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COMPANIES IN THE CONTEXT OF THE CORONAVIRUS PANDEMY ASSESSMENT OF CAPITAL VALUE

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Annotation:
The article examines the methodological problems in the assessment of the capital value of companies in the context of the caronavirus pandemic and describes the scientific and theoretical aspects. In particular, the capital risk assessment methodology is highlighted, taking into account changes in the country risk premium, country risk premium and the country's credit default swap spreads.

Keywords: Capital risk premium, country risk premium, market index, stock, pandemic, stock market, market value, stock value.

Introduction

The spread of coronavirus infection (COVID-19) around the world today is having a negative impact on manufacturing, health, transportation, logistics, consumer demand and services in developed countries as well.

The spread of coronavirus infection has also had an impact on global capital markets. According to an article at the World Economic Forum, the current elephant is in March.

The biggest drop in the history of the Dow Jones index was observed when the spread of COVID-19 peaked. In particular, the Dow Jones index fell by 20 percent, indicating that its stock fell 20 percent in market value.

It also led to a loss of financial resources for investors as a result of the negative impact on the financial market indices of Spain, Germany, France and the United Kingdom [2].

The coronavirus pandemic has led to a sharp decline in production in developed economies, a sharp decline in consumption, disruption of production chains and trade integration, a sharp drop in financial market indices and a sharp drop in commodity prices. In particular, in order to mitigate the impact of these factors on the economic system of the country, the Anti-Crisis Fund was established under the Ministry of Finance in the amount of 10 trillion soums to support rapidly developing sectors of the economy and their stability provided for spending [3].

This means that all countries in the world, in addition to combating the spread of the coronavirus pandemic, are also taking measures to mitigate the global crisis in the economy.

Today, the world's largest research and financial institutions point out that the financial market is experiencing a rapid recession due to the coronavirus pandemic. According to Goldman Sachs, the largest U.S. companies will cut investment spending sharply in 2020. According to the analysis of world analysts, the investment of these companies in the S&P 500 stock exchange is expected to decrease by 20%.

This, in turn, indicates that the dividends paid by these companies this year will fall from 50 percent to 23 percent [4]. In addition, due to the coronavirus pandemic, the income of large enterprises in the United States fell by 15% such a figure was not observed since the third quarter [5].

Main part

In determining the capital value of companies in a pandemic, first of all, it is necessary to take into account the premium for capital risk, the level of risk-free assets, the premium for country risk. Also the level of credit spread taking into account the appraisal of the capital value would be expedient.

Many researchers and analysts use the country's risk level and credit spop default risks in determining a company's capital value when assessing a company's capital value.

During the COVID-19 crisis, debt capital increased in most countries. As a result, changes were required to the capital valuation method. With this in mind, Figure 1 below reflects the analysis of risks on the continents.

