

Report on Bachelor / Master Thesis

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

Student:	Bc. Jakub Bobysud
Advisor:	doc. Bc. Jiří Novák, M.Sc., Ph.D.
Title of the thesis:	Discount Rate Estimation Practices of Czech Valuation Experts in Minority Shareholder Squeeze-Outs

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

Short summary

The presented thesis investigates expert appraisals in the Czech Republic, focusing on conflicts of interest in cases where valuation experts are hired for minority shareholder squeeze-outs. The inherent conflict arises because the expert, who is paid by the majority shareholder, may be influenced by a desire to cultivate a relationship for future engagements. The student analyses discount rate practices using data from a Big4 company's valuation team and original appraisals from the business register. While structural differences between Big4 and non-Big4 experts are observed, there is no evidence of opportunistic behaviour in the context of squeeze-outs.

Contribution

While the thesis deals with an interesting topic, it is quite hard to detect its clear contribution. The author starts directly with the special case of the Czech Republic without introducing the reader to the general problem of squeeze-outs. Therefore, the reader does not learn whether it is just the practice in Czech Republic or a problem elsewhere. There is a very limited literature review, so the reader does not learn how this research fits the existing literature. I admire that there is a clear contribution if the task is to create a case study for a specific business case. However, for the master thesis (that should go beyond very specific cases), it is hard for me to identify a clear contribution hence I award it by 10 points. If the student clearly explains the thesis's contribution during defence, I have no objections to double (or even triple) the awarded points.

Methods

The methods used in the paper are standard in the literature. However, the student should provide more motivation as to why these methods were chosen. In some cases, it is not clear how some variables, such as Beta, are obtained – in one sentence, it is written that it comes from regression of a company's stock on a broad market index; in another, we see that it uses equity risk premium. What is the right approach? The student should motivate more why pooled and fixed effects versions of OLS and probit models are used - we do not learn much in the current version of the paper. It should be also clearly stated what each model is estimated as it is not always clear from the text. In section 8.2, the student wrote that he is using the probit model, but later in the text switches to OLS, which might be misleading for the reader. In eq.7 on p.31 student is explaining "the change in the yield of the associated risk-free rate "by the "Avg time "and "Big4 "variables – I hardly doubt that any of these variables are going to affect the yield of risk-free rate – student should explain what was meant by that equation. After reading the section containing results, I am not sure I understand them properly - during the defence, student should pick some table and explain the results in detail.

Literature

As I mentioned in the "Contribution" section, the literature included in the thesis is rather limited. I understand that literature is limited in the case of Czech Republic, but a general search at Google Scholar returned some interesting papers not mentioned in the thesis. Even a search for squeeze-outs in the Czech Republic returns some papers similar to the topic of the master's thesis., e.g. "Bartoš, Vochozka, Janíková (2021) - Fair value in squeeze-out of large mining companies ", that were not included.

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Manuscript form

The thesis's manuscript form and writing style are also not its strongest parts. It starts with an abstract, which is longer than usual in economics and finance literature, and sometimes it is not very easy to understand because it contains long sentences. The problem of long sentences and hard-to-understand text goes through the whole thesis - sentences longer than five lines are no exception in the thesis, which makes it easy for the reader to get lost. There are single-sentence paragraphs. There are two forms of citations in the thesis - traditional "in text" citations and citations in footnotes - I would suggest sticking only to "in text" citations. The form of citations is sometimes not informative, e.g. "Pl. ÚS 56/05" on p.3. There is at least one unfinished sentence - p.6, the second sentence in section 2.2 "... preferred type of evidence and". The source "Czech Civil Court Code" mentioned on p.6 is not in the list of references. Some abbreviations are not defined, e.g. Big4, Big8, IPO. The work of Skinner & Srinivasan (2012) is summarized on more than one page, and section 3.2 is based almost exclusively on this work. On p.23 there is a reference to "Error! Reference source not found.." The notation of the equations is not adequate - for example, I see no difference between eq.4 and eq.5, but eq.5 should include fixed effects. There are many other problems with the manuscript form in the text. Overall, I think the thesis would greatly benefit from some basic proofreading, such as using Grammarly or "DeepL Write" tools.

Overall evaluation and suggested questions for the discussion during the defense

From the text, I have the impression that it was completed at the last minute. I also feel like I am reading a business report/case study rather than a master's thesis. While the topic of the thesis is very interesting, I do not think that the author has exploited its potential - maybe due to lack of time? Overall, I have mixed feelings about the thesis - the topic itself is promising, but the final result is on the borderline of pass/not pass.

In my opinion, the thesis just barely meets the requirements for a Master's thesis at the IES, Faculty of Social Sciences, Charles University, I recommend it for defense and suggest a grade of E if the author is able to address my comments raised in the report. The results of the Turnitin analysis do not indicate significant text similarity with other available sources.

During the defense, the student should:

- Briefly state the contribution of the thesis to the current knowledge of the squeeze-out practice not only in the Czech Republic but also internationally.
- Clearly explain the motivation for choosing the models used in the thesis.
- Explain the logic of equation 7 on p. 31, specifically what exactly it is trying to estimate and whether it is even possible to relate the change in the yield of the risk-free rate to the proposed variables.

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	10
<i>Methods</i> (max. 30 points)	20
<i>Literature</i> (max. 20 points)	10
<i>Manuscript Form</i> (max. 20 points)	11

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TOTAL POINTS	<i>(max. 100 points)</i>	51
GRADE	(A – B – C – D – E – F)	E

NAME OF THE REFEREE: František Čech

DATE OF EVALUATION: 15.1.2024

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