The insurer has an opportunity to carry out investment activity in accordance with the priority goals of the company and its tasks. This investment portfolio includes only those assets that are not intended to meet the obligations of the insurance company.

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Innovative companies valuation in Ukraine: key features

One of the main objectives of company management is to maximize company value. Company value is at the center of corporate finance, however,
finding a value for a company is not easy. First, different companies should be valued differently (for example, public company vs. private company, company in distress, etc.). Second, company value depends on the aim of the valuation as well. The last two decades have seen a stream of innovation in financial markets, yet corporate valuation methods have not changed significantly. Traditional corporate valuation methods include discounted cash flow valuation, liquidation and accounting valuation, relative valuation and contingent claim valuation. The bulk of these methods reflect historical performance, while it is necessary to also take into consideration the value which is off-balance-sheet and possible growth.

What is the company valuation – it is the process of determining the economic value of a business or company. Business valuation can be used to determine the fair value of a business for a variety of reasons, including sale value, establishing partner ownership and divorce proceedings.

But what does differ mature companies from start-ups? And how we can evaluate new, innovative companies that don’t have any historical data? Young companies are difficult to value for a number of reasons. Some are start-up and idea businesses, with little or no revenues and operating losses. Even those young companies that are profitable have short histories and most young firms are dependent upon private capital, initially owner savings and venture capital and private equity later on. As a result, many of the standard techniques we use to estimate cash flows, growth rates and discount rates either do not work or yield unrealistic numbers [4]. In addition, the fact that most young companies do not survive has to be considered somewhere in the valuation.

The main problem of young enterprises developing innovative products - high level of uncertainty regarding the results of their activities, as well as significant information asymmetry between the management of enterprises and investors [3]. As a result, the asymmetry of the value of a business is created: investors tend to averaging the value of the business, which makes it impossible to determine its value objectively. To solve this problem, methods for assessing the value of a company with venture financing are developed.
Taking into account that most standard approaches of valuation are not suitable for valuation of new, innovative companies, the most common approach used to value that firms is the venture capital approach [2].

This method of start-up valuation is one of the most widely used worldwide, including Ukraine. It does not need historical data, comparison with the market competitors (because in case of new technologies/industry, sometimes there are just no competitors). On the other hand, this approach takes into account required profitability of the investor, helping him to understand if this business has a potential to satisfy investor needs.

In Ukraine, evaluation of innovative companies is pretty demanded due to development of IT industry. Despite the hybrid war and the unstable economic situation, the Ukrainian science and technology continue to evolve. The most perspective industry of Ukrainian economy – IT industry is currently valued at well over $5 billion. And this figure is growing up because they believe in success of their investments in the projects.

And most of Ukrainian IT start-ups are really good investments – more than 80% of the top Ukrainian startups break even or make a profit. The vast majority of these have achieved this without significant support from investors. Only 9 projects have raised more than $5 million and 68 have received less than $1 million from VCs [5].

Conclusions. First of all, it should be noted that new innovative enterprises have a significant number of differences from sustainable enterprises, and therefore most standard valuation methods are not suitable for the valuation of startups. Thatis why, to evaluate them, it is advisable to consider other more specialized methods of valuation, in particular the method of venture capital.

Second, any estimates are nothing more than formalized estimates. Estimates will never show the true value of any company. They only determine two things: how active the market wants to invest in your business and how much you want to take them.
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