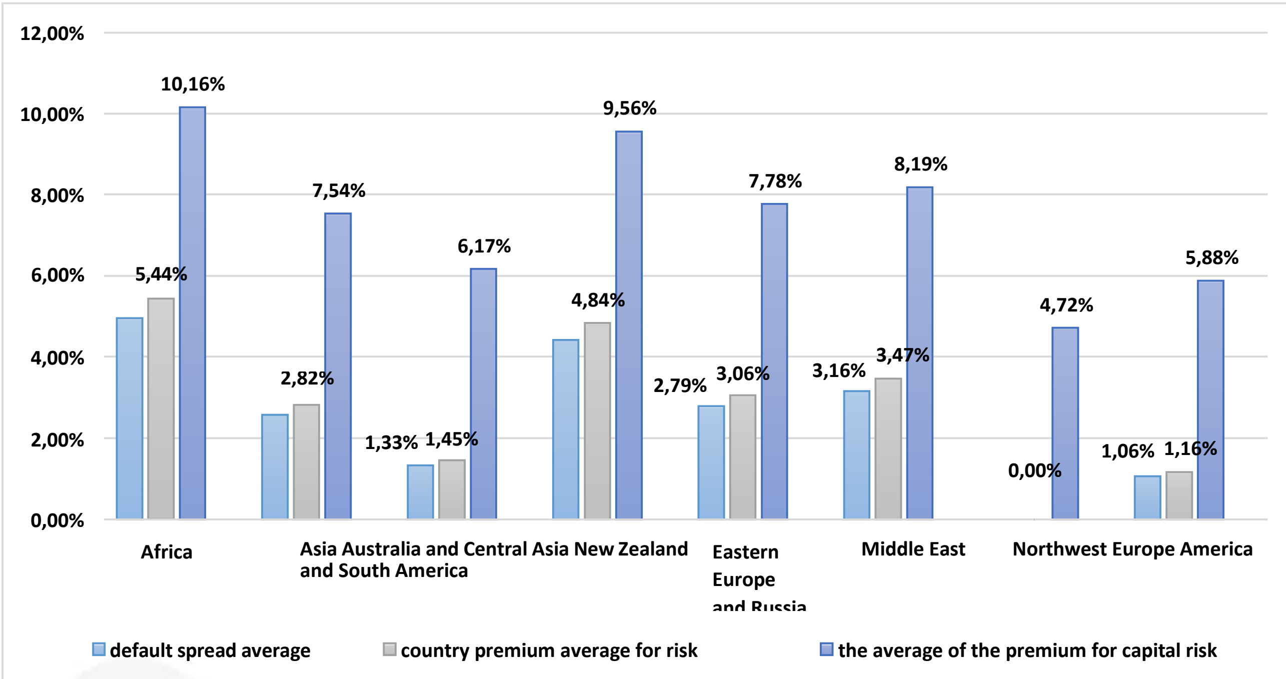

Fig 1. Status of risk premiums across continents as of January 1, 2021
Prepared independently by the author
http://pages.stern.nyu.edu/~adamodar/

The data in Figure 1 show that the risk premium for capital falls on the African continent. In particular, the risk premium for capital on this continent was 10.16%, while in Central Asia and South America it was 9.56%.

The lowest rate was in North America, at 4.78 percent. This means that on continents with high risk for capital, the risk level of assets in the capital market is high.

Conversely, on lower continents, financial instruments in the capital market show a lower level of risk. In terms of country risk, it was 5.44% in Africa and 1.16% in Western Europe.

A country's high risk indicates that these countries have a high risk of defaulting on their bonds. Our analysis shows that on continents where the capital risk premium is high, the country risk premium is also high. In our country, the average fluctuation of credit spread is also high in countries with high risk.

In general, the table shows that in countries where the capital risk of companies is high, the country risk and the average fluctuation of credit spread are also high. By the end of February, a 30 percent drop in the market value of shares in the capital market had led to a 30 percent change in the capital value of companies.

However, in March, the market value of your shares began to rise. However, the cost of capital did not meet the forecast. It can be seen that during the pandemic period, the sharp decline in the market value of shares led to an increase in the capital value of companies.

Today, in assessing the capital value of companies, COVID-19 calculates the calculation of premium for risk in the long run, taking into account the crisis. However, in the Australian capital market, the premium for risk is determined on a short-term basis. This is because the calculation of the reward for risk in Australia is different from that in Germany.

According to German regulations, the premium for market risk is taken on the reporting date and is the quality of the market profitability as well as the difference between certain interest rates. Due to the COVID-19 crisis, there was a downward trend in the world's major capital markets.

The market profitability of large capital markets fell sharply. As a result, the percentage of risk-free assets has risen. There was also a risk associated with COVID-19 in the capital market.

The world's leading analysts and researchers are the company's capital in assessing the value, they focused on calculating the premium for the risk, taking into account the risk arising in the capital market.

At the end of February 2020, unrest began in most capital markets in Europe, resulting in a decline in capital market returns. Due to the COVID-19 crisis, there was a downward trend in the world's major capital markets. The market profitability of major capital markets has fallen sharply.

As a result, the percentage of risk-free assets has risen. There was also a risk associated with COVID-19 in the capital market. The world's leading analysts and researchers have focused on calculating the reward for risk, taking into account the risk that arises in the capital market when assessing the value of a company's capital.

