

Development of Share Price in Direct Relation to the Entry of the New Investor in the Management of Business Corporation

Vývoj ceny akcie v přímé souvislosti se vstupem nového investora do vedení obchodní korporace

EVA DANIELA CVIK
RADKA MACGREGOR PELIKÁNOVÁ¹
OTAKAR SCHLOSSBERGER

Abstract

The existing legal framework laid down by Act No. 90/2012 Sb., the Companies and Cooperatives Act aka Business Corporations Act, provides minority shareholders with tools that may be used to protect their rights and interests; in practice, however, the use of such tools is insufficient. The issue of a nocontractual consensus regarding selling or buying shares in business corporations is not expressly regulated by the BCA and is wholly dependent on the terms agreed on by the parties. In line with the principle of freedom of contracts, the parties enjoy a considerable amount of discretion as they may agree about anything that is not contrary to the Act. The lack of express legal regulations in re share purchases causes considerable problems in practice. The share purchase price is dependent not only on demand and supply, but also on the financial standing of the respective company, including its internal situation. These aspects may be both positive and negative for the shareholders as regards their shares and the share price. In most cases, share purchases are related to an attempt by the dominant party to take over the business management of the company (a shareholder company in this paper). Therefore, this paper tries to assess what impact this may have on the share price in relation to share purchases by majority shareholders, including share price fluctuations and the impact on the share price of the company.

Keywords

share, Shareholder Company, book value, contractual share price, minority shareholder, Companies and Cooperatives Act, equity capital

JEL codes

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Abstrakt

Podle současné právní úpravy v podobě zákona č. 90/2012 Sb., o obchodních korporacích, jsou dány minoritním akcionářům nástroje, které lze využít k ochraně jejich zájmů a práv, avšak z pohledu praxe je uplatnění těchto nástrojů nedostatečné. Problematika týkající se smluvního konsenzu, jehož předmětem je nákup, či prodej obchodních podílů v rámci obchodních korporací, není tímto právním předpisem výslovně upravena a vše záleží pouze na sjednání podmínek mezi zúčastněnými stranami. K zúčastněným smluvním stranám konsenzu je tento právní předpis benevolentnější, a to na základě uplatňované zásady smluvní volnosti, kdy tato zásada ponechává smluvním stranám možnost si sjednat cokoliv, co není v rozporu se zákonem. Absence právní úpravy smluvního převodu podílů v rámci obchodních korporací způsobuje v praxi nemalou problematiku. Smluvní cena podílů je stanovena nejen na základě nabídky a poptávky, ale také na základě ekonomické situace v rámci obchodní korporace, včetně vnitřních poměrů v dané obchodní korporaci. Tyto proměnné mohou pro jednotlivé společníky znamenat, z hlediska držby akcií a jejich ceny, jak negativní, tak pozitivní důsledky. Vzhledem k tomu, že ve většině případů souvisí s převodem obchodního podílu v obchodní korporaci, snaha dominující smluvní strany ovládnout obchodní vedení dané obchodní korporace (pro účely tohoto článku v akciové společnosti), je hlavním cílem tohoto článku zhodnotit, jak tato skutečnost může ovlivnit ceny akcií v přímé souvislosti na realizované výkupy akcií, které jsou realizovány ze strany majoritního akcionáře, včetně kolísání a ovlivňování ceny akcií ve sledované obchodní korporaci.

Klíčová slova

akcie, akciová společnost, účetní cena akcie, smluvní cena akcie, minoritní akcionář, zákon o obchodních korporacích, vlastní kapitál

1 Introduction

The first legal regulation of companies was laid down in Act No. 513/1991 Sb., the Commercial Code, which is no longer in force. The Commercial Code defined the rights and obligations of both the majority and minority shareholders and the related possession of shares. The meeting of minds related to share purchases was not expressly regulated by the Commercial Code and was wholly dependent on the terms agreed on by the parties. The requirements for valid contracts to be complied with by the parties were defined by Act No. 40/1964 Sb, the Civil Code (this law is not in force any longer as it has been replaced by Act No. 89/2012 Sb., the Civil Code – hereinafter the “New Civil Code”). A number of laws were adopted as part of the last recodification of the Czech civil law including the New Civil Code or Act No. 90/2012 Sb., the Companies and Cooperatives Act aka Business Corporation Act (“BCA” or “Act”) (Cvik Eva D., MacGregor Pelikánová R., 2016). The parties are afforded a considerable degree of discretion by the New Civil Code in line with the principle of the freedom of contracts endorsed and formulated in its introductory provisions. This principle allows the parties to include virtually any terms in share purchase agreements that are not in violation of the law. The lack of legal regulations regarding minority share purchases causes considerable problems in practice. As there is no statutory regulation of such share purchases, the shares are often purchased under

different terms and for different prices reflecting the supply and demand or the financial standing of the respective company. Share purchases are often done by shareholders to acquire a majority share in the company and participate in the business management of the company (the majority shareholders have access to cash-flow, self-dealing) and the future development of the company. Such facts may have a direct impact on the market share value as well as the contractual share price. In light of these assumptions, this paper aims to analyze whether there is a direct link between changes in the share price and changes in the shareholding structure. A company where shares were purchased by a majority shareholder in order to be able to participate in the business management of the company and its future development was monitored for an extended period of time. By analyzing share values, the authors seek to establish whether there is a direct link between the changes in the share price and changes in the shareholding structure.

2 Sources and methods

The methods are conditioned by the availability of Czech and foreign literature, electronic sources, media sources and the possibility to acquire information about the legal and economic situation in the Czech Republic where the companies operate. The theoretical part of the paper is descriptive and is based on internet sources. The data gathered is then classified and general conclusions are formulated. Induction and abstraction are used to classify the background materials. A time series analysis (linear trend functions) has been used to conduct an economic analysis of the share values and to show the rate of average share price growth. Extrapolation of the time series has been used to predict the book value of shares. Classical economic theory postulates a dependence of the share price on the amount of equity capital, and therefore models accounting for such dependence have been developed. The data on book share prices is used to create such models. The ordinary least squares method (OLS) has been used to make estimates in compliance with all specifications and stochastic assumptions, which has been verified by statistical and econometric methods. The econometrics software Gretl has been used to make all estimates and verifications. This paper presents a case study analyzing one shareholder company.

3 Theoretical background

A shareholder company is a company in which the capital is divided into a number of shares. Section 1(1) of the Act classifies it as a limited company, together with a limited liability company. The characteristics of a shareholder company include the lack of any liability of shareholders for the debts of the company, virtually unlimited transferability of shares and the professional management of the company, which is required by the Act to act in compliance with the business judgment rule. Companies and cooperatives are regulated by the Companies and Cooperatives Act which replaced, in part, the repealed Commercial Code. In addition, a general regulation of legal entities is provided for by the New Civil Code. Shareholder companies are regulated by Sections 243–551 of the Act.

