



FACULTY
OF SOCIAL SCIENCES
Charles University

Thesis Evaluation Report

Author:	Jakub Bobysud
Advisor:	Jiří Novák
Title:	Discount Rate Estimation Practices of Czech Valuation Experts in Minority Shareholder Squeeze-Outs

Summary

The Master's Thesis investigates the approaches used by Czech valuation experts who perform company valuation in the context of minority shareholder squeeze-outs. The author argues that the experts have incentives to modify the approaches they use in order to achieve valuation outcomes that are favorable to their clients. He also argues that this tendency may be moderated by litigation and reputation concerns of the valuation experts. He investigates this question empirically using a hand-collected sample of valuation reports. The empirical results are somewhat ambiguous, but overall, they do not suggest any substantial opportunistic behavior of Czech valuation experts.

Contribution

I believe that the main contribution of this Master's Thesis is in the choice of a very original and economically relevant topic that has been sparsely investigated in the past. I emphasize that the author chose this topic independently and he was inspired primarily by his prior experience with preparing and using valuation reports that he gained during his internship in a company that prepares and uses valuation reports. I find the research question very appealing because it is highly relevant both from the perspective of economic theory and financial practice. On the theoretical level, the author's research exploits a setting that features an interesting extension resulting from a conflict of interests for the valuation experts who are paid by clients who are likely interested in valuation outcomes that would be biased upwards or downwards. I believe the author rightfully argues that these incentives to act opportunistically should be moderated by litigation and reputation concerns. Thus, broadly speaking, the author studies how economic incentives shape people's behavior. On the practical level, the valuation reports are highly consequential for economic bargaining in the economy. Frequently, commercial courts' decisions on the adequacy of compensation paid to minority shareholders heavily rely on these valuation reports. Therefore, it is highly relevant for finance professionals to learn more about whether these reports sometimes tend to be biased and about the determinants of this bias. Therefore, I believe that this Master's Thesis offers a valuable original contribution to prior research literature and the findings are also interesting for valuation professionals. I thus appreciate the author's creativity in choosing this topic.

Literature

The topic of choices of valuation methods by evaluation experts has only been scarcely researched in the past. This limits the author's ability to connect his research to prior literature. I believe the author rightfully connects his research to prior studies that investigate how litigation and reputation concerns affect the choices of financial auditors who find themselves in somewhat similar situations as valuation experts. Therefore it is plausible to expect that their response to the incentives may be somewhat similar to the response of the valuation experts. Notwithstanding this limitation and recognizing the merits of the author's choice of literature covered in the review, I would still appreciate if the author reviewed more research papers that may be indirectly relevant for his research question. I believe this would allow the author to set his study in a broader context and even better motivate its contribution.

Methodology

The author's choice of this rather unorthodox research question implied the need for extensive manual data collection of the discount rate estimates and the approaches of computing them from the valuation reports. The author took several months to collect the data. He also developed and modified algorithms that allowed him to scrape the data from the files more effectively. I consider this technical part an important merit of the thesis.

I consider the design of the empirical models used to estimate the individual predictions reasonable. The author motivates well the choice of the individual regression models he estimates. He structures the individual tests in a logical fashion and interprets the results well.

Form

I believe that this Master's Thesis meets the criteria for the form and presentation reasonably well. It is well structured, the individual parts follow a logical order and they are well interconnected. The tables and figures are well-formatted and well-labeled, even though I would appreciate more informative explanatory notes. I believe some parts of the text could be further refined to ensure a smooth flow of ideas. I believe the Thesis is written in very good English that respects the academic style of writing.

Conclusion

I recommend the examination committee to ask the author (i) to further compare and contrast the incentives and reputation and litigation constraints between financial auditors and valuation experts, (ii) to further elaborate on the motivation of the empirical tests used to test the individual hypotheses, (iii) to explain why he believes that the results do not support the prediction of opportunistic behavior of valuation experts, and (iv) to discuss policy implications of the documented findings.

The results of the plagiarism check do not indicate significant text similarity with other sources.

I believe that the Thesis fulfills and exceeds the requirements stipulated by the Faculty of Social Sciences, Charles University. I recommend the Thesis for defense. I suggest a grade A. Depending on the quality of the author's presentation, I recommend the evaluation committee to possibly consider nominating this Master's Thesis for the Deloitte Outstanding Thesis (DOT) Award.

Awarded Points and Grade

Contribution (max 30)	30
Methods (max 30)	29
Literature (max 20)	17
Form (max 20)	18
Total (max 100)	94
Grade (A – B – C – D – E – F)	A

24 January, 2024

Evaluation Date

Referee's Signature

Jiří Novák

Referee's Name

Grading Scale

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

Strong	Average	Weak
20	10	0

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.

Strong	Average	Weak
30	15	0

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.

Strong	Average	Weak
30	15	0

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.

Strong	Average	Weak
20	10	0

OVERALL GRADING:

Total Points	Grade
91 – 100	A
81 – 90	B
71 – 80	C
61 – 70	D
51 – 60	E
0 – 50	F