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Prada's Initial Public Offering in Hong Kong: leveraging capital markets to enter China

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Specifically, these tools were used for:

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I further declare that all content included in this thesis has been critically reviewed by me and that I have independently verified the accuracy, quality, reliability, and appropriateness of any information, suggestions, analyses, or text generated with the assistance of AI tools. Full responsibility for the final content of this thesis remains exclusively my own.

Abstract

Launching an Initial Public Offering is a milestone, since it allows a company to go public and have its shares traded in the open market. The financial event has meaningful consequences for the company, which has to carefully take into consideration its advantages and disadvantages. Raising capitals is generally known to be the driving reason to tap public markets. However, further reasons can lead the choice and raising brand awareness and marketing the brand emerge as equally strong motivations. This is especially the case when deciding to approach a completely different financial market, as the Chinese one. The peculiarities of this financial system make it difficult for foreign companies to access directly; consequently, the Hong Kong capital market, due to its strategic position, becomes the perfect point of intersection. Its unique relation with China and its capitalist legacy accorded the financial hub the prominent role as a bridge between China's business environment and interested cross-border players.

A concrete example of the phenomenon is Prada's initial public offering at the Hong Kong Stock Exchange, the first by an Italian company in an Asian market. This strategic move achieved positive results on the long-term, therefore showing how leveraging capital markets can be a successful entry strategy into the Chinese market.

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普拉达在香港首次公开募股：借助资本市场进军中国市场

引言

首次公开募股（IPO）是指首次向公众市场发行股票的过程（Zhang, 2023）。IPO 标志着公司股票开始在市场上交易，同时允许有意向的投资者参与到公司的的经营活动。事实上，金融 市场是各类主体发行和交易金融资产的实体与数字空间。资金交易常发生在有融资需求的发行方与拥有资金盈余且愿意进行投资的投资者之间。这套体系能够顺畅运转，主要得益于完善的规则框架与监管机构约束，同时有金融机构、经纪商等指定机构作为中介协调双方关系。进行首次公开募股代表了一个企业入金融市场的第一步，从而实现上市，并在瞬息万变的经济格局中立足。也正因如此，这通常是企业发展史上的一个里程碑，这一重要决策往往能为企业的战略发展提供有力支撑。鉴于其重要性，企业决策者应仔细权衡首次公开募股的利弊，慎重考虑是否进行首次公开募股。应重新审视此前支持运营的融资来源，并考虑首次公开发行之外的其他可行替代方案。只有经过充分审慎的评估，才能启动 IPO 流程，并逐步推进一系列需要投入资金、人力、专业知识，更需要大量心力投入的筹备步骤。

众所周知，这一决定的组要驱动力在于发行人需要筹集资金，为了支持经营活动。但除此之外可能还存在其他应当考量的战略原因。这些动因既包括投资者可变现股票，实现资产组合多元化，也包括公司能够将股票用作收购对价，同时获得提升公司声誉的机会。另一项核心动因在于，公开上市过程还能带来相当高的品牌知名度，收获大量曝光宣传。在这方面，选择股票交易所市场应重视证券交易所市场的选择，这可能意味着对进入特定市场有着更深的深层诉求。这一点在决定采用与公司熟悉的金融体系截然不同的金融体系时尤为明显，例如将西方资本市场与中国资本市场进行比较的情况。

事实上，中国独特的经济体制催生了有中国特色的金融体系，是由党和政府多年来对经济基础设施的干预所塑造的。现任国家主席习近平正以“稳健化”和“增长质量”为名，书写经济发展的新篇章，他将这两个方面与首次公开募股直接联系在一起。了解政治话题的演变对于阐明中国金融体系的特征至关重要。回顾中国资本市场那段虽短

暂却令人印象深刻的历程，不难看出该国政治力量曾如何影响并继续影响着这些市场。企业首次公开发行股份并上市的过程同样遵循这一道理。尽管有这一方面影响，但不可否认的是，该体系曾试图通过借鉴西方的最佳实践经验来实现现代化。采用基于登记的制度便是这一努力的象征。所有这些因素共同造就了一个吸引力与进入门槛并存的金融市场。尽管入场并非完全不可能，但如果选择通过首次公开募股进入这一市场，香港交易所的资本市场作为另一种极具吸引力的替代选项，确实能让这一过程变得顺畅许多。

特别行政区独有的混合体制，为向外扩张的西方企业与中国快速发展的资本市场，提供了绝佳的交汇点。这些因素的综合作用，使该市场在 2025 年及 2026 年第一季度的 IPO 排名中位居首位（KPMG China, 2026）。在此上市的企业不是海外公司，就是希望实现双重上市的中国企业。普拉达于 2011 年在香港证卷交易所进行的首次公开募股就是一个典型的例子，根据记载这是第一家意大利公司在亚洲证卷市场进行 IPO，也是西方奢侈品公司首批在香港上市的企业之一。2011 年的市场情况虽与如今截然不同，但行业对核心汇聚点位的需求始终未曾改变，普拉达正是在香港找到了最契合自身发展战略的理想选择。中国市场已成为该奢侈品集团增长最快的市场，该集团需要抓住这一时机，进一步挖掘该市场的潜力。经过约七八个月的过程后，普拉达于 2011 年 6 月 24 日正式上市，发行价为 39.50 港元。成果可由时任首席执行官 Bertelli 在 2011 年年度报告的新闻稿中表示：“本集团迎来了有史以来表现最好的一年”（Prada Group, 2012）。

普拉达上市过程的关键原因并非仅限于财务因素，而本论文基于普拉达在香港证券交易所首次公开募股的案例分析旨在概述如何上市成为进军中国市场的策略。此外，文中多次结合当代现状展开讨论，将该问题置于当下语境中进行探讨，同时提供了最新的分析内容。

本文以现有的关于首次公开募股及中国金融体系的大量文献为研究基础，进行了一个更深入的分析，同时参考了专业服务机构发布的最新报告，以及本论文中提及的重要参与方（如美国证券交易委员会和中国共产党）的公开官方资料。关于本文的第三章，虽然专门探讨该案例的科学文献数量有限，但内容已足够全面，足以作为分析的充分依据。普拉达的网站代表了获取该公司财务和非财务数据的另一个主要来源。值得注意的是，公开可查阅的年度财务报告与本次发行的招股说明书，对本次发行流程

的评估尤为重要。本文最后还参考了新闻报道、访谈及其他非学术来源，用以补充提供讨论所需的背景信息和直接观点。

因此，本·论文设为如下安排。

为全面概述本研究主题，第一章介绍金融体系与金融市场的相关的背景信息，以及其中的组成部分。本章会结合具体背景引入首次公开募股的概念，并将其与相应的替代方案进行了对比。随后深入探讨了公开募股的特征、典型结构，以及企业选择上市的优点和缺点。此外，还详细阐述了上市流程，涵盖了与之相关的某些最常见的现象，例如 IPO 定价过低。此部分基于西方金融学方法展开，该方法目前已成为领域内公认的标准。

第二章介绍了中国的金融体系与资本市场。该部分再次介绍公开募股，但在与此前不同不同的背景下，相应改变了其定义的标准和存在意义。为了深入理解这一不同的体系，该部分之前专门用较长篇幅梳理了中国经济结构从毛泽东时代到习近平领导的当下的历史发展演化。文中介绍了中国特色社会主义，并着重阐述了其当前形态以及其与金融领域的关联。该章末尾专门论述了香港这一重要议题，这里香港被介绍为全球最重要的金融中心之一。首先从历史和政治角度介绍香港，而后从经济和金融角度进行阐述。此外，也调查了香港与中国之间的关系。关于所谓“通往中国的门户”的这一最后部分是本论文的关键所在。首先，它将第一章和第二章的内容融合在一起，因为香港是一个介于西方模式与中国模式之间的混合体系。其次，它为下一章对案例研究的讨论奠定了基础。

第三章分析了奢侈时尚品牌普拉达在香港证卷交易所上市的案例研究。开篇部分简要概述了奢侈时尚这个行业，同时也探讨了该行业每家公司的上市实践。随后通过普拉达品牌的历史和其财务决策，对其进行了全面介绍。在此，篇章深入探讨了品牌的上市历程，包括这一选择背后的驱动力、流程的各个阶段以及后果。将上市后的表现与先前的预期进行了对比，并简要回顾了近期取得的成就。最后，结尾对整章内容进行总结串联起来。普拉达选择香港作为上市地点，绝不仅仅是为了筹集资金。这一选择揭示了首次公开募股的更多内涵也折射出中国市场的独特特点。该段落展开了首次公开募股在企业发展史上可能具有的重要意义，也揭示了一些更广泛的问题，例如中国市场的日益增强的影响力及其实际开放程度。

Introduction

Launching an Initial Public Offering is the first step for a company to enter the financial market, thus to go public and be present in an ever-changing economic framework. For this reason, the moment is usually a milestone in corporates' histories, an important decision which often supports the business strategic development. The main driver behind this decision is generally known to be the necessity for the issuer to raise capital to finance its activity. However, there may also be further strategic reasons, which should be taken into consideration. For instance, a public listing process also generates considerable brand awareness and promotional content. In this regard, attention should be paid to the selection of the stock exchange, which may entail a deeper desire of the company to enter a specific market. This is especially the case with the decision to approach a completely different financial market compared to the domestic one, as it applies when comparing Western capital markets to Chinese capital markets. As a matter of fact, China's peculiar economic system led to the establishment of a similarly unique financial system, shaped by years of interference of the party-state with the economic infrastructure. Although indirectly, approaching this market through an IPO is eased by a unique capital market: the Hong Kong Stock Exchange. The hybrid system present in this special administrative region serves as the perfect point of convergence for Western expanding companies and Chinese rapidly growing capital markets. A significant example is the primary offering of the luxury fashion brand Prada at the Hong Kong Stock Exchange in 2011, recorded to be the first launched by an Italian company in an Asian Stock Market. In 2011, conditions were different than now, however, the need for a meeting point was the same and Prada found in Hong Kong the perfect alternative to fit its development strategy.

Building upon the analysis of the case of Prada's initial public offering at the Hong Kong Stock Exchange, whose key reasons were not solely financial, this thesis aims at demonstrating how overseas listing can become an entry strategy in the Chinese market. In addition to this, frequent reference is made to contemporary conditions, so as to contextualise the issue in the present and provide an updated analysis.

Reviewing the extensive literature existing on IPOs and on the Chinese financial system as a baseline for research, an additional investigation is conducted consulting updated reports by professional services firms and official sources of important players mentioned throughout the thesis, such as the US Securities and Exchange Commission or the Chinese Communist Party. As far as the third chapter is concerned, scientific sources specifically examining the issue, although being limited, are comprehensive enough to serve as an adequate base of analysis. Prada's website constitutes an additional main source, both for financial and non-financial data concerning the company. Annual financial reports publicly available and the prospectus of the offering are especially useful to evaluate the process. Lastly, press articles, interviews and other non-academic sources are consulted so as to provide contextual information and direct points of view beneficial to the discussion.

Therefore, this paper is structured as follows.

To provide a complete overview of the topic, Chapter One begins with some background information on the financial system, financial markets, and the elements within them. Initial public offerings are presented in their context and aligned with corresponding alternative options. The chapter goes on to address IPOs thoroughly, their characteristics and defining structures, as well as the advantages and disadvantages of listing. It continues illustrating the listing process in every detail, comprising some of the most common phenomena related to it, like underpricing. This first part is based on a Western approach to finance, which has consolidated as the standard.

Chapter Two presents the financial system in China and its capital markets. IPOs are presented again but in a different context, which changes their defining limits and raison d'être. In order to deeply understand this different system, this part is preceded by an extensive section which traces the historical development of the Chinese economic structure, from the Maoist era to the current period under the leadership of Xi Jinping. Socialism with Chinese characteristics is presented, especially highlighting the form it has today and its relations with finance. The chapter closes with an important paragraph, where Hong Kong is introduced as one of the most important financial hubs globally. The region is presented from an historical and political perspective first, from an economic and financial perspective later. Its relationship with China is also investigated. This final section on the so-called "gateway to China" is key to the paper. Firstly, it merges the first and second chapters, being Hong Kong a hybrid system positioned between a Western and a Chinese model. Secondly, it lays the groundwork for discussion of the case study in the following chapter.

Chapter Three, the last one, analyses the case study of the listing of Prada at the Hong Kong stock exchange. At the beginning, a brief overview of the luxury fashion industry is provided, addressing also the practice of listing within its companies. Then, the brand is thoroughly introduced through its history and its financial decisions. At this point, an in-depth description of its listing journey goes through the driving forces of the choice, the stages of the procedure and its consequences. Post-listing performance is compared with previous expectations, and completed with a glance at more recent accomplishments.

Lastly, the final paragraph wishes to tie everything together. Prada's choice of Hong Kong as a listing venue is a lot more than a mere intent to raise capital. It's a choice that reveals more about initial public offerings and about China. It expands the importance an IPO may assume in corporate history. It sheds light on broader issues, like the strengthening power of the Chinese markets and their real degree of openness. The case study dates back to 2011. Since then, geopolitical and financial conditions have widely changed, and so has China, in certain aspects. However, what did not change is the fact that financial markets act as intermediaries, between issuers and investors, but also, between systems and sometimes, between cultures.

CHAPTER I Initial public offerings

1. Introduction

Initial public offerings are a pivotal moment for every company which decides to go public and list on a stock exchange. As for those firms which operate as private businesses, an IPO can be seen as a future, maybe aspired, maybe feared, possibility to take the company to the next level.

Given its importance, the choice to conduct an initial public offering should be carefully pondered by decision-makers, taking into account both advantages (paragraph 4) and disadvantages (paragraph 5). The financing source previously supporting the operations (paragraph 6) should be called into question and the possible alternatives to a primary offering (paragraph 8) should be considered. Only then can the process begin, through a series of steps which require money, people, know-how and, especially, commitment (paragraph 7).

Nevertheless, before embarking on the journey, it is deemed necessary to provide some fundamental background information that will allow to contextualise the topic in its framework. The financial system and the financial markets within it are thus introduced (paragraph 2), followed by a thorough presentation of what really are initial public offerings and the multiple dimensions through which they can be conceptualised (paragraph 3).

The content of this chapter will set the base to have a clear understanding of the peculiarities of the Chinese financial system presented in the second chapter, as well as to personally assess the relevance of the case study finally proposed in the third chapter.

The section draws primarily on sources that examine the issue from a U.S. or broader Western perspective, as this system has become the globally established standard in financial matters.

2. Context

A financial system generally refers to all sets of infrastructures – institutions and markets, but also instruments and practices – that together allow and regulate the mobilization of funds for investment and financing purposes. Financial markets are the proper ruled physical and digital spaces where entities issue and trade financial assets. Usually, the exchange of financial resources happens between an issuer that has a financial deficit, and an investor that has a financial surplus and thus is willing to invest its financial resources. Owing to the system, their relationship can function smoothly, especially building on the framework of rules and norms guaranteed by regulators, watchdogs (control authorities like CONSOB in Italy or the SEC in the US) and professionals of any kind, like consultants, accountants or auditors. Apart from them, the system requires also the intervention of designated bodies to mediate the meeting, namely financial institutions and brokers. Financial institutions act as expert intermediaries, without the parts interacting directly, and primarily handle and bear the risk involved in the transaction (International Monetary Fund [IMF], 2006). Examples of institutions are banks, investments funds and insurance companies (Rigoni & Cruciani, 2023). This model, more common in continental Europe countries, is juxtaposed with the Anglo-Saxon model of brokerage, where the mediation is more intended as a specialized consulting support, which leaves investors assuming the risk themselves. Essential condition during the intermediation is the alignment between the provider and the demander's interests in terms of type of financing, its maturity and return and the repayment terms, amongst others (Proto, 2021).

Pooling and channelling funds is not the only service provided by the system, which can unfold into other more or less thin dynamics. First and foremost, the payment mechanism, which is the underlying engine that practically allows every single movement of money, from credit cards to checks to electronic transfers. Not only can they be moved in space but also in time, by means of the possibility of depositing or borrowing money to anticipate or postpone its use. Still, the key role of the financial system concerns the information provided regarding the value of assets out in the market and the creditworthiness of their issuers: in fact, without such concrete data upon which to base their forecast, investors would be unable to evaluate the riskiness of an investment decision and consequently commit their funds (Rigoni & Cruciani, 2023). Actually, the level of accessibility to information is the key parameter used to evaluate a market, which consequently can be defined in terms of its degree of perfection and efficiency. A market is perfect when information on financial assets, foundation of any trading activity, is evenly spread among all of the subjects involved in the transaction. As a matter of fact, this complete information homogeneity is highly unlikely to occur as not all of the investors are in the position to equally access the full range of information, indeed bringing some of them an advantage. This so-called «information asymmetry» shifts the evaluation on the concept of efficiency. Valuation efficiency defines a market where prices of financial instruments correspond to their actual intrinsic value i.e. their long-term profitability. Nevertheless, informational efficiency is what truly defines prices as correct, that is to say prices that fully and rapidly reflect all new relevant information available, also influenced by the trading activity and expectations of participants. Based on the above, making a more

profitable investment than other participants is possible both because of the imperfect informational efficiency (the investor acquires material information before the market does) and because of individual investor's superior forecasting and decision-making abilities.
Financial markets divide into primary and secondary market. According to the Securities and Exchange Commission[1] (n.d.), in the primary market "newly issued securities are sold to investors and the issuer receives the proceeds." In other words, the primary is where corporations operate and capitals flow. The secondary is where those same securities, already issued, are traded between investors and change ownership, capital does not flow here (Proto, 2021). On one side, financing is raised, on the other, liquidity and portfolio diversification are granted. This distinction and related offerings will be further discussed afterwards. A second distinction in financial markets is between private and public market, whose divergence is a prerequisite to the existence itself of IPOs. Private markets allow to finance private companies through several instruments like private debt, private equity or venture capital (see paragraph 6 for further details on private equity). Contrarily, in public markets, assets are traded publicly, leading to a whole set of completely different characteristics of the financing, which will be addressed going forward in the thesis. The financial instruments traded in the public market, also referred to as securities, are different as well. The term 'financial instrument' can be defined as a contract between two parties in a transaction, which grants to one entity a financial asset (cash) and to the other entity either a residual interest (equity) or a financial liability (contractual obligation to deliver cash). As previously stated, these instruments can assume varied natures, for instance equities, bonds, derivatives and commodities (International Accounting Standards Board [IASB], 2021). For the purposes of this thesis, attention is now restricted to equities and their trading space: the equity market.
The SEC (n.d.) describes an equity as "in the context of capital raising, an ownership interest in a company", providing common stock as an example of equity interest in the share capital of a corporation. The share capital of a corporation therefore accounts for the total value of shares[2] issued to investors (natural or legal persons), thereafter referred to as shareholders or stockholders, and is the source of funds aimed at financing value creation activity carried on by the firm. Clearly, by virtue of their ownership, equity holders gain benefits, which manifest

[1] U.S. Securities and Exchange Commission (SEC) is a federal government agency responsible for regulating and enforcing the federal securities laws. In particular, it protects investors, maintains fair and efficient markets and facilitates capital formation (SEC, n.d.).
[2] Shares and stock refer to the same object but with a difference in the semantic range: a share is the unit of measure that quantifies the piece of ownership in a company, while the sum of all the investor's shares constitutes the value of his stock (Werner, 2025).

in voting rights and economic returns: it should be noted however, that investors do not have any right on these economic returns, which are instead residual and contingent. This means that these profits are dependable on the alignment of a number of conditions: firstly, the company should record a positive net profit for the year; secondly, priority in the remuneration is given to contractually set cashflows i.e. holders of preferred shares or of debt claims which grant debtholders a right to their interest payment (see paragraph 8 for further details on debt). Lastly, the board of directors and the dividend policy determine whether or not to assign the dividend,[3] which in this case can be retained by the firm only if properly invested for the future growth of the company. Similar conditions to the ones just listed can occur when the company stops operating and goes into liquidation, paying stockholders a proportional yet residual claim. As far as the voting rights are concerned, the number of votes generally corresponds to that of shares and shareholders can exercise this right on annual or extraordinary meetings, voting for the election of management people or for really important changes in the business arrangement (Proto, 2021). The features just presented make this market riskier than others (i.e. the debt market): as an investor I have no guarantee of a steady or sure remuneration from my investment. Nonetheless, due to the proportional relation between risk and return, the equity investor can reasonably aspire to an unlimitedly positive yield, given the profitable running of the activity he invested in. Unlike debtholders, whose payment of interest expenses is fixed regardless of the negative or positive performance of the company, shareholders' compensation is strictly linked to said performance. This is the reason why they have a voice in value creation matters through voting and also why they justify not being given a dividend. It is worth stressing, however, that the risk-return trade-off implies also that the value of the equity claim can indefinitely decrease, subsequently yielding low returns and hurrying to liquidate the assets.[4]

At this point, the concept of trading becomes central: trading means that investors can sell their shares and buy others', thus increasing or decreasing the liquidity of their assets portfolio and meeting other needs they might have, like diversification or reallocation of funds. The trading venue generally is the secondary market previously presented (alternative trading venues exist as well and will be briefly outlined in paragraph 8). The price follows the dynamics of the market, so it depends on the trading volume of the asset, namely how many times it is exchanged throughout the day according to its supply and demand (Proto, 2021). It

[3] "A portion of a company's profit paid to shareholders. Public companies that pay dividends usually do so on a fixed schedule although they can issue them at any time" (SEC, n.d.).
[4] "A situation in which an asset is sold in order to get cash" (Liquidation, 2026).

is in this context that investors can aspire to a capital gain,[5] that is the profit produced by the potential appreciation of the value of their stock over time, stock bought at a lower market price and lately sold at a new and higher market price. This is possible by leveraging the growth of the company's worth as well as the information heterogeneity of the market, both reasons behind the rise of the share value. Note also that the same investors can incur a capital loss if selling price is lower than purchasing price. Conversely, those still looking for a profitable investment can purchase those instruments that based on their estimations are currently underpriced (likely due to the inefficiency of the market) and hopefully wait for the price to increase again. These kinds of transactions happening in the secondary market involves already issued shares and existing shareholders and, for this reason, they are referred to as "secondary public offerings". It must be noted that in these cases the proceeds from the sale are solely collected by the sellers i.e. the investors while the original issuer of the share neither receives money nor is involved directly (Kim & Weisbach, 2008). In this case, what safeguards issuers' interests is the existence of a free float which prevent free trading from decisively influencing the ownership structure of the company. Free float is defined by Ding et al. (2016) as the "number of outstanding shares available to the public for trade" and by definition excludes from the total amount controlling and long-term oriented holdings (generally those held by government institutions or internal stakeholders and founding team). The total number of shares issued, including both free float and strategic ones, is directly controlled by the company and it depends on the step preceding secondary offerings: primary public offerings.

Before being traded or even just held by shareholders, securities in fact need to be newly issued by the company, which means that, being the issuer, the company raises capital, a defining feature compared to the offerings for sale (secondary offerings) (Kim & Weisbach, 2008). The space of new offers is also different, since issuances always take place in the primary market. As regards the timing of the offering, it is necessary to make another distinction, between initial public offering and seasoned equity offering, fundamental prerequisite for the following content. Before delving in the next paragraph into the peculiarities of the first offering, pillar of this thesis, for the sake of completeness seasoned equity offers are now briefly presented.

Zhang (2023) defines seasoned equity offerings as acts performed by publicly listed companies, where listed is the key word: the once private company has completed the process

[5] "The profit that comes when an investment is sold for more than the price the investor paid for it" (SEC, n.d.).

of initial public offering, became listed and now can both issue new shares to existing or additional investors and have its issued shares freely traded in the stock market. In other words, compared to the first and unique offer, seasoned offers refer to any of the subsequent sales throughout the lifespan of the company, both of primary or secondary issues, evidently according to needs and conditions. Seasoned equity offerings will not be further examined in this paper; however, it is worth remarking that evidence[6] exists of the congruence between SEOs' and IPO's underlying motivations, which are thereafter presented in paragraph 4.

3. IPOs

An initial public offering, IPO, is the process of issuing shares to the public market for the first time (Zhang, 2023) and for this reason it is also referred to as process of going public. It inaugurates the trading market for the company's shares and permits those interested to actively take part in its activity. As already touched on in the previous paragraph, this process allows private companies to become public and listed on a stock exchange, which is the marketplace where the regulated exchange of common stocks happens (Nasdaq, n.d.). Stock exchanges are spread all across the world's major financial centres and the largest by market capitalization is the New York Stock Exchange NYSE, followed by the National Association of Securities Dealers Automatic Quotation System NASDAQ (The WFE Statistics Team, 2025).

The majority of sources providing a precise definition of IPOs usually includes that it is aimed at raising funds (see also Zhang, 2023), which will become investments for the growth and/ or stability of the company. Although this purpose serves as a describing feature of first offerings, it is relevant to stress that this is not the only and at times not even the most important reason for firms to undertake the process. Paragraph 4 will provide a complete overview of underlying driving forces. What is more, the offering may present different characteristics, depending on the analytical perspectives adopted, as described below.

3.1 First analytical dimension

The first analytical dimension is the origin of the shares sold (Proto, 2021). In the previous discussion, two categories of shares have already been widely discussed, which are the newly issued and the owned and traded ones. However, another portion of shares should be taken

[6] "We provide some evidence on this question using a sample of 17,226 IPOs and 13,142 SEOs from 38 countries. [...] These results strongly suggest that one motive behind equity offers is to raise capital to finance investment." For further details, see Kim & Weisbach, 2008.

into consideration during the process: the ones constituting the share capital during the private period of the firm and before the actual issuance of new equity specifically for the public, essentially the claims distributed amongst the investors financing the firm's activity until the moment of the IPO. The first possibility is that these stakes remain property of their original owners also after the listing, whereas, the second possibility is that the owners decide to cash out their investment during the IPO, preferring an immediate yet potentially lower return. These two scenarios lead to a distinction between the shares sold in the initial offer, namely between ‘‘primary'' and existing ‘‘secondary'' shares (Kim & Weisbach, 2008). The impact that this has is twofold: on the one hand, if primary shares are issued, a stock dilution can occur decreasing the ownership percentage linked to each share (Tamplin, 2023). On the other hand, whether or not stakeholders decide to retain their stake has a high signalling power for the market, suggesting to what extent the company's business plan receives support from insiders (Proto, 2021) and consequently affecting the price of the stock. The study conducted by Kim & Weisbach (2008) clearly shows how pure secondary offerings are a considerably infrequent type of initial public offering (compared to a slight better percentage of pure secondary seasoned equity offerings);[7] nevertheless, mixed forms of offerings are also possible and the frequency of primary and secondary offerings combined appears to be higher. That said, it is still relevant to observe that IPOs (and also SEOs) constituted entirely by primary offerings are prevalent,[8] which is consistent with the idea of IPOs (and SEOs) being mainly driven by capital raising reasons. Accordingly, the choice between the different types or the proportion of the combination depends on the financing needs of the company as well as on its other reasons for going public.

3.2 Second analytical dimension

Another dimension of variation is the profile of the investor, which results in three tranches of offerings: retail, institutional and private placements (Proto, 2021). The three categories are now briefly presented.

