

RIGA TECHNICAL UNIVERSITY
Faculty of Engineering Economics and Management

Julija Bistrova
Natalja Lace

SHAREHOLDER VALUE SUSTAINABILITY IN EQUITY INVESTING

Scientific Monograph

*Reviewers: S. Hildevičs,
R. Tamošiūnienė*

RTU Press
Riga, 2014

CONTENTS

INTRODUCTION	6
1. SHAREHOLDER VALUE SUSTAINABILITY CONCEPT	8
1.1. Essence of Shareholder Value Sustainability and Maximization.....	8
1.1.1. Shareholder Value — Company’s Ultimate Goal.....	8
1.1.2. Notion of Shareholder Value Sustainability and its Importance.....	11
1.1.3. Shareholder Value Sustainability Measurement Options.....	12
1.1.4. Shareholder Value Sustainability among Other Company Priorities — Mission Statement Analysis.....	15
1.2. Factors Influencing Shareholder Value Sustainability	17
1.2.1. Value Drivers: Theoretical Background	17
1.2.2. Value Drivers: Content Analysis and Market Research.....	20
1.3. Development of the Shareholder Value Sustainability Model	21
2. PROPERTIES AND PROBLEMS OF CENTRAL AND EASTERN EUROPEAN EQUITY MARKETS	23
2.1. The Role of Stock Market in Latvian and Other Central and Eastern European National Economies.....	23
2.2. Risk and Return of Central and Eastern European Equity Markets	27
2.3. Critical Points of Investment Climate in the Central and Eastern European Markets	31
2.4. Relevance of Financial Analysis in Investment Process within the Central and Eastern European Equity Markets	35
2.5. Sustainability of Shareholder Value and Financial Performance Post IPO/PO	43
3. DETERMINANTS OF THE SUSTAINABLE SHAREHOLDER VALUE GENERALLY ACCEPTED IN THE DEVELOPED MARKETS	51
3.1. Profitability Impact on the Shareholder Value.....	51
3.2. Capital Management to Achieve Shareholder Value Sustainability.....	58
3.2.1. Capital Structure and Sufficiency of Equity Capital.....	58
3.2.2. Dividend Payout Policy	71
3.2.2.1. Dividend Policy as Performance Driver	71
3.2.2.2. Dividend Policy Determinants.....	76

4. EMERGING DETERMINANTS OF THE SUSTAINABLE SHAREHOLDER VALUE	83
4.1. Earnings Plausibility	83
4.2. Importance of Corporate Governance Factor	92
4.2.1. Development of Corporate Governance Quality Assessment Model ..	92
4.2.2. Corporate Governance Quality and Market Performance	100
4.2.3. Corporate Governance Quality and Economic Performance	104
4.3. Impact of Ownership Structure on Shareholder Value Sustainability	110
5. BUILDING AND APPROBATION OF SHAREHOLDER VALUE SUSTAINABILITY MODEL WITHIN CENTRAL AND EASTERN EUROPEAN STOCK MARKETS	119
5.1. Shareholder Value Sustainability Drivers through the Prism of Out- and Underperformers	119
5.2. Application of the Shareholder Value Sustainability Model to the Central and Eastern European Equity Markets	130
SUMMARY OF THE MONOGRAPH	140
REFERENCES	142
APPENDICES	156