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Why not equity, Mr. Babiš?



Corporate finance is a highly technical issue, and Andrej Babiš uses this to his huge advantage. When he [writes didactically to Bohuslav Sobotka](#) that a bond is similar to a loan, that loans are a regular instrument used in business, and that it is not uncommon for owners to provide loans to their companies, he's implying that it's normal for a company to issue bonds that are bought only by its owner. This form of false logic is called a syllogism. Issuing bonds to a 100% owner makes little sense when a regular loan can be extended, or when the owner's equity can be raised. Unless, of course, there is a tax advantage. Not only does Babiš deny that taxes were the reason for the bond, but he also told [HN in early 2011](#) that he didn't like the bond rates at the time. CPI Hotels had just issued a 3-year instrument at 5.25%, and CPI sold a 10-year bond shortly thereafter at 5.10%. Yet Agrofert went ahead with a 6.00% issue. It should have made a capital call instead.

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