Shareholder companies are also subject to the general regulation of companies as set out in Sections 1–94 of the Act, as well as the regulation of corporations in Sections 118–418 of the New Civil Code and the regulation of securities in Sections 514–544 of the Civil Code; Act No. 591/1992 Sb., on securities, as amended, was also repealed together with the Commercial Code as from 1 January 2014. The rights of shareholders are embedded in the shares; the rights include, but are not limited to, the right to participate in the management of the shareholder company, the right to attend the general meeting, to vote at such a meeting, as well as to make motions and cross-motions, the right to ask for explanations; the right to share in the profits, and the right to request, under statutory conditions, that an ordinary or extraordinary general meeting be convened. The basic obligations of shareholders, or subscribers, include, but are not limited to, the obligation to pay the issue price by the deadline set in the Articles of Association, but not later than within one year after the incorporation or decision to increase the registered capital. A failure to do so may result in an expulsion of the shareholder. Subject to compliance with the statutory requirements (Section 375 et seq. of the Act) minority shareholders (10% and less) are under a duty to transfer their participating securities to majority shareholders (90% and more). When a company is controlled by a majority shareholder with a share of over 90%, minority shareholders in fact have no chance to exert any influence on their investment and cannot participate in the decision making at the general meeting or otherwise and thus become mere investors. The reason behind shareholder protection is to prevent a situation where anyone is at an advantage. In general terms, the Act makes reference to shareholder protection in Section 244(1), which prescribes equal treatment of shareholders. Section 244(2) then reads: *“legal acts to put, without good cause, any shareholder at an advantage to the detriment of the company or other shareholders, are treated as non-existent unless the Act provides for otherwise or unless it would be to the detriment of third parties relying on such conduct in good faith.”* Another reason mentioned by J. Lasák (2011) is the fact that minority shareholders do not directly participate in the management of the company and the information that is publicly accessible, such as financial statements, does not provide sufficient information.

4 Protection of the rights of minority shareholders and their risks

Section 56a(1) of the Commercial Code used to prohibit the abuse of a majority as well as a minority share in a company; Paragraph 2 stipulated that *“any conduct with a view of putting any shareholder at a disadvantage is prohibited.”* The Act does not contain such an express provision but provides for rights for the protection of both minority and majority shareholders. Minority shareholders are protected with respect to the majority ones as each group has different interests; by definition, majority shareholders will try to maximize their participation in the company to the detriment of the minority shareholders. The Act protects the shareholders, both with respect to other shareholders as well as in re the company management. Therefore, some provisions aim to protect all basic rights of shareholders, while others protect special rights enjoyed by some shareholders only depending on the class of shares, or rights protecting a certain group of shareholders defined by their position, i.e. minority shareholders due to their disadvantageous position.

Minority shareholders, by definition, cannot control the company even if acting in concert with other shareholders. Section 365(1) of the Act includes a definition of a “qualified shareholder”. For companies with registered capital exceeding CZK 100,000,000, qualified shareholders are such shareholders that hold shares the total nominal value of which amounts to 3% of the registered capital; such shareholders enjoy special rights defined by the Act. For companies with registered capital inferior to or equaling CZK 100,000,000, qualified shareholders are such shareholders that hold shares the total nominal value or number of which amounts to 5% of the registered capital (Paragraph 2). For companies with registered capital exceeding CZK 500,000,000, qualified shareholders are such shareholders that hold shares the total nominal value or number of which amounts to 1% of the registered capital (Paragraph 3). Paragraph 4 of the said provision further stipulates that the Articles of Association cannot restrict the rights of minority shareholders defined by the Act; however, such rights may be extended. Hirschman, A.O. (1970, p. 3) states that, if the distributable profit is reduced by extracting *private benefits of control*, minority shareholders are forced to take steps to preserve their wealth. According to him, there are three possible responses of minority shareholders: 1) loyalty, 2) voice, and 3) exit.

Hirschman believes that the most frequent response of minority shareholders is loyalty. He argues that minority shareholders will rely on the fact that majority shareholders will not behave in an opportunistic way to their detriment, because minority shareholders could then respond by voice or exit. F. H. Easterbrook and R. D. Fischel (1996, p. 11) states that minority shareholders are often passive because they can use diversification to protect themselves against non-systematic risk by investing in other companies. According to P.L. Davies (2003, p. 424), the voice response includes the remedies available to the minority shareholders for their protection: 1) *ex-ante* approval of self-dealing transactions 2) disciplinary measures, which mostly have *ex-ante* motivational reasons. Such disciplinary measures include directors’ liability, majority shareholder liability and voidability of self-dealing transactions. M. Sýkora (2013) argues that “*these remedies involve some fixed costs (e.g. legal expenses), and therefore minority shareholders use them when they are upset or when they cannot extract the money from the company (low liquidity and consumption of private benefits of control as a systemic risk).*” According to F. H. Easterbrook and R. D. Fischel (1996) exit, i.e. withdrawal from the company, is the response of last resort. They argue that exit is effective in highly liquid markets (i.e. regulated markets), but is not always possible in private companies; therefore, modern company law attempts to simulate the liquidity either by contract or by regulation through the mandatory buy-out (cf. M. A. Eisenber 2005, p. 437).

According to F. S. Kahn (2000, p. 505), transparency must be added to the elements used to protect minority shareholders. Transparency is a traditional tool for overcoming asymmetry in company law. M. Sýkora (2013) argues that if minority shareholders “*do not learn about freeriding on the company’s assets, they cannot have their voice heard, and their exit opportunities are limited to a degree. On the contrary, if such shareholders have enough information available, they 1) can discount their investment ex-ante on the basis of actual distributed profits; 2) can easily make a decision when to sue the governing body or the majority shareholder (in case of low-liquidity companies), and 3) can opt for exit from the company (in case of sufficient liquidity).*” To sum up, in a highly transparent and liquid company there will be no self-dealing as minor shareholders would otherwise opt for an

exit response. As companies are not 100% transparent in practice, self-dealing must be regulated, or restricted, as far as possible, by law, thus protecting minority shareholders. Protection of minority shareholders correlates with equity financing.

5 Protection of the rights of majority shareholders and their risks

Minority shareholders must be protected because of their weaker position. On the other hand, majority shareholders must be protected against “being bullied” by minority shareholders whose interest in the company is inferior to that of majority shareholders; in practice, however, they may abuse their rights and thus burden the company. Shareholders may request that a general meeting be convened as well as request information from the company. They may also deliberately challenge the decisions adopted by the majority, thus delaying important economic decisions. In fact, companies may get overwhelmed by requests by as many as a thousand shareholders, which also involves a financial burden for the company. By doing so minority shareholders may outweigh their financial contribution, and thus become a burden for the company. The bullying by minority shareholders need not have the form of exercising their statutory rights; other specific situations exist which make the life of the company difficult. Such situations include increasing the registered capital. Reasons for increasing the registered capital include, but are not limited to, being awarded a profitable contract which, however, requires an investment to be made. Where the registered capital is increased, the existing shareholders of the company enjoy a priority right, and owe a related duty to make a contribution to the registered capital; this is to ensure that the shares of the existing shareholders in the company remain proportionally unchanged. If any of the shareholders does not wish to contribute to the registered capital, the general meeting may decide that the contribution may instead be made by another shareholder, or by a third party. This would, however, lower the share of the minority shareholder who does not wish to make the contribution to increase the registered capital. Some authors argue that a decision from the general meeting that the contribution will instead be made by another shareholder (whose share in the company increases as a result) qualifies as a decision amending the memorandum of association and the rights and obligations of a minority shareholder (whose share in the company is decreased); therefore, they argue that such a decision must be adopted by all shareholders unanimously. In such situations, the majority shareholders may be blackmailed by the minority ones. For instance, they may both accept the conditions proposed by the minority shareholders, and thus, for example, pay a ridiculously high price for the shares, or they may lose the contract, subsidy or acquisition. M. Novotná (2016) believes that such an interpretation is too broad. The statutory protection of minority shareholders is sufficient in that they enjoy a priority right to make a contribution when the registered capital is increased. However, the majority shareholder cannot be punished at the same time by making it possible for the minority shareholder to block any decision to increase the registered capital. There is a general duty of loyalty owed by shareholders to the company; however, it will take a number of years before an interpretation of such a duty related to voting at the general meeting is to be arrived at. M. Novotná (2016) further argues that bullying by minority shareholders is further supported by the procedural laws

as proceedings to challenge decisions of the general meeting are not regulated by the Civil Code, but rather by the Special Proceedings Act. The law prohibits the court from issuing a decision on an action to challenge a decision of a general meeting before three months have passed since it was filed. It is difficult to understand that the law requires courts to postpone their decision until three months have passed in issues which need to be decided rather urgently. M. Novotná (2016) proposes two solutions: either the bullying by minority shareholders will be prevented by law, which will regulate the number of votes required to approve a new duty to make a contribution by another shareholder or a third party after any of the shareholders has failed to exercise the priority right to make such a contribution, or the case law will need to interpret the Act emphasizing the duty of loyalty. The main tool available to majority shareholders to protect them against an economic impact of the presence of minority shareholders in the company is their squeeze-out, as described below.