According to the Nasdaq Glossary (n.d.), retail investors are "small individual investors who commit capital for their personal account rather than on behalf of another company". Notwithstanding their range of financial knowledge, compared to the others, they are usually

[7] "Pure secondary offerings are especially uncommon for IPOs, accounting for only 1.6% of IPOs, compared to 17.7% of SEOs. The remaining 20.6% of IPOs and 17.1% of SEOs are combinations of primary and secondary offerings" (Kim & Weisbach, 2008).

[8] "Clearly, primary offerings are the most common, comprising 77.9% of IPOs and 65.2% of SEOs" (Kim & Weisbach, 2008).

considered unsophisticated i.e. lacking a level of competence adequate enough to deal with considerable technical complexities. The inefficiency of the market may hinder their ability to conduct fully-informed financial decisions hence they need more protection and certain more risky securities are not accessible to them; they typically prefer short-term investments. This category includes shares exclusively reserved to the employees of the listing company or to people holding an economic interest of some sort in the firm (Proto, 2021).

Institutional investors have already been introduced as professional and qualified organizations sophisticated enough to invest in any kind of securities.[9] In comparison with the retail, they are able to assess more accurately the company's general strategy and consequently prefer long-term investments. Institutional offerings are inherently addressed to an international market, due to the increasing globalization of financial markets, whereas, retail offerings' expansion abroad depends on several factors: the size and relevance of the offer and the pre-assessment of the demand, which should justify the costs and efforts to extend beyond national's borders the marketing campaign and the compliance with regulations (Proto, 2021).

Finally, private placements are stocks reserved to selected subjects: recipients, selected carefully, who share the entrepreneurial project and whose ownership is generally strategic (Proto, 2021).

Each tranche has a predetermined maximum number of shares; nonetheless, a special share allocation mechanism exists, called the 'claw back clause'. During the allocation phase, this provision allows to redistribute the assigned proportions, given that the effective demands of retail and institutional investors balance each other (Boreiko & Lombardo, 2011).

3.3 Third analytical dimension

The following aspect of analysis is applicable across all variants and it is the timing of the decision of going public. This really important moment should be determined by adopting two different perspectives: the first is firm-specific and takes into account the company's own stage of life; it will be examined afterwards in relation to the preparedness for the process. The second aspect is wider and it looks at market conditions. Extensive literature shows that there exist periods where the volume of IPOs evidently surges, compared to others when the trend is the opposite. Discussions around this pattern are a frequent topic in IPO studies, which usually refer to the phenomena as "hot" versus "cold" markets (Lowry et al., 2017).

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[9] The list includes insurance companies, depository institutions, pension funds, investment companies, mutual funds, and endowment funds" (Nasdaq, n.d.).

Lowry et al. (2017) remark how boosts in volume usually result in a positive general performance of the market and provide evidence for their assumption based on data referring to listings on the NYSE, Nasdaq and AmEx stock exchanges in the period between 1973 and 2016. The paper stresses the mid-1980s and mid to late 1990s as the years with the highest number of IPOs, while from the 2000s onwards the market seems to cool off. It is relevant to observe however that, in more recent available data which still refers only to US markets, volumes continue to show hot and cold tendencies during the new millennium, with 2021 which outperformed the previous record of yearly number of IPOs of 1996 (1035 versus 723) (Stock Analysis, n.d.). Figure 1 shows IPO volume in the US over the period 2000–present. These movements reflect the global financial situation, which inevitably affects companies' need for funds and the sentiment of investors. This is demonstrated by the decline in demand in 2008, year of the global financial crisis, or by the drop in the early 2000s because of the dot-com bubble burst.[10] Likewise, the incredible achievement of 2021 can be partially justified looking at the global financial picture, where tech companies were rising and investors were optimistically looking at markets to recover from the losses due to the pandemic (Demir, 2025). Additionally, Lowry et al. (2017) provide evidence of parallel cycles in average initial returns, also supported by data from Ritter (1998) who finds a correlation between high initial returns and a rising IPO volume. Contrariwise, after the beginning of the new millennium, the average of total annual IPO proceeds slightly deviates from the pattern, and the reason for this is the widespread practice of firms upsizing at the time, which led to larger returns but not larger volumes (Lowry et al., 2017).[11] The same pattern occurred more recently, when a relatively stable number of IPOs between the years 2024 and 2025 was compensated by an almost 40% increase in proceeds, representing a tendency towards less but higher-quality offerings (see Figure 2).

[10] During the 1990s, internet and tech companies began to attract investors' attention and chose to capitalize on this wave of market euphoria by going public in large numbers (Amazon, NVIDIA, Google). The problem was that these companies at the time were actually unprofitable and investors were basing their valuations just on promises of future growth. This led the so-called Dot Com bubble first to inflate and then suddenly, to burst (Persson, 2025).

[11] While the average number of companies going public since 2000 (128 per year) is about a third compared to the 1990s (435 per year), proceeds raised during the two periods are more similar (an annual average of $37 billion during the 1990s compared to $33 billion between 2000 – 2016). This is driven by the fact that the average size of companies going public has increased substantially over the past 16 years (Lowry et al., 2017).

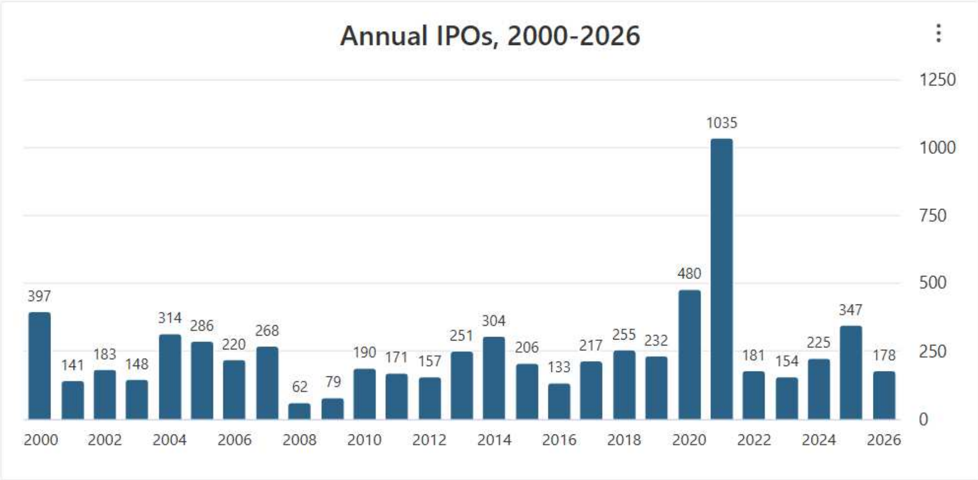

Figure 1 (Stock Analysis, n.d., retrieved June 24, 2026)

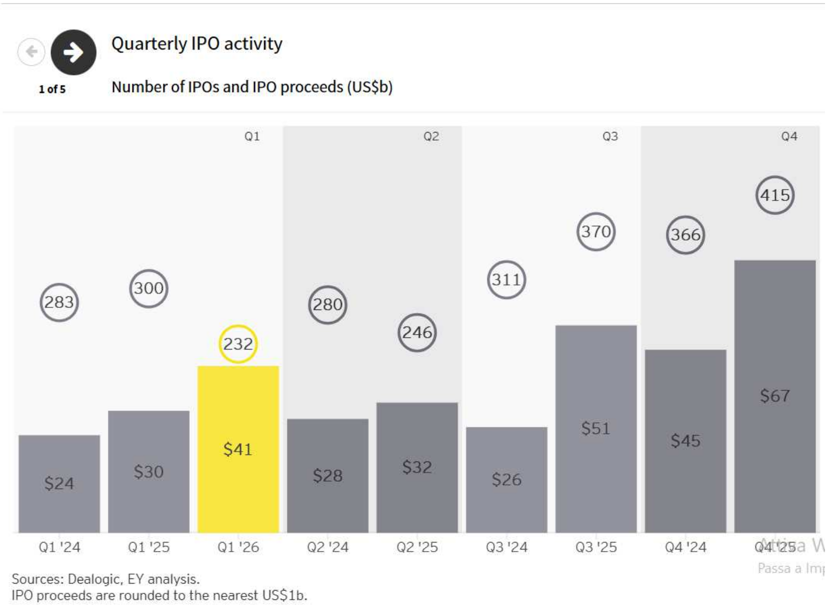

Figure 2 (Anani, 2026)

Continuing considering today's perspective, the recent global environment, defined as NAVI (acronym for nonlinear, accelerated, volatile, and interconnected), made market dynamics extremely more complicated. In 2025, in line with recent previous years, the main themes shaping IPOs' performance were AI-related issues, along with geopolitical uncertainties, conflicts in progress, trade wars and the shifting tariff policies. Although global equity markets are reported to have shown resilience and general positive performances, with a rising number of issuances and a rising value, volatility and inflation remained a significant challenge, causing concerns and irregular gains (Anani, 2026), both across sectors and across regions, as explained in the following sections.

3.4 Fourth analytical dimension

Strictly interdependent on market conditions, sectoral segmentation of global IPO activity is recently growing more evident and reflects the current uneven global landscape, even though some key themes are gaining prominence. The EY Global IPO Trends Q1 2026 report reveals that AI dominated, followed by industrials (22%) and technology/ media/ telecommunications (TMT) (21%). Looking at a geographical differentiation of sector activity, AI companies are especially taking centre stage in the US, followed by crypto and digital assets (nearly 40% of US proceeds are TMT). AI is key in the Asia-Pacific region as well, where robotics, mobility and industrials are also major contributors. Distinct market dynamics are happening in Europe, where the interest is more towards financial services, real estate and hospitality (Anani, 2026).

3.5 Fifth analytical dimension

As the regional division just mentioned evidently highlights, the geographic localization of an IPO is extremely relevant, not only in relation to the thematic dispersion but also for the distinguishing features that different financial systems exhibit, which also explain the notably different numbers of deals and initial returns among the markets. In fact, a company can decide whether to list in its home market or abroad, according to its own strategy. Notwithstanding this possibility, in a global report of 2018 compiled by EY, listings on domestic stock exchanges accounted for more than 90% (not excluding the possibility for these companies to simultaneously sell their shares abroad through other channels). This preference can be easily understood: the firm is already incorporated in the country system, it is familiar and committed to its legal, fiscal and regulatory framework and it probably already has an investor base there expecting the listing (Steinbach, 2018). Nonetheless, the misalignment between these same characteristics of the home market and the company's business model can instead motivate to seek a more favourable environment elsewhere. The following reasons, as outlined by Pagano et al. (2002), explain why foreign equity listing can prove to be a successful strategic move, either for the first or a cross listing (which is a second listing after having already listed on the domestic exchange).

The first is that, as previously demonstrated, certain sector-focused investments tend to concentrate in specific areas, thus attracting experts' interest. Secondly, there are financial reasons: it can significantly impact the valuation, providing that the access to foreign capital counterbalances the costs of listing abroad, likely to be higher. Thirdly and perhaps most importantly, it would allow a global positioning, which would broaden the company's reputation and its reach to new customers segments (Pagano et al., 2002). The concept of expansion of the product market is central to the focus of this thesis and a more extensive analysis of the matter will be carried out in the third chapter, where the case study of the luxury holding Prada, which chose Hong Kong for its overseas listing, is analysed.

The above-mentioned exhaustive report by EY (Global IPO Trends of Q1 2026, Anani, 2026) states the global leading performance of the EMEIA region – Europe, Middle East, India, Africa – in terms of number of IPOs conducted in 2025 (42% of the total), while the highest value of proceeds was reached in the Asia-Pacific (43% of the total), led by Hong Kong, China, Japan, South Korea and Singapore. The non-inclusion of the US should not mislead, as data for single countries confirms its prominent role in the global IPO landscape: it was second after India by number of deals and first one by proceeds. In a working paper titled The Geography of Equity Listing, Pagano et al. (2002) use data from the last decade of the 90s to show how the American market has increasingly attracted more foreign companies to list on its exchanges, explaining this by the relevance of this market, the low trading costs and strict accounting standards, and a better protection for shareholders (the comparison in the paper is with the European market). Since then, the US market international appeal has continued and as of today, well over 500 international companies originating from 48 countries are listed on the NYSE, of which as many as 98 from the Asia-Pacific region, which alone accounts for a market capitalization of approximately $2.8 trillion (as of end of September 2024) (New York Stock Exchange, 2026). The business-oriented grouping of listing options into regions – specifically three: EMEIA, Asia Pacific and Americas – helps to take into serious consideration the differences among financial systems worldwide before choosing which listing zone and stock exchange actually serves the company's purposes. Pagano et al. (2002) mention the situation on the other side of the coin too: stock exchanges compete among themselves to become a favoured listing destination, since this may increase not only their prestige, but also profitability, due to a higher trading volume and market liquidity.

Finally, it is worth briefly mentioning the persistent however decreasing gap in both volume and value of IPOs between advanced economies and emerging and developing ones, like Latin America & Caribbean and Sub-Saharan Africa. An article by the World Federation of Exchanges hypothesizes some causes for a minor activity in these regions, such as global economic struggles, smaller market sizes and regulatory barriers. Occasional larger events are intensifying though, offering a positive outlook for the future: China and India are two examples of how an underdeveloped country can grow to have a more mature financial market, until even positioning as a leading force (Demir, 2025).

4. Advantages

"...going public is not a stage that all companies eventually reach, but is a choice." When these words were written by Pagano et al. in 1998, many companies were private and not aspiring to become public. Nowadays the situation has not changed and some of the most profitable and large companies in the world are still pondering whether to take this step. This demonstrates that this solution, although common and generally view positively, does not arouse everyone's interest. The underlying dynamics involved in the process make going public a really meaningful decision in the life of a company, a decision which require to carefully balance advantages, disadvantages, motivations and consequences. The present and the following paragraph therefore aim at outlining its benefits and drawbacks respectively, both of which to some extents are also applicable to subsequent offerings, as already highlighted. One of the first and most relevant empirical papers which analyse the matter is Why Do Companies Go Public? An Empirical Analysis, published on The Journal of Finance in 1998 by Marco Pagano, Fabio Panetta and Luigi Zingales. The study was conducted on 2.181 private Italian companies approaching an IPO,[12] specifically comparing data from before and after the listing. Another valuable yet more recent and extensive overview on why firms go public is provided by Michelle Lowry, Roni Michaely and Ekaterina Volkova (2017) (already cited above), which acknowledge and quote the work of Pagano et al. (1998), but also add to it with their own findings. As a consequence, a significant part of the following outline relies on these two studies.

When defining an initial public offering, attention was already drawn on the fact that raising capital is commonly known as its main motivation, even though this may not always be the case: Lowry et al. (2017) for instance, manage to find nine out of ten reasons unrelated to cash.[13] Therefore, factors are diverse, not mutually exclusive but mutually dependant. It is important to point out that the determinants of an initial public offering, i.e. the decisional drivers, not always correspond to its benefits, which can only be assessed after a reasonable

[12] "The availability of these unique data has prompted us to focus on Italy to study why companies choose to go public." The Italian case "[...] typifies in an extreme form the differences between the stock markets of Continental Europe and those of Anglo-Saxon countries, both in terms of market capitalization relative to GDP and in terms of number of IPOs. This suggests that some of our qualitative results on the motivations of IPOs and the role of the stock market in Italy may extend to other European equity markets" (Pagano et al., 1998).
[13] "(...) raising of capital, this is far from the only determinant and many studies conclude that it is not the most important determinant" (Lowry et al. 2017).

time; however, the decision is still based on expected benefits and thus, in what follows, reasons and advantages are presented together.

4.1 Capital raising and overvaluation

The financial benefits of initial public offerings have already been widely anticipated and although not always absolute driving forces, they are still undeniably relevant and can assume several forms: amongst them, capital raising and the opportunity for overvaluation are examined here.

Regardless of the main reason which guide the decision of each company, the direct access that equity issuance grants to external financing is appealing and it should be always taken into account by the corporate management, both looking at the time being and at future potential seasoned offerings. With this in mind, then each company can decide how to specifically invest these funds: the same capital can be recorded differently in the accounts of each company and subsequently contribute in different ways to its growth. Kim and Weisbach (2008) found evidence for the investment financing motivation by measuring changes over four years in seven relevant accounting variables which exhibited the uses of this new money: their estimates assess that cash holdings received the largest fraction of money, followed by R&D and capital expenditures; on the other hand, inventory and engaging in acquisitions were the lowest-ranked kind of uses. They also mentioned the possibility to use the capital raised to reduce long-term debt, even though internally generated capital is reported to be preferred for this kind of transaction. Evidence from Pagano et al. (1998) supports also the driving force of investments. In their paper, the relevance of the timing of the investment activity is stressed: if it happens before the IPO, the capital raised is later utilized to rebalance the account (as it happened in European countries), whereas, investments made after going public are usually seen as a positive and consequent feature of the IPO (as it happened in the US).

Further support is offered by Lowry et al. (2017), which add to the financial reason introducing the concept of market timing. The importance of analysing the conditions of the market prior to the decision of going public has already been addressed in the previous paragraph, especially with respect to the volume of IPOs, the geopolitical context and the main trends in themes. However, they suggest that market timing can be also related to the stock market valuation: in certain periods, investor's higher sentiment around a specific industry induces to value companies higher than their true value, thus making going public an attractive choice for similar yet still private firms. Pagano et al. (1998) find that "a one-standard deviation increase in the market-to-book ratio raises the odds of an IPO by 25%". One could argue that this reason may simply add to the need to find money to finance investments, nonetheless, they report that related accounting figures of their sample do not support this hypothesis ("investment and profitability decrease after the IPO"), making overvaluation a significant and standalone determinant of the decision. In line with this, Kim and Weisbach (2008) pay attention to another pattern: the higher market-to-book ratio is, the higher the probability of capital raised being accumulated as cash holdings is, opposite to the situation of low valuation firms, whose money are usually invested directly. Briefly, companies may decide to become public just to exploit the moment of mispricing and save the funds for future potential situations of need.

4.2 Stock liquidity and diversification

The comparison with the performance of similar already listed companies can also be based on their average stock liquidity, and, in line with the case of overvaluation, it can become a motivating factor to seize the moment: if the existing market for shares of that industry is efficient, the IPO is more likely to be successful. Liquidity refers to the ease in buying and selling securities, increasing trading activity and mitigating the risk of significant drops in stock prices (Nasdaq, n.d.), or, as Pagano et al. (1998) explain it, "the liquidity of a company's shares is an increasing function of their trading volume". What is more, the owners of stocks before the initial public offering can take advantage as well, liquidating their part at a lower cost and more easily (without struggling to find a counterpart), compared to if the company was still private (Pagano et al., 1998).

If the holder can liquidate its shares, he can later diversify its portfolio, using its new money to invest in different stocks and reduce its risk: diversification thus become yet another reason for going public (Lowry et al., 2017). Different studies then develop differently the concept of diversification: Lowry et al. link the ability to diversify with the tolerance of profit variability and consequently, with being driven towards riskier decisions; Pagano et al. instead affirm that not only can diversification be achieved acting personally but also indirectly, through the acquisition of other stakes by the company itself.

4.3 M&A and compensation

Another possible benefit obtained from publicly issuing and trading stocks is the opportunity for the company to strategically deploy such stocks. The first example is provided in Lowry et al. (2017): according to the study, shares can be exchanged instead of cash in a merger transaction[14] and become acquisition currency, which is especially useful when some other forms of financing are unavailable. It is also highlighted that the same use cannot be made of shares issued in the private market. Furthermore, a reliable and public valuation of the company, definitely eases the agreement and reduces uncertainty (Hsieh et al., 2011, as cited in Lowry et al., 2017). The second example of strategic use can be observed in Pagano et al. (1998): it suggests that the share price can be considered as a determinant of performance and consequently being used as base to proportionally assign compensations to managers or employees.

4.4 Credibility and transparency

The extensive disclosure of information on various corporate aspects is inherent in the process of going public and can be a double-edged sword, entailing both advantages and disadvantages. As far as the positive side is concerned, the two main sources cited until now list several circumstances where the reputation of the company is favoured by this great exposure. Pagano et al. (1998) mention receiving bank loans and external finance: it is reported that the IPO process leads companies' interest rate on their short-term credit to fall, thus inducing companies facing higher interest rates to consider this option. Instead, Lowry et al. (2017) suggest dealing with suppliers and consumers, attracting new investors, being simply present in the market as a trustworthy and transparent company: transparency grants the company confidence to deal with all external parties, which then reflect on its economic performance. They talk about "value certification" which enhance credibility and reduces uncertainty. Finally, Zhang (2023) suggests that, since share prices are directly correlated with demand from investors, which, in turn, is dependent on their confidence and engagement, the market valuation of public companies is generally higher than that of private ones.

4.5 Marketing and future expansion

Lastly, the prestige motivation, which should not be underrated. Besides the reputational prestige just mentioned, going public can become a great marketing device: whether willingly or not, the firm captures costumers' attention, news about the brand is spread, awareness on its activity and product is raised and it can increase not only the investor and stakeholder base, but also the consumer base. Particular attention should be paid to this point, since this issue is further explored in the case study. Starting from the roadshow stage and continuing until after

[14] Any combination of two companies. The firm's activity in this respect is sometimes called M&A (Merger and Acquisition) (Nasdaq, n.d.).

the listing day, the process generates free publicity, except that the whole process is definitely not low-budget. This greater recognition can then facilitate a future expansion of the firm, especially if the listing is happening in the stock exchange of a foreign country where an active presence of the corporation is still to be developed (Zhang, 2023). In his paper, Zhang provides two concrete examples of this phenomenon, involving two Chinese companies whose expansion abroad was definitely eased by the choice to list in the US: Alibaba and Didi. The first one, an Internet technology company specialised in e-commerce (New York Stock Exchange, 2014) then moved on to become one of the main multinationals in the world, while Didi, a mobility platform (New York Stock Exchange, 2021), declared that 30% of the funds raised would have been used to approach other foreign markets, which they eventually did. These examples demonstrate that even two financial systems which show evident distinctions like the American and the Chinese ones can be brought closer together in some way by a single corporate activity like listing. The case study presented in the third chapter of this thesis is another instance, especially relevant since it addresses the listing of the first Italian company in an Asian stock exchange. Even though the situation was the opposite, the underlying desire to approach a foreign market was the same.

Usually, choosing the right market entry strategy is an arduous decision for a brand, since it involves many factors and it can determine from the beginning the response of a new customer base characterised by its own cultural peculiarities. However, sometimes business' needs align and conducting an IPO emerges as the perfect strategic solution designed to have access to funds, investment's benefits, media attention, but also to pave the way for expansion into other markets.

5. Disadvantages

Notwithstanding the attractiveness of the benefits just presented, taking a company public implies also a set of significant new obligations, as well as costs and drawbacks which may hinder the

decision. Although data appears to confirm a consistent remarkable number of IPOs for the foreseeable future, relying on the strength of markets (Cleary Gottlieb, 2026), companies' decision-makers are called upon to carefully balance their advantages and needs with uncertainties and disadvantages. They should not only be prepared to navigate an unstable geopolitical context and its consequent changing regulations, but also be able to adapt to the requirements of the public market and face the costs imposed by the process. Some of the main disadvantages are listed below.

5.1 Costs

The first and most relevant problem with conducting an IPO is its cost. Even though it is costly also in terms of time and efforts, in this first point the focus is only on financial costs. Taking a firm from private to public is extremely costly both before and during the process, but also, to a lesser extent, thereafter, due to a number of necessary yearly expenses.
The direct costs required at the beginning are one-time expenses and are related to underwriting fees, registration fees, legal and auditing fees, amongst others (Ritter, 1998). What is more, there are also payments due for the advisors, for the printing and distribution and for the marketing campaign. The underwriting syndicate is the one receiving the highest fees, like for instance commissions for its placement services or success fees proportioned to the overall success of the offering (Proto, 2021). An analysis of PwC (n.d.), based on public filings of 1300 companies, calculated that the average underwriting fee ranges from 4% to 7% of gross IPO proceeds, depending on the size of the deal and number of banks involved: the more valuable the deal is, the more investment banks are participating, the lower the fee for each of them will be. As a consequence, the size of the company is relevant in determining the costs it incurs, even though normally they weight more on small-sized companies. This is not the only costly aspect though. Company's tools and platforms, its information technology, the tax system, the human resources management: they may all need a revision and update to keep pace with the stricter reporting requirements, thus adding up to the final total expense. Then, there are recurring expenses, which are usually necessary to respect the monthly and yearly reporting obligations required after the listing; these costs concern accounting and reporting, internal audit, financial planning, legal analysis, investor relations (PwC, n.d.).

5.2 Disclosure

The second concern for the corporate management team is the compulsory disclosure of a significant amount of strategic information about the company. These pieces of information should present every materially useful data about the company's activity – from financial statements to customers and suppliers' lines, so as to provide investors with all the necessary elements for them to value the investment (U.S. SEC, n.d.). This transparency towards customers and investors is a requirement, may be a benefit, but it constitutes also an issue. Among the general public which gain access to the disclosure there are also competitors, which are free to consult every sensitive information available (Zhang, 2023). Zhang stresses how disclosing about R&D is a double-edged sword for some high-barrier industries (like biotech or pharmaceutical): it is essential to boost confidence from investors but it is also critical for the competitive advantage of the firm.

Other disadvantages reported are the liability risk, since the company is liable if legal requirements are not met (U.S. SEC, n.d.), and increased attention from tax authorities (Pagano et al., 1998).

Finally, these reporting requirements are due on a recurring basis and not just at the beginning of the process, hence these companies are defined public and 'reporting', meaning that they must keep the market always informed about its operations from now on (U.S. SEC, n.d.).

5.3 Indirect costs

The frame outlined until now should be enough to understand that conducting an initial public offering is also costly in terms of time and effort needed, making it extremely stressful for any participant involved, especially if belonging to small companies not used to the turbulent market conditions (Ritter, 1998). Similar to the previous two disadvantages, these indirect costs extend all throughout the period of being public, imposing a reduced however constant level of pressure to maintain quality standards and, consequently, confidence from stakeholders.

5.4 Dilution

One last negative aspect worth mentioning is the dilution of the stock which suggests a reduction of the company's share capital. This dilution manifests in different forms: first, the diffused practice of deciding upon an offering price lower than the true value of each share (Ritter, 1998), which is called underpricing (it is examined afterwards). Second, the issuing of new shares, which decreases the percentage of ownership and control interests in the company of each existing stockholder (U.S. SEC, n.d.).

In conclusion, the decision to list on a public stock exchange involves a variety of variables so wide and complex to make it challenging for anyone to consider every aspect or alternative scenarios.

Even though investments are expected from the counterpart, the entrepreneur is the first one to invest substantial resources hoping that the rewards will make it worth the struggle. Lowry et al. (2017) sum this trade-off with one short but effective sentence: “Possibly, firms go public because they can. Not because they need.”

