

Abstract

This thesis examines the environment of expert appraisals in the Czech Republic and studies the conflict of interests arising from a setting when a valuation expert is contracted to provide valuation for the purpose of a minority shareholder squeeze-out. This underlying conflict of incentives stems from the fact the expert is paid by the majority shareholder and also from possible efforts relationship building (resulting in securing future engagements) from the expert's side with the majority shareholder that would arise from discretionary adjustments to discount rate calculations and decreased squeeze-out price. This opportunistic behavior is deterred by reputational and legal consequences upon discovery of such practices which can be facilitated by institutional barriers such as a requirement for an approval of the squeeze-out by the Czech National Bank. The previous quantitative research into fields of expert appraisals, methodologies used by valuation experts, and minority squeeze-outs is limited in both Czech and international setting. We rely on previous research into litigation and reputational risks and based on its findings introduce checks for structural differences in behavior of expert groups in discount rate estimation practices. We combine data provided by a valuation team of one of the Big4 companies on minority squeeze-out appraisals and prepare an original set of expert appraisals from the business register. Based on this data we extract discount rate information and test if the practices of experts are consistent and opportunistic. The results indicate some evidence of structural differences between Big4 and non-Big4 experts in the impact their changes in discount rate estimation have on the resulting discount rate. We find no evidence of opportunistic behavior in the squeeze-out setting.