6 The Majority shareholder

BCA defines the principal (main) shareholder in Art. 375. For the purposes of the squeeze-out, the main, aka majority, shareholder is defined in the letter a) as the owner of shares with a nominal value representing at least 90% of the capital of the company for which were issued shares with voting rights and b) also owns shares providing 90% participation in the voting rights in the company. These two conditions must be met cumulatively. Then the majority shareholder is entitled to file the application to convene the general meeting. This provision is based upon Art. 183i (1) of the abolished Commercial Code, defining the main shareholder.

Regarding the first condition, a), the following should be emphasized. The provision of Art. 375 BCA refers to the definition of participant securities which is newly regulated in Art. 245 BCA and which arises from Art. 183a (1) of the abolished Commercial Code. Pursuant to this definition, participant securities are securities issued by the company which are linked to the participation on the capital or on voting or securities with the right to acquire such securities (e.g. priority or exchange bonds). J. Hejda (2013, p. 299) underlines that it is necessary to keep in mind that the Act uses the term “participant securities” and this means not only shares. Securities are regulated by the BCA in Art. 286 et foll. For the satisfaction of the condition of the ownership of shares in a nominal value of 90% of the capital, the ownership of priority shares is not decisive, because priority shares are issued without voting rights. The Act newly states that these shares must be shares with voting rights and that it is not enough to own participant securities. According to J. Lasáka a kol.,(2011, p. 226), it is questionable, whether, for the purposes of this provision, it is possible to consider as the main shareholder a person who does not have such shares but who exercises such shareholder rights (e.g. a person who has in possession such part in the form of provisional securities). This extensive interpretation will probably be inadmissible, because the legislature requires that, if the shareholder wants to squeeze out other shareholders, then such a shareholder has to own shares which were not only issued but as well paid for, i.e. the legislature requires that the shareholder is a truly “full” shareholder. In such a case, Art. 256 (4) would not apply and shares not paid for

would be excluded from the threshold calculation provided by Art. 375. At the same time, it can happen that the shares of the main shareholder will be paid for but not yet issued (so called not issued shares pursuant to Art. 256 (3)). The fact that the company breaches its duty and does not issue shares for the (main) shareholder, despite the fact that the emission price aka issued price for these shares has been paid, does not harm the shareholder. For this very reason, for the calculation of the 90% part on the capital, it is necessary to include not only the issued shares but as well shares not issued in the sense of Art. 256 (3). J. Hejda (2013, p. 299) adds that the condition of the volume of voting rights is determined based on the total number of voting rights and without considering the possible suspension of the exercise of this right, based on Art. 426 BCA. The voting rights linked to the priority shares are considered as well, but shares have to be issued with voting rights. Ordinary shares are always issued with voting rights and the ad hoc possibility about the incapability to exercise voting rights pursuant to Art. 426 or based on other facts is not relevant. Regarding priority shares, the wording of bylaws is critical. If the bylaws state, based on Art. 278 (2), that priority shares are issued with voting rights, then such shares are included in the calculation of the nominal value of the shares with voting rights. If priority shares are issued without voting rights, then they are not included in the calculation, and this even if it occurs that these voting rights temporarily arises. However, the shareholder can apply his voting right pursuant to Art. 382. A different situation occurs if the company does not follow the recodification based on Art. 777 (4) and (5). Probably, in such a situation, it will apply further Art. 159 (3) Commercial Code on the emitted (issued) priority shares with the rule that priority shares basically incorporate as well voting rights, unless the bylaws have excluded voting rights for the priority shares. J. Lasák (2014, p. 1702) proposes that it will be crucial how the opinion concerning whether certain types of shares can be issued without voting rights will be settled.

If such shares will be issued, then it will again depend upon the bylaws about how the bylaws will set the "default" rule. One can be assume that an approach akin to the case of priority shares should be taken. Hence, for example, if type "B" shares will be issued without voting rights and this right will arise only in a concrete situation for a temporary period, then such nominal value will not be included in the calculation of the 90% threshold. According to the opinion of J. Lasáka (2014, s. 1702), it is advisable to explicitly state in the bylaws about whether each of the different types of shares has been issued with or without voting rights (similarly, as stated by Art. 278 (2)). Pursuant to Art. 257 et foll., it is possible to issue piece shares. Pursuant to the opinion of J. Lasáka (2014, p. 1702), in such a case Art. 257 (4) will be fully applicable. It excludes any provisions of the BCA regarding the nominal value of shares. One such case is covered by letter a). Logically, the first sentence of Art. 257 (3) is applicable, it targets the same goal and the participation on the capital is determined by the number of shares. Hence, the main shareholder has to own at least 90% of the shares without a nominal value.

Regarding the second condition b) the following applies. Similar opinions and conclusions are presented as in the case of the first condition a). The point is the possession of shares with 90% voting rights. In practice, it can often happen that the shareholder will own shares with a nominal value of 90% of the capital with voting rights being less than 90% of all voting rights. The satisfaction of the threshold test will be, in a situation such as this, closely observed by the minority shareholders and, in the case of a dispute, courts may

justly interpret these provisions in favor of the minority shareholders. For this reason, it is necessary to closely check whether the list of the shareholders present at the general meeting includes correct information about the nominal value of shares and voting rights. Each piece share will have the same voting right unless the bylaws allow for the issuance of shares with different weights of voting. Piece shares have no nominal value, but they have an accounting value. If each piece share has one vote, then the participation in voting rights of the company is the same as if these shares have the same nominal value – the number of shares is identical with the number of votes. If, based on the bylaws, piece shares have differing weights of votes, then both criteria split, as in the case of several types of shares with differently set voting rights. J. Lasák (2014, p. 1702) indicates that, for the purpose of the calculation of the criteria of the main shareholder, excluded are the voting rights with which the main shareholder disposes only based on an agreement about the exercise of voting. The reason for that is the Act which requires that the main shareholder owns shares with a 90% participation in voting rights. As a consequence of the immobilization of securities, the shareholder should be known even for shares on the owner, i.e. shares indicating the name of their owner. Hence, the problem regarding the establishment of the ownership of paper shares of the owner, following the BCA, should be eliminated. The squeeze out applies to all of the participant securities which are owned by a minority shareholder. It entails especially these securities: preliminary securities if issued by the bylaws with the unpaid share and unpaid shares and this even if they are not yet issued securities. There is no reason why a shareholder owning them should not be squeezed out. Further it entails not issued shares, exchanged and priority bonds with the right to be exchanged for issued shares, rights on priority subscription, option bonds which the company is allowed to issue for the application of the priority right on the subscription of shares, independently transferable rights for subscription of shares and priority or exchange bonds.