6. Before the IPO

The timing of the decision of going public is dependent on a number of factors, In the previous sections, it was made clear how important it is to look at market conditions, however company’s own condition is also relevant. Even though readiness to go public may occur at different points in time for each company, determined by its needs and level of preparedness, it is possible to identify a common pattern related to IPOs: it is usually preferred to undertake an IPO only when the firm is mature and instead resort to other sources of financing in its early stages of development. Ritter (1998) notes that at this stage, companies do not have many tangible assets or operating history upon which external investors could base their evaluations: an entrepreneur may have a strong vision, a groundbreaking idea or promising growth opportunities, yet, at the beginning, it is difficult to convey the value of these good intentions to others besides himself. This is the reason why the first financing source of a startup is generally the founder’s own funds. Contributing one’s own money, which is reasonably limited and temporary, helps to launch the activity, until progressively more numerous and more affluent providers of external capital become accessible. The list starts from friends and family, moves on to the so-called ‘angels’ and arrives to venture capital and private equity. Before briefly outlining each one of these external sources, it is necessary to clarify that these options preceding an IPO are available opportunities and not mandatory phases. Clearly, some forms of financing best suit a certain level of development of a firm, or they may have a set of preconditions which restrict the access, thus establishing a sort of standard order. Notwithstanding these limits, firms still retain a degree of freedom in building their own financing history.

6.1 Friends

The first financial help that an entrepreneur can receive comes from the people who are closest to him, the ones who experienced first-hand the translation of the idea into business reality: his family, friends and social network (Ritter, 1998). Often, this relationship with the founder is the main if not the only reason for them to invest, overlooking any personal interest or active involvement in the operations. Even though the amount of money invested tends to be relatively small – from $10,000 to $50,000, the receiver still has the responsibility to inform the inexperienced investors about the risks of their actions (U.S. Securities and

Exchange Commission [SEC], 2024). Ritter (1998) remarks that this step, together with self-financing, may be particularly relevant for future non-affiliated investors, which can see it as a sign of reliability of the deal.

6.2 Angels

Angel financing is defined as "capital provided by wealthy individuals who aren't part of formal venture capital organizations" (Ritter, 1998): they are often entrepreneurs themselves, accredited investors (meaning with a net worth above $1,000,000 [Nasdaq, n.d.]) and they tend to prefer investing at the initial stage of a firm's lifespan. Since the risk profile of the investment is substantial, it is common for these high-net-worth individuals to syndicate i.e. to acts jointly in order to provide more funding overall but also to reduce the singular exposure to risk. The average amount invested is usually $200,000 to $400,000 per deal. Unlike personally closer investors, they usually have an expertise in the industry of belonging of the firm they choose to support, consequently expecting an active role in the firm's decision-making phases (U.S. SEC, 2024).

6.3 Venture capital

Once a company has successfully been launched, it can realistically consider being financed by a venture capital. A venture capital or VC is a form of investment structured as a minority ownership stake in the equity, addressed to young, rapidly growing and promising private firms (U.S. SEC, 2024), carefully selected so as to provide a profit for the venture capitalists. Venture-capital firms are specialized by industry, size, or region (Ritter, 1998) and the capital provided is typically pooled from the investors part of the formal organization and interested in the deal. The average amount of an investment is reported to have recently reached approximately $215 billion, sometimes split in multiple rounds. The agreement usually lasts ten years or at least until a liquidity event does happen, which allows investors to cash in on their investment: this exit option may show in the form of an initial public offering or of an acquisition of the company (U.S. SEC, 2024). Lowry et al provide a clear presentation of VCs' roles: first, the screening of the thousands of applications, instrumental to the selection; then, the monitoring and advising roles, which show the deep involvement they have with the company's business dynamics. Venture capital firms perform an active role in contacting suppliers and customers, in deciding governance structures, and in giving strategic guidance, especially since they occupy a seat on the board of directors or advisory board (U.S. SEC, 2024). However, points of view coming from these two counterparts may not always align, causing conflicts and pushing the firm to finally consider the option of exiting the deal and going public (Ritter, 1998). When this is not the case, venture capital services can support the company also before, during, and sometimes after, going public, for example through advising, maintaining property of their shares or investing additional funds (Lowry et al., 2017). Data mentioned in Lowry et al. (2017) shows that IPOs backed by highly ranked VCs have a better performance and higher returns (e.g., Sorenson, 2007, as cited in Lowry et al., 2017). Finally, even though advantages and disadvantages of a venture capital balance each other, in their paper, Lowry et al. (2017) concludes that its overall influence on companies is positive: not only does it have an impact on innovation (Bernstein et al., 2016, as cited in Lowry et al., 2017), but it also affects their post-IPO long-term performance.

6.4 Private equity

Private equity (PE) and venture capital, being both equity-like investments, share their main goal and, in part, the method they use to achieve it. In both cases, funds are usually raised from a syndicate of accredited investors and committed to finance private companies, with the aim of increasing their financial worth and ultimately, generating a return on the original investment by divesting the stock increased in value. Provided this, private equity then differs in several ways, first of them being the type of company they are interested in, which is the complete opposite of the one backed by venture capital: mature companies operating in traditional industries, often also operating under financial difficulties. What is more, unlike VC, the stake reserved to the PE firm is more than 50% (PitchBook, 2024).

Private equities investments are characterised by a strong illiquidity since the set contractual life before the harvest phase (the final, when it is possible to exit) is usually ten years, thus clearly they cannot benefit from tradability. Notwithstanding this aspect, private equity financing protects from the risky dynamics of public exposure and can even grant a higher potential return. This last point is particularly due to a strong alignment of interests between the supplier and the user of capital, whose returns are dependent on each other. This collaboration is also based on the alignment of scope that the fund and the company share, which allows the PE to engage in actions such as strategic and operational initiatives (Morgan Stanley Investment Management, 2023).

Finally, all of these options available before tapping the public equity market are favoured by a reduced level of information asymmetry, since it is easier to disclose proprietary information to a small circle of actively involved potential investors (Ritter, 1998), rather than to the whole public market, consequently constituting an advantage of raising capital from private sources.

7. The listing process

The process of taking a firm public is generally considered particularly challenging. Its complexity stems from procedural rules, length of procedures, the number of participants involved, conflicting interests of the parties, financial costs and all the substantial changes to introduce to the business. Nevertheless, it is also designed to guide private companies towards increasing transparency and compliance with standards, so as to construct an appealing profile to investors and achieve a favourable position in the public market. The process goes through several phases, which could be identified as follows: the preparation, the registration to the regulator, the marketing phase, the bookbuilding phase, the moment of the listing and finally the post-IPO period.

7.1 Preparation

As soon as the decision to conduct an initial public offering becomes an attractive option for the management team of a company, it is necessary to start a thoughtful preparation, so as to take enough time to adapt every aspect of the firm to the requirements imposed by the public market dynamics. This preparation requires a readiness assessment which should encompass a variety of factors and then generate effective adjustments to all the deficiencies identified. Implementing these changes over a considerable amount of time rather than at the last minute can not only ease the transaction but also reduce the costs of a process which is quite expensive anyway (New York Stock Exchange, n.d.). In this section only a brief overview of the main aspects evaluated is provided, although, as said, the analysis required is particularly thorough.

The first thing that should be made clear is the reason behind the intention of going public. The benefits obtained should be in line with the company's long-term objectives, while also a potential negative impact should be forecasted and factored in. Some of the other key questions to ask concern aspects that have been discussed previously in this paper, like when and where to consider an IPO, as well as whether the economic resources of the firm in the short term are enough to embark on the process and to support the ongoing compliance. As a further note on timing, in addition to the company's stage of life and market or geopolitical global conditions, it is worth also considering potential pressure from stakeholders, which could rush the management into making the decision. Then, an assessment of the listing market is fundamental to know the requirements and, if different, learn about the characteristics of a new financial system.

In the next more technical step, the focus is on the firm's accounting system and its reporting and record-keeping standards: the question is whether they are sufficiently reliable and consistent to satisfy future disclosure guidelines (U.S. SEC, n.d.). Transparency becomes a non-negotiable condition to meet, captured by an interesting reference in the work of Lowry et al. (2017), which suggests that "an IPO occurs when insiders' information advantage over outsiders disappears; a natural progression over the firm's life cycle" (Maug, 2001, as cited in Lowry et al., 2017). Weaknesses in the expertise of the financial department may bring about new hirings, but also the physical and digital infrastructures should be adequately updated, so as to support the new environment (NYSE, n.d.). The official guide to IPOs provided by the New York Stock Exchange website remembers also how important it is to assess and mitigate the exposure to risk, since, in the context of a public market, a negative event could increase its impact on the company's reputation. Lastly, the evaluation of the management team is of paramount importance: qualified and experienced subjects who are used to handle investors relations can best navigate a similar process, readily address difficulties and enhance the chances of a successful IPO.

The list of parties involved is long and could become longer depending on the size of the deal. These roles can be divided into roles belonging to the company and roles external to it, appointed specifically for the event. Starting with the governance, it is generally advised to strengthen the board,

by means of appointing two or three independent non-executive directors, preferably with certain professional skills (Espinasse, 2014). Lowry et al. (2017) stress how controlling shareholders may be less willing to let go of part of their control and so how agency issues may arise in this phase. In relation to this, Baker and Gompers (2003, as cited in Lowry et al., 2017) sustain the idea of venture capital backing to have a positive influence, since it can more easily deal with CEOs' battles for personal interests. In addition to the main board, the majority of regulating bodies requires the presence inside the board of directors of special board committees, each one specialized in the oversighting a particular aspect: for instance, an audit committee for the financial reporting, a remuneration committee for the compensation of the management team, or a nomination committee for procedures and policies. Lastly, if the headquarters of the company are located in a country other than the listing destination, the presence of local executive directors is likely to be necessary (Espinasse, 2014).

The majority of working parties on an IPO is, however, externally appointed just for the occasion. Among them, there is a subsequent division between investment banks and other third parties.

As far as investment banks are concerned, their presence is key to the process and they can have different roles, performed in groups known as underwriting syndicates. The most important are lead banks, also called bookrunners since they are responsible for running the order book of offerings. They are in charge of coordinating, monitoring and advising the entire practice (NYSE, n.d.). One among them, the global coordinator or lead manager, acts also as intermediary between the issuing company, the national supervisory authority (the SEC for the US) and the stock exchange, sponsoring the listing to the public (sometimes it is also called the sponsor). Immediately below there are co-lead managers and then general underwriters and distributors, up to a total number which should remain under the double digit. Even though the level of commitment and obligations decreases from the top down, they all share to some degree the role of underwriting, which entail selling and distributing securities to investors and guaranteeing for the unsold part, so buying them themselves (Proto, 2021). As a consequence, selecting the right banks is determinant in having or not a successful IPO: this selection is usually based on the institutions' general reputation, their skills and experience in assisting during the process, the knowledge of the company's specific industry, the kind of investors they usually deal with, and finally, on potential prior relations with the issuer (Lowry et al., 2017).

To complete the entire team, the assistance of two other advisors is necessary. The first are law firms:

also called company counsels, they are an external legal team who deals with every normative aspect and expresses its legal opinion to the issuing company all throughout the process. The second are independent auditors and consulting accountants, responsible for the review of financial data and advising on financial matters; they are also the ones in charge of drafting the comfort letter, a document to be provided to the underwriters soon after the beginning of the process in order to temporarily confirm the correctness of financial statement information, at least until a full audit has been undertaken (NYSE, n.d.). The NYSE guide, used here as a source, suggests that they should be appointed adequately ahead of the start of listing operations, since the financial statements to provide must refer also to recent past years.

7.2 Registration

The kick-off meeting between all the parties involved concludes the preparing and planning phases (Proto, 2021) and gives the go-ahead to begin. The first duty of underwriters is to perform "due diligence", which means investigating the firm in every aspect so as to gather an exhaustive amount of material information (Lowry et al., 2017). Lowry et al. provide a quite exemplifying list of what this practically means: talking with suppliers, venture capitalists and stakeholders, reading financial statements, discussing with management people, examining inventories and going through every available document. This first part could take up to several weeks (depending on the level of preparedness of the firm) and this length shows how relevant it is: since the underwriters are acting as guarantors for the company's reliability in front of the whole market, they have to be sure of its soundness, to protect themselves against the risk of liability and preserve the company's reputation (NYSE, n.d.). Another really important reason is to disclose all materially relevant information to the public, so as to allow them to make informed decisions on the purchase of the securities (Lowry et al., 2017).
During this investigating process, the underwriters are supported by all the members of the working group, especially by their equity research analysts, while their counsels and company's counsels focus especially on the legal due diligence, double-checking company's legal records and compliance with laws (NYSE, n.d.).
The outputs of this accurate due diligence are a fundamental part of the registration statement, a mandatory document to be provided to the regulators for the company to receive permission to sell securities (NYSE, n.d.). Actually, this authorization could also be given directly by the stock exchange, depending on the market: in Hong Kong, the stock exchange itself is in charge of this review, while in the US, it is the SEC, according to the Securities Act of 1933 (Espinasse, 2014). It should be noted that there, ignoring this registration is illegal (U.S. SEC, n.d.).[15] Drafting the registration statement is an ongoing duty of almost the entire procedure and, as it stems from due diligence, they are carried out in parallel: the consequence is that it is a collaborative operation, which requires meetings and discussions. Since all the authors are legally responsible for its content, all the contributors are required by the Securities Act to sign it before submission. The registration statement comprises two parts: one relevant only to the inspectors, thus not made public (Part II), and one relevant both to inspectors and to anyone interested in the offering, consequently circulated amongst investors and stakeholders (Part I or prospectus). Therefore, the prospectus is a comprehensive disclosure document

[15] Unless exemption from registration is applicable to the offering, according to the act.

concerning both the issuing company and their financial offering; it should be not only objective but also comprehensible to any kind of investor addressed. It mainly serves the purpose of disclosure pursued by due diligence and for this reason, any omission or misstatement is legally liable. At the same time, a certain degree of discretion is allowed as regards sensitive information, which can be exempted from exposure to maintain competitiveness (Proto, 2021). As a result, competition is safeguarded but transparency is partially penalized. The lead underwriter provides the outline of the material to provide, whose items and degree of scrutiny depend on jurisdictions (Espinasse, 2014). The NYSE guide (n.d.) lists some of them: a comprehensive description of the business, the terms of the offering, audited financial statements, analysis of the results of operations, warnings on risks related to the investment, strategic objectives and future plans of development, and information on corporate team and shareholders. Audited financial statements should include balance sheets, statements of comprehensive income, cash flows, changes in shareholders' equity and the relative audit report issued by independent accountants registered with the Public Company Accounting Oversight Board (PCAOB). The status of 'audited' refers to the examination of the financial statements by a qualified external party, known as auditor, which expresses his professional opinion on fairness and completeness of data, in accordance with the Generally Accepted Accounting Principles GAAP (PwC, 2023).

Since, as it was said, it takes considerable time to file the final registration statement to the SEC, once a first draft is ready, a preliminary version can be already filed and shared: it is generally called "Red Herring" (because of the warnings on the front page printed in red) and is the first real tool to market the deal. Information on the preliminary prospectus is temporary and subject to modifications or additions by the company, especially as regards the price range of the issue, likely to change until the very last moment. In the meanwhile, the SEC begins to examine the draft, communicating via formal letter any amendment necessary for the final approval of the registration (Lowry et al., 2017). The company addresses the comments and sends back the amended prospectus, in a cycle of interactions which takes approximately more than 6 weeks (in Hong Kong a new regime has recently shortened it to 3 weeks) (Espinasse, 2014). Lowry et al. stress how, in this regard, regulators can directly influence the overall length of the process, depending on their level of meticulousness. However, it is important for investors to be aware of the fact that clearance from the SEC regards only compliance with the standards, in terms of quantity, coherence and method used. They do not judge in any case the safety and quality of the operation, disclaiming responsibility for any unsuccessful IPO or investment (NYSE, n.d.).

7.3 Marketing

Once the preliminary prospectus is issued, the marketing of the offering can begin. The marketing process develops in several steps, which include an important pre-marketing phase, where final key decisions are agreed upon by the team. These include characteristics of the structure of the offering (i.e. total share capital, primary and secondary offerings etc.), discussions with existing shareholders, ideal potential investors' profiles and also the quite relevant first esteem of the price range (usually \$2 wide and on a scale \$10 to \$20). The lead bookrunner, in accordance with the syndicate, only now can propose the price range, since due diligence has been partially performed and market conditions and competitors' valuations have been well examined (NYSE, n.d.), but especially because only at this time the analysts of the banks are involved and asked to produce a research report on the company, essential to further judge the business (Proto, 2021).

Approaching the marketing phase, it is all underwriters' responsibility to shape an appealing marketing story around the deal and to develop a winning strategy to narrate to investors (NYSE, n.d.). If necessary, it may be useful for companies to appoint a dedicated public relations (PR) or communications firm to better manage media relationships, especially when the firm's profile is such to require an additional boost in market visibility (Proto, 2021). The peak of the process is reached when finally the roadshow starts. The roadshow is a world tour around major (or relevant to the offering) financial centres aimed at personally presenting the deal to interested investors (Espinasse, 2014). Its accurate organization is key to its success but is also a true challenge: scheduling numbers of meetings across several destinations, targeting the right investors, everything within only seven days or so (NYSE, n.d.). Usually, the main stops are New York and Boston, London (and probably another couple of cities from the EMEA region) and Hong Kong and Singapore for the Asia-Pacific region. Meetings can adopt more than one format; presentations are the predominant one. They can be large-scaled or addressed to small groups and most of the times they revolve around a pdf presentation explained by a senior investment banker and by the C-suite executives of the company. Major institutional investors are instead met through one-on-one meetings, where they are allowed more time for questions; they are strategically identified and promoted by the bookrunners, since they often place valuable orders. What is more, virtual roadshows are also accepted (Espinasse, 2014).

Following an accurate gathering of feedbacks and reactions from the meetings and coming to an end in the marketing phase, underwriters can have a clearer understanding of the interest aroused by the deal to investors. Every piece of information learned at this point is crucial and constitutes the base for the following phase: bookbuilding.

7.4 Bookbuilding

As the name suggests, bookrunners are in charge of running the order book, which means keeping track of every order of securities received from investors: this phase is called bookbuilding. Even though orders are also likely to arrive soon after the beginning of the roadshow, most of the times they will arrive later, especially from institutional investors (NYSE, n.d.). Requests are recorded in chronological order with a different degree of details: size, maximum size subject to a price,[16] expected price (Proto, 2021). A high level of demand, expressed in relation to the total number of shares being offered, is a signal of a successful marketing effort. Although oversubscription is viewed positively, the lead bookrunners have to scrub this overdemand, dividing the effectively allocable demand, reliable and realistic, from the gross demand, which may include inflated or opportunistic orders (NYSE, n.d.). It is thus evident that this recording method allows bookrunner to have an overview on all the potential investors in the company prior to the allocation, which favours them in the creation of the most high-quality shareholders' base possible. Typically, they allocate the available shares with a coherent strategy which prefers institutional investors, which can grant a stable long-term support (Proto, 2021).

Drawing on the subscription ratio and features, finally the offer price is defined (it is mainly institutional demand driving it). This happens over a specific pricing meeting, where it is discussed by the lead bookrunners, company's main existing shareholders and also an ad-hoc pricing committee (NYSE, n.d.). The valuation takes into account a considerable number of additional factors, in addition to the esteems collected, among which: the valuation of listed companies belonging to the same sector (for retail investors, also in the same stock exchange) (Espinasse, 2014), recent relevant transactions operated by the firm (NYSE, n.d.), the overall amount of capital that the issuer aims to raise (Zhang, 2023), and the level of oversubscription, which will result in unfulfilled demand supporting the aftermarket performance. Practically, there are several mathematical methodologies to calculate the price but Espinasse (2014), in its global guide dedicated to IPOs, remarks how "irrespective of the methodology used, ultimately, investors will pay no more than what they believe a business to

[16] These are defined scaled orders: here the quantity is dependent on the final price decided for each share (the higher the price the lower the amount bought). By contrast, there are market orders where the quantity is fixed and independent to the price (NYSE, n.d.).

be worth". So, in pricing the offering, the ultimate goal is for the stock to have an attractive price able to drive a good performance in the secondary market, especially on the first day of trading (NYSE, n.d.). The case study of Prada will provide more technical details on the methodologies to evaluate a business and price its shares.
Once the price is set, definitive allocation of shares can happen (between retail and institutional demand), even though stocks cannot be sold until the launch (Lowry et al., 2017). The last amended prospectus is updated with the final price and issued to the SEC; only when they declare the registration statement effective, the IPO can go public. Again, this clearance from regulators does not assess the price as fair but simply as expressed in accordance to the norms (Ritter, 1998). The final prospectus includes as well the ticker symbol, a short numeric or alphabetic acronym to identify the security on the stock exchange (Nasdaq, n.d.). Just before the offering goes public, the underwriters can finally sign and execute the underwriting agreement, which is what validates their role: in the most common firm commitment agreement, underwriters commit in risk and capital to buy all the securities at a discounted price and to resell them to the designated investors (both retail and institutional). Their risk exposure for unmet demand is minimal, since they know what to expect after the bookbuilding phase (Lowry et al., 2017).

7.5 Listing

The day following the pricing meeting, approximately 5 or 6 months after everything began, the IPO is officially launched on the stock exchange and the famous ringing of the bell opens the trading. Two business days are required to finally settle payments (investors to underwriters and underwriters to company) and regulate changes of ownership of securities, following which the IPO will officially close (NYSE, n.d.). Both opening and closing moments are accompanied by marketing events, covered by the press and celebrated with ceremonies involving the whole team (Espinasse, 2014). The first two days of trading, although shortly before the end of it all, are crucial to define whether the whole process was or not successful. In this period, the trading volumes observed are typically high, because of the leading demand from all the investors unsatisfied during the allocation (Proto, 2021): in this case trading happens above offering price. Nevertheless, prices can also exhibit short-term volatility (it can be the case when "flipping" happens)[17] and so trade below the offer price (NYSE, n.d.).

[17] Selling allocated shares quickly after public trading begins, aiming at a short-term profit, subsequently raising offer volumes (Nasdaq, n.d.).

In order to mitigate these fluctuations, there is the option for an assigned underwriter to act as a stabilization agent, which means it can support the price by buying shares in the aftermarket, at a price equal or below the offering and only in a short period of time after the trading has begun. This practice is strictly regulated by market rules, which protect the operator from allegations of price manipulation (Lowry et al., 2017). Lowry et al. find that commonly the shares repurchased were issued under the overallotment option, a right granted to underwriters by the issuer in the underwriting agreement. The over-allotment option works in the following way: in addition to the 100% of issues bought from the company, an underwriter can put a 15% more up for sale, said short-sell, for a total of 115%. Then, if demand is low, it buys back those shares personally, covering its short position (its status when selling shares not yet owned), generating demand and sustaining the falling price. Conversely, in the case of demand being high, the short-sold 15% goes to new shareholders (Lowry et al., 2017), an alternative that is possible due to the relative flexibility of the structure of the offering, which allows adjustments in the sizing (Proto, 2021). This option was used for the first time in 1963, for the IPO of the Green Shoe Manufacturing Company, which has earned it the alternative name of "greenshoe option" (Ritter, 1998).
Another agreement worth mentioning is the lock-up letter, adhered to by the underwriter and pre-IPO shareholders: the latter agree to not "sell their shares, lend them, margin them or really do anything with them that involves putting money in the shareholders' pockets or shifting away from them the economic consequences of ownership of the shares until the lock-up period has expired". The lasting of the period is usually 180 days starting from the pricing of the IPO. This limitation is essential to insure underwriters against any dangerous impact insiders could have on the aftermarket (NYSE, n.d.). What is more, it is a further display of the level of commitment of existing shareholders, with a strong signalling power for the market (Proto, 2021).

7.6 After the IPO

The first and most evident signal of the outcome of the process is the percent difference between the offer price and the closing price on the first day of trading, i.e. the initial return. Lowry et al. (2017) highlight that periods of higher initial returns attract companies to the public market. Proceeding in their investigation, high initial returns translate into underpricing, thus creating a direct correlation between the two phenomena.
Underpricing is the practice of issuing securities in an IPO at a lower price compared to their true market value. Lowry et al. (2017) remark how commonly this happens, although it

implies for the company to "leave money on the table" i.e. losing the money they would have actually raised without underpricing. This method of pricing is one of the most controversial and studied issues related to IPOs and, even though it appears to be inconsistent with the drivers of the decision of going public, yet data collected by Ritter (2026, Table 1), shows that between 1980 and 2025, a total of $250.1 billion were left on the table by companies listing on AmEx, NYSE, and NASDAQ stock exchanges. Countless theories try to justify this tendency, going beyond the most obvious reasons: attracting investors, boosting demand, driving up the price and raising more capital (Zhang, 2023). For example, Ritter (1998) proposes, among others, the "ownership dispersion hypothesis": having the shares bought by a number of different shareholders, ownership power is more diluted and more liquidity is generated. Instead, Lowry et al. (2017) link underpricing assumptions to the existence of information asymmetry at a certain level in the relationship issuer – underwriter – market. Since every character may know something that the others do not know, a price reflecting true market value would be hard to give. Another interesting explanation is given by behavioural psychology: the idea of a stock outperforming on the first day of trading is appealing enough to justify its cost (Loughran & Ritter, 2002, as cited in Rigoni & Cruciani, 2023). In addition, Zhang (2023) reminds that this optimistic interest by investors is likely to expire in the long run, when no underwriter will be there to support the falling price though.
Bearing in mind a longer period of time, listed companies can decide to issue new shares in the future if needed: as mentioned previously in the paper, these are called seasoned equity offerings.

Once the IPO process is officially declared closed, new obligations arise: the new acquired listed-status requires an ongoing effort and consistency from the firm, contributing to the long-lasting success of the operation. The first obligations are the reports to the regulating agent: taking SEC as an example, it requires annual and quarterly reports, concerning the same financial and non-financial content of the registration statement, as well as current reports, to be filed when specific events happen and impact significantly the activity (e.g. acquisitions or changes in the management) (Investor.gov, n.d.). Espinasse (2014) adds to the list of duties, regular analyst conferences and a consistent communication with investors and sellers i.e. brokers, informing them of any relevant business event whether it is positive or negative. To this end, a specific Investor Relationship IR department may be established, in charge of managing the exchange of information with existing shareholders or interested investors. As already stated, these are not the only new workforces required to operate in a

listed company: competent and dedicated staff should be in charge of filing all the above material, according to the listing standards. They should be supported by the adequate infrastructure and processes, such as budgeting, forecasting and financial modelling processes as well as key performance indicators to inform stakeholders in an accurate and precise manner. The management of the company should keep in mind that now there is an even bigger stakeholders' base which expect increasingly good results; as a consequence, a strategic planning of the business' development is fundamental also to validate the soundness of their investment (NYSE, n.d.).
Lastly, it should be taken into account that going public is not an irreversible process. In the case of a company unable to satisfy the listing requirements or underperforming for a prolonged period of time, there is the option of delisting from the exchange (likely also if the company is acquired by a private company) or even to withdrawn from the process before completion (Lowry et al., 2017).

