

Report on Bachelor / Master Thesis

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

Student:	Bc. Peter Palovič
Advisor:	Mgr. Petr Polák, M.Sc., Ph.D.
Title of the thesis:	Valuation of Companies in the Technological industry of Emerging Markets

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

Short summary

The presented thesis is an empirical asset pricing exercise using, in the literature, non-standard data from CEE countries. The author employs the Fama-MacBeth regression to test asset pricing models in the IT sector. The main finding is that traditional factors do not have explanatory power for IT companies' stock returns.

Contribution

I have mixed feelings regarding the contribution of the thesis. The thesis itself deals with the interesting topic of valuing IT companies in CEE countries; however, the way the analysis is conducted is a bit confusing. First, it should be strongly motivated why only Fama-MacBeth regression is used for analysis and not, for example, portfolio sorting, which could shed light on the cross-sectional relationship without imposing distributional assumptions as in the case of FM regression. Second, the text deserves to be proofread/revised since it is not always clear whether the actual analysis is done on sectors, IT sector, individual companies or the size-sorted IT sector. Third, given that size and value factors are not actually used in the main analysis, I do not think they deserve to be summarized on almost six pages in the literature review section. Fourth, the style and type of work are very similar to the student's bachelor thesis, and considerable parts of the literature review and methodology are very similar as well. In a quick look, one might get the impression that it is just a different application of the same methodology on different data – here, I do not want to downgrade the empirical analysis and the effort the author must make because the data collection, cleaning, and main analysis must be very time-consuming, unfortunately, the potential of the thesis was not reached.

Methods

The thesis consists of a well-established method in the literature, the Fama-MacBeth regression analysis. The thesis would greatly benefit if other methods such as portfolio sorting, were employed. The description of some methods, such as HAC standard errors, would better fit into the Methodology section than the Empirical Results section. It should also be mentioned in the thesis whether the formed portfolios are equally-weighted or value-weighted.

Literature

The submitted thesis contains a textbook-style literature review. The CAPM and Fama-French three-factor models are discussed in, in my view, an unnecessarily detailed manner. The subchapters devoted to value and size premiums are unnecessarily long, given that the value factor is not included in the analysis. Besides these comments, the literature is adequate, although some works concentrating on sectoral analysis might be included as well.

Manuscript form

The submitted thesis generally reads well, although sometimes the reader can easily get lost. The introduction could be longer and introduce the reader to the problem of sectoral asset pricing (in its current form, it is not a case). There are some typos in the text; Figure 2.1 is not mentioned in the text; the equations deserve close inspection as sometimes the indexes are missing; the text regarding sectoral or individual companies analysis should be revised since sometimes these two are mixing, and it might be confusing for the reader.

Overall evaluation and suggested questions for the discussion during the defense

Overall, the presented thesis deals with a very interesting topic, but, in my opinion, the potential of the topic has not been fully exploited.

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During the defense, the student should convince the commission that the presented master thesis is an original work, not just the updated bachelor thesis. During the defense student should also explain the logic of Figure 2.1 (What is CML, CAL? What about portfolios ABCD? What role risk-free rate plays?) as it is not mentioned in the main text. The student should also justify the use of continuously compounded returns used on monthly data – it makes sense to use log returns as time intervals between observations are short, e.g. days, hours, minutes, but for monthly data it is not very standard.

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 D. The results of the Turnitin analysis do not indicate significant text similarity with other available sources.

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	8
<i>Methods</i> (max. 30 points)	22
<i>Literature</i> (max. 20 points)	15
<i>Manuscript Form</i> (max. 20 points)	16
TOTAL POINTS (max. 100 points)	61
GRADE (A – B – C – D – E – F)	D

NAME OF THE REFEREE: *Frantisek Cech*

DATE OF EVALUATION: *1.9.2023*

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F