7 Characteristics of the analysed business corporation

The analyzed business corporation has the legal form of a shareholder company and its capital is CZK 101 000 000. This company is allowed to conduct business activities in the field of car repairs, accounting advisors, bookkeeping, maintaining tax records and butchery. The main business activity is agriculture production, including production of unprocessed agricultural products, their processing and sale. The buyout of minority shares before 1st January 2014 was regulated by the Commercial Code and, after 1st January, 2014, it became regulated by the New Civil Code and BCA. Before 1st January 2012, the company had a board of directors consisting of seven members. The company was represented by the Chairman of the Board of Directors or by the executive director or by someone having the power of attorney granted by the Chairman of the Board of Directors. The company operated on the surface of 1500 hectares and is the beneficiary of a subsidy in the amount of CZK 11 000 000 annually.

The company has issued the following shares in the indicated nominal values

- 2,870 name registered shares in the nominal value of CZK 1 000
- 1,493 name registered shares in the nominal value of CZK 10 000
- 1,664 name registered shares in the nominal value of CZK 50 000

The bylaws of the company allow the transfer of shares only with the approval of the Board of Directors. The company had issued shares only in the name of their owners, i.e. shareholders, of which there were 511 in 2012. A very important shareholder was a corporation, with a holding of 7.6% of the shares. In addition, the Board of Directors and Supervisory Board had, in total, 22% of the shares i.e. 10 people being either members of the Board of Directors or Supervisory Board owned 22% of the shares of the company. The remaining shares were split among many small shareholders. The company had paid dividends only twice – in 2001 and 2012 and the amount was between CZK 5 and CZK 1000 for each share. Regarding the ownership of shares, the situation was pretty stable until the end of 2011. Further, until the end of 2011, the management of the company did not invest in the company and so the company had outdated machinery and did not use all of its available land. Nevertheless, the company took credits. All this prompted the reaction of the above mentioned shareholder, i.e. the business corporation with 7.6% of the shares. Namely, this minority shareholder of the company became an investor and entered, in 2011, in the capital market with a determination to buy out minority shares. This 'business corporation – investor' sent out an offer to purchase any shares to other shareholders in 2011. Based on that, minority shareholders entered into a contractual consensus by which the investor acquired, within 3 months, 8% of the shares for 20% of their nominal value. Thereafter, the investor embraced the strategy to individually and personally deal with minority shareholders and consequently acquired shares for a price of 25% of their nominal value, i.e.:

Name registered shares in the nominal value of CZK 1 000 were purchased for CZK 250,
Name registered shares in the nominal value of CZK 10 000 were purchased for CZK 2 500,
Name registered shares in the nominal value of CZK 50 000 were purchased for CZK 12 500.

During the buyout of minority shares, the investor took advantage of the fact that, during recent years the company had not paid any dividends. Other shareholders did not immediately catch on to the buyout activities of the investor as a threat, and thus they did not react until after two months had passed, i.e. only after a period of two months did they themselves begin to buy out minority shares. The information about the buyout spread among the shareholders and they started to speculate in re the price. During 2016 and 2017, they waited and speculated, and the completed transfer of minority shares occurred basically only in the case of the particular pressing financial needs of the selling shareholders. In 2016 and 2017, the buyout price was 50% of the nominal value of shares. Hence, the contractual value of a share increased by 25%.

Name registered shares in the nominal value of CZK 1 000 were purchased for CZK 500,
Name registered shares in the nominal value of CZK 10 000 were purchased for CZK 5 000,
Name registered shares in the nominal value of CZK 50 000 were purchased for CZK 25 000.

In 2014, the investor achieved a majority participation 'position' in the company and this fact resulted in positive effects on the modernization and renewal of fundamental agricultural technical equipment. One can predict that, in the future, there will take place continuing modernization and renewal of assets. In addition, in 2015, a further 17 hectares of land was purchased by the company. As well, the use of tangible and intangible resources, including human resources, became more effective and efficient. The choice of new business strategies, new business concepts and better decision making had a positive economic impact for the company. The multitude of shareholders had been the

major cause for the lack of focused opinions for the future development of the company and the general drive had been for a passive, rather than aggressive, attitude. This resulted in an increase of indebtedness and a loss of profitability. In contrast to that, currently the company has higher expenses which are related to the new business strategy, embraces new business concepts and effectively and efficiently uses tangible and intangible resources, including human resources.

8 Performed analyses of the share price

The goal of the share price analysis is to assess the speed in the growth of the average price of a share during the observed time period during which the contractual transfers of shares to the majority shareholder took place. The entry data for the calculation of the growth speed of an average share was collected from the balance sheet of the company for the observed period, from the annual reports of the company and from a search in the company files. It needs to be emphasized that the interpretation of the results of the model, which is indicated below, is theoretical. The model, in the given moment, and based on the entry data, shows always the relationship between only two variables (accounting share price aka accounting share value and capital). Hence, all results are to be interpreted under the condition that the other parameters are constant, i.e. not changeable, which means that the method interprets the separated influences at the given moment, while others remain the same.

The calculation of the entry value for the calculation of the average growth speed:

Price of one share = own capital / $1,000 \times 2,870 + 10,000 \times 1,493 + 50,000 \times 1,664$

Accounting price of a share with a nominal value CZK 1,000 = share price x 1,000

Accounting price of a share with a nominal value CZK 10,000 = share price x 10,000

Accounting price of a share with a nominal value CZK 50,000 = share price x 50,000

Table Nr. 1 – Overview of average contractual prices for the buyouts during 2005–2016

Year	Total value of shares with a nominal value CZK 1 000 (2 870 pieces)	Average contractual price of share buyout (price for one share)	Total value of shares with a nominal value CZK 10 000 (1 493 shares)	Average contractual value of share buyout (price for one share)	Total value of shares with a nominal value CZK 50 000 (1 664 pieces)	Average contractual value of share buyout (price for one share)
2005	2 870 000	280	14 930 000	2 300	83 200 000	11 000
2006	2 870 000	280	14 930 000	2 300	83 200 000	11 000
2007	2 870 000	245	14 930 000	2 200	83 200 000	10 200
2008	2 870 000	230	14 930 000	2 050	83 200 000	10 200

² The average price of shares was calculated based on collected data about the company: the contractual price for the given year / number of transactions.

Year	Total value of shares with a nominal value CZK 1 000 (2 870 pieces)	Average contractual price of share buyout (price for one share)	Total value of shares with a nominal value CZK 10 000 (1 493 shares)	Average contractual value of share buyout (price for one share)	Total value of shares with a nominal value CZK 50 000 (1 664 pieces)	Average contractual value of share buyout (price for one share)
2009	2 870 000	225	14 930 000	1 935	83 200 000	10 100
2010	2 870 000	220	14 930 000	1 935	83 200 000	10 100
2011	2 870 000	200	14 930 000	2 000	83 200 000	10 000
2012	2 870 000	250	14 930 000	2 500	83 200 000	12 500
2013	2 870 000	300	14 930 000	2 800	83 200 000	12 800
2014	2 870 000	420	14 930 000	3 100	83 200 000	14 000
2015	2 870 000	500	14 930 000	5 000	83 200 000	25 000
2016	2 870 000	500	14 930 000	5 000	83 200 000	25 000

