SUPERVISOR’S DIPLOMA THESIS REVIEW

Title: Valuation of the company by selected methods
Student: Bc. Tiantian Kong

Diploma thesis of the student Tiantian Kong concentrates on traditional topic of financial management, i.e. company valuation. Financial assets valuation is one of the current key problems of for company’s management due to the fact that the number of mergers and acquisitions has been increasing sharply during the last decade and potential buyers and sellers need to know the value the company has. From this point of view the topic for diploma thesis has been chosen appropriately. The topic of the diploma thesis and its difficulty fully corresponds to the requirements on diploma thesis at the Finance department.

The goal of the diploma thesis – as declared in the introduction – is to value the company Dongfeng Motor Group, a company operating in the car industry. 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 Dongfeng Motor Group, its main activities and main competitors.

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

First, the financial performance (including SWOT analysis) of the company by applying chosen methods is analysed. Next, regression model for company’s revenues is proposed. As an independent variable, the GDP is chosen. There are three versions of the financial plan proposed (proposed Balance sheet and Income statement). The difference is in the projected GDP evolution (as independent variable), which differs according the institution that made the projection (the World Bank, World Economy, IMF).

Next, three scenarios of FCFF has been calculated and company value for each scenario has been determined. For the purpose of the cash flow discounting, CAPM model has been employed.

