



Strong impetus for the capital market in Slovakia

Bratislava, 22 February 2024

Burza cenných papierov in Bratislava (the Bratislava Stock Exchange) starts trading shares of successful Slovak company. After recent entry to the Stock Exchange in Prague, the company Gevorkyan decided to make a similar step in Slovakia. For the Bratislava Stock Exchange this will increase attractivity and market liquidity. At the same time, Gevorkyan may inspire and encourage other companies to enter the Stock Exchange and utilise the capital market for their growth and development.

According to the Bratislava Stock Exchange, the entry of Gevorkyan marks important milestone for the Slovak capital market. „After a long time, successful Slovak company is entering the stock exchange with shares“, says Lukáš Bonko, Managing Director of the BSSE. „We anticipate this to have a positive impact on the overall attractiveness and liquidity of the market, as we are introducing a new and potentially valuable investment opportunity to the investors’ portfolio.

Gevorkyan could also represent a significant inspiration or motivation for other companies considering to raise capital for their development. *„Entering the capital market through the stock exchange provides greater freedom for the company compared to traditional financing methods such as bank loan“, said Lukáš Bonko.*

„Transparency, responsibility to investors and using of the stock exchange may result in higher trust, visibility of the company on the market and among business partners, more advantageous financing conditions and ultimately to growth of the company.“

Issuing of securities versus bank credit

According to the BSSE, the issuance of securities provides companies with access to a broader spectrum of investment capital under potentially more favourable terms than traditional bank credits. This financing method allows companies to structure their capital requirements adequately, while simultaneously enhancing their profile and reputation. *„Compared to other forms of financing, issuing securities can be less demanding on a company’s cash flow, as in case of shares (equity) there is not requirement to repay the capital and in case of bonds, it is possible to set appropriate schedule for principal and coupon redemptions,“* explains Lukáš Bonko.

Alternative ways of raising finances for companies vary according to the needs and development stage of the company. Issuing securities on the public markets, such as shares and bonds, are often advantageous for larger, more stable companies that seek access to a broader range of investors and want to increase their visibility in the market. However, it is not uncommon for smaller growth companies to choose capital markets financing if they have an interesting story and a realistic business plan. *"Capital markets and stock exchange financing allows companies to raise a significant amount of*

capital without having to repay a credit or provide strict guarantees. Benefits include the potential to raise capital for expansion, diversify ownership structure and improve corporate image. Risks include a higher level of regulation, which is apparent mainly in the early stages, and also possible pressure on short-term results from shareholders", explains Lukáš Bonko, Managing Director of the BSSE.

Capital market in Slovakia

The interest in financing through capital markets in Slovakia has grown over the past 5 years, while in 2020 the BSSE had 71 issues of corporate bonds, in 2023 it was already 85 issues. The total market capitalization of bonds in 2020 was EUR 55.12 billion and in 2023 it reached amount of EUR 73.38 billion. The market capitalisation on the regulated open market in 2020 was EUR 8.236 billion and increased to EUR 11.6 billion in 2023. Besides, on the regulated open market are placed also corporate bonds. *"This shows not only the growth of interest on the part of companies, but also that Slovak investors are looking for opportunities to invest locally, in projects and companies they know and are close to. However, if domestic capital stays in Slovakia, it also has wider benefits, GDP growth and employment accelerate and capital does not move abroad,"* adds Lukáš Bonko.

Harmonised services of the central depository

The integration of the Slovak capital market into the EU single capital market is ensured by Centrálny depozitár cenných papierov SR (CDCP). CDCP also continues to harmonise its services, such as the payment of yields under the European standards. *"CDCP provides issuers with the book-entry securities registration services, mainly in euro currency, and ensures settlement of their transactions through the Target 2-Securities, the harmonised settlement system that is used by most CSDs in the Europe. The securities issued in euro currency bear no exchange rate risk for investors coming from the Euro Area countries and, through the links that our CSD has with other CSDs, they can also be distributed and held anywhere in the world",* concluded Martin Wiedermann, Managing Director of CDCP.