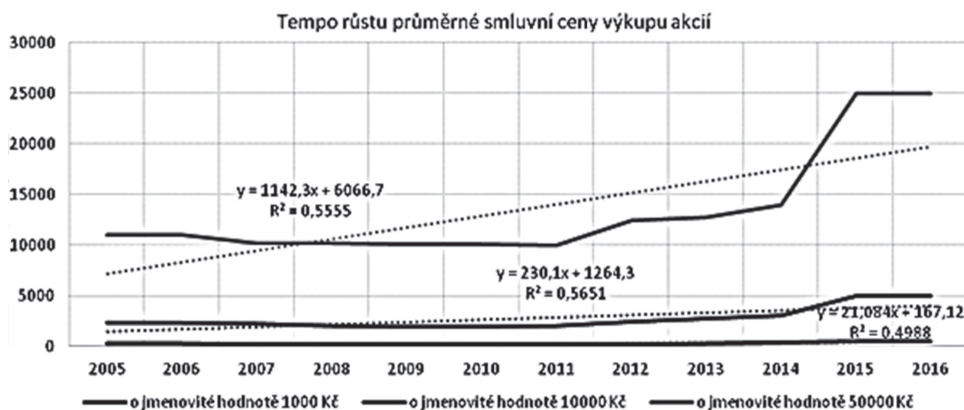
Source: Own processing by authors

Table Nr. 2 – Overview of accounting share price during 2005–2016

Year	Capital	Accounting price of shares with a nominal value of CZK 1 000 (2 870 shares)	Accounting price of shares with a nominal value of CZK 10 000 (1 493 shares)	Accounting price of shares with a nominal value of CZK 50 000 (1 664 shares)
2005	104 094 000	1 030	10 300	51 500
2006	104 487 000	1 034	10 340	51 700
2007	106 950 000	1 058	10 580	52 945
2008	106 938 000	1 058	10 580	52 939
2009	102 017 000	1 010	10 100	50 503
2010	102 519 000	1 010	10 100	50 504
2011	104 617 000	1 035	10 358	51 790
2012	104 122 000	1 030	10 309	51 545
2013	106 591 000	1 055	10 553	52 767
2014	114 533 000	1 134	11 341	56 709
2015	114 195 000	1 130	11 306	56 532
2016	115 397 000	1 142	11 425	57 127

Source: Own processing by authors

Figure Nr. 1 – Growth speed of the average contractual price for share buyout



Source: Own processing by authors

For this graph, the linear function (value R^2) reflects by 55% the realization of contractual share prices. Thus, the selected function is satisfactory. Based on the data from the above graph, it is possible to state that, during the observed period two noticeable shocks in the evolution of the share price occurred, both occurred in 2011 and 2014. This observation is best exemplified by the development of the contractual price for shares with a nominal value of CZK 50 000. Until 2011, the average value of shares had been decreasing. Then, the growth of the contractual share price occurred, doubtless due to the entry of the investor (at that time a minority shareholder of the company, i.e. the previously indicated business corporation, with but a minority participation in the company) in the capital market. The motivation of this new investor was to acquire a majority participation in the company. Therefore, this investor had offered a higher contractual price for purchasing shares. A further rapid jump in the contractual share price is noticeable in 2014, by which time the investor had changed from being a minority shareholder to being a majority shareholder of the company. As a matter of fact, in 2014, there occurred an obvious growth of the contractual price of shares with a nominal value of CZK 50 000. The strong drive of the investor to purchase particularly these shares was based on the willingness of the investor to acquire the majority of issued shares as quickly as possible. Naturally, the investor was interested as well (although not so significantly) in purchasing shares with a nominal value of CZK 1 000 and CZK 10 000. This trend can be documented by a rather high statistical importance, inasmuch as the determination co-efficient reaches, in all cases, at least 50%, i.e. the trend evolution of prices of all shares is clearly demonstrated by the given functions.

Average contractual price had changes in the time (per year) as follows:

- a share with a nominal value of CZK 50 000 – the contractual price of a share with this nominal value had changed during the time (in one year) by CZK 1,142.30;
- a share with a nominal value of CZK 10 000 – the contractual price of a share with this nominal value had changed during the time (in one year) by CZK 230.10;
- a share with a nominal value of CZK 1 000 – the contractual price of a share with this nominal value had changed during the time (in one year) by CZK 21.08.

Since the investor, in relation to the acquisition of the majority participation, had by this time changed the business strategy and business management, the changes in contractual share prices can be assumed for 2018. **Based on the data graphically presented, it is possible to determine the future value of the observed phenomenon, i.e. of the contractual share price in 2018.**

Determination of the contractual share price for 2018

the future contractual price in 2018 for a share with a nominal value of CZK 50 000:

$$y = 1,142.3 \times 14 + 6,066.7$$

$$y = \text{CZK } 22,058$$

Hence, there is an assumption that the contractual price of a share with a nominal value of CZK 50 000 will increase by CZK 1,142.30 as compared to 2017

the future contractual price in 2018 for a share with a nominal value of CZK 10 000:

$$y = 230.1 \times 14 + 1,264.3$$

$$y = \text{CZK } 4,485.7$$

Hence, there is an assumption that the contractual price of a share with a nominal value of CZK 10 000 will increase by CZK 230.1 as compared to 2017

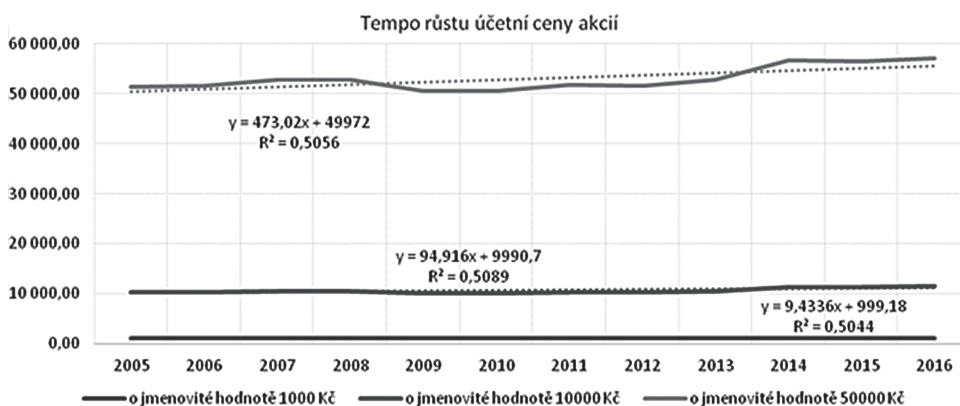
the future contractual price in 2018 for a share with a nominal value of CZK 1 000:

$$y = 21.08 \times 14 + 167.12$$

$$y = \text{CZK } 441,212$$

Hence, there is an assumption that the contractual price of a share with a nominal value of CZK 1 000 will increase by CZK 21.08 as compared to 2017

Figure Nr. 2 – Growth speed of share prices



Source: Own processing by authors

The above graph shows that both the contractual share price and the accounting share price have been growing. However, the contractual share price has grown much faster than the accounting share price. In this case, it is possible to assume that there is a relationship between the accounting share price and capital. The accounting share price grows with the value of capital. For the growth of the accounting share price it is thus necessary to increase the value of the capital in the long term and this should be the top priority of any company. Similar to the growth of the contractual price of shares, the biggest growth

occurred with respect to shares with a nominal value of CZK 50 000. **Based on the data graphically presented, it is possible to show the changes of the accounting share values over time (a year), as follows:**

a share with a nominal value of CZK 50,000 – the accounting share price has changed during the time (year) by CZK 473.02;

a share with a nominal value of CZK 10,000 – the accounting share price has changed during the time (year) by CZK 94.91;

a share with a nominal value of CZK 1,000 – the accounting share price has changed during the time (year) by CZK 9.43.