8. Alternatives

Depending on the perspective adopted to take into consideration initial public offerings, different alternatives to it can be found, available to both an investor and a business owner. Starting from its generally known main driver, capital raising, the content of paragraph six already demonstrated how financing alternatives can originate also from other sources besides the public market. Although investors such as affiliated people and angels are usually more commonly addressed during the early-stages, private capital markets[18] are valid options throughout the lifespan of a company and not only before an IPO but also after, if delisting, or in place of. In line with the assessment carried out to decide whether to publicly list or not, it is a company's responsibility to evaluate which form of financing is the best option to support the business's development.
The financial system is so multifaceted to be able to provide options also for aspects like the trading venue for securities, the kind of registered offering or the securities available to raise capital. The intent of this paragraph is to briefly go through each one of these categories and provide the reader with an overview of some of the alternatives, so as to show the rich variety of instruments challenging the decision to list on a stock exchange. It should be noted that the

[18] It comprises the mentioned venture capital and private equity but also private debt and real assets (e.g. infrastructure, natural resources, real estate) (S&P Global, n.d.).

majority of the following information is sourced on the governmental website of the US regulator, the SEC, thus may be subject to procedural changes in other financial markets.

8.1 Securities trading venues

Trading venues or "execution venues" were already presented as the space where the exchange of securities between issuer and investor happens. The focus until now was on traditional stock exchanges, comprising primary and secondary market, which is where IPOs first are issued and then traded. However, off-exchange venues exist as well; an example are Alternative Trading Systems (ATSs). Unlike exchanges which have sets of rules and regulations enforced, these electronic execution venues aren't self-regulatory organizations (SROs), thus they do not exercise control over their subscribers' operations of buying and selling (Investor.gov, n.d.). It is important however to stress that, even though they do not assume regulatory responsibilities, they should still operate under
applicable securities laws (Regulation ATS) imposed by the national regulator and are still supervised by a specific SRO, which is the Financial Industry Regulatory Authority (FINRA), specialized in broker-dealers' relationships. Such laws concern aspects like the protection of confidential trading information, the protection of investors or manipulative quoting. What is more, like stock exchanges, they have the obligation to report trade data, then subject to publication. This form of surveillance is applicable also to all other off-exchange, off-ATS execution venues. The instruments exchanged on an ATS may be listed stocks but also unlisted stocks, known as over-the-counter (OTC) equity securities (FINRA, n.d.). These OTC securities provide a solution to companies willing to offer their securities to the public but prevented from accessing listing venues by the associated costs and requirements (U.S. SEC, n.d.). The main issue related to these transactions is the absence of periodic reports or audited financial statements, which as a result means higher informational asymmetry and lower stock liquidity for investors (Investor.gov, n.d.). A similar function as that of ATSs is performed in European markets by Multilateral Trading Facilities (MTFs) (Borsa Italiana, n.d.).

8.2 Registered offerings

When a stock exchange is selected as the more adequate trading venue, the following decision to make concerns the different options of registered offerings. The most common pathways offered by the SEC and regulated by securities laws are IPOs, SPACs and direct listings. The latter two are shortly defined as follows.

SPACs, acronym for Special Purpose Acquisition Companies, are shell companies founded by a sponsor and a team of investors; they go public with the aim of merging with or acquiring a non-listed company, which is identified and taken over within the following two years. As a result, the acquired company becomes public and receives part of the capital raised through the IPO of the shell company. The advantages are a shorter listing process and the support of an experienced team of investors, while the main drawback is the cost associated with diluting equity with them.

Unlike IPOs and SPACs, direct listings do not raise new capital and in these cases, going public is conducted with the main purpose of giving existing shareholders the opportunity to liquidate their shares in the public market. The most evident feature of this practice is the absence of the intermediation of underwriters: despite the fact that this may lower process-related costs, it should not be overlooked that marketing the stock among investors could be more difficult without their support and visibly impact the performance.

8.3 Securities

In presenting to the reader an overview of the financial system in the first paragraph, the term 'security' was introduced as an instrument comprising not only equities (common stock) but also other financial instruments, which grant the owner an investment interests in the issuing company. Since an exhaustive list would be impossible to provide here, only another relevant kind of security is presented: debt securities.

Debt securities or bonds are a form of investment which consists in lending money to the issuer, who borrows them to finance its activity. The repayment then happens through a contractually-set periodic interest rate and, at maturity date, the final service of debt i.e. the return of the total amount provided. Since the debtholder holds a right on its income, debt market is subsequently safer for investors, compared to equity market. Nevertheless, the trade-off for this protection is this predictability in itself: no matter the profitability of the firm, investors income remains the same, while the opposite happens in the equity market, where no cashflow is sure but also no ceiling to return is set (Investor.gov, n.d.).

CHAPTER II China

1. Introduction

China, officially known as People's Republic of China (PRC), over the last five decades has grown to become the world's second largest economy,[19] challenging the common belief of supremacy of the West. Given the strong power held by the governing body and its deep integration with the Chinese Communist Party, the country's economic structure is primarily sustained by the party's ideological pillars. These guidelines were meaningfully adjusted through the years and through the leaderships, while always remaining true to its fundamental principles. Current president Xi Jinping is now writing another significant chapter of this development, in the name of 'securization' and quality of growth, two aspects which he is linking directly with IPOs (paragraph 2). In fact, knowing this part is fundamental to justify the features of the Chinese financial system.

A useful, although not complete, overview on the system can be obtained by looking at the Aggregate Financing to the Real Economy, a unique indicator which comprehends, among others, financing raised from equity markets. This is where IPOs collocate in the Chinese financial picture. Going through the background history of its capital markets, which is brief yet impressive, it becomes evident how they were shaped and continue to be influenced by the political forces of the country. And so do primary offerings and the process to go public. Notwithstanding this aspect, it is undeniable that the system tried to modernize itself, learning best practices from the West; this is symbolized by the adoption of the registration-based system (paragraph 3). All these elements contributed to the creation of a financial market attractive yet difficult to reach. This condition, however, fuelled the consolidation of the near Hong Kong as one of the most important financial hubs in the world (paragraph 4). Its unique relationship with China but also its capitalist legacy made it an appealing listing venue for many companies abroad, as it was the case with Prada.

2. The economic and ideological context

China is a socialist state, which operates through a highly centralized party-state structure, characterized by the supremacy of the authority of the Chinese Communist Party (CCP) over

[19] According to Statista, which provide data on the largest nominal GDP worldwide in 2026, following the US.

governmental institutions. This close integration was formally stated in 2018, through an amendment to the 1982 (and current) Constitution, which states in Article 1 that «中国共产党领导是中国特色社会主义 最本质的特征» *Zhōngguó Gòngchǎndǎng lǐngdǎo shì Zhōngguó tèsè shèhuì zhǔyì zuì běnzhì de tèzhēng* “Leadership by the Communist Party of China is the defining feature of socialism with Chinese characteristics” (State Council of the People's Republic of China, 2019). Consequently, the key figure of the two institutions is the same, i.e. Xi Jinping 习近平, who is simultaneously President of the PRC, General Secretary of the CCP and also Chairman of the Central Military Commission (CMC). Throughout the years, the people occupying this role have progressively shaped the economic structure of the country, first blindly adhering to the principles of communism, later consciously balancing theory with the practical needs of the population. Accordingly, the private sector, prerequisite to the development of a market-based financial system, also changed its role and regulations. The period examined in this paper could be ideally divided in two periods, marked by Xi Jinping’s rise to power.

2.1 Before Xi Jinping

The state-controlled planned economy, exercised under the leadership of Mao Zedong from the mid-20th century, was centred on the principles of state ownership of industry, which meant that an appropriate government department was in charge of defining the scope, providing the capital, appointing the managers, and drafting the development schedule of the business. The only two forms of ownership of a company allowed were state-owned and collectively owned, which consequently excluded private entrepreneurship (Zhao, 1996). Nevertheless, the end of the Maoist era led to the weakening of this system. During the reform and opening up period, started in 1978, this model began to be questioned and individual enterprises 个体户 *gètǐhù* were given green light by the government since they served as a functional, “complement” element to the socialist public economy, absorbing excess labour force. However, the private sector was allowed to exist only within strict numeric limits to the number of employees, which served to differentiate between individual work and capitalist exploitation, since the latter was to be condemned and avoided by all possible means under a socialist structure. The energy of newborn entrepreneurs could not be contained though, and they found a strategy, known as 戴红帽子 *dài hóng màozi*, which means literally ‘wearing a red hat’, to disguise their bigger private firms as state-owned enterprises SOEs or collective enterprises (Pieranni, 2026). The private sector increasingly grew as a driving force of the economy and through a constitutional amendment of 1988, the replacement of the word 'individual' with ‘private’ legitimated the existence of the private sector 私营经济 *sīyíng jīngjì*. Numeric limits were abolished as well, even though the state still maintained its role of “guidance, supervision and control over the private sector of the economy"(State Council of the People's Republic of China, 2019). A provisional Regulation for Private Enterprises formally acknowledged the legality of private enterprises and included among the forms allowed the limited liability company LLC, which made the company legally responsible, limiting the investor’s liability to its investment. Coming from a socialist country, this one was a huge transformation (Zhao, 1996).

At this point, it was necessary for the then-president Deng Xiaoping to explain these choices made under a still strong socialist system. During the 14th National Congress of the Chinese Communist Party in 1992, the concept of “socialist market economy” 社会主义市场经济 *shèhuì zhǔyì shìchǎng jīngjì* was officially introduced, while a historic constitutional amendment incorporated the concept in the Constitution in 1993. "The State practices economic planning on the basis of socialist public ownership” was changed to read “The state shall practice a socialist market economy” (State Council of the People's Republic of China, 2019). The reason behind such a significant shift was the new perspective adopted to look at market dynamics: they were instrumentalized and integrated in the socialist mechanism in order to serve the highest purpose of development of the country. Market was not exclusive to capitalism and thus this adoption did not mean liberalising the economy in a western-style approach. Rather, it established a hybrid system where the private sector could thrive, alongside the state/socialist sector (Pieranni, 2026), which remained “the leading force in the economy” controlling key segments like energy, banks and infrastructures (Article 7 of the Constitution) (State Council of the People's Republic of China, 2019). It was true that this mechanism may have led to inequalities, however these were only intended to be temporary and the richness generated distributed among the whole population (Pieranni, 2026). Although inequalities are still an issue, meaningful data from the International Monetary Fund (2026) demonstrates how China’s GDP grew from 303 billion USD (nominal/current US$) in 1980 to 20 trillion USD as of today. Nevertheless, it is fundamental to stress that, as suggested by Simone Pieranni in episode 63 of Altri Orienti (2026), the state changed its function but not its presence: privates could produce wealth and innovation as long as they did not threaten institutional power. Nowadays, this condition has changed its form, narrowed its limits but is

still present. Before addressing the present, however, other important past economic events shaped China's today financial framework.
At the end of 1993, still in the name of the "open door policy" of Deng Xiaoping, the National People's Congress issued the "Company Law" 公司法 *gōngsī fǎ*. This law is particularly significant because it was the first to regulate the establishment, structure and behaviour of business entities (D'Agnolo, 2008): member of the Zhejiang Bar Association's Foreign Law Committee and author of a paper on the topic, Zhao Yong Qing (1996), defines it as "the foundation of modern socialist enterprises and the market economic system". The forms of private companies allowed and regulated under this act were LLCs and Joint Stock Companies (JSCs) with limited liability. Even though it drew inspiration from similar already existing laws (especially the German one) and thus relaxed state control, on the other side it retained China's own distinguishing Chinese characteristics 中国特色 *Zhōngguó tèsè*. One of its peculiarities, which then defines the entire economic system, is the acknowledgment of wholly state-owned LLC: not only this form is required for previous state-owned enterprises but also for new companies belonging to designated fields, professions or special products. Although companies can be more autonomous than before, their autonomy is still limited. State authorized investment institutions must still give their approval on specific operations, for instance those concerning the company's merger, division, dissolution or increase/decrease of capital. Another meaningful example can be found in the establishment of JSC: provided that this form involves a bigger sum of capital to be divided among investors (compared to LLCs), the government considers it necessary to exercise its control, giving its authorization through the provincial level authority and the State Council Securities Administration. Zhao (1996) stresses that, by doing so, the will of the state is to protect the public interest, which "is in avoiding social instability on the one hand, and because Chinese securities markets are still not mature, in preventing securities fraud on the other hand".
The law was still weak in some points but it contributed to reach one of the most important milestones in China's economic development: the accession to the World Trade Organization in 2001. At the tenth anniversary of the event, then-president Hu Jintao said: "to join the WTO was a major strategic decision based on our comprehensive analysis of the situation at home and abroad in order to push forward China's reform and opening-up and socialist modernization drive." This step was important not only in terms of the country's international positioning and liberalisation of commercial relations, but it also required China to adopt internationalized rules and standard mechanisms, which inevitably contributed to its domestic

improvement. For instance, China adopted a new trading policy system in compliance with WTO rules. What is more, since at the time China was still lacking the adequate know-how to deal with this new financial and legislative approach, it decided to purposely train its professional sector and officials at all levels, and to educate new generations through specialized courses at university. As a consequence, during the first years of the new century, the country advanced significantly in its path towards modernization (Permanent Mission of China to the WTO, n.d.).

In 2004, twenty-five years after that first turning point, another amendment to the constitution further affirmed the relevance assumed through the years by the private sector; in fact, it was added that "Private property obtained legally is inviolable." In an article by Al Jazeera (2004), this additional step is directly linked to a new foundational theory, developed by Deng Xiaoping's successor Jiang Zemin, called the Theory of Three Represents. Three represents stand for the three elements that the party must defend when taking decisions for the country: the development trend of China's advanced productive forces, the orientation of China's advanced culture, and the fundamental interests of the overwhelming majority of the Chinese people. The purpose of the theory was to give a new interpretation to the party's socialist mission, in order to include what lately had been one of the main drivers of China's economic boom i.e. private entrepreneurship.

Being China so intertwined with the global financial system, the crisis of 2008 hit its economy as well. The most significant impact it had was on exports, which since the end of the previous century had started to grow exponentially (The World Bank, 2026), so much so that they had become a defining feature of China's new status and even of the new global trade dynamics. The registered decrease was of 16% and the most concrete consequence was the closing of factories, which led to rising unemployment rates and fear for social instabilities. Owing to massive foreign currency reserves accumulated and its enormous financial resources, the government was able to respond to the crisis with the injection in the economy of a stimulus package of RMB 4 trillion (at the time almost US$ 590 billion), which revealed clearly the persistent but lately more subdued underlying presence of the party-state. Until that moment, institutions generally had had a macro-level control function over elements such as inflation or rates of growth. This action however, unlocked another level of participation of the state i.e. through bank credit. What practically happened was that banks (controlled by the state) invested significant capital in initiatives such as infrastructure development, housing, support through health or welfare provisions, tax breaks and R&D programs. While before statal supervision had prevented local authorities from being excessively present in the market, this new strategy was their green-light to do everything they could to support the return of a growing trend in the economy (Breslin, 2012). Data from Breslin (2012) reports that, by the end of 2009, new bank loans in China had reached almost RMB10 trillion. The title of Breslin's chapter analysing the topic is explicative of what was happening: "Paradigm(s) Shifting?". After the crisis, not only had people started to question the supremacy of the Western neoliberal model, but they also realised the need for safer and more sustainable drivers of the national economy. So, the paradigm intended is the blind pursuing of growth which had surely pumped-up economic results and granted China a relevant global position, but also produced severe social inequalities between social classes and geographic areas. The alternative proposed relied on the concept of 'scientific' development 科学发展观 *kēxué fāzhǎn guān*: simply stated, political decisions must take into consideration the concrete consequences that they have on people's lives, not only in pursuit of national economic wealth but also of national social wealth. It is true that the way they fought the crisis appeared to be moving in the opposite direction and back to a strong reliance on growth, so Breslin conclude that they were not ready or politically able at the time to face it in any other way. It would have still taken China some time to shape and adhere to its own definition of modernization.

2.2 Under Xi Jinping

Moving forward to the Third Plenary Session of the 18th Central Committee of the CPC at the end of 2013, Xi Jinping is now General Secretary of the CPC Central Committee. The assessments and guidelines emerged from it confirmed the need for a reform of the economic system, but also an increasing awareness of the direction that the country had to follow in its advancement: "We must accelerate the transformation of the growth pattern, and make China an innovative country. We must promote more efficient, equal and sustainable economic development." The market is assigned the "decisive role in allocating resources" but it is also stressed the importance of maintaining it in balance with the role of the government. Even though "both the public and non-public sectors are key components of the socialist market economy" and must be unswervingly consolidated, public ownership is granted the dominant and foundational role. Further building on the technical character of the socialist system with Chinese characteristics, "scientific macro control and effective government administration" are highlighted as essential modus operandi (Central Committee of the Communist Party of China, 2014).

It was at the party's 19th National Congress in 2017 however, that the president finally presented his official new ideological doctrine. The "Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era", as it is called, built on the legacy of the Thoughts of his predecessors but also proposed to reform the existing mechanism, so as to adapt not only to China's own new (and evolving) status but also to the world's complex international dynamics, always without deviating from the principles "of the Communist Party of China and the guidance of Marxism-Leninism" (BBC Monitoring, 2026). The need for a more structured reform of the economy emerged soon but it took Xi Jinping some years to define the new direction to pursue and the concrete steps to put it into execution.
At present times, Xi Jinping is currently at its third mandate and his Thought, included in the constitution, is still the central ideology guiding the CCP's ruling on the country. His leadership has consolidated throughout an increasingly unstable period; in particular, an extensive report by MERICS (Grünberg & Brussee, 2023), analysing China's strategic goals, stresses how some impactful events of the past years hindered the president's ability to effectively focus on concrete changes and slowed the shift. The first event was the US-China trade and tech war of 2018, which led already existing tensions between the two leading forces to escalate.[20] The problem lied in the restrictions to Chinese companies' access to American markets and technologies; as a consequence, achieving self-reliance was no longer an aspired fantasy of the party but a concrete need shared also by the private sector. The second event was the Covid19 pandemic of 2020, which dramatically influenced the entire global economy and so had twofold consequences, coming from both the national and international environment. After the remarkable rate of 9/10% maintained all throughout the reform period and the first decade of the 2000s, China's GDP growth rate had stabilized at an annual average of 6/7% from 2016. The regression of 2020 made it fell to 2.2%. Domestic consumption's contribution to growth, from a consistent average of 60% annually, dropped to a dramatic -6.8%. Echoing the dynamic of 2008 and thus not surprisingly, the government intervened, contributing to GDP growth through investments accounting for 81.5% of the total increase (Prime, 2023). The implementation of the zero-Covid policy resulted overall effective (even though with a considerable list of drawbacks) and allowed the mitigation of consequences, that might have been significantly worse.

[20] The Council on foreign relationships provides a detailed synopsis of the most meaningful events shaping US-China relationship from 1949 to 2025. For further details, please consult Council on Foreign Relations (2025) website, at the following page https://www.cfr.org/articles/us-china-relations.

Although challenging, these years were precious to understand the weak spots of the current economic system (Grünberg & Brussee, 2023). As mentioned early in the paper, the most relevant one had already emerged following the 2008 global crisis and was "GDP worship", as an interesting article by Damien Ma published by the Carnegie Endowment puts it. The author goes beyond the mere economic problem of growth, extending its consequences to the whole organization centred around that number: regional and local authorities were often judged based upon that indicator, which transformed growth numbers into a political (and personal) matter, forgetting of social interests and value production. Xi's answer wants to contrast quantity with quality and volume generation with value creation, as new leading purposes of political and economic development (Ma, 2026). In line with this, the core of its new economic system is a people-centred development (Grünberg & Brussee, 2023), which truly allows Chinese companies to thrive rather than survive and to lead rather than follow. This new stage towards socialist modernization 社会主义现代化 *shèhuì zhǔyì xiàndàihuà* is characterised by another foundational and signature element of Xi Jinping's leadership: the highly integrated relation between the party and the state, which justifies the strong adherence of the economic system to the party's beliefs (Grünberg & Brussee, 2023). MERICS report highlights how actually the Though is "laying the key building blocks for China's economic system."

Deng Xiaoping and Jiang Zemin eras had allowed market forces to operate and thrive; under Hu Jintao's era, in the 2000s, this enthusiasm had started to wane, fuelled by growing government interventions (2008 crisis). Given this background and the increasing affirmation of financial instabilities and uncertainties on the sustainability of foreign dependencies, it is easier to understand that trust in market forces was at minimum level ten years ago. In part following and in part contributing to the deterioration, in 2015 the Chinese financial markets experienced a crash, followed by turbulences (it will be deeper analysed in the coming paragraph). This environment allowed Xi to finally leverage on his ideology to propose and implement a new model. The previously declared role of SOEs and POEs is confirmed unwavering in the market but with a meaningful difference: now both of them should be aligned with national strategic goals, without any exception. Xi's perception was that the laissez-faire approach taken until now had led them not only to contribute to debt and to a riskier financial system but also to retain considerable economic power, which did not fit well with CCP's dominant grip on it. Actually, the true problem did not lie in their power per se, but rather in the direction in which this power was exercised, which was too much dependant on the West and not enough coherent with the economic strategy of the governance. The point is that the economic liberalization dreamt of by Deng Xiaoping "is dead" but not its mechanisms, which have been learnt and now can be instrumentalised so as to contribute to the achievement of a more developed socialist market economy with Chinese characteristics (Grünberg & Brussee, 2023).

Enterprises belonging to strategic sectors like tech, have actually become central in shaping the new economy, supporting the nation's growth both in terms of GDP and modernization. Therefore, it is necessary for the party to exercise a strict control and demand strict obedience, so as to be sure that their purposes are aligned with national goals: they can and must thrive but in the "right sectors", which nowadays involve cyber and data security matters (Grünberg & Brussee, 2023). This reorientation is symbolized by a triggering event: the suspension of Ant Group's IPO. Ant Group is the Chinese largest fintech company and one of the largest in the world, born as the financial arm of Alibaba and famous for its digital payment service Alipay, with 1.2 billion users and $18.5 billion annual revenue (as of 2024). The IPO, expected to happen in 2020, was announced to be the largest in modern history, beating the previous record of Saudi Aramco and raising an estimated $34.5 billion.[21] However, the listing on Shanghai STAR Market was halted by regulators, claiming noncompliance with requirements as the motivation (Zhang, 2024); the sinologist Pieranni (2026) instead defined it "a very clear signal of who ultimately remains in control".[22] Even more symbolic was the disappearance from the public scene for some years of the co-founder of Ant (and Alibaba) Jack Ma 马云 *Mǎ Yún*, who had criticised the Chinese state-dominated banking system just before the cancellation: he had said "we cannot use yesterday's way to manage the future" (Zhang, 2024). Yet, it turned out that yesterday's way had transformed to be today's and tomorrow's way. The crackdown on tech firms was expanded, not only requiring alignment but also imposing tighter regulations on data security and competition and increasing control "over digital champions that process vast quantities of consumer data". Ma's presence in 2025 at a symposium of the government with key business figures appeared as the beginning of a rehabilitation of the leader, but actually it still proved to be a strategic move for Beijing. The BBC wrote that "Mr Xi knows that to get there [i.e. to achieve "socialist modernisation" by 2035] he will need the private sector fully on board" (da Silva, 2025).

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[21] At the time of writing, the forthcoming IPO of SpaceX is projected to become the largest public offering in history, surpassing the previous records set by Saudi Aramco and Alibaba. For further details, Subin, S. (2026, May 20). *SpaceX is the biggest IPO ever. These debuts also set records*. CNBC. https://www.cnbc.com/2026/05/20/spacex-is-the-biggest-ipo-ever-these-debuts-also-set-records.html

[22] "...segnale chiarissimo su chi comanda" (Pieranni, 2026).

Remarking the difference with the planned economy of the Maoist era is fundamental: not a commanded but a controlled engagement with the ideological goals of the party-state. On the one hand, the new generation of entrepreneurs might consider it easier to develop with dynamism, yet within clearly defined political boundaries, since this is the natural habitat they are born in. On the other hand, already operating companies have to reinvent themselves (Pieranni, 2026). Alibaba once again provides to be a suitable example: from embodying the relatively liberalised phase of the Chinese digital sector, it underwent structural changes in 2021, starting to invest a percentage of revenues in R&D and becoming an AI giant (Kharpal & Chiang, 2025), and by doing so driving China towards technological self-reliance.
In today's world, technological self-reliance reveals to be crucial since the new industrial revolution seems to be driven by AI and advanced semiconductors (Pieranni, 2026). This is the reason why, referring back to the MERICS report, another requirement adds to the ingredients for survival in China's entrepreneurial world: competence (Grünberg & Brussee, 2023). In another episode of its podcast Altri Orienti, the sinologist Pieranni (2026) questions whether China is becoming a technocracy.[23] In fact, the model adopted is relying on the knowledge and capacity of privates to produce innovation to guide the entire country. To properly guide this tech-driven new direction, president Xi has been giving priority to STEM fields,[24] firstly in the education system and secondly in the selection of the party apparatus. It is especially from this almost obsession with technological self-sufficiency that the ultimate goal of the 'new era' of Xi Jinping emerges: securization,[25] "which means assessing all political economy issues as though they were security issues for China" (Grünberg & Brussee, 2023). In today's geopolitical context and complicated international relationships, the only guarantee of survival as a country can come from within, and this autonomy is what the current CCP guidance is trying to build.
The profound changes to the economic environment created the need for a revision of the company law, which took effect in 2024. In this regard, the relevance of its amendments is in the alignment with Xi Jinping's policy, which counts on a discipled and controlled framework to promote market dynamics, although also drawing on common-law jurisdiction to match with the world's advanced economy. For instance, new provisions require a tightened deadline

[23] "A technocracy is a group of scientists, engineers, and other experts who have political power as well as technical knowledge" (Collins, n.d.).
[24] China ranks second globally in STEM education development, trailing only the United States.
[25] The MERICS report identifies four stages of economic development, based on different leadership periods and their respective approaches to political economy: deradicalization (Deng), liberalization (Jiang), stabilization (Hu), securization (Xi) (Grünberg & Brussee, 2023).

for capital contribution to LLCs by shareholders (5 years) and also a more accountable corporate governance (an audit committee instead of the board of supervisors) (Schweicher, 2026).
As far as foreign policy is concerned, leveraging on his doctrine, Xi was able to affirm the nation's strategic global economic position, which has been consolidating since 1978: what he is doing now is progressively redefining the scope of this strength. The basic approach is still of opening up, but unlike Deng's times, domestic consumption (internal circulation) becomes the dominant driver of growth, in a dual circulation strategy which relies on external circulation only for importing raw materials and exporting higher-value goods and tech (Grünberg & Brussee, 2023). Since also the importance of outbound investments is relaunched, it is necessary to mention the Belt and Road Initiative (BRI), a major initiative started in 2015 and aimed at promoting economic prosperity and cooperation among Asia, Africa and Europe. Beyond the more practical intent of physically connect via land and sea countries of these regions, the project had a more ambitious goal: consolidating China's sphere of influence (Kallio, 2022), at a time when its model was emerging as an alternative to the western one and the rivalry with the United States was becoming more concrete.

Professor of Government at Dartmouth College Jennifer Lind, cited by Pieranni (2026), refers to China's ruling strategy as "smart authoritarianism", which seems to sum up the context that this paragraph was intended to delineate.

3. The financial markets

The rise and affirmation of China's stock market is often presented in research papers for its peculiarities which, given the previous background furnished here, should not impress. First of all, stock markets are usually associated with capitalist economies, which is not the case for China. Adding to this, there is its brief history, during which however, considerable results were already reached (Green, 2003): only thirty years were enough to reach, already in 2020, the second rank among the largest stock markets in the world (after the US) (Qian et al., 2024). Recent data still confirms its second place, with a total market capitalization of $14.84 trillion compared to the $75.04 trillion of the US (Cohen, 2026).[26]

[26] Comprising both the two largest exchanges of the world, Nasdaq and NYSE, the US alone manages to have a stock value higher than the sum of the other first nine largest markets all together. Major contribution to this record is the presence there of some of the most valuable businesses (of today and in history) (Cohen, 2026).

