact, investors always prefer to wait until the share price rises before buying. Don't fall into this trap. If the stock the investors want to buy has recently traded on huge volume and hit a year high, find out why: the fact that the stock is being sought after is not a reason to buy it. "But if they going to buy a stock because everyone else is buying it, aren't company going to be the last one to do so? Wouldn't you rather buy before everyone else?" So, the stock's P/E ratio is still the best and quickest way to measure a company's value. As a general rule, most value-seeking portfolio managers will not touch a company with a P/E above 30 times, even if it is in a growth industry. Why? If an investor wants to profit from investing in such a company, the company's return must be 50% higher than the overall market value. Remember, if you are calculating P/E ratios based on earnings expectations for the coming year or the year after, you are guessing, not calculating [9].

2.5 The Share Price Change When the New Shares Issued

"For the company, its aim is to reduce their cost as much as possible. Consequently, the company will choose the way to raise funds at least expenditure. If the value of the stock is high, the company can sell fewer shares to get in return of the money. For the reason that the staff knows their company deeper, so the investors generally think that the secondary market will appear when stock prices are at their highest and start selling to lock in profits, driving down stock prices. If the offering price is significantly lower than the current share price, investors who paid a higher price for the shares will feel cheated by management and sell their shares to stay away. If the investors don't believe in the company, then the less fund will flow to the company, it will cause the stock price to change in downturn for the long term. The company will try their best to change the status quo. For instance, the company is able to submit the self registration, so that the company has the ability to sell the new shares at fixed period and frequency. On the other hand, it's a method for the company to avoid the negative influence of the second sale. However, it gets rise to the dilution, the investors will use the the quantity of the stock which has experienced the dilution. The company will issue the new stock by using the staff stock options and retirement. The staff will purchase the shares at the price in predetermined price. It will not affect the share market obviously. Under this form, the stock stays for a long time without floating[10].

3. Conclusion

The main reason for a listed company to issue shares is that the company has a new investment project and lacks funds, at the same time, in order to optimize its capital structure, for example, if the company continues to take loans from the bank, it may lead to the company's debt ratio is too high, in this case the company will issue shares to raise funds, the newly raised funds into the company's new investment project The new capital raised will be invested in new investment projects for the company, the company's production capacity will be expanded, the production of products will increase, the sales revenue will grow, the company's profit will also grow, and the company will earn more money.

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