Title: Valuation of selected company

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Diploma thesis of the student Bc. Yunfen Hou concentrates on the traditional topic of the financial management, i.e. company valuation. Due to the significant increase in the number of the mergers and acquisitions during the last a few years and the necessity to know the selling and purchasing value of a company, the topic for the diploma thesis can be considered as an appropriate with respect to the level of the study degree and current problems solved within the financial management of a company.

The goal of the diploma thesis – as declared in the introduction – is to value the company Tencent Holdings Limited, a company operating in the mass media, entertainment internet and mobile service and advertisement. As it is apparent from the results, the goal of the diploma thesis was fulfilled.

Diploma thesis is in accordance with the diploma thesis assignment divided into five main chapters, where the chapter fourth – the application part – is the most important part of the diploma thesis.

Second chapter concentrates primarily on the company valuation methods description, which will be applied in the practical part of the diploma thesis. Furthermore, strategic and financial analysis, which is a part of the valuation process, is described here, as well.

Chapter three is focused on the rough description of the Tencent Holdings Limited, its main activities product analysis and industry analysis.

The most important part of the diploma thesis is the chapter fourth.

First, the financial performance of the company by applying chosen methods is analysed. Next, regression model for company’s revenues is proposed. As an independent variable, the GDP of China is chosen. The financial plan (i.e. plan of the Balance sheet, plan of the Income statement) is proposed in three scenarios with respect to the projection of the GDP evolution. On the basis of the financial plans (period of 2013 – 2018), the valuation is made. Two phase DCF method and CAPM model for cost of capital calculation is employed. The results are compared with the book value of company’s assets.

At last, sensitivity analysis was performed. Here the impact of the changes in EBIT, WACC, Investments and Depreciation on the company value is analysed. It follows from the results that the company value is the most sensitive to the changes in EBIT, on the other hand, the least sensitive is the company value to change in Depreciation.

Overall summary

On the basis of the results and contents of the diploma thesis it is possible to say, that the main aim was fulfilled, even though that there are lots of mistakes in the text (mostly grammatical). Anyway, the author of the thesis has turned out to be able to solve the financial problem, which is the main assumption for recommendation of the diploma thesis for defence.

Ostrava, 9th May 2014

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