3.1 AFRE Aggregate Financing to the Real Economy

Similarly to the overview of the financial system provided at the beginning of the first chapter, an introduction to the financial system in China is helpful to understand its capital markets, where the main topic of this paper, IPOs, collocate. For this overview, frequent reference will be made to a working paper issued by He & Wei (2023) from the National Bureau of Economic Research, "China's financial system and economy: a review". One interesting aspect of this study is that it is based on a highly specific indicator, namely the Aggregate Financing to the Real Economy 社会融资规模 *shèhuì róngzī guīmó*, likewise adopted in this paragraph as a starting point. AFRE, also referred to as "Total Social Financing" (Elliott & Yan, 2013), is a concept uniquely Chinese, much like the system within which it exists. What AFRE measures is China's yearly flow of liquidity, obtained from the financial system's primary sources of credit and non-credit, which serves to finance the 'real economy' of the country during a given period. Although it appears to be an all-encompassing measure, hence its uniqueness, Elliott & Yan (2013) clearly affirm how it actually does not comprehend all the sources of financing. The reason is that, since the concept of real economy refers to all non-financial sectors that use funds for productive purposes, the sources providing funds aimed at non-productive, purely financial or speculative operations are not included. Therefore, the financial sector taken into consideration in the AFRE is made of the following components: bank loans, both in renminbi and foreign currencies, and bank acceptance bills; trust loans, entrust loans, and undiscounted bankers' acceptances, in the category of banks' off-balance sheet items; corporate bond and equity financing, which are market-based; and lastly, government bonds, made of Treasury and municipal bonds (He & Wei, 2023).

According to official data, available online on the People's Bank of China website (2026) since 2015, at the end of April 2026, outstanding[27] AFRE accounted for RMB456.89 trillion, with an increase of 7.8 % year on year. The majority of paper analysed, starting from Elliott & Yan (2013) to the most recent ones of Qian et al. (2024) and Zhang (2024), confirms the consistency through time of the supremacy of the banking sector, which also emerges from government data: RMB loans accounted for 60.6 % (RMB276.9 trillion) of the total AFRE. The second and third sources of financing were government and corporate bonds, which show a significant distance both from bank loans and among themselves (accounting respectively for 21.7 percent, RMB99.37 trillion, and 7.8 percent, RMB35.52 trillion). Government

[27] It means that the total amount of a financial instruments is still in circulation.

bonds[28] are considered as another form of financing which is neither direct (market) nor indirect (banks), while the corporate bond market is the segment of the domestic capital market that is attracting the most interest (He & Wei, 2023). Since its modern development in the late 1990s, corporate bond issuance has expanded rapidly and companies are increasingly relying on this method to finance their activity, as confirmed by the growth data of 1.4 percentage points year on year (People's Bank of China, 2026). Although dominant issuers are still state-owned enterprises, also private companies are starting to participate (Fortune Business Insights, 2026), since it promotes a financing method with lower dependence on the banking system and which provides fixed-income returns for investors.

Only at this point, domestic equity of non-financial firms can be mentioned, since it accounted for only 2.7 percent, RMB12.4 trillion (People's Bank of China, 2026). With regard to this position, three points should be made, referring back to He & Wei's paper (2023). The first is that this measure has two limitations, namely it does not include capital gains i.e. current market valuation (only cumulative "book" equity issuance is taken into consideration, coming from both initial public offerings and seasoned equity offerings), and it does not include private equity financing like venture capital or investments in non-listed firms (only equity raised in public markets is taken into consideration), due to a lack of reliable and systemic data. The second point is that actually, China's stock market supports the real economy of the country also indirectly, like for example contributing significantly to its modernization process, as the historical overview previously provided supports.[29] What is more, stock prices in well-functioning markets can provide important economic information, useful to shape the perception of the entire real economy. The third point is that the historical evolution of today's stock markets has been marked by frequent government intervention, thus influencing their current degree of efficiency (He & Wei, 2023).

Bearing in mind these three aspects, it should be noted that, even though equity sources contribution to AFRE remains stable year on year, its nominal value continues to increase by 4.6% (People's Bank of China, 2026), suggesting a growing level of activity within the sector. Consistent with this observation, although bank loans continue to grow in absolute terms, their share in AFRE is slowly declining, since non-bank financing channels are expanding at a

[28] It includes Treasury and municipal bonds. Treasury bonds are issued by the Ministry of Finance and guaranteed by the central government, they are used by the PBOC as an instrument for open market operations. Municipal bonds are issued by local authorities and were introduced in 2014 to address local government debt (He & Wei, 2023).

[29] He & Wei (2023) reports that "Chinese economy's internationalization continues to accelerate as the capital market further opens up", through innovations like the B-share market or the Stock Connect program.

faster pace and are gradually diversifying China's financial structure. Precise values and respective shares of the other sources mentioned will not be provided here. Readers interested could refer to the primary source (People's Bank of China, 2026), where updated data are published on a regular basis. However, for an approximate overview, the graph of Figure 3 can be consulted, also to have a clear illustration of why the distribution of the weight of the indicators is so distinctive in China.

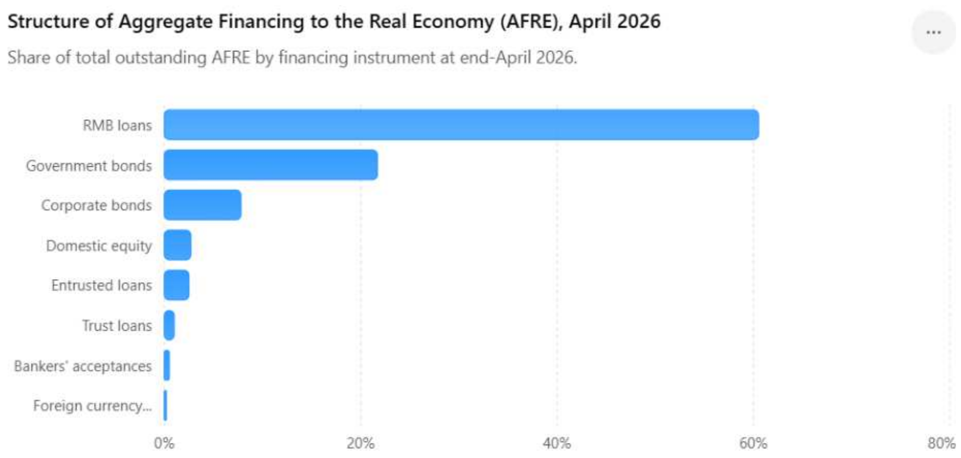


Figure 3 (People's Bank of China, 2026)

Chart generated by ChatGPT based on official statistical data.

Before delving into the history and features of the Chinese stock market and initial public offerings, providing the weight of the banking sector in China and it's defining character, it is briefly outlined below.

The Chinese banking sector began to take shape only in the 1980s, until when the only bank existent, the People's Bank of China (PBOC), was serving both as central and commercial. Later, it retained only its role as central bank while specialized branches were established or restructured to function as commercial banks. Among them, five are still, up to date, the five largest banks in China (and also among the largest in the world). They are, in order: the Industrial and Commercial Bank of China (ICBC), the China Construction Bank (CCB), the Agricultural Bank of China (ABC), the Bank of China (BOC), and the Bank of Communications (BoCoM) (Elliott & Yan, 2013). According to data from last year, these banks alone own about 44% of the banking sector's total assets, while the aggregate total assets of China's banking sector reached the 342% of national GDP (Bank of Finland Institute for Emerging Economies, 2026). These figures are even more meaningful after knowing that the central government owns the majority of their shares, in addition to significant stakes also in the other banks (other categories include policy banks, joint-stock banks, city commercial banks and rural commercial banks) (Elliott & Yan, 2013). It should be noted that these ownership interests are often held through equity investment arms such as, one of the most important, Central Huijin Investment Ltd., a Chinese state-owned investment company that acts on behalf of the government as a shareholder in major financial institutions (Central Huijin Investment, n.d.). This direct linkage between the banking and governance systems can be made visible by looking at the regulatory framework (Figure 4) provided by the OMFIF, an independent research group for central banking: it helps to visually collocate the entities but also to understand better their hierarchical power relationships (Chen, 2023).

At the head of everything, there is the central committee of the CPC, which delegates the Central Financial Commission (CFC) to oversight the financial sector, strictly in accordance with party's guidance. This not only means that they can influence banking decisions, like to which company or sector address loans, but also that the selection of key banking personnel is responsibility of the Organization Department of the party, which sometimes choose directly among high-level government officials (Elliott & Yan, 2013). Since the reform of China's financial regulatory regime happened in 2023, the National Financial Regulatory Administration (NFRA) has become the supervising and regulatory body of commercial banks and also of other financial institutions, such as insurance and trust companies or asset managers, but not of the China Securities Regulatory Commission. The NFRA and CSRC are mutually independent ministerial-level public institutions, with rule-setting power under the State Council (Zhang, 2024). The China Securities Regulatory Commission is the capital market's watchdog, responsible for the supervision of enterprise equity and bond issuance (Reuters, 2023). CSRC's broad objectives could be identified as investor protection and the facilitation of capital formation (Qian et al., 2024). While these goals could be shared with the majority of securities regulators, Qian et al. (2024) stresses that it performs also other more unique tasks, such as using IPO approvals to indirectly distribute capital to the industries or provinces deemed more strategically useful to the nation.

Another body not included but worth mentioning is the Ministry of Finance (MOF), which collocates in line with the PBoC and whose main duty is implementing the policies adopted by the CPC Central Committee in matters of finance and fiscal work (Ministry of Finance of the People's Republic of China, n.d.).

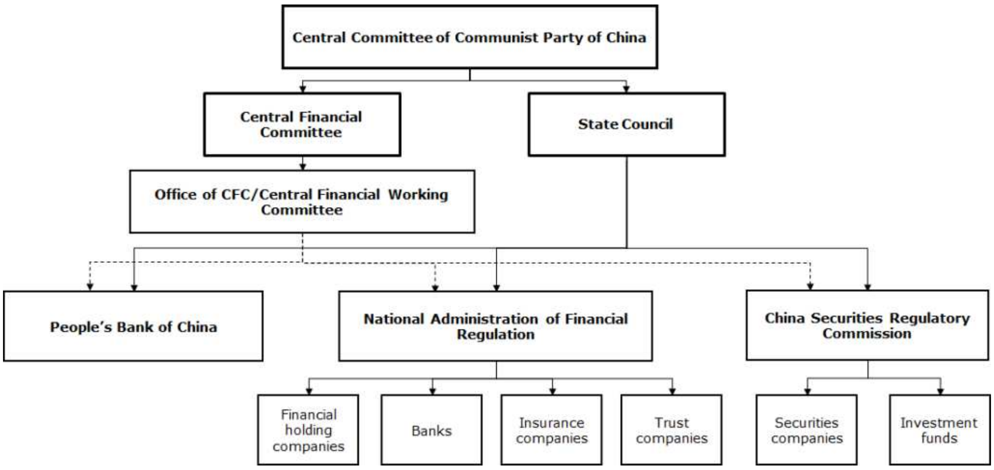


Figure 4 (Chen, 2023)

A final remark should be made on another considerable sector in China, that coexists with the formal financing system: the informal financial sector, also known as shadow banking. Shadow banking is defined as “financial institutions that act like banks but are not supervised like banks” and that, indeed, emerge precisely as an alternative because of the rigidity of formal channels. This lack of disclosure, formal regulations and supervision led them to attract increasing attention by issuers looking for an easier alternative to credit lending mechanism (Zhang, 2024). The borrowers can be the so-called loan sharks, pawn brokers but also apparently harmless companies like cooperatives of locals lending to each other or State-Owned Enterprises (SOEs) relending out excess cash. Their role remains controversial: while on the one hand, they indirectly stimulate economic growth for the country, due to their size and potential, on the other hand, government is continuously trying to suppress this sector since it amplifies financial risks, though with little conviction (Elliott & Yan, 2013).

3.2 IPOs: before the registration-based system

Before the implementation of the current exchanges, equity trading had a background history in China, which started already with the Qing Dynasty in the late nineteenth century, when the habit of trading stocks was limited to foreign-owned companies (Karmel, 1994, as cited in Peng et al., 2024). More proper exchanges developed in the 1920s in Beijing and Tianjin, however the war and the strong implementation of a planned economy forced them to close in 1952 (Walter and Howie, 2006, as cited in Peng et al., 2024). As explained, the revival of market dynamics from the 1980s onwards fostered a fertile period for the formation of the first (and current) China’s capital market (Peng et al., 2024). The Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) opened in December 1990, while over-the-counter trading had begun in Shanghai four years earlier (Green, 2003). The SSE is addressed to large and established state-owned enterprises, instead the SZSE is designated for technology and high-growth firms.

In the 1980s, in order to further promote market forces, China decided to launch a "share ownership reform" 股份制改造, which basically meant that SOEs could issue some minority shares to non-state institutional shareholders or to small individual private investors, who could trade them on the public markets like shares belonging to private companies. Since through this reform SOEs were partially 'privatized', in the west these changes to the ownership structure became known as 'share issuance privatizations' (SIPs). What might seem a simple naming problem caused a significant misconception about their true nature and what is more, about Chinese government's general intention. 'Privatization' has a specific meaning in western financial culture, which is substantially far from the process that SOEs went through, since control remained still in the hands of state shareholders. Their main purpose was subjecting SOEs' prices to market dynamics, since these can reflect material information that can be also relevant for SOEs, now that China's financial system is no longer a stand-alone structure (He & Wei, 2023). Wang et al. (2004, as cited in He & Wei, 2023), define these new entities as "modern-form corporation". Supporting the fact that these firms have not undergone genuine privatization, He & Wei (2023) affirm that "IPOs and privatization are two sides of the same coin": the proceeds coming from the sale of securities are collected by the SOE itself and not the government, as it would have been if they had sold their part (majority) of ownership.

In October 1992 China Securities Regulatory Commission (CSRC) was established as the regulating body of the new securities system (Reyes Leon & Poulsen, 2026). During the first years, operations were not still centrally regulated and the two exchanges were administrated at provincial or municipal level (i.e. for the SSE, jurisdiction came from the Shanghai municipal government). The trading system used was the quota system, a simpler system, more coherent with an initial approach to market dynamics. The total number of offerings available was divided by the central government among all the provinces and to each industry ministry, whose administrations subsequently were in charge of the distribution to companies; then companies were again subject to review by the central government. They controlled also the IPO price through the fixed price offering FPO method (Qian et al., 2024) while the price-to-earnings ratio was limited at a maximum of 15, causing severe underpricing (Zhang, 2024).

This price limit is a quite peculiar phenomenon of the early phase of the Chinese approach to equity markets, it will remain binding until 2023. It means that intraday trading price can only be 15% (Peng et al., 2024, report 10%) above or below the previous closing price; it is reported that usually the price ceiling up was reached more often than the price ceiling down (Peng et al., 2024). The main purpose of this strategy was to stabilize market dynamics, which could have been extreme at the beginning because of "buying mania" or "selling panics" (Tian & Guo, 2007, as cited in Peng et al., 2024). However, their effectiveness was arguable and the volatility mitigated modest (Chen et al., 2005, as cited in Peng et al., 2024). In addition to this, it is interesting to note how the central government maintained control also over the choice of the companies applying for the listing, based on these parameters: state-owned, large and coherent with its strategic interests (Qian et al., 2024). Definitely not far from what is applied today.

In 1999, the Securities Law was eventually adopted, providing a unified formal legislation on the topic (Corcoran, 2024). The system was redefined as approval system or alternatively, merit-based review system, since it was strictly linked to a new entity, ergo the Public Offering Review Committee. This committee was responsible for formally reviewing the "merits" of the companies applying for the listing, in addition to checking the requirements they had to adhere to, prescribed by the authority of the CSRC, like for example an aggregate profit exceeding RMB30 million within the past three accounting years (Zhang, 2024). As far as pricing is concerned, any attempt of letting go of a price cap was ultimately nullified by the need to control "social stability" and thus avoid a heated IPO market with significant losses from investors. Another reason was maintaining a positive image of the stock in meaningful times, such as the split-share structure reform of 2006. The last P/E cap was 23 and it was effective from 2014 to the reform of 2019 (Qian et al., 2024). What's more, the research paper by Qian et al. reports that IPOs were periodically suspended, in an attempt by the regulators to support prices during low heated periods by limiting the increasing number of offerings. Instead, what this led to were great underpricing, high costs of issuance and the decision of many issuers to go public through listing in another foreign equity market. For instance, at the time three key Chinese technology firms (BAT, Baidu, Alibaba, and Tencent) opted for Hong Kong or the United States as their listing destinations, to avoid the 23 price-cap.[30] In this regard, one comparison from Qian et al. is particularly illustrative: from 2007 to 2017, Chinese firms that went public in the US and Hong Kong were generally lower than those in

[30] The paper from Qian et al. (2024) reports that in 2014 Alibaba listed at the NYSE at a P/E ratio of 31.8, which granted it to raise $9 billion more compared to the option of listing in China.

mainland China,[31] however, their market-to-book ratios, the amounts raised, were higher ($66 billion vs. $50 billion).

This "back-and-forth of the regulatory attitude" is just one of the elements that still differentiate the Chinese capital market from the western one at that time. The other big issue is the direct intervention of governmental figures: while the SEC already adopted a strict disclosure-based approach to filings (like it still does), without expressing on the goodness of the investment, the quality control made by the Review Committee went beyond written requirements and was so discretionary to be sometimes accompanied by accusations of corruption (Zhang, 2024). The recipients of preferential treatment were always the same i.e. large SOEs. At least, there was no maximum number of offerings (Zhang, 2024).

As part of the share ownership reform, in 2005 another reform was launched to pave the way for more market-oriented ownership structures: the split-share structure reform. Until that moment, two classes of domestic A-shares existed: tradable and non-tradable, the former being newly issued shares through SIPs, initial public offerings or seasoned equity offerings, while the latter referring to all those shares that could not be traded because existed before SIPs or were owned by the state or legal entities. This dual structure created imbalances between the two classes of shareholders' rights, starting from the different pricing mechanisms. Therefore, the reform converted non-tradable shares into tradable and compensated existing tradable shareholders, who had to give up part of their advantages. Within approximately five years, the conversion of non-tradable shares was almost entirely completed, effectively eliminating the split-share structure (He & Wei, 2023).

In 2009, another exchange was introduced alongside the main board of the Shenzhen Stock Exchange, called ChiNext but more generally known as the Growth Enterprise Market (GEM), dedicated to small-cap stocks in high-tech sectors (Peng et al., 2024). In 2013, a third trading venue was established, the National Equities Exchange and Quotations (NEEQ) or commonly referred to as the "New Third Board", where micro, small and medium-sized innovative and high-growing start-ups can trade (Corcoran, 2024).

The summer of 2015 was marked by an historical crash of the Chinese financial markets (previously mentioned), which saw the Shanghai Composite Index (SCI)[32] fall by more than

[31] Data from Qian et al. (2024) states that between 2011-2018 more companies went public in China (1,546) compared to the U.S (971).

[32] An index is a "statistical composite that measures changes in the economy or in financial markets, often expressed in percentage changes from a base year or from the previous month. Indexes measure the ups and downs of stock markets and bond markets, in terms of market prices and weighting of companies in the index" (Nasdaq, n.d.).

20% and the Shenzhen Stock Exchange experiencing even more severe losses. Even though still dramatic, several elements alleviated the impact of the adverse effects. First of all, just before the plunge, stocks had experienced a massive growth which secured middle- and upper-class Chinese investors mitigated consequences, which however did not prevent them from losing a total amount higher than China's entire market capitalisation in 2012. Another important reason was the overall limited exposure of investors to stocks related losses, since it is reported that just 5 to 10% of Chinese citizens were stockholders at the times (compared to 55% of US citizens). Consequences for foreigners investing there were limited to the sole 1.5 % of foreign shares held, while due to the tight integration of financial markets, foreign stock markets experienced increased volatility, especially those countries actively involved in trade relations with China (Bendini, 2015). Owing to this, the US Federal Reserve postponed its interest rate liftoff, after the zero-interest rate policy implemented in 2008 (Carpenter & Whitelaw, 2017, as cited in Peng et al., 2024). Lastly, the Chinese government personally intervened in the operations of the exchanges: brokers were forced to buy shares (with a huge loan package provided by the Chinese Central Bank), shareholders were prevented from selling, IPOs were suspended and also the RMB reference rate was liberalised so as to depreciate the Chinese currency and attract interest from abroad (Bendini, 2015). An interesting analysis done by Bendini (2015), a policy analyst of the European parliament, concludes that all things considered, China's financial markets were still distant from its real economy, and this thing was crucial in lessening the negative effects of the crash. What it really provoked was doubts about the current export-led and growth-driven development model, both from the outside and the inside, as the previous paragraph explained. Nevertheless, the crash was overcome and by the end of 2020, the Shanghai Stock Exchange was already ranking third among the world's exchanges, right after NYSE and Nasdaq, with a market capitalization of $7 trillion (Zhang, 2024).

3.3 IPOs: after the registration-based system

In 2018, the Chinese government deemed necessary to reform the financing environment, since both its capital markets and local companies were by then globally competitive. The most concrete action was the establishment of a new board alongside the main board of the SSE, the Science and Technology Innovation Board, more commonly known as STAR Market. It not only would have focused on fast growing and hard-tech innovating companies but, most importantly, it would have tested a registration-based IPO issuance system, for the first time emulating the US model and especially its high-tech-focused Nasdaq (Zhang, 2024).

In addition to this, another important regulatory shift was the creation of another stock exchange in 2021. The Beijing Stock Exchange (BSE) was born with the intent of entirely championing small- and medium-sized enterprises specialized in niche yet strategic advanced components, which even though were key players, until now were restricted from entering main boards by profitability or asset requirements. The BSE lowers these entry barriers (SMEs) (China.org.cn, 2024). In 2020 the experiment was extended to the Shenzhen's GEM Board (Qian et al., 2024) and finally in 2023, it was adopted by all stock exchanges in China, with the subsequent abolishment of the Review Committee (Zhang, 2024) and of the P/E limitations; the consequence was automatically induced higher offer prices (Qian et al., 2024). Implementing a registration-based system, regulators made an effort to put at the centre the valuation of information disclosure and pure market dynamics (Zhang, 2024): listing requirements are checked by the stock exchanges which then review, approve and forward the issuer to the CSRC for the formal procedures (Corcoran, 2024).
Provided this, nevertheless, it is important to stress that the judgement of the CSRC is still comparatively influential, but not binding. As the first paragraph made clear, "the national mission" should be the first driver of capital raising (Zhang, 2024), then there is the requirement of positive earnings[33] (but not a specific limit, due to the flexibility allowed by different kinds of boards), and also the indirect impact that corporate governance has on the long run performance of the company (Qian et al., 2024).
According to governmental data, the total number of listed companies reached more than 5,000 by the end of 2023, almost evenly distributed between Shanghai and Shenzhen (respectively 2,263, 2,844), except from a small part listed in Beijing (239). Already by then, the main industries involved were information transmission, software and information technology services. Data on the share-type of listing was the subsequent: 5,113 companies listed only on the A-share market, 11 only on the B-share market, 222 on multi-share markets (Xinhua, 2024). A-shares are shares belonging to domestic firms, thus are traded in renminbi (RMB) and mainly available to domestic investors, while B-shares are shares especially traded in foreign currency to ease foreign investors (U.S. dollars in Shanghai and Hong Kong dollars in Shenzhen), addressing firms incorporated and operating in the mainland but often owned by foreigners (Reyes Leon & Poulsen, 2026). Understandably, their number is significantly lower, even though it raised to 41 (SSE) plus 38 (SZSE), according to most recent data (Hong Kong Exchanges and Clearing, 2026).

[33] Profitability requirement does not apply to STAR market, BSE and GEM (Qian et al., 2024).

3.4 IPOs: today

A review and outlook for Chinese Mainland IPO markets, published by Deloitte China[34] (2026) at the end of the first quarter of 2026 stresses how, through time, they continue to grow not only in the number of listing companies but also in deal size and in the amount of total funds raised. This growth is fuelled by continuous reforms, especially introduced in the more modern boards, the STAR and ChiNext markets, and it is projected to be sustained also until the end of the year. Although many Chinese companies choose the near and prosperous Hong Kong as their listing destination (it will be more specifically addressed in the next paragraph), just last year Shanghai Stock Exchange managed to be fifth in the global IPOs ranking (KPMG China, 2026). Only in this first quarter of 2026, already 30 new listings raised RMB25.9 billion, which compared to the first quarter of 2025 is an improvement of the 59%.[35] The report features the analysis of Tony Huang, a National A-Share Offering leader working for Deloitte China, and it is interesting to note an alignment with government directives in what he says: "more strongly innovative and those businesses that are closely related to China's national strategies are going to list in the A-share market. They include AI, new energy, high-end manufacturing and key sectors mentioned in China's 15th Five-Year Plan, such as aerospace, quantum technology and biomanufacturing. These companies should enjoy strong advantages when going public".

Enterprises not legally incorporated in China (usually in offshore jurisdictions or tax heavens like the Cayman Islands or Hong Kong) but mainly conducting their business operations there, are called red chip enterprises. Red chip enterprises are allowed to issue A-shares or Chinese Depository Receipts (CDRs) on domestic stock exchanges, after meeting specific requirements such as meeting a market value higher than the one required for their local correspondents. It is interesting to note that, while the laws of the country of origin apply to issues such as the equity structure or corporate governance, the protection of the rights and interests of these companies' investors has to be in line or above the standards imposed by the Chinese regulations. In a report from 2024, red chips enterprises listed in the mainland amounted to less than 10 (Corcoran, 2024).

Chinese Depository Receipts CDRs were briefly mentioned so they deserve a further explanation. The ICBC, drawing from the Regulations on the Supervision of the Depository Receipt Business from the CSRC, defines them as "securities issued by a depositary on behalf

[34] Deloitte is considered one of the "Big Four" accounting and consulting firms worldwide.

[35] The largest proceeds were raised at the Shanghai Stock Exchange (RMB15.4 billion from 10 IPOs) while the highest number of IPOs (16) was at the Beijing Stock Exchange (Deloitte China, 2026).

of the rights and interests of overseas underlying securities in domestic markets based on overseas securities.” What happens is that a domestic financial institution (the depositary) creates and issues new securities on the local (Chinese) stock exchange; these securities should represent exactly the economic values (rights and interests) of the original ones i.e. those issued at the overseas bank (overseas underlying securities), so that in the end shares can also be traded in Chinese stock exchanges using the local currency (Industrial and Commercial Bank of China, n.d.). Other methods of listing are still precluded from the system, like direct listing or the constitution of SPACs. Reverse Mergers[36] are allowed yet IPO standards are still applied, which makes it an almost equally onerous process (Corcoran, 2024).