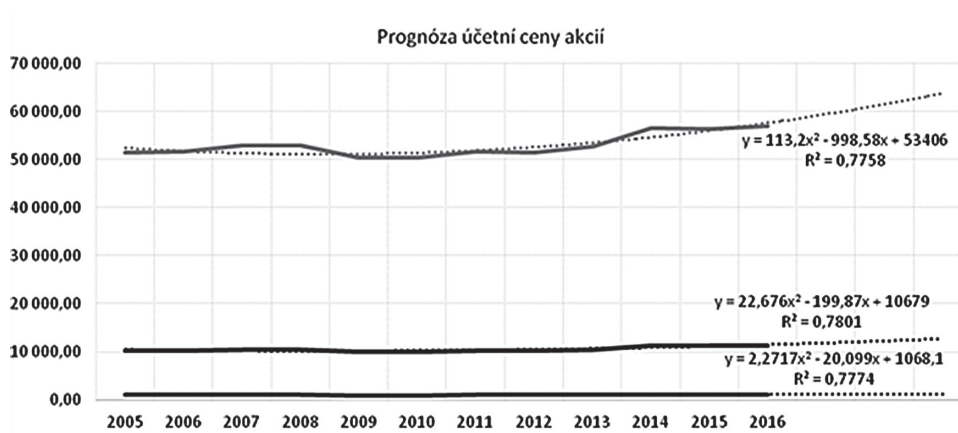
In a comparison of the contractual share price and the accounting share price, the following conclusions are to be presented:

the contractual price for a share with a nominal value of CZK 50 000 has grown by CZK 2.414 faster than the accounting share price (1,142/473.02)

the contractual price of a share with a nominal value of CZK 10 000 has grown by CZK 2.424 faster than the accounting share price (230.1/94.916)

the contractual price for a share with a nominal value of CZK 1,000 has grown by CZK 2.23 faster than the accounting share price (21.084/9.433)

Figure Nr. 3 – Stock price forecast



Source: Own processing by authors

For the prognosis forecasting, see Figure Nr. 3, the extrapolation of time lines was used. From the graphically presented data, it is possible to determine the future value of the observed phenomenon. Namely, the future real value of a share for future years can be determined based on an appropriate positive prognostic horizon for 2019. In contrast to Figure Nr. 2 and Nr. 3, a polynome of 2nd grade, i.e. quadrate trend function was used, and this in the interest of an even higher statistical significance, which is demonstrated by values of R² exceeding 77%.

Based on the graphically presented data, it is possible to determine the future value of the observed phenomenon, i.e. of the accounting share price for 2018.

Determination of the accounting share price for 2018:

the future accounting share price for 2018 if a nominal value of CZK 50,000:

$$y = 113.2 \times 14^2 - 998.58 \times 14 + 53,406$$

$$y = \text{CZK } 61,613.08$$

Hence, there is an assumption that the accounting price for shares with a nominal value of CZK 50 000 will increase, as compared to 2017, by CZK 2,057.82. Hence, the accounting price for shares with a nominal value of CZK 50 000 has an increasing trend.

the future accounting share price for 2018 if the nominal value of CZK 10,000:

$$y = 22.676 \times 14^2 - 199.87 \times 14 + 10,679$$

$$y = \text{CZK } 12,325.316$$

Hence, there is an assumption that the accounting price for shares with a nominal value of CZK 10 000 will increase, as compared to 2017, by CZK 412.382. Hence, the accounting price for shares with a nominal value of CZK 10 000 has an increasing trend.

the future accounting share price for 2018 if the nominal value of CZK 1,000:

$$y = 2.2717 \times 14^2 - 20.999 \times 14 + 1,068.1$$

$$y = \text{CZK } 1,219.3672$$

Hence, there is an assumption that the accounting price for shares with a nominal value of CZK 1 000 will decrease, as compared to 2016, by CZK 193.6628. Hence, the accounting price for shares with a nominal value of CZK 1 000 has a decreasing trend.

Models for the dependence of the share price on the development of the capital

As indicated above, pursuant to the economic theory of classic direction, it can be expected that there is a certain relationship between the price for one share and the capital. For this reason, it was further examined exactly this form of the relationship existence, and this while using an econometric approach within the framework of regress models. For the concept of models of the existence of the relationship between the share price and the development of the capital, there was used the data about the accounting share price. All models were specified as ordinary, in the general expression:

$$Y_i = \beta_0 + \beta_i X_i + u_i$$

where: Y_i explained phenomenon
 $\beta_0 - \beta_i$ forecast parameters
 X_i explaining phenomenon
 u_i stochastic part of the model

For the forecast parameters, there was used an ordinary method of the smallest, aka least squares (OLS), while all specific and stochastic assumptions were observed, and this in the form:

the model is linear in parameters;

X_i values are no-random and fixed;

X_i is not limited by perfect multi- co-linearity;

the zero central value of stochastic element $E(u_i/X_i) = 0$;

exogeneity $E[u_i | X_i] = E[u_i] = 0$;

homoscedasticity $var(u_i/X_i) = E(u_i - E(u_i/X_i))^2 = E(u_i^2/X_i) = \sigma^2$;

serie dependence between random elements and periods

$cov(u_i, u_j/X_i, X_j) = E\{[u_i - E(u_i)]/X_i\} \{[u_j - E(u_j)]/X_j\} = E\{u_i/X_i\} \{u_j/X_j\} = 0$ pro i různé od j ;

random element has a normal split $u_i \sim N(0; \sigma^2)$;
are observed specific assumptions.

The observance was verified by verification processes of a statistical and econometric nature. All forecasts and verifications were performed in the framework of econometric SW Gretl, while the value of the capital was adjusted (expressed in million CZK).

Table Nr. 3 – Model 1: OLS – observation period 2005–2016, dependent variable (for shares with a nominal value of CZK 1 000)

	<i>Co-efficient</i>	<i>Error</i>	<i>t-participation</i>	<i>p-value</i>	
Const	-1923	290,866	-6,6113	<0,0001	*** ³
VK – own capital	20,7748	2,7107	7,6640	<0,0001	***

Source: Own processing by authors

Table Nr. 3 indicates the direction and intensity of the influence of the value of capital on the share price, and this including the verification of the statistical cogency of estimated parameters which demonstrate the utility of the achieved data from economic analysis. Based on the entry data, the main goal was to figure out:
whether the value of a share with a nominal value of CZK 1 000 depends on the value of the capital;
whether the value of a share with a nominal value of CZK 1 000 increases along with the value of the capital in the observed company.

Achieved regress function:

$$y = 20.7748x - 1,923$$

where $y...$ accounting price of a share with a nominal value of CZK 1 000 (in CZK)
 $x...$ value of capital (in million CZK)

The above equation indicates how the value of a share with a nominal value CZK 1 000 will change in the case of a change in the capital by one unit under the condition *ceteris paribus* (“c.p.”). If the capital changes (increases) by CZK 1 million, then the share value increases by CZK 20.77 Kč (c.p.). The value of a share with a nominal value of 1 000 grows together with the value of the capital in the observed company.

