Report on **Master Thesis**

Institute of Economic Studies, Faculty of Social Sciences, Charles University

Student:	**Bc. Chinara Akmatalieva**
Advisor:	**doc. Martin Gregor**
Title of the thesis:	**Corporate Governance and M&A Effectiveness**

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Short summary

The thesis analyzes how stock market responded to M&A announcements in the case of 41 European deals (most of the deals took actually part in Germany). It specifically analyzes the role of several characteristics of boards of the companies, namely the size of the board, the number of independent directors and the CEO's tenure. Most importantly, it finds that CEO's tenure increases M&A effectiveness. (We can interpret it such that more years in the office for these companies is indicative of CEO's expertise rather than entrenchment.) Interestingly it also finds that the increase exists for board independence at the level of 70-80%, but not at a higher level. For corporate finance, it is also important the method of payment is insignificant.

Contribution

Given a small sample size (data from only 41 deals were available) and need to include year and/or industry fixed effects, the results have of course very limited statistical power.

Methods

The thesis conveys a standard event-study with cumulative abnormal returns (CAR) as the dependent variable. CARs are calculated as in standard the literature.

Literature

The review is long and covers a lot of phenomena. At the same time, sometimes it leaves open questions about the specific channels and whether these channels are country-specific or market-specific. More on that below in my questions.

Manuscript form

I have just noticed typos in „one-tire" and „two-tire" (it is one-tier and two-tier, p. 18-22) and „negative sing" on p. 63.

Overall evaluation and suggested questions for the discussion during the defense

This is a relatively standard event-study conducted on a sample of mostly German M&A transactions. It observes several associations between board characteristics and value increases of M&A transactions (measured by abnormal returns).

My questions are as follows:

- As transactions come mainly from Germany, isn't there a possibility to exploit specifically German corporate governance features, such as the degree of representation of unions on the advisory boards?
- Sample selection: The sample is said to be constructed based on availability of historical stock price data. Does it mean that the other transactions that were identified but not used involved only private (not public) firms? If not, we must discuss whether sample selection is not driven by company characteristics which potentially affect both governance variables and growth potential.

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- Channels: The large literature from the US and UK markets finds rather negative CARs which indicates that deals on these markets are often due to empire-building concerns of the management. Here, CARs are larger on average. This indicates that agency concerns are potentically different, and also the role of the boards is different. Do we have any idea on the specific role of boards in curbing CEO's taste for wasteful M&As in the European (or even more specifically German) context? I mean evidence specifically from the German context.

The results of the Urkund analysis indicate 17% overlap with other sources, but 13.23 % is an overlap with the previous version of the thesis. Net overlap thus constitutes less than approximately 4% which is only a weak similarity with other available sources.

In my view, the thesis fulfills the requirements for a Master thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a grade C.

SUMMARY OF POINTS AWARDED *(for details, see below):*

CATEGORY		POINTS
Contribution	*(max. 30 points)*	18
Methods	*(max. 30 points)*	23
Literature	*(max. 20 points)*	17
Manuscript Form	*(max. 20 points)*	18
TOTAL POINTS	*(max. 100 points)*	**76**
GRADE	**(A – B – C – D – E – F)**	**C**

NAME OF THE REFEREE: Martin Gregor

DATE OF EVALUATION:

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Referee Signature