More specifically talking about the IPO market features, the first thing to point out is that Chinese stock exchanges operate predominantly under an order-driven mechanism, in which all of the prices and offers for a security are displayed. The contrary happens in a quote-driven market, like the US one, characterised by the presence of market makers (specialists) who mediate and control which bids to display (Peng et al., 2024). Both of the market systems show advantages and disadvantages. Broadly speaking, it can be argued that the main advantage of one corresponds to the main drawback of the other: while the former offers greater transparency and less liquidity, the latter sacrifices transparency in exchange for enhanced liquidity. What is more, since prices in order-driven markets are determined by investors' orders, whereas quote-driven markets rely on market makers' quotations, the trade-off is also between price discovery and the immediacy of execution. Nevertheless, one important element that Peng et al. (2024) consider is that adverse market conditions can lead the Chinese government to intervene and act as a sort of market-maker; however, this happens indirectly, through ad hoc institutional investors called “government-sponsored investment vehicles” (An et al., 2022, as cited in Peng et al., 2024).

As far as the whole listing process is concerned, notwithstanding the important institutional differences that emerged throughout this analysis and that still remain, it can be affirmed that overall, the two systems share the same fundamental steps, especially due to the effort to reform so as to make the Chinese market more integrated with the global financial system and coherent with international standards.

[36] In a reverse merger transaction, a private company acquires an ad hoc already listed company, usually to ease the process of going public. Unlike what happens for SPACs, the shell company is not created with a specific target company to acquire or timeline to follow and neither a considerable amount of funds accumulated (TY TEOH International, n.d.).

Starting from the participants involved, the issuer has to engage intermediaries, whose roles and duties are similar to those already examined: principally, there is the sponsor (or joint sponsors), then the lead underwriter who may form an underwriting syndicate, an accountant and the issuer's legal counsel. The underwriter is typically a licensed domestic investment bank, known locally as securities company.[37] Besides the CSRC, other regulating bodies are local offices and the stock exchanges, which operate under the jurisdiction and control of the CSRC, which is in charge of the entire securities industry. As regards regulations, companies should comply with the Company Law, but also the Securities Law, any ordinance issued by the CSRC and the rules of the stock exchange (Corcoran, 2024).

The China chapter of the 2024 edition of Global Legal Insights: Initial Public Offerings Laws and Regulations (Corcoran, 2024) provide a thorough description of the entire IPO process, which they divide into four stages, consonant with the stages listed in the first chapter. The first one concerns the preparation and the due diligence phase and takes up to at least six months, which is definitely a longer time than the several weeks usually enough for the western process. Due diligence addresses broadly the same issues and involves the same parties, with the prospectus being the key legal document of disclosure. Guidelines for its contents and format are called the "Guidance" but additional information which could have a material impact on the investors' decisions should also be disclosed. During this period, a peculiar duty in China is the delivery of tutoring activities. Tutoring means that the sponsor should supervise and urge key corporate management, like directors or supervisors, as well as shareholders holding more than 5% of shares, to get fully informed about the laws and regulations on securities. To stress the importance of this training, a final examination should be passed, before which the IPO application cannot be submitted to the stock exchange. The selection of the board should be made taking into consideration its positioning in China's capital markets, since each of them addresses different kinds of enterprises.

The submission of the IPO application to the stock exchange for examination marks the beginning of the second stage: the stock exchange usually conducts two or three rounds of inquiries to the issuer to assess the compliance of the company with statutory issuance and listing conditions. This exchange of information between the exchange and the firm, alongside opinions from the intermediaries, is posted online for public supervision. During

[37] The Chinese underwriting market remains highly concentrated, with a small group of large securities firms, many of them state-linked, dominating both bond and equity issuance activities. Among the leading underwriters, CITIC Securities, Guotai Haitong Securities, and China Securities Lead Co., Ltd. ranked first, second, and third, respectively (Futu Information, 2026).

this part, the CSRC still plays an important role, supervising the enquiries of the stock exchange as well as determining whether the company is aligned with national industrial policies. What is more, the emergence of any material sensitive matter requires them to reevaluate the listing request. The entire length is averagely similar to the first stage i.e. six months (but could arrive to nine). During this phase, if special issues arise, both the stock exchange or the CSRC can carry out an on-site inspection; the usual length of this inspection (from one to three months) is a clear signal of their particularly demanding nature. One could note that this may constitute another distinctive feature of this more institutionalised IPO process. Over this review period, a one-to-one roadshow can be conducted, in order for the issuer and the lead underwriter to promote the event and involve interested investors. During the advertising, it is important that the contents shared do not exceed the scope of public information disclosure recognised by the CSRC, which shall last until the prospectus is published.

After already more than doubling the length ordinarily required for a listing process in the US, stage three i.e. the registration with the CSRC can begin. In theory, registration documents issued to the CSRC should be accepted within 20 working days, but in practice authorities have the discretion to extend it for as long as they deem necessary, also requesting the stock exchange for further inquiries. Nevertheless, once registration is consented (consent lasts one year), the process is nearing its closing stage.

Stage four comprehends the pricing and the listing, for a total of two to three months. The above-mentioned pricing constraints practiced to avoid excessive volatility in the market, although abolished simultaneously with the implementation of the registration-based IPO system, marked the sentiment around pricing for a long time. Since then, marketization and information efficiency of prices improved significantly (Huang et al., 2023, as cited in Jing & Zhu, 2026), starting from the adoption of the book-building system in 2004, drawing inspiration from other developed markets. It should be noted that for twenty years after its adoption, price formation was still limited by price-caps, so its capacity of producing a market-driven price was still constrained. Furthermore, following the adoption of this new method, another problem arose: given that the allocation mechanism favoured institutional investors submitting bids higher than the issue price (Jiang, 2014, as cited in Jing & Zhu, 2026), they developed an irrational high-pricing behaviour. Consequently, in order to return to fair pricing, the CSRC had to introduce a new limitation mechanism (2013) which excluded at least 10% of the highest bids before issuing the price. However, after the adoption of the registration-based system, the problem was further exacerbated and institutional investors started to manipulate the price through collusive bidding (bidding the lowest prices) as a form of protest. In order to find a compromise, in 2021 regulators ultimately resorted to adjust the maximum exclusion ratio to no more than 3% and no less than 1%, which is still in force up to date (Jing & Zhu, 2026).

Submission of bid price and declaration quantity is divided in two tranches, one offline for institutional investors, through an offline subscription platform, and one online mainly dedicated to the application of retail investors. Based on this and after having applied the exclusion ratio, issuer and sponsor can determine the final issue price, allocate the total number of offerings only to the bids higher than the final issue price (Qian et al., 2024, as cited in Jing & Zhu, 2026) and release the "Issuance Announcement". Jing & Zhu (2026) specifically stress how, notwithstanding the effort of regulators to progressively reduce their direct control over issuance pricing, they have found ways to guide also the book-building: "Among these measures, the bid exclusion ratio in the book-building stage has become an important policy tool for government". Similarly to the SEC-approved process, a 15% over-allotment option is available. Lock-up period lasts 36 months (in Main Boards) for controlling shareholders and 12 months for other pre-listing shareholders. Adding to this, the CSRC called attention to situations where shareholders should not operate in the secondary market even after the end of the lock-up period: for instance, if market share price falls below IPO price, or if it has not distributed cash dividends in the past three years. The Global Legal Insights chapter cited (Corcoran, 2024) clearly states that "reduction of shareholding by major shareholders is subject to strict supervision in the A-share market".

Turning to the issue of underpricing, Qian et al. (2024) emphasize how the phenomenon is particularly high in China's A-share market. They provide significant data from the period of 1990 to 2021, showing that caps on offer prices were one of the main reasons for historically great underpricing: the average underpricing[38] in China was 172% compared to 17.5% in the United States and 40.5% in Hong Kong. Azevedo et al. (2018) support this theory but add as complementary driving forces information asymmetry between private and state shareholders, foreign and domestic investors, and issuers and investors (citing Su and Bangassa, 2011; Su and Brookfield,2013).

On the long-run, requirements of disclosure apply similarly to those examined above, so on a periodic basis (annual and quarterly reports) and interim in the eventuality of major events that may impact directly the trading prices. It is fundamental that, prior to this disclosure, this

[38] It is measured as the percentage difference between the IPO offer price and the first trading day closing price i.e. the initial return (Qian et al., 2024).

information is not publicised, so as to prevent any asymmetry among investors (Corcoran, 2024). Finally, two patterns were observed in investors' aftermarket behaviour. The first one is that institutional bidders rarely buy the stock in the secondary market, no matter if they received or not an allocation in the first place. The second point is that investors, once allocated shares, tend to sell them as soon as the lock-up period expires, providing evidence of a lack of a long-term investment horizon (Qian et al., 2024).

4. Hong Kong

The Hong Kong Stock Exchange has not been addressed so far because its particular condition deserves closer attention. Similarly to what was done previously, the financial system of Hong Kong should be introduced by referring to its historical background, which in this case is something extremely useful to explain many of the phenomena occurring in the present.

4.1 HK: the political regime

Hong Kong's official name is Hong Kong Special Administrative Region of the People's Republic of China (HKSAR), since it enjoys a separate legal and regulatory framework from mainland China.

This status is a legacy of the first and second Opium War of the nineteenth century, which had resulted in the Hong Kong area being ceded to Britain for 99 years. During this time, the territory was administrated as a British colony, becoming in the 1970s one of the "Four Asian Tigers" (the others are Singapore, South Korea, and Taiwan) for its rapid industrialization and aggressive economic growth, mainly based on high-technology industries. It was handed back to China in 1997, although with the special agreement to preserve its high degree of autonomy and its economic and social systems for at least 50 years. Consequently, since then China is administrating the region under the principle of "one country, two systems" 一国两制 *yī guó liǎng zhì*, which serves to justify the special treatment accorded despite the country's strong socialist character. Nevertheless, Beijing government still maintains a certain degree of control: from the veto power over proposed changes to the political system to the new amendments which require candidates to the Legislative Council to be reduced in number and approved by a Beijing-appointed committee. Current Chief executive John Lee Ka-chiu is widely regarded as an ally of the central government, therefore he has overseen measures to curb pro-democracy activism, which has been getting increasingly violent (BBC News, 2025).

This happened especially after China's government bypassed the Hong Kong legislature and approved the National Security Law in 2020, criminalizing any form of dissent. Although the regulatory approach taken lately and its consequences have caused concern among market participants (Council on Foreign Relations, 2024), the special circumstances of the administration were the main drivers of HK's current thriving economy and position as one of the most important financial hubs globally. Particularly, it was its proximity to the world's second-largest economy, paired with its legal and financial systems with capitalist features, to attract the interest of the business sector at a global level. Nowadays, among the world's largest equity markets by total market capitalisation of all domestically listed companies, Hong Kong ranks fourth with USD 7.41 trillion (Cohen, 2026).

4.2 HK: the financial markets

Given the above, the financial system in HK and its markets have evidently a different history and characteristics from the one examined in the former part of this chapter. This can be readily observed from an analysis of its IPO market data. According to the professional services firm KPMG China (2026), the market positioned as the global leader in IPO rankings in 2025, with USD 36.9 billion raised. It has since maintained this leading position, ranking first also in the first quarter of the current year. This latter result was driven by A+H IPOs (60%), i.e. the dual listing of Chinese companies on both a mainland China stock exchange and the Hong Kong Stock Exchange; in this regard, the cited review by Deloitte China (2026) refers to it as a "Chinese companies' 'go global' wave". Data from Baker McKenzie (2026) reports that, as at 31 December 2025, out of the total of 2,686 companies listed on the HKSE, 1,552 were mainland enterprises (including H share companies, red chip companies and mainland private enterprises), accounting for approximately 58% of the total number, with the remaining 1,134 being domestic and foreign companies. However, what is really significant is the share of market capitalization reached by those mainland enterprises, which was 79.3% of the total for the HKSE (still as at 31 December 2025). It is worth noting that these companies must all receive CSRC's approval to be allowed to trade there (Zhang, 2024). What is more, besides their already mentioned opportunities for listing, another programme deserves to be introduced, which is the Stock Connect Programme. Launched in 2014, it is defined by the official website as "a pioneering mutual market access programme that offers unique and unrivalled two-way capital access between China and the world"; the picture below (Figure 5), sourced from the official HKEX website, captures this key role in facilitating the connection. Hence, HKEX acts as an intermediary for trading securities of other financial markets: international investors interested in Chinese stock opportunities can contribute to their inclusion in major international indices, while Chinese investors wanting to diversify their portfolio with shares from outside the Shanghai and Shenzhen Stock Exchanges, can more easily access them, avoiding their seemingly impenetrable regulatory framework (Hong Kong Exchanges and Clearing, 2026). Through Northbound trading, investors in Hong Kong (global liquidity) can purchase China's underlying securities (eligible under the programme regulations), while through Southbound trading, mainland Chinese investors (China liquidity) can purchase global underlying securities (Baker McKenzie, 2026).

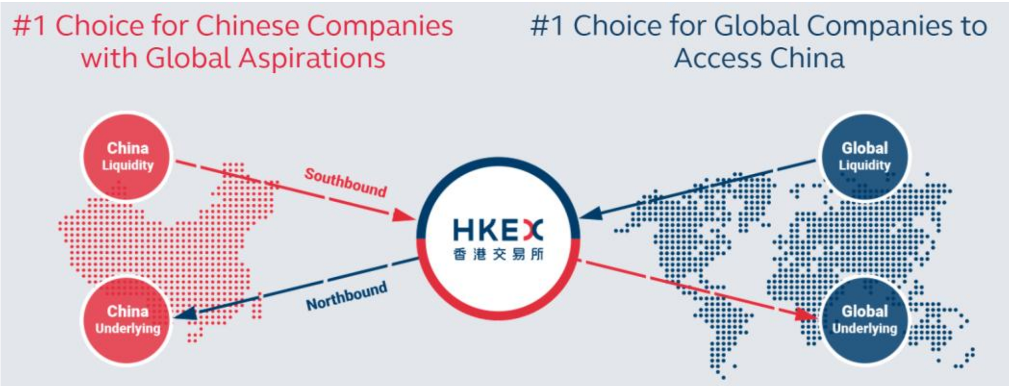


Figure 5 (Hong Kong Exchanges and Clearing, n.d.).

The establishment of the first formal market in HK dates back to the period of British rule (HKEX Group, n.d.), thus it is still based on listing rules comparable to international standards (also the legal system is based on English common law). Over the years it has undergone several divisions, mergers, and name changes; today, the single holding company is HKEX, under which The Stock Exchange of Hong Kong Limited (SEHK or HKSE) operates. It comprises two boards, addressing different kinds of companies: the Main Board, for companies which can meet higher profit or size criteria, and the second board, named the GEM (Growth Enterprise Market), addressed specifically at small and mid-sized companies. In general, issuers can choose to list in the form of ordinary shares or Hong Kong depository receipts (HKDRs), while H-Shares are those belonging to enterprises incorporated in mainland China and controlled by Chinese government entities or individuals (Baker McKenzie, 2026).

As far as the whole process is concerned, standard steps and parties involved are very similar to those already illustrated. HKEX guidelines divide the listing process in three stages, namely preparation; regulatory vetting and approval; and finally marketing and listing. When preparing, the potential issuer has to appoint a sponsor (lead underwriter) and the other components of the working group (compliance adviser, legal adviser, reporting accountant, additionally also professional figures like industry consultant or public relations firm). Many of these parties are involved in the subsequent due diligence phase, which should last at least 2 months and which highly contributes to the draft of the materials for the IPO application (A-1 filing for the main board) (Hong Kong Exchanges and Clearing, n.d.). Regulators involved are mainly two: the HKSE itself, which is the principal authority for companies going public; and the Securities and Futures Commission (SFC), which is more in charge of market regulation.

To ensure a dual layer of oversight and enhance market transparency, Hong Kong operates a dual filing regime. This means that the SFC supervises and check again all the filing documents that the stock exchange has to handle first, being the primary point of contact for firms; the SFC has also the legal power to investigate and, if necessary, impose sanctions and take enforcement actions against misconducting companies (Baker McKenzie, 2026). The application and other required materials are submitted to the HKEX Listing Division, which then is in charge of the second stage, the regulatory vetting. The final approval is subject to a verification which can take more or less time depending on each specific case, yet never more than six months. Ultimately, the Listing Division of the HKSE approves the listing of the applicant, depending on its compliance with the Main Board Listing Rules, prospectus requirements and specific ordinances under the laws of Hong Kong. At this point, the SFC has only the power to halt the IPO if something is found to be non-compliant. Besides the listing requirements already applied to domestic companies and foreign companies, both on the primary and secondary market, special compliance rules are expected from some categories of companies, for instance SPACs, pre-revenue biotech companies, innovative companies with weighted voting rights (WVR) structures and others. Furthermore, an additional set of requirements should also be met by foreign issuers who are pursuing a dual-listing. Not only has their other board of belonging to be part of a list of Recognized Stock Exchanges,[39] but it must also meet additional criteria like minimum market capitalization (for dual-secondary listing) (Baker McKenzie, 2026).

In the third stage, the approval marks the beginning of the final steps: the promotional period (through the roadshow), the pricing and allotment of shares, the publishment of the official

[39] Although the market is widely considered an IPO destination, it should be noted that there exists a list of allowed countries for overseas issuers, which for a long time has included only mainland China, Bermuda and the Cayman Islands.

prospectus. One month later, the listing ceremony celebrates the official debut of the company on the stock exchange and finally its shares can be traded (Hong Kong Exchanges and Clearing, n.d.).

4.3 HK: the relationship with China

One final observation to be made concerns the relationship between China and Hong Kong financial systems. As the data presented earlier demonstrate, Chinese companies have established a significant and vibrant presence in Hong Kong's capital market. An interesting article from The Conversation written by Wang-Kaeding (2020) defines capitals flowing to Hong Kong via Chinese companies registered there as "red capital", attributing to this money an increasing political role. To support her point, the author mentions the results of another of her studies which found that between 1972 and 2017, 79% out of all the 'red capital' companies listed at the HKSE were state-owned enterprises. However, she highlights how capital flows are more difficult to control than employees or partners, who may instead serve as a vehicle to express the "redness" of that capital. An example: when the National Security Law was issued, employees of Chinese companies in Hong Kong had no choice but to support the legislation. Although the article dates back to the beginning of the decade, provided the current degree of influence that the party-state still has on the Hong Kong administration, it is reasonable to assume that the argument remains valid today.

In addition to this, China has recently decided to address another issue related to control: red-chip firms. As it was said, these companies are formally considered to be foreign since they are not incorporated in mainland China, yet for the most part they are conducting their operations there, which means that that money and related core assets are 'red'. While compliant with legal requirements, red-chip companies often try to avoid Beijing's regulatory rigidities, looking abroad for a more flexible regulatory environment and improved accessibility for foreign investors. Problems of oversight and transparency are however arising and central authorities are firmly discouraging IPO applications from overseas: the strong advice by the CSRC is, as the Macau Daily Times (2026) reported, to reincorporate onshore and only then, tap Hong Kong markets. This can be seen as yet another instrument for reaffirming the ownership over another share of that 'red capital'.

Finally, how does the concept of strategic alignment with national goals fit into these hybrid capital markets? Although maintaining a market-oriented listing regime, Hong Kong has been favouring certain industries, which happen to be crucial also for Beijing. The implementation of regulatory reforms like a new listing regime (2023) for companies belonging to specialist technology industries (next-generation information technology, advanced hardware and software, new energy and environmental protection etc.) (Baker McKenzie, 2026) has been central in attracting innovative IPO applicants, also from the mainland, which confirm their continued economic integration. Data provided by KPMG China (2026) confirms the effectiveness of regulators' efforts, since actually technology and media and telecommunications (TMT) is the leading sector of all active IPO applications and already 6 IPOs were completed by specialist technology companies (as of March 2026), raising HKD 19.5billion. Against this backdrop, lecturer Wang-Kaeding's words (2020) are particularly revealing: "China clearly sees the reshuffle of capital in Hong Kong as a political task".

CHAPTER III The case study: Prada

1. Introduction

Prada started its operations in 1913, producing leather goods in Milan. More than a century later, it has become a fashion and luxury goods group, home of some of the most renowned brands in the sector, like the eponymous label, Miu Miu and Versace. The Italian holding, which is now a global leader, went through a significant development, especially thanks to the pioneering vision of Miuccia Prada and Patrizio Bertelli, now respectively creative director and chairman of the board of directors. Their ability to "read contemporaneity" (Prada S.p.A., 2025) contributed to the decision to pursue a listing on the Hong Kong Stock Exchange, the first by an Italian company in an Asian market. The main reason behind the strategic move was meaningful and took into consideration its growing market in the near China. As Miuccia Prada herself said to a fashion publication some months before the launch of the IPO: "There are fashionable people here that you wouldn't even find in Paris, New York or London. They have already understood everything that they had to understand" (Zargani, 2011). The listing is presented in every aspect: the dynamics which led to the choice, the steps of the process, its consequences and performance and finally, the trajectory the company is following now (paragraph 3).
This extensive analysis is preceded by an overview of the fashion industry (paragraph 2), which intends to complete the informational background provided by the previous chapters. The main contribution to the scientific analysis of the case study is constituted by three papers, namely Prada's Hong Kong IPO [Case study] by Di Giuli and Gromb (2016), Prada's listing in Hong Kong: Motives, pricing, and performance—A case study of the 2011 IPO by Huang (2026) and The evolution of a luxury brand: The case of Prada by Moore and Doyle (2010).

2. The luxury fashion industry

In this chapter, the background paragraph shall be dedicated to a brief presentation of the luxury fashion industry, which is the industry of belonging of the company chosen for the case study. This is necessary to familiarise with the environment and have a better understanding of the reasons driving certain choices. Furthermore, a sound financial analysis should be always preceded by an industry analysis.

Encyclopædia Britannica defines the fashion industry as a multibillion-dollar global enterprise which revolves around the making and selling of clothes (Steele, 2026). Historically, it is divided into segments, namely “high fashion” and “mass fashion”, addressing different kinds of costumers and proposing products of varying value. Although this distinction may appear like increasingly blurring lately, actually the concept of luxury still has some peculiar characteristics, like the price, the quality and the identity of the brand, which should make it identifiable. The industry includes all stages of production, from design, source of raw materials and manufacturing to retail, distribution and promotion; as a consequence, it includes also all the infrastructures, peoples, services and cultural elements related to them. When considering that clothing is a necessity that affects everyone, regardless of their interest in fashion, it becomes clear why the fashion industry manages to move billions of dollars in capital worldwide, accounting for a significant share of world economic output (Steele, 2026). The problem that the luxury fashion industry is now facing is that it is no longer profitable as it was before the pandemic (Williams, 2026). Notwithstanding the post-pandemic boom, the sector has once again entered a downturn that has now lasted for several years. The slump is fuelled particularly by an internal crisis which doubts the continued validity in the present of the drivers of luxury growth of the past: global integration, social segmentation, approximately stable geopolitical environment (Barclays, as cited in Williams, 2026). Instead, it turned out that building a growth trajectory pushing volumes, visibility and aspirational expansion, while trying to retain an exclusive appeal, is no longer a sustainable plan. An interesting parallel can be drawn with China, which reached this same conclusion questioning its modernization model; the shift from quantity to quality is comparable too: “We are moving from a mindset of growth to a mindset of quality of growth,” said Yvonne Pengue, founder of executive search firm Spot on Minds (as cited in Williams, 2026). Far from double-digit expectations, Barclays’ bearish report (as cited in Williams, 2026) records a 3% industry growth for the first quarter of 2026 and estimates approximately the same for the remainder of the year (provided no other major shocks to global wealth creation occur). Circumstances have not only impacted fiscal discipline, but also changed consumer’s values and expectations from the brands: to navigate the luxury fashion industry, nowadays its leaders are required to use more cultural intelligence, along with cost management abilities, all while remaining consistent with the brand’s heritage.

2.1 Going public within the industry

Notwithstanding some exceptional cases,[40] the contraction affected the majority of brands (Zargani, 2011), regardless of their ownership structure. In fact, companies in the luxury fashion industry can be broadly divided in two groups: those owned by a fashion conglomerate and those which still manage to hold out and remain independent, often because backed by a strong family holding structure. Although brands grouped in conglomerates maintain their own creative direction, the holders at the top of the pyramid are the ones recruiting them, thus indirectly influencing their tendencies: after all, it is their creations that will ultimately drive sales. The three richest holdings are all based in Europe and hold in total roughly 150 brands; the largest of all by number of brands and revenue recorded is LVMH Moët Hennessy Louis Vuitton, which listed on the Paris Stock Exchange in 1987 and has a current market capitalization of $282.24 billion (CompaniesMarketCap, n.d.) (the others are Kering and Richemont). Data from the closing of the first quarter of 2026 however confirms that even the world's leading high-quality products group recorded a drop in sales, with a revenue of €19.1 billion, up 1% at the organic level (its underlying performance) but down 6% at the reported level (including the effects of currency fluctuations, acquisitions and any other relevant event) (LVMH, 2026).

In this heterogeneous business environment, the majority of large companies has decided to publicly list. As for the others, they can probably count on a powerful ownership structure that allows them to remain private: a significant example is Chanel, entirely owned by the brothers Alain and Gérard Wertheimer (50% each), who inherited the company through the family lineage. No other shareholder exists, while the rest of the family still plays meaningful roles in the management. In 2025 Chanel was recognised as the most valuable apparel brand globally, proving that its ownership structure can successfully compete with the other fashion giant holdings (Brands Owned By, 2024). The founder of the business of fashion, Imran Amed (2023), writes that investing in these brands should require a thorough industry knowledge, since "so much of what makes a fashion company successful (or not) can't be explained by even the best financial modelling". For this same reason, when pondering an IPO, fashion leaders should make sure to have a strong product and brand values but also a clear and understandable business strategy, so as to tap a wider audience.

[40] Brunello Cucinelli recorded a 14% growth for the Q1 of 2026, expected to drop just to a 10% for the rest of 2026 and 2027. For a contemporary breakdown of changing consumer behaviors and shifting brand dynamics, see the industry insight report by *The Silent Luxury* (2026, April), *The magic is spent*, available at https://the-silent-luxury.com/wp-content/uploads/2026/04/TSL-INSIGHT_The-Magic-is-Spent.pdf.

An empirical study conducted by Meinshausen et al. (2015) analyses the long-term stock price performance of initial public offerings in the fashion and leather accessories industry. The reference period is between 1990 and 2007, the first boom for IPOs of this kind, and data is based on a sample of 207 companies, spanning Asia, Australia, Europe, North and South America. The authors observe interesting patterns in these listings, starting from seasonality, suggested by the distribution of IPOs across the years. Periods of 'hot issue' markets can be identified at the end of the 1990s and just before the financial crisis of 2008, when the percentage of deals rises considerably. Another conclusion they arrive to is based on the hypothesis that larger and more mature companies in this industry can have stronger post-IPO performances than smaller and inexperienced firms. This is because they are more likely to be backed by managerial experience, a solid operational history and prestigious underwriting banks, all factors which are valued positively by investors. Coach and Hermès International are two of the examples made to support this point. Finally, data collected shows a decrease in post-IPO systematic risk exposure, probably motivated by subsequent investments in internal and external growth opportunities, which generate lower-risk assets in place. This pattern may reasonably explain the poor long-term stock price performance observed, since expected returns by investors are positively associated with risk (Meinshausen et al., 2015).