3 *Graphic determination of statistic significance – number of stars indicated the importance of the estimated parameters, i.e. the reliability of the generalization of the selected data collection with respect to fundamental collection (in the given case, the probability of the influence of the capital on the share value is more than 95%).*

Table Nr. 4 – Model 2: OLS – observation period 2006–2016, dependent variable (for shares with a nominal value of CZK 1 000)

	<i>Co-efficient</i>	<i>Error</i>	<i>t-participation</i>	<i>p-value</i>	
Const	-2 293,21	298,964	-7,6705	<0,0001	****4
VK – own capital	15,2586	3,85783	3,9552	0,0042	***
VK_1	9,01238	4,48204	2,0108	0,0792	*

Source: Own processing by authors

Table Nr. 4 shows the processing by methods of the OLS. The statistical significance of the obtained results was rather good. While preparing this table, the model was made more dynamic by the delayed variable in the form of the capital from the prior year. Based on the used entry data, the main goal was to figure out:

how the value of a share with a nominal value of CZK 1 000 will change during the ordinary period in relation to the increase of the capital;

whether the value of a share is dependent upon the delay value of capital, i.e. if in the context of the dependency of both phenomena occur impetus processes;

by how much the value of share with a nominal value of CZK 1 000 changes if the capital has increased in the previous year.

Achieved regress function:

$$y_t = 15.2586x_t + 0.01238x_{t-1} - 2,293.21;$$

where y_t ... the accounting value of a share with a nominal value of CZK 1 000 during an ordinary period (in CZK)

x_t ... value of capital during an ordinary period (in million CZK)

x_{t-1} ... value of capital in the previous period (in million CZK)

15.2586 – indicates how the price of a share with a nominal value of CZK 1 000 will change if the capital increases during the ordinary time by one unit (c.p.)

9.01238 – indicates how the price of a share with a nominal value of CZK 1 000 will change if the value of capital changes in the previous period (c.p.)

Based on the above indicated, it is possible to present the following conclusions. If the capital increases during the ordinary period by CZK 1 million, then the value of a share with a nominal value of CZK 1 000 will increase by CZK 15 (c.p.). If the value of the capital increases in the previous year by CZK 1 million, then the value of a share with a nominal value of CZK 1 000 will increase by CZK 9 (c.p.).

4 *Graphic determination of statistic significance – number of stars indicated the importance of the estimated parameters, i.e. the reliability of the generalization of the selected data collection with respect to fundamental collection (in the given case, the probability of the influence of the capital on the share value is more than 95% and the probability of the influence of capital from previous period above 90%).*

Table Nr. 5 – Model 3: OLS – observation period 2005–2016 – dependent variables (for shares with a nominal value of CZK 10 000)

	<i>Co-efficient</i>	<i>Error</i>	<i>t-participation</i>	<i>p-value</i>	
Const	-18 654,7	4 384,47	-4,2555	0,0017	***5
VK – own capital	199,754	41,8442	4,774	0,0008	***

Source: Own processing by authors

Table Nr. 5 shows the processing by methods of the OLS. The statistical significance of the obtained results is rather good, i.e. conclusions are statistically conclusive. Based on the used entry data, the main goal was to figure out:

whether the value of a share with a nominal value of CZK 10 000 depends on the value of the capital;

whether the value of a share with a nominal value of CZK 10 000 increases along with the value of capital in the observed company.

Achieved regress function:

$$y = 199.754x - 18,654.7$$

where y... accounting price of a share with a nominal value of CZK 10 000 (in CZK)

x... value of capital (in million CZK)

The above indicated equation shows how the value of a share with a nominal value of CZK 10 000 changes in the case of a capital change by one unit (c.p.). If the capital changes by CZK 1 million, then the share value increases by CZK 199.75 Kč (c.p.). Hence, the value of a share with a nominal value of CZK 10 000 increases along with value of capital in the observed company.

Table Nr. 6 – Model 4: OLS-observation period 2006–2016 – dependent variables (for shares with a nominal value of CZK 10 000)

	<i>Co-efficient</i>	<i>Error</i>	<i>t-participation</i>	<i>p-value</i>	
Const	-24 311,8	3 540,03	-6,868	0,0001	***8
VK – own capital	94,4935	45,6805	2,069	0,0724	**
VK_1	159,277	53,0718	3,001	0,0170	**

Sourcej: Own processing by authors

5 Graphic determination of statistic significance – number of stars indicated the importance of the estimated parameters, i.e. the reliability of the generalization of the selected data collection with respect to fundamental collection (in the given case, the probability of the influence of the capital on the share value is more than 95% and the probability of the influence of capital from previous period above 90%).

6 Graphic determination of statistical significance – number of stars indicate the importance of the method used.

Table Nr. 6 shows estimation via a dynamic model, i.e. a model covering also the delayed influence of capital. Based on the entry data used, the main goal was to figure out: how the value of a share with a nominal value of CZK 10 000 will change during the ordinary period in relation to the increase of the capital; whether in the context of the dependency of both phenomena occur impetus processes; by how much the value of share with a nominal value of CZK 10 000 changes if the capital has increased in the previous year.

Achieved regress function:

$$y_t = 94.4935x_t + 159.277x_{t-1} - 24,311.8$$

where y_t ... accounting price of a share with a nominal value of CZK 10 000 during an ordinary period (in CZK)

x_t ... value of capital during the ordinary period (in million CZK)

x_{t-1} ... value of capital during the previous period (in million CZK)

94.4935 – indicates how the price of a share with a nominal value of CZK 10 000 changes if the capital increases during the ordinary time by one unit (c.p.)

159.277 – indicates, how the price of a share with a nominal value of CZK 10 000 changes if the capital changes during the previous period (c.p.)

Based on the above indicated, it is possible to present the following conclusions. If the capital increases during the ordinary period by CZK 1 million, then the value of a share with a nominal value of CZK 10 000 will increase by CZK 94.4935 c.p.). If the value of capital increases by CZK 1 million during the previous period, then the value of a share with a nominal value increases by CZK 159,277 (c.p.).

Table Nr. 7 – Model 5: OLS – observation period 2005–2016 – dependent variables (for a share with a nominal value of CZK 50 000)

	<i>Co-efficient</i>	<i>Error</i>	<i>t-participation</i>	<i>p-value</i>	
Const	-88 772,2	25 815,9	-3,4387	0,0063	***7
VK – own capital	953,909	246,648	3,8675	0,0031	***

Source: Own processing by authors

Table Nr. 7 shows the estimation by the model of the dependence of the price of a share with a nominal value of CZK 50 000 on the capital. Based on the used entry, the main goal was to figure out: whether the value of a share with a nominal value of CZK 50 000 depends upon the value of the capital; whether the value of a share with a nominal value of CZK 50 000 increases along with the value of capital of the observed company.

7 *Graphic determination of statistical significance – number of stars indicated the importance of the estimated parameters, i.e. the reliability of the generalization of the selected data collection with respect to fundamental collection (in the given case, the probability of the influence of the capital on the share value is more than 95%).*

Achieved regress function:

$$y = 953.909x - 88,772.2$$

where $y...$ accounting price of a share with a nominal value of CZK 50 000 (in CZK)
 $x...$ value of capital (in million CZK)

The above indicated equation indicates how the value of the share with a nominal value of CZK 50 000 will change in the case of a change of capital by one unit (c.p.). If the capital changes by CZK 1 million, then the value of the share increases by CZK 953.909 (c.p.). The value of a share with a nominal value of CZK 50 000 increases, along with the value of the capital of the observed company.

