

Ensuring the effectiveness of the privatization of state-owned companies in the conditions of instability of the financial markets (under the example of OJSC oil company 'rosneft')

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Abstract

The current state of the world and Russian economy makes it necessary to search for the additional sources of funding by the Government of the Russian Federation in terms of undervaluation of the Russian companies. The privatization strategy is aimed at regulation of the state budget deficit by attracting the maximum possible amount of cash flows at the present stage of development of the Russian economy. However, due to the volatility of financial and commodity markets, and imposed sanctions against the Russian companies, it raises the problem of an adequate assessment of the privatized assets. A potential stabilization of markets and the prospects of lifting of restrictions actualize the temporal aspects of privatization. The paper includes the assessment of the value of cash flows generated by the company and the shareholders' equity. A comparison of the cash flows of the company, attributable to the shareholders' equity, and its capitalization has allowed identifying the undervaluation or overvaluation of the companies. Cost evaluation of the OJSC "Oil Company "Rosneft" shows its undervaluation. This company is overburdened with debts, which indicates the inefficiency of its privatization in the current conditions. The undervaluation of the company by the investors is supported by a comparative analysis of the values of its financial multiples and financial multiples of foreign oil and gas companies. In the long term perspective the value of the company's cost of capital may be reduced, and the values of cash flows may be increased. This will lead to an increase in the value of the company's assets.

Keywords

Company cash flow, Cost of capital, Internal value of the company, Market capitalization, Required rate of return