3. Prada

Figure 6

In 1978, Miuccia Prada revived the triangular logo, adopting an inverted version of an old design. From the 1985, the brand also reintroduced the wordmark and the oval logo. (Museo del Marchio Italiano, n.d.)

3.1 History

Prada was founded in Milan in 1931 by brothers Mario and Martino Prada, who originally produced leather travel accessories under the brand Fratelli Prada, targeting premium consumers already from the beginning (Moore & Doyle, 2010). Confirming its elite status, the brand obtained the title of official supplier of the Italian Royal House, introducing the coat of arms and the knotted rope in its logo. When in 1975 the founder's granddaughter, Miuccia, took over the company from her mother, the business was struggling (Di Giuli & Gromb, 2016) and was still relatively local; from that moment onward she would become the leading figure and driving force shaping the success of the brand. The paper by Moore & Doyle (2010) proposes the case study of Prada to demonstrate the typical evolution stages of a luxury brand; it identifies 4 distinct phases, starting from the takeover of Miuccia: the search for a differential, the establishment of a growth platform, the aspiration and acquisition, and the retrenchment and consolidation.

The search for a differential was not only necessary to relaunch the brand's proposition, but also a natural step following the partnership with Patrizio Bertelli (the duo is still business and life partners), involved in a similar leather goods family business but with a more advanced production capability. The union of her sophisticated creativity and his entrepreneurial intuition (Prada Group, n.d.) were the ingredients to establish a stronger and international luxury brand (and later, luxury group), with her as head of design and him as CEO. To stand out from the crowd, judged to be ostentatious, Miuccia found the key in "utilitarianism, combined with an ethos of sophistication, technical competence and controlled extravagance" (Moore & Doyle, 2010). The product symbol of this rebranding was a luggage collection made of industrial black nylon cloth. In the 1980s, the brand started working on its wholesale and retail expansion i.e. the growth platform, opening stores in Italy but also abroad (Madrid, London, Paris; branches in China, Japan and USA will be opened at the beginning of the 90s), thus increasing its customer base and establishing brand interest. In line with the growth trajectory, they decided to diversify the product line, which led to the presentation of the first womenswear collection for the Fall/Winter season of 1988, with clothes characterized by a worker aesthetic (Di Giuli & Gromb, 2016), a limited palette but also premium quality fabrics and meaningful interpretations, generally known as ugly chic. The established network of production facilities and suppliers allowed this transition to be quite smooth and successful (Moore & Doyle, 2010). Over the years, the company steadily expanded its market presence and, up to date, the brand encompasses also menswear, shoes, fashion accessories, eyewear (license agreement with Luxottica, 2003), beauty and fragrances (license agreement with L'Oréal Group, 2021), and a premium sportswear line for the Italian sailing team Luna Rossa. 1993 was a pivotal year for Prada, since it moved its first step towards becoming a multi-brand luxury group; in fact, a new brand was born from Miuccia's creative vision: Miu Miu, addressing a younger customer base with a more provocative personality but a similar development strategy to the mother label. In almost thirty years, its new leaders had been able to establish a multi-national and multi-segment business, building upon its foundational propositional values and its appreciated aesthetic, high-quality and exclusivity (Moore & Doyle, 2010). What is more, Prada's communication moved beyond the products, creating value for its customers through special "media coverage, fashion shows, stores design, architecturally striking epicentre flagship stores, and modern art and culture events" (Di Giuli & Gromb, 2016).

Provided this background, the group felt ready to become an active participant of market dynamics and embarked on an acquisition spree, especially since competition within the fashion industry was intensifying (main rivals were LVMH and Gucci) (Moore & Doyle, 2010). Two of its most successful and strategic moves were the acquisitions of the British Church's in 1999, and the Italian Car Shoe in 2001, two footwear manufacturers renowned for their superior craftsmanship. The intent to support such actions with an IPO in Milan in 2001 and again in 2002, with a company valuation of about €8 billion, was undermined by 9/11 events, which disrupted the market (Di Giuli & Gromb, 2016). Although driven by the intent of growing, these purchases had placed considerable financial pressure on the holding, which now required particular attention in managing its financial affairs (Moore & Doyle, 2010). Parts of stocks (they owned a stake in Fendi ([Di Giuli & Gromb, 2016]) and other unsuccessful acquisitions conducted were sold (the brands Helmut Lang and Jil Sander) and a 5% stake in Prada was sold to the Italian bank Intesa Sanpaolo in December 2006, in a loan settlement of €100 million (Di Giuli & Gromb, 2016). The other 95% of the still private company was held by Patrizio, Miuccia, and her siblings Alberto and Marina, through a holding company based in the Netherlands, Prada Holding BV (Prada SpA was the actual operating company owned by the holding) (see Figure 7) (Di Giuli & Gromb, 2016). To further recover from a net debt in excess of €1.1 billion (at the end of 2008), the brand had to rely on licensing agreements for the production of eyewear (Luxottica), beauty and fragrances (Puig), targeting the mass market: it was against the brand's spirit but its broader accessibility to customers provided a needed financial contribution. Moore & Doyle (2010) concludes that, to remain alive, "most luxury brands must engage in some form of product democratisation", even the most nonconformist.

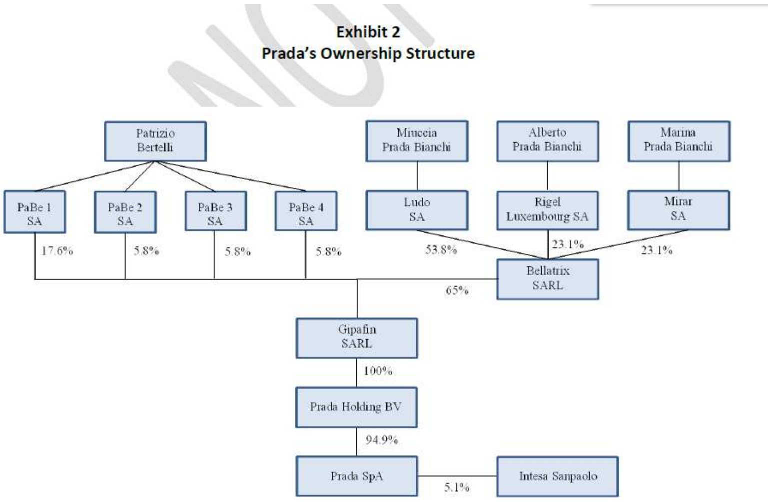


Figure 7 (Di Giuli & Gromb, 2016)

In 2007/2008 another IPO attempt failed, again due to the unfavourable conditions of the market (global crisis), which is indicative of the influence that this external factor has on the decision to go public. With a firm value at €5 billion, the company could only bet on strengthening its two core brands, which in 2010 accounted for 79% and 17% of sales respectively (remainder was 2.5% for Church and 1% for Car Shoe). It owned 301 directly operated stores (DOS) distributed in 70 countries for the retail distribution, in addition to wholesale distribution points in department stores (29% of sales) and to a growing e-commerce platform. Through its design, production, market and distribution facilities, it employed about 8,000 people, while €251 million was its earnings on revenues of €2 billion (Di Giuli & Gromb, 2016). The paper by Moore and Doyle (2010) then closes at the eve of the final and successful IPO, questioning the adoption by the brand of "more mainstream luxury marketing activities" as coherent yet necessary. Although it is beyond the author's intent in this dissertation to discuss Prada's marketing strategies, it would be interesting for future research to complete this analysis on the evolution's phases of a luxury brand, taking into consideration the subsequent stages in Prada's history.

3.2 Reasons for listing

Prada Group had closed fiscal year 2010 recording €2.04 billion ($2.69 billion) worth of revenues, sustained by a 31% growth of sales YoY, with Asia leading the upward trend (48% of growth versus the 29% in the US and the 18% in Europe) (Zargani, 2011). The period between 2008 and 2009 had been a cold-issue one in the IPO market, recording the lowest annual number for total IPOs in the US since 1975 - only 31 in 2008. Notwithstanding some volatility, the IPO market had regained considerable momentum by then, as investors' confidence returned (WilmerHale, 2010). What is even more relevant is that the Chinese IPO market was the largest market in the world by equity funds raised, led by Hong Kong (US$46.9 billion), Shenzhen (US$40 billion) and Shanghai (US$28 billion) (NYSE Euronext in the US was fourth with US$28 billion) (Espinasse, 2010). A market report published by a Chinese financial data provider indicates that it was a record-breaking year for Chinese IPO activity, with a total of 490 Chinese companies completing an IPO, 347 in domestic stock exchanges (ChinaVenture, n.d.). Within this context, also the global luxury market showed to be resilient, recording a 13% increase in 2010 (Huang, 2026), led by tourist shoppers in Europe and in China and by the industry leader LVMH (Wendlandt & Ciancio, 2011). In the meantime, China was establishing and maintaining its status as fastest-growing luxury market, with sales expected to rise 30% in 2010 (The Guardian, 2010), fuelled by new openings and an increasing interest which led Chinese customers alone to constitute more than 20% of global luxury consumption, considering both domestic and foreign spending (Bain & Company, 2011). Besides Europe, where Prada had 43% of sales, the Asian market was the second largest market, with China producing over half of its total sales (31%) (Di Giuli & Gromb, 2016): the Chinese market had definitely become the fastest growing one. Reporting data from Prada, an article by WWD writes that revenues for 2010 recorded in China, Hong Kong and Macau outnumbered those of the previous year by 75% and accounted for almost 20% of the group's total turnover (Zargani, 2011).

All things considered, after two attempts at publicly listing penalised by an awful timing, now conditions started to appear more favourable. Market timing, company's conditions and a substantial market potential to be further unlocked seemed to perfectly align and point to a successful cross-border listing process, as noted by the words of the CEO Bertelli to the press (Wendlandt & Ciancio, 2011): "Confident in the development of the group, we can now face the coming challenges with serenity and seize the best opportunities offered by the international capital markets".

Before examining the advantages that this decision would have brought, a proper assessment should consider also potential risks. A comprehensive list is included in the prospectus of Prada's offering, the main document produced during the listing process which addresses investors directly (Prada S.p.A., 2011). Besides the risks related specifically to their business (i.e. "our business success has been driven by certain key personnel") and those related to the international luxury industry (i.e. influence of "seasonal fluctuations"), they list risks Related to the Global Offering, such as the fact that the interests of controlling shareholders may diverge from interests of other minority shareholders. In addition to this, it is interesting to point out that both Di Giuli & Gromb (2016) and Huang (2026) in their papers highlights additional context-specific risks, affecting directly the performance of this title. For Huang, by listing in an international hub, the stock would have been more exposed to the global macroeconomic context. Di Giuli & Gromb present two other issues. The first issue were the upcoming listings in Milan of two rivals in the Italian sector of high-end luxury goods, namely sportswear brand Moncler (IPO in 2013) and shoemaker Ferragamo (IPO in 2011), which could have taken investor's attention away. Actually, at the time, few companies of the sector were listed in Italy, which gave Prada a competitive advantage over its future competitors. The second issue did not arise until much later, when the prospectus was released, and it concerned Prada's structure of the offering. Out of the total amount of 423,276,000 Shares offered, the vast majority was secondary shares (364,452,000) (Prada S.p.A., 2011). Conversely, local investors were probably expecting an issuance of mainly primary shares, since capital could have been more easily invested in the expansion of the domestic market; secondary offerings did not give investors the same feeling. The reality is that, it is reported that part of the proceeds of this sale of owners' stakes would have been used to repay the company's debts. Talking about shares structure, Prada and Bertelli's families wanted to maintain a strong hold on the ownership of the company, in order to retain its strategic and operational control. As a consequence, they retained the majority of shares (80%) through Prada Holding B.V., their holding structure, and let the remaining 20% (comprising both primary and secondary offerings) available for trading on the open market. Intesa Sanpaolo fully divested its stake in the company (Di Giuli & Gromb, 2016).

Provided this background, the following analysis of the motives behind Prada's Hong Kong IPO moves from the "USE OF PROCEEDS" section of the prospectus (Prada S.p.A., 2011), which comprises three points; additionally, further reasons drawing from both Di Giuli & Gromb (2016) and Huang (2026)'s papers are proposed.

The largest share of proceeds, 75%, is destined to the strategic development of Directly Operated Stores in the short-period: expansion of the network of retail stores and renovation or relocation of existing boutiques (Prada S.p.A., 2011). With such an ambitious strategy, Prada needed to secure a solid capital base and a stronger balance sheet. Although this was the main ingredient of a plan of global growth, there was one main destination that the company was aiming at. In January 2011 Bertelli had told WWD that an increasing number of new stores would have been opened in Asia, especially in China (Zargani, 2011). The target was mainland China, where the majority of second- and third-tier cities are concentrated: although their luxury demand was increasing, cities like Harbin, Guangzhou, Changchun and Hangzhou were still lacking proper retail infrastructures (Huang, 2026). As Huang further sustains, it was important for the brand to strengthen sales through the retail channel, rather than wholesale, to maintain control over the brand image and the margins of revenues. The importance that investing in the Chinese market had in that moment for the brand emerges also going through the prospectus (Prada S.p.A., 2011), where the country is extensively mentioned and analysed. At page 97 one can read "In China, we grew from 8 DOS as at January 31, 2007 to 18 DOS as at January 31, 2011, and we expect to add more than 30 DOS in China by January 31, 2014. We believe further growth is possible due to continuing growth of the Chinese economy, which enables us to further our penetration into more Chinese cities." Although physical presence is certainly the most visible consequence, the choice of the listing destination was already a strong signal of the desire to establish a deeper connection with the far-east country and the whole Asian market. Prada was approaching Hong Kong stock exchange as one of the first Western luxury company (Di Giuli & Gromb, 2016) and as the absolute first Italian one, and this signed a milestone for the group, the stock exchange and the sector. When examining the advantages of an IPO in the first chapter, one of the points mentioned was the ability of the process to raise brand awareness. As a consequence, when Prada filed at the HKEX to publicly list there, it was also engaging in a global marketing event (Huang, 2026). It was true that they already had a strong local customer base but they also had a huge potential to unlock and this was a unique yet effective method to make the brand feel as more 'local'. On top of that, as disclosed in the prospectus, the fashion brand chose promotion channels which were closer to its creative identity, to solidify its profile in the region and directly involve customers (Prada S.p.A., 2011). This meant bringing the exhibition Pradasphere to Hong Kong later in 2014 (Prada Group, n.d.), but also holding fashion shows like the ones in 2011, in Beijing for the spring/summer collection of Prada and in Shanghai for the fall/winter collection of Miu Miu. Moreover, considering the choice of the destination, two additional questions should be answered: why choosing Hong Kong and not another stock exchange in China? and secondly, why not choosing a dual-listing in Milan, the city in the origin and first establishment of the brand? The latter question is regularly posed to directors, with CEO Andrea Guerra saying two years ago to Milano Finanza (2023) that it was absolutely not a priority. Up to date, it still remains a possibility, although chances are getting increasingly higher: at the end of last year, group's CFO Bonini said at the CNBC (2025) that such a move "will be the right thing to do at some point." To answer the first question, it is necessary to make reference to the presentation of the capital market in China and in Hong Kong provided in the previous chapter. In addition to being a major listing venue, recently also for international issuers, Hong Kong presented others numerous advantages: it had favourable listing conditions, like a 10% to 15% price premium (Di Giuli & Gromb, 2016); it had an interesting investor base, a mix of Western institutional experience and Asian retail enthusiasm, especially for luxury goods; lastly but most importantly, it was considered (and still is) "the gateway to China" (Huang, 2026), the perfect financial hub to benefit from the proximity with the Chinese growing market but also to avoid its complicated regulatory environment, given HK's light regulation, Relatively low taxes and highly western-like financial system (Council on Foreign Relations, 2024). As the literature confirms, this geographic closeness to a high growth market would have significantly lowered information asymmetry between local investors and foreign issuers (Huang, 2026). Pagano et al. (2002) sustain that this may be determined by the concentration of more industry experts.

The second point in the use of proceeds section of the prospectus provides for approximately the 15% to be spent to repay the debt of the holding (Prada S.p.A., 2011). It was previously mentioned that one of the uses of the capital raised can also be reducing long-term debt and it was also anticipated how Prada had accumulated a substantial amount of debt, in the form of bank loans, Post Development Corp. and Sovereign Bank mortgage loan agreement and certain short-term revolving credit facilities (Prada S.p.A., 2011). It was clear that to optimize its financial structure, Prada needed to address the pre-IPO net debt problem. It should also be remembered that conducting a listing process brings a whole new set of related and significant expenses: banks', lawyers' and auditors' fees, collateral expenses for listing, public relations, press releases, advertising and management time, not to mention future recurring costs for remaining compliant (Di Giuli & Gromb, 2016). Di Giuli & Gromb add also the cost of possible underpricing expressed in money left on the table. To balance these expenses, there was however the promise of an easier access to future funds that a public listing guarantees: secondary offerings, issuance of new equity, usage of shares as payment in acquisitions or collateral for loans.

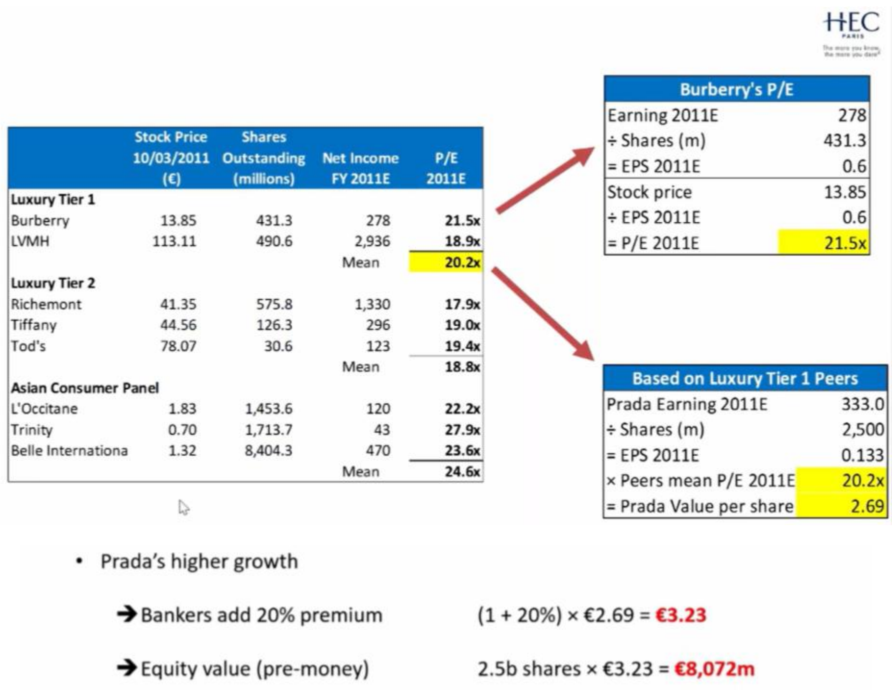
The remaining 10% of proceeds is reserved for working capital needs or general corporate purposes (Prada S.p.A., 2011).

In listing the motives, Huang (2026) includes also the inherent advantage that listing would have brought to the company under a regulatory point of view: transparency and on-going reports would have helped the company to strengthen its investors' relationships, improve corporate governance and operate smoothly in the Asian market.

Both in the general presentation of an IPO's driving forces and in this specific analysis of Prada's own reasons, the starting point was capital raising. What is however important is that this capital then aligned with a more sophisticated and multi-faceted strategy, which made this decision pivotal in the growth plan of the Italian maison.

3.3 The listing

After having assessed the company's readiness to go public, and before actually embarking on the process, Di Giuli & Gromb (2016) highlight the need to determine the fair valuation of the business, which is directly linked to the establishment of the initial price range of the offering. Huang (2026) further support the 'utmost' importance of this step, especially since luxury brands' added value stands on intangible assets, such as heritage, reputation and aesthetic know-how. Di Giuli & Gromb explain that it was done through two standard valuation methodologies: trading multiples (Comparable Company Analysis (CCA)) and discounted cash flow analysis, both applied on the basis of Prada's financial conditions as of 01/31/2011, the end of FY2010. Although at the beginning both were used, the former one assumed increasing relevance during the transaction.



	Stock Price 10/03/2011 (€)	Shares Outstanding (millions)	Net Income FY 2011E	P/E 2011E
Luxury Tier 1				
Burberry	13.85	431.3	278	**21.5x**
LVMH	113.11	490.6	2,936	**18.9x**
			Mean	**20.2x**
Luxury Tier 2				
Richemont	41.35	575.8	1,330	**17.9x**
Tiffany	44.56	126.3	296	**19.0x**
Tod's	78.07	30.6	123	**19.4x**
			Mean	**18.8x**
Asian Consumer Panel				
L'Occitane	1.83	1,453.6	120	**22.2x**
Trinity	0.70	1,713.7	43	**27.9x**
Belle Internationa	1.32	8,404.3	470	**23.6x**
			Mean	**24.6x**

Burberry's P/E	
Earning 2011E	278
÷ Shares (m)	431.3
= EPS 2011E	0.6
Stock price	13.85
÷ EPS 2011E	0.6
= P/E 2011E	21.5x

Based on Luxury Tier 1 Peers	
Prada Earning 2011E	333.0
÷ Shares (m)	2,500
= EPS 2011E	0.133
× Peers mean P/E 2011E	20.2x
= Prada Value per share	2.69

- Prada's higher growth

➔ Bankers add 20% premium (1 + 20%) × €2.69 = **€3.23**

➔ Equity value (pre-money) 2.5b shares × €3.23 = **€8,072m**

Figure 8 (HEC Paris Executive Education, 2018)

Trading Multiples is based on comparing the company with similar players (comparables or comps), drawing from publicly traded peers either belonging to the same industry or sector or trading marketplace. Three tiers emerged, namely Core Luxury Tier 1 (Burberry and LVMH), Core Luxury Tier 2 (Richemont, Tiffany, and Tod's) and Asian Consumer Panel (Belle International, L'Occitane,[41] and Trinity – three consumer goods companies listed in Hong Kong). At this point analysts could proceed calculating two ratios: although the team favoured enterprise value-to EBITDA (EV/EBITDA), the appointed intermediaries in Asia and in the United States were more used to use price/earnings (P/E). According to the latter one, expected earnings for the upcoming fiscal year[42] of one brand are divided by the number of outstanding shares, generating a number for the expected earnings per share. Then, its current stock price is divided by the EPS just calculated, which thus produces the value of price to earning P/E ratio expected. Once calculated the expected EPS of Prada for the upcoming year, based on an esteem of its earnings, it is multiplied by the mean of all the P/E ratios of comps included in one tier, which finally results in a reasonable value per share for Prada. However, Prada's growing pace was quicker than competitors at the time, which means that taking into consideration their P/E mean was not totally accurate: to not undervalue the company, it was decided to add a 20% premium (called P/E-to-growth (PEG) ratio) to the final share price. The final step then is to multiply it by the total number of outstanding shares owned by Prada, to find out the total valuation of the company. Figure 8, taken from a webinar in which Gromb discussed his paper, provides a practical example of these calculations, using Tier 1 and Burberry as comparables.

Discounted Cash Flow (DCF) Analysis is referred to as such because in this case valuations of present value are based on forecasts of future generated cash flows, which is worth less and is less risky than how it is in the present. To fuel this analysis, Prada provides financial statements from the previous three years (FY2008-10) and a business plan of the following three years (FY2011-13). Since the period to be covered in the analysis includes also fiscal years 2014 to 2016, the team builds projections based on expected growth rates but also a forecasted operational stability over those years. For instance, 10.5%, 7.4%, and 7.3% are the percentages of expected growth of sales, while EBITDA Margin (sales/EBITDA) and days for

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[41] L'Occitane International S.A. ("L'Occitane"), a cosmetics company, was the first one from Western Europe to list in Hong Kong, going public in May 2010 and raising HK$6.1 billion (US$787 million). The choice for its listing destination was mainly motivated by an ever-increasing Asian market share, leading the way for non-Asian and non-Chinese businesses to list there (Espinasse, 2014).

[42] Although one-year forward ratios were the most common (2011 would have been the coming year), calculations were made also using the latest annual earnings and two-year forward forecasted earnings.

inventory, accounts receivable and payable are left unvaried (compared to levels for FY13). Nevertheless, the majority of value expected to be produced from the company depends on potential cashflow arriving in a further future, therefore calculations should include a terminal value formula, which sets a hypothetical 2.5% (determined by rules of thumbs) as constant growth rate from FY16 onwards, to reflect Prada's worth on a longer-term basis. Weighted average cost of capital (WACC) is also needed, to figure out the minimum rate of return required by investors, besides being used as the discount rate to obtain Prada's present value starting from its future cash flows; building on peers' data, it was assessed to be 9%. A 5% market risk premium is added and it is assumed that the company would have relied entirely on equity financing, without any financial leverage on debt. Di Giuli & Gromb (2016) analysis stresses how the value reached at this point is the whole enterprise value, which should however be reduced to the equity value, taking into account cash and short- and long-term debt, both of the holding and operating company. In this kind of analysis, the final step would consist in dividing the equity value by the number of shares, obtaining the final value per share, which in this case happened to be quite close to trading multiples final share price (€3.23 vs €3.6). It should be noted that, even though euros were mainly used during this phase, the IPO price would be in Hong Kong dollars (€1 = HK$10.732). For detailed figures relating to each step of the process, see Figure 9 below, which is also taken from the professor Gromb's webinar.

According to Di Giuli & Gromb, one final aspect to take notice of is the pre-money character of these final valuations produced both through multiples and DCF: it means that the final share price proposed is based on existing equity which does not include the capital raised during the IPO. Nevertheless, IPO proceeds are essential for determining the company's subsequent market capitalisation as well as establishing the new and perhaps diluted ownership structure after the issuance of new shares. As a consequence, post-money equity value is calculated adding forecasted, and later exact, IPO proceeds from the first and secondary offering. The figures they aimed for were €230 million from the primary offering and more than €1.5 billion from the secondary. This valuation was a fundamental step to start with, so as to be able throughout the phases to defend the true value of the company. Subsequently, a lot of variables affect the IPO price range, from feedback from investors to ever-evolving market conditions[43], from the fear of leaving too much money on the table to the risk on underperforming.