At the end of February 2020, unrest began in most capital markets in Europe, resulting in a decline in capital market returns (Figure 2).

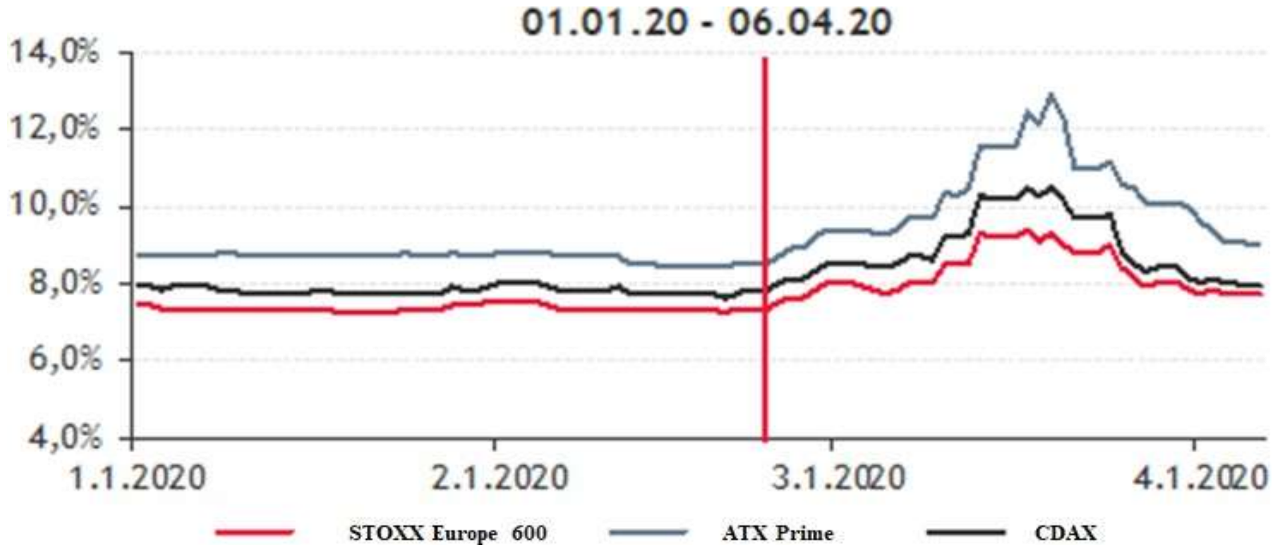

Fig 2. Profitability of capital markets in Europe

Prepared independently by the author Marcus, B. (2020) The impact of the covid-19-crisis on business valuation.

Figure 4 shows that the daily yield of the Austrian market index ATX Prime (AT), the German market index CDAX (GE) and the European capital market index (STOXX Europe 600) did not change from January 1, 2020 to April 6, 2020 [6].

The European capital market index rose by 600 points due to the sharp decline in the market value of stocks in world capital markets. At the end of February, the market yield was 7.5 percent, but by mid-March it had risen to 9.4 percent.

For this unusual growth, analysts predict that future cash flows will be uneven. As you can see in Figure 4, market yields revised analysts 'earnings expectations as capital markets rose in late March. Only the profitability of the Austrian capital market shows that changes in the financial-industrial and oil-gas sectors have affected it.

Conclusion

Based on the above research, the prevalence of coronavirus infection COVID-19 is bound to have an impact on the country's economy, capital markets, and the capital value of companies.

In particular, the chaotic nature of trading in world capital markets has led to an increase in the capital value of companies. Therefore, as a result of the market value of stocks of enterprises and incomplete operation of enterprises, the amount of dividends decreases, the risk of capital increases and the risk of credit default of countries increases. Our conclusions and recommendations on mitigating the impact of these factors are as follows.

The spread of COVID-19 affected assets in the capital market, leading to increased risk. Therefore, if this indicator is not taken into account in the assessment of the capital value of companies, it leads to a decrease in the value of capital.

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