Table Nr. 8 – Model 6: OLS – observation period 2006–2016 – dependent variables (for a share with a nominal value of CZK 50 000)

	<i>Co-efficient</i>	<i>Error</i>	<i>t-participation</i>	<i>p-value</i>	
Const	-122 302	13 891,4	-8,8042	<0,0001	***8
VK – own capital	307,948	221,556	1,3899	0,2020	
VK_1	966,746	268,999	3,5939	0,0070	***

Source: Own processing by authors

Table Nr. 8 has been prepared by the use of the OLS method in the SW Gretl environment. In the preparation of this table, there was added the dependence on the capital from the previous year. Based on the entry data used, the main goal was to figure out: how the value of a share with a nominal value of CZK 50 000 will change during the ordinary period in relation to the increase of the capital; whether in the context of the dependency of both phenomena occur impetus processes; by how much the value of a share with a nominal value of CZK 50 000 changes if the capital has increased in the previous year.

Achieved regress function:

$$y_t = 307.948x_t + 966.749x_{t-1} - 122,302$$

where $y_t...$ accounting price of a share with a nominal value of CZK 50 000 during an ordinary period (in CZK)

$x_t...$ value of capital during the ordinary period (in million CZK)

$x_{t-1}...$ value of capital during the previous period (in million CZK)

307,948 – indicates how the price of a share with a nominal value of CZK 50 000 changes if the capital increases by one unit (c.p.)

966,746 – indicates how the price of a share with a nominal value of CZK 50 000 changes if the value of capital changes in the previous period (c.p.)

8 *Graphic determination of statistical significance – number of stars indicated the importance of the estimated parameters, i.e. the reliability of the generalization of the selected data collection with respect to fundamental collection (in the given case, the probability of the influence of the delayed capital on the share value is more than 95%, the influence of capital during the ordinary period is statistically significant with the probability under 90%).*

Based on the above, one can conclude the following. If the capital increases by CZK 1 million during the ordinary period, then the value of a share with a nominal value of CZK 50 000 increases by CZK 307.948 (c.p.). The given influence has been proved-out in a statistically significant manner, what was probably caused by a short time line of entry data, but considering other achieved results, there can be expected an improvement of the data foundation. Further, it can be stated that, if the value of capital increases in the previous year by CZK 1 million, then the value of a share with a nominal value of CZK 50 000 increases by CZK 966.746 (c.p.). Here, the statistical significance is noticeable and this is proven by a conclusive effect of the previous period from the perspective of own capital. Based on the above indicated calculations, it can be stated that, if the company wants to increase the accounting price of a share with any nominal value, it is necessary to increase as well the capital in a long time manner. Even the faster the capital grows, so much faster will grow the price of particularly, those shares with the highest nominal value. Further, it is noticeable that a long term building of the value of a company brings a multiplication effect on the value of a share of any type in the company. If only the calculation is considered, and it is assumed that all other variables can change over time, then the amount of capital would not change (it consists only of values brought by shareholders into the company). However, the capital consists not only of these brought values but as well by results from the operation of the company itself. Hence, it can be theoretically suggested that, in the case of an increase of the capital, the accounting share price will grow also.

9 Final summary

The performed analyses imply that the change of the contractual and accounting share price has a direct relationship to changes of the ownership structure of the given company. Abrupt changes occurred in 2011 and 2014. The change of contractual share prices is best documented for shares with a nominal value of CZK 50 000. Until 2011, the average value of shares had been decreasing. The first abrupt growth of the contractual share price was notably caused by the entry of the new investor (by then it was just one of the minority shareholders of the given company) in the capital market. The second abrupt growth of the contractual share price occurred in 2014, when this investor obtained the majority participation, i.e. changed from being one of the minority shareholders to the status of the majority shareholder. Other minority shareholders became aware about the "preciousness" of their shares and so pushed for an increase in the contractual share price. Regarding shares with a nominal value of CZK 50 000, the contractual share price has changes in the time (by year) by CZK 1,142.3. Regarding shares with a nominal value of CZK 10 000, the contractual price has changes in the time (by year) by CZK 230.1. Regarding shares with a nominal value of CZK 1 000, the contractual share price has changes in the time (by year) by CZK 21.08. Since the investor has achieved the majority participation, he has changed the business strategy and management of the company and thus the change of the contractual share price can be expected for the future. Since the investor has already obtained the majority, it was possible to expect, based on performed calculations that the contractual share price will go down in 2017. Indeed, in 2017, the contractual price for a share with a nominal value of 50 000 decreased by CZK 4,083.4 compared to 2016. The contractual price for a share with a nominal value of CZK 10 000 decreased by

CZK 744.4 compared to 2016. The contractual price for a share with a nominal value of CZK 1 000 decreased by CZK 58.78 compared to 2016. In contrast, an increase in a contractual share price can be expected for 2018. The contractual price for shares with a nominal value of CZK 50 000 will increase by CZK 1,142.30 as opposed to 2017. The contractual price for shares with a nominal value of CZK 10 000 will increase by CZK 230.1 as opposed to 2017. The contractual price for shares with a nominal value of CZK 1 000 will increase by CZK 21.08 as opposed to 2017. This increase in the contractual share price can be related to the reinforcement of the position of the company on the market and its economic development due to the changes of the business strategy and management. Similar to the increase in the contractual share price, the accounting share price will grow. However, the growth of the contractual share price will be many times faster than the growth of the accounting share price. In this case, it can be expected that there is a relationship between the accounting share value and capital. The accounting share price grows with capital. Hence, for the growth of the accounting share price, it is necessary to keep increasing the capital in the long term and this should be the basic priority of the company. The growth of the capital has a direct relationship to the prosperity of the observed company and the majority shareholder wanted to achieve that by a change of the business strategy and management. In sum, it can be stated that there is a relationship between the economic situation of the company (the desire to achieve the majority participation by the investor, the change of business strategy and management of the observed company) and the contractual value and accounting price of a share. Contractual and accounting share prices are directly influenced by the economic situation of the observed company.

10 Conclusion

This paper identifies the existence of the relationship between the economic situation in a company (the desire to achieve the majority participation by the investor, the change of business strategy and management of the observed company) and the contractual value and accounting price of a share. The oscillation and influence of the share price has a direct relationship to the buyout of shares of the minority shareholders. The main motive for the buyout of these shares is the desire to achieve the majority participation. The reason is that the investor wanted to become the majority shareholder and thus to control the company and enforce new business strategies and management, i.e. to change the prior business strategy and management of the company. Often, this drive does not match up with the will of other minority shareholders who have to decide about 'to sell or not to sell' their shares. The reasons for selling off minority shares are diverse, i.e. minority shareholders have diverse motives for selling their shares. In the case of efforts to sell the minority participation to the main investor with the highest profit and at the same to get as quickly as possible out of the company, often it happens that the transactions are done under price. Neither Act No. 89/2012 Coll., Civil Code nor Act No. 90/2012 Coll., Business Corporation Act regulates the contractual transaction of shares. Therefore, for the protection of their rights, minority shareholders should take their own initiative for increasing their awareness and information about contractual transactions in companies, and about the information duty, by including them e.g. in foundation documents, such as articles of association and bylaws.

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Contact address

Corresponding author

JUDr., Ing. Eva Daniela Cvik, Ph.D., Ph.D.

Czech University of Life Sciences

Fakulty Business and Economics

Department of Law

Kamýcká 129

Praha 6, Czech Republic

(cvikadvokat@gmail.com)

JUDr. Radka MacGregor Pelikánová, Ph.D., LL.M., MBA

Metropolitan University Prague

Dubečská 900/10

Praha 10, Czech Republic

(radkamacgregor@yahoo.com)

Doc., JUDr., Ing. Otakar Schlossberger, Ph.D.

University of Finance and Administration

Faculty of Economic Studies

Department of Finance

Estonská 500/3

110 00 Prague, Czech Republic

(otakar.schlossberger@vsfs.cz)