DCF	FY10-end	FY 2011E	FY 2012E	FY 2013E	FY 2014E	FY 2015E	FY 2016E
CF		**211**	**292**	**483**	**630**	**702**	**763**
Discount factor	1	0.917	0.842	0.772	0.708	0.650	0.596
PV of CF (01/31/2011)		194	245	373	446	456	455
Sum of discounted FCF	2,169						
TV as growing perpetuity							12,034
PV of TV	7,175						
Enterprise value (EV)	9,344						
Cash	116.3						
Long-term debt	299.5						
Short-term debt	191.7						
Pre-money equity value	8,970						
Number of shares	2,500						
Value per share	3.6						

Assumptions	
WACC	9.0%
Terminal g	2.5%

Figure 9 (HEC Paris Executive Education, 2018)

Continuing their analysis, Di Giuli and Gromb (2016) write that the following step was appointing the working team, to embark on a process which would have taken six to eight months. The banks recruited covered several regions, so as to deal smoothly with terminologies in different languages and jurisdictions' peculiarities: lead underwriters were the American Goldman Sachs and CLSA, Crédit Agricole's Hong Kong–based Asian brokerage unit, which included in their syndicate UniCredit and Intesa Sanpaolo's investment banking division Banca IMI. For a further local support, also Chinese bank ICBC and Japanese bank Mizuho were recruited, although with a minor role. Works started in Milan in late 2010. The first mission was to transform a private Italian family business into a publicly traded company, thus simplifying its corporate structure, auditing its accounting figures for the last three fiscal years and conducting an all-encompassing due diligence.
Simultaneously to this first phase, the prospectus was drafted, clarifying not only the offering's parameters but also the equity story, its added value and future expectations, in brief, the substance and essence of the company. In the meanwhile, valuations continued to refine the price range and the hypothetical distribution of shares among investors, according to new elements and market conditions. In the following phase, named premarketing, institutional investors were involved (mutual funds, pension funds, insurance companies...), who had previously received a pre-deal research report (except in the U.S., Canada, and

[43] The ongoing Greek crisis and the subsequent financial volatility are mentioned as the main external market forces influencing investors' sentiment; in fact, data from the order book shows a decrease in investor's interest during the Greek crisis peak, between the 16th and 17th of June 2001 (Di Giuli & Gromb, 2016).

Japan, whose regulations prohibit it to prevent information asymmetries). Analysts met with over 300 investors over 1 month, presenting the offering to them after having done the same to the head people at Prada. Through this stage, called investor education, what was really important to them was receiving feedback, so as to adjust the IPO price.
A preliminary prospectus was sent out and approximately two weeks before closing the process CEO Patrizio Bertelli and the management team went on an international roadshow, to meet personally with hundreds of institutional investors. In the meantime, bookbuilding and the filling of the book of demand with indications of interest signalled the approach to the ending phase. Once the book was closed, the whole team met to perform the final duties: sign underwriting agreements, price the issue, and allocate the shares based on the book. Banks had tried to price the issue “within the top quartile of the range, but not as high as possible” so as to leave space for oversubscription, write Di Giuli and Gromb (2016). In a price range set between HK$48.00 (equivalent to €4.23) and HK$36.50 (equivalent to €3.22) (Prada S.p.A., 2011), in the end final issue price was established at HK$39.50 per share (equivalent to €3.48), actually at the lower end of the range because of the extremely volatile global market conditions (Huang, 2026). Finally, on the 24th of June 2011, Prada went officially public on the Hong Kong Stock Exchange (Di Giuli & Gromb, 2016). The offering raised a total of about US$2.1 billion (equivalent to €1.44 billion), accounting for about 16.5% of the updated share capital of the brand (Huang, 2026). As disclosed in Prada's IPO prospectus (Prada S.p.A., 2011), shares would have been traded in board lots of 100 Shares each. The stock code, also called ticker symbol, was set to be 1913, year of foundation of the maison: behind that simple sequence of numbers, there was experience, heritage and longevity, all the aspects that the company wanted to leverage to sell that stock. The graphs below show the distribution of demand and allocation (see Figure 10). As it can be observed there and as stated by Huang (2026), interest from institutional investors and Asian sovereign funds was predominant, while retail investors were still affected by financial instabilities. As the author further highlights, retail investors were also more sensible because of cross-border related regulatory complications, like paying capital gains tax: this is not applied in Hong Kong but it is in Italy for companies incorporated domestically, thus requiring underwriters to properly minimize the matter. Building on Di Giuli and Gromb's (2016) case study, in case of exceeding offering, a clawback clause allowed to reallocate shares to the retail tranche. In fact, the largest stocks had been reserved to large and trustworthy investors, who were mainly institutional and who, participating in the premarketing phase, had voiced their optimism about the IPO. It was important for the working team to strategically assign stocks, in order to

create a high-quality shareholder base, which could have supported the brand on a long-term (Huang, 2026). Finally, underwriters were also responsible for exercising the greenshoe option and stabilizing the price in the aftermarket (Di Giuli & Gromb, 2016).

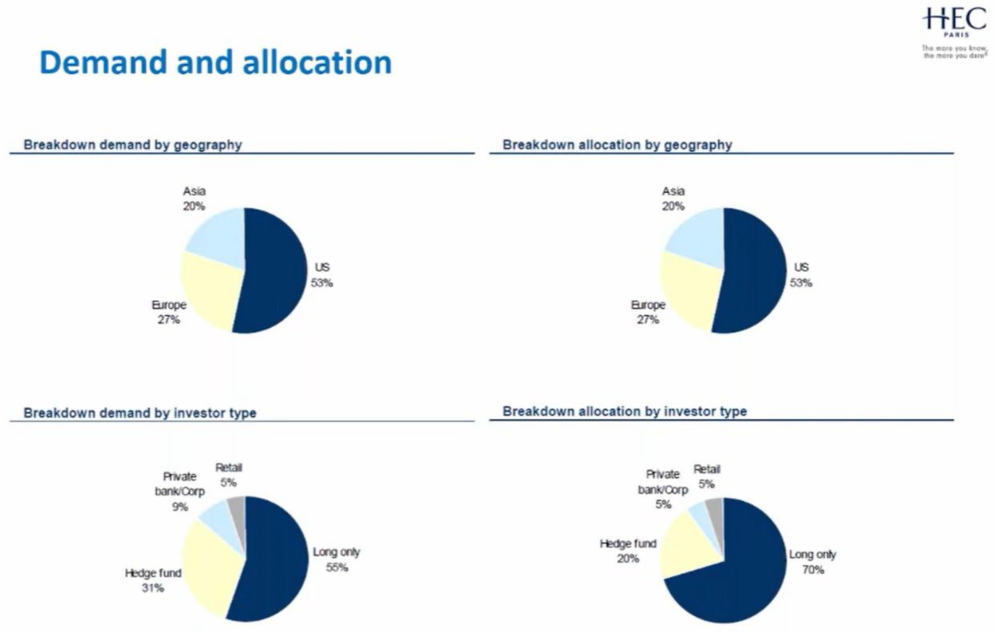

Figure 10 (HEC Paris Executive Education, 2018)

Figure 10 (Associated Press, 2011)

3.4 Performance

Prada's decision to go public was based on specific desires and objectives established well before the beginning of the process. Despite the completion of every step, the newly acquired maturity of the company and the final successful launch on the board of the stock exchange might all announce a fortunate operation, the true evaluation of the whole process must be done later, on the first day of trading and especially after, taking into consideration the long-term performance and the accomplishment of the original intentions. Starting with the performance of the stock on the first day of trading and the short-term period after listing, Prada underperformed, closing with a price lower than the offer price (also "first-day decline") (Huang, 2026). As Huang suggests, this phenomenon (but also the opposite case, underpricing) is a clear demonstration of the real gap that there is between the accurate and justified expectations of the institutions working at an IPO and the sentiment of the market, which is ultimately driven by a variety of external factors and which impact the final outcome. As a matter of fact, medium-term performance was affected by unfavourable macroeconomic conditions beyond the brand's control (sovereign debt problem in Europe and unstable retail sentiment in HK), which caused the price of the stock to fluctuate (Huang, 2026).

On the other hand, the long-term performance of the company's financial situation, less impacted by volatility, is what truly assesses the achievement or not of the growth targets set at the beginning and, according to Huang, signs the success of the IPO, for the brand rather than for the stock market. In this regard, two dimensions should be analysed: financial results and how these numbers translated into concrete operations and targeted goals, bearing in mind the objectives examined previously.

The annual results published regularly on Prada's website (Prada Group, n.d.), in accordance with HKEX compliance rules, are extremely helpful to observe the numeric growth that followed the IPO. For the purpose of this analysis, the period taken into consideration comprises 2011, the first full pre- and post-IPO fiscal years 2010 and 2012 and the following year 2013, completed with a glance at the most recent full financial year 2025 and first quarter of 2016. Specifically, here reference is made to values for net revenues, EBIT and net income, included in the profit and loss consolidated statement (income statement). Additionally, sales results divided by geographic area and channel and new openings numbers are compared.

Net revenues answer to the most basic yet necessary question: did Prada grow? did its sales grow?

Representing the total value of sales, data answers positively, showing an increase of 25% and 29% respectively in 2011 (Prada S.p.A, 2012) and 2012 YoY (Prada Group, 2013). Considering the €3,587,347 thousand accounted for in 2013 (Prada S.p.A, 2014), the corresponding amount for 2025 of €5,717,521 (Prada S.p.A, 2026) shows that growth of revenues steadily continued until today. In fact, quickly going through the majority of annual reports of the non-analysed period, one can notice a constant positive yet single-digit net revenues growth rate, which do not compete with the boom following the IPO. For instance, the percentage change in net revenues between 2025 and 2024 was 9% at constant exchange rates (Prada S.p.A, 2026). Net revenues results were evidently supported by Like-for-like[44] sales, which rose by +23% in 2011 and by +14% the following year (Prada Group, 2013), slowly decreasing under 10% in 2013 (7%) (Prada S.p.A, 2014). Growth of retail net sales in the last fiscal year compared to the previous year was still stable right below 10% (9.3% between 2025 and 2024) (Prada S.p.A, 2026).
Moving on to EBIT, this indicator represents Earnings Before Interest and Taxes and is calculated by subtracting the cost of goods sold and general, operating and administrative expenses from net revenues. It is important because, considering the business' model characteristics, it shows how profitable the firm is. In 2012 EBIT reached €890 million, 27% on Revenues, compared to 25% of 2011 (Prada Group, 2013), increasing consistently with net revenues and signalling the company's parallel increase in operating profitability. Looking at 2025 performance, EBIT amounted to €1,299.0 million, 22.7% on revenues, (23.6% of net revenues in 2024) (Prada S.p.A, 2026). In spite of the increase in absolute terms, EBIT margins slightly declined over time, reflecting an expansion of the business which requires highest operating investments than before.
Finally, net income reveals the true actual profit of shareholders, once also interest expenses and taxes are taken into account. All things considered, can Prada generate value for both the owners and minority shareholders? Once again, the answer is positive. The group's net income increased by 72.2% between 2010 and 2011 (Prada S.p.A, 2012) and by 44.9% between 2011 and 2012 (Prada Group, 2013). The sharp slowdown to 0.03% recorded in the following year (Prada S.p.A, 2014) may indicate a normalisation of growth following the exceptionally strong performance achieved in the immediate post-IPO period. Net income for 2025 amounted to €854,922 thousand (Prada S.p.A, 2026), slightly up compared to the previous year but also, in term of absolute values, considerably higher than 2012's €626

[44] Like-for-like indicators measure changes generated considering results of existing stores over a given period, thus exclude new openings, closures, or other changes in the retail network.

thousand (Prada Group, 2013). Then this profit is subject to a further distribution, which takes into consideration the division of shares between controlling and non-controlling, which for Prada is still 80 to 20 (Prada Group., n.d.). Before specifically analysing what these numbers meant for the objectives of the IPO, it can be concluded that in the first years following the IPO, Prada achieved a considerable growth in sales, which improved its overall operating profitability and net profitability, and which resulted, on the longer term, on a contracted yet steady growth trajectory.

The paragraph on the reasons and purposes of Prada's listing can be recapped in three main points: expansion of retail network, brand awareness in the Chinese market and repayment of debt. Each one of them is now addressed, in light of the above content and, when needed, additional data and supplementary sources of evidence.

The clearest indicator that shows a successful development of retail over wholesale is the percentage distribution of net sales by channel. From 2010 sales mix consisting of 71% retail and 29% wholesale (Prada S.p.A., 2011) to 2011, 78% versus 22% (Prada S.p.A, 2012), to 2012, 82% versus 18% (Prada Group, 2013). Today's distribution is 89% plus 8% plus 3% of royalties (Prada Group., n.d.). Supporting this increase, annual reports for 2011 (Prada S.p.A, 2012) and 2012 (Prada Group, 2013) clearly state that capex expenses were driven by retail development, namely new openings, refurbishments and relocations. In addition to this, there are the numbers of new openings, which between January 2011 and January 2012 were 75 (Prada S.p.A, 2012) and the following year 78, reaching a global total of 461 DOS at January 2013 (Prada Group, 2013). As of the end of 2025, Prada group owns 843 Directly Operated Stores (Prada S.p.A, 2026). Having previously positively analysed net revenue, it appears that this retail expansion has yielded concrete results.

Retail network expansion was also the main fuel in solidifying the brand's image in China (and Asia), thus similar indicators can be analysed to assess this objective. Net sales by geography revealed that between 2010 and 2011 the far east region recorded the highest increase YoY compared to other areas, principally sustained by greater China (encompassing also HK and Macau). There, growth was 45% between 2010 and 2011 (Galli, 2012), followed by 35% in the subsequent period (Prada Group, 2013) and 12% thereafter (Prada S.p.A, 2014). Although the rate declined over time, the latest report for the first quarter of 2026 (ended March 31, 2026) can confirm China is as yet the driving force of the Asia Pacific market (Prada Group, 2026), which at the moment is the first in the world both for retail sales (33% in 2025) and directly operated stores (318 in 2025) (Prada Group., n.d.). With reference to Chinese new openings, 8 out of total 18 in the APAC region were in Greater China in 2011

(Figure 11) (Galli, 2012), for a total of 115 and 48 respectively. Through 2012, the group confirmed its target of 2nd and 3rd tier cities, launching new retail locations in Changchun, Hangzhou, Hefei, Jinan, Nanjing, Shenyang and Taiyuan for Prada and in Chengdu, Nanjing and Qingdao for Miu Miu (Figure 12) (Prada Group, 2013).

Figure 11 (Galli, 2012)

Figure 12 (Prada Group, 2013)

Quantitative indicators are important and already paint a clear picture, but it is also worth considering consumers' sentiment around the brands of the group. In addition to Miuccia being mentioned by Vogue China among the Top 10 Haute Couture Designers for Fall/Winter 2011 (Vogue China, n.d.), Bain & Company's 2011 China Luxury Market Study positions Prada among the 10 most desired luxury brands in 2011 (based on a sample of 1,959 Luxury Goods Consumers in Mainland China). The report confirms 2nd and 3rd tier cities to be an important battlefield for luxury brands (Bain & Company, 2011).
Repayment of debt was the last important objective for this IPO. The presentation of annual results for 2011 (Galli, 2012) clearly stated that the combination of strong operating cash flow and IPO proceeds had led to a sharp decrease in debt. What is more, the reduction in debt-to-equity ratio throughout 2010, 2011 and 2012 captures a decline in leverage relative to an increase in equity, which makes it even more significant (Figure 13) (Prada S.p.A, 2012).

(amounts in thousands of Euro)	January 31 2010	January 31 2011	January 31 2012
Non-current assets	1,460,521	1,595,990	1,826,065
Current assets excluding financial assets	532,446	634,462	753,809
Current liabilities excluding financial liabilities	361,403	459,047	546,072
Net working capital	171,043	175,415	207,737
Assets held for sale	1,413	4,948	-
Long-term liabilities, including deferred taxation	92,195	103,236	123,656
Post-employment benefits	36,831	34,833	35,898
Provisions for risks	13,139	52,725	56,921
Net invested capital	1,490,812	1,585,559	1,817,327
Shareholders' equity – Group	1,047,903	1,204,350	1,822,743
Shareholders' equity – Non Controlling Interests	8,756	5,788	8,224
Total consolidated shareholders' equity	1,056,659	1,210,138	1,830,967
Long term financial payables	119,107	305,917	179,542
Short term financial payables, net of cash and cash equivalents	315,046	69,504	(193,182)
Net financial position	434,153	375,421	(13,640)
Shareholders' equity and net financial payables	1,490,812	1,585,559	1,817,327
Debt to Equity ratio	0.41	0.31	n.a.

Figure 13 (Prada S.p.A, 2012)

Huang (2026) in his study discusses other collateral consequences to the IPO, one on HKEX and one on other similar brands and companies. On the one hand, HKEX, already a thriving capital market, demonstrated for the first time as a worthy destination also for global luxury brands, attracting even more international quality issuers with its unique pool of capitals. On the other hand, Prada's decision and outcome showed to global luxury groups the efficacy of cross-border listings, especially when the customers base more active is abroad. One final assessment comes from the then Chief Executive Officer Patrizio Bertelli, who in the press release for the group's annual report for 2011 (Prada Group, 2012), stated satisfied "Our

Group enjoyed its best ever year, an important phase that saw the successful listing of Prada SpA shares on the Hong Kong Stock Exchange."

3.5 Trajectory

It can be argued that the listing marked a turning point for the brand, which could thereafter consolidate as a more mature brand. In fact, the group continued reinforcing its status and today its holdings are some of the world's most prestigious luxury brands (Prada Group, 2026), which was the intent of the heads of Prada at the time of the listing (Prada Group, 2012).[45] This paragraph wants to briefly outline the main events that characterised the history of the group since its listing up to the present day. This chronological sequence is mainly sourced through the company's history page on the official website (Prada Group, n.d.).

First of all, the group continued to expand its holdings and diversify its portfolio: in 2014 it acquired control of the prestigious Pasticceria Marchesi 1824 and of the historic French Tannerie Hervy; then, in 2021, together with Zegna Group, it acquired a majority shareholding in Filati Biagioli Modesto S.p.A., renowned for its production of cashmere. The most significant purchase however was the recent acquisition of Versace, another iconic Italian fashion luxury brand, happened in late 2025. The 100% of the company was bought from parent company Capri Holdings at €1.25 billion ($1.375 billion), financed by the emission of new debt (Prada Group, 2025). As stated by Andrea Guerra, appointed CEO of Prada group in 2023, during an interview with Imran Amed, it was a "great valuable opportunity", since the brand can complement the fashion offering of the group, targeting a different customer base (The Business of Fashion, 2026). In 2020 Miuccia Prada was joined by Raf Simons in the creative direction of the Prada brand and up to date they still co-design collections. 2023 signed another milestone, with the first ground-breaking partnership between an Italian luxury fashion company and an industry-leader commercial space company, Axiom Space: the brand signed for collaborating in the production of NASA's new lunar spacesuits, evidencing the high quality and technicality of manufacturing techniques reached by Prada.

Among the most important achievements, special mention should be made of the broad array of events and projects which revolve around sustainability, environmental protection and

[45] In the press release for the approval of the 2011 annual report, CEO Patrizio Bertelli wrote: "What has been achieved so far with drive and commitment will form the basis for further growth in future. We will aim to consolidate the Group's position as a leading luxury goods business on all international markets and will continue to draw on innovation, quality and respect for tradition."

corporate social responsibility, demonstrating true commitment to the company's declared values. Just to name a few, the publishment of the first Social Responsibility Report (2013), the "SEA BEYOND" project in collaboration with UNESCO's Intergovernmental Oceanographic Commission (2020), the creation of the Aura Blockchain Consortium (to promote transparency and traceability among luxury brands, 2021), and recently, the award of Gender Equality Certification (2026). Consistent with its purpose of being 'drivers of change' (Prada Group, 2026), Prada group consistently engages in a wide variety of cultural initiatives, ranging across different forms, locations and themes. To cite a few examples: an exhibition presenting the whole Prada universe called Pradasphere, two venues of Fondazione Prada (Milan and Venice) to host cultural events, and Prada Mode, an itinerant event which aim at generating experiences through music, conversation, food and fashion. To further support these initiatives, Prada S.p.A entered into dedicated loan agreements with banks, for instance the 2019 Sustainability Linked Loan from Crédit Agricole Group, whose interest rate was progressively reduced after the achievement of sustainability-related targets.

Prada's commitment to the Chinese market remained strong and the numbers previously discussed confirms the positive outcomes of these efforts. What they define as "unconventional communication tools" (Prada S.p.A., 2011), namely its campaigns to strengthen the brand's profile, were evidently organized in Greater China as well. The most important was the 6-year restoration completed in 2017 of an historical villa from 1918 in Shanghai's Rong Zhai district, Prada Rong Zhai, which synthesize elements of Prada's identity with Chinese cultural elements; today it hosts cultural events. Then, in 2019 and 2020, they brought Prada Mode to Hong Kong and Shanghai (in the Rong Zhai residence), involving the use of local platforms like Wechat mini program. Next came Pradasphere II, hosted in Shanghai in 2023, purposely to cultivate the relationship with the market, as said then-CEO to the China Daily (He, 2023).

What is more, the peculiarities of the Chinese culture and the marked differences of its local clientele required Prada to engage in ad-hoc marketing strategies and products, which however go beyond the scope of this thesis. To cite just one example, in the name of guochao 国朝 (national wave) Prada releases special capsule collections or dedicated campaigns in occasion of Chinese festivities. To celebrate the Chinese New Year of 2026, it involved two of its Chinese ambassadors for the digital campaign and mounted three huge installations of its Triangle Fire Horse in Shanghai and Chengdu (Prada, 2026). Both academic and non-academic sources like articles and marketing companies reports cover the topic.

Today, Miuccia Prada is part of executive directors, together with CEO Andrea Guerra, CFO Andrea Bonini, her son and executive chairman of Versace Lorenzo Bertelli, Paolo Zannoni, and chairman of the board of directors Patrizio Bertelli. The business model involves design of products, collection of orders for fashion shows and sales campaigns, sourcing of high-quality materials, production, and distribution (91% direct). It can count on 25 owned factories and 17,901 employees (Prada Group, 2026). For the first quarter of 2026 (ended 31 March), consolidated net revenues totalled €1,428 million, reflecting a 14% year-on-year growth trajectory (+3% if considering organic growth without accounting for Versace). Growth was 'robust' in the Asia Pacific region, especially in Greater China and Korea, while the ongoing conflict in middle east severely affected sales in that region. In this regard, Bertelli said: "Against this backdrop, we continue to centre our brands' performance on consistent and authentic creativity while aiming to constantly improve agility and flexibility across the organisation (...)" (Prada Group, 2026). At the beginning of the chapter, it was acknowledged that the luxury fashion industry is experiencing a structural crisis, which inevitably affect also the once-buoyant Chinese market. Although it remains an essential source of luxury sales, its internal economic and social conditions (real-estate crisis and high youth unemployment) have recently impacted sales but also consumers' sentiment. What they are expecting now is even more focus on quality and customized offering (Carbone, 2025). It is at this point that the two lines of analysis converge: an approach which values quality over quantity emerges as the winning development strategy both for the expanding China and the fast-paced fashion luxury industry. If cultural intelligence seems to be the key attribute for fashion leaders to gain market share (Pengue, as cited in Williams, 2026), then Prada 's pioneering approach (Prada Group, 2026) to fashion is likely to prove convincing enough to win consumers' hearts.

Concluding remarks and future outlooks

This thesis wanted to demonstrate how capital markets can be leveraged to enter the Chinese market. What is more, it aimed at providing a contemporary overview of the Chinese financial market in order to contextualise the topic in the present. Therefore, the paper eventually seeks to serve as an additional instrument to analyse underlying dynamics in financial markets, although limited to the case study of a single brand.

Financial markets, and the systems they operate in, constitute the base of every kind of international dynamics, since they control the flow of capitals and interests. Accordingly, the impressive economic affirmation of China was rooted in a similarly remarkable development of its financial system. Nonetheless, this enhancing role was hindered by an omnipresent political force which could not help but intervene and shape it, coherently with the ideological principles dictated by Socialism. This interference was present in the past, it still is in the present and it is likely to continue in the future. The result is an extremely attractive and vibrant pool of resources which however remain oriented towards governance's objectives, and substantially closed to a concrete participation of foreign capital. Hong Kong, with its strategic position, hybrid political system and unique financial market, thus appears to be the solution to bridge China's expanding business environment with the world, mostly based on a consolidated Western approach to finance. One of the main instruments that serve this meeting point is going public through an initial public offering, entering the market by offering tradable shares of the company to interested investors. Raising capital is generally known to be the main driving force of launching an IPO but in this context it becomes a vehicle to raise brand awareness and market the brand among consumers. The famous Italian luxury fashion brand, Prada, decided to adopt this strategy in 2011, listing its holding company Prada S.p.A. on the Hong Kong Stock Exchange. Allocating the large majority of proceeds to the further expansion of the network of Directly Operated Stores, especially in China, was the clear signal that the main goal of the listing went beyond accessing financial resources. Prada was ultimately aiming at increasing brand equity and enlarging an already interested customer base. This vision was already evident from the Prospectus: "We believe further growth is possible due to continuing growth of the Chinese economy, which enables us to further our penetration into more Chinese cities" (Prada S.p.A., 2011). Results of the business' activity in the long-term confirmed the engagement of new customers and a successful operation of expansion of the retail network, demonstrated by boosts in net sales, operating profitability, net revenues and numbers of new openings. Furthermore, after listing, cultural engagement with the country increased as well, creating a sincere relationship based on reciprocal appreciation.

Therefore, the case study analysed provides a suitable and successful example of how capital markets, namely the Hong Kong capital market, can be leveraged to enter the Chinese market as a cross-border company. This allows not only to tap a well-diversified group of investors but also to show an active interest and gain brand equity. As the Prada S.p.A. group itself states in one of its recent annual reports, its vision is characterised by an "innovative mindset and the ability to read contemporaneity" (Prada S.p.A., 2025), which were the main ingredient in making this choice.

Another objective for this thesis was contextualising the issue in the present. On the one hand, Prada showed an ongoing engagement with China, confirming its positive performance in the Asian market up-to-date. On the other hand, the discourse is more complex when looking at the other side of the coin, which is China. Although its global economic power is unquestioned, its control over national dynamics remains a constraint for its capital markets to properly develop. What is more, as explained throughout the second chapter, the amount of 'red capital' circulating in Hong Kong further stresses the link between the SAR and the mainland, which is bound to be also political and not only financial (Wang-Kaeding, 2020). Already in 2013, a study conducted on the Chinese financial system acknowledged this opaque system as dangerous, since it could have affected the rest of the world (Elliott & Yan, 2013). A concrete yet remote example of this possibility is Beijing's recent tightening of IPOs of red-chip companies in HK (Macau Daily Times, 2026). The question now is whether Hong Kong, under the mainland's potential increasing control, will remain able to strike a balance between the two opposing forces, and continue serving as the perfect intersection and IPO hub.

The case of Prada but also, to a greater extent, the value that public offerings assume for the Chinese governance, they show that in the end it is not a matter of money, it is almost never a matter of money. It may be expansion or it may be control. A slightly dated yet really interesting paper draws a line between the concept of couture and the concept of investment, which happens to be particularly coherent to end this thesis. The author, American researcher and professor Elton G. McGoun, finds that fashion and finance share their main source of success: the management of change. Both industries benefit from change, they can make a profit out of it. However, often it is not that profit their main motivation. Their high end is instead a “re-creation of a self-image of power and sex” (McGoun, 1996). Their high end is their evolution.

Excerpted from an interview with Miuccia Prada and Raf Simons by Charlie Porter (2025):

> *“PRADA: A company has to grow because if you are not growing, you lose tension. It’s a natural evolution of a company.*
>
> *SIMONS: It’s an economic law.*
>
> *PRADA: Yes. But also not only economics. Sometimes people ask me, “Why do you need to grow?” I am a designer, but I created this company with my husband, so I am also an entrepreneur. It comes natural that you want to do better. After you build a beautiful shop, you say, “Ah, why don’t we open another?” It’s the idea of evolution. For some people it’s about making more money, but for us it’s not. It’s about evolving. The company is a living animal.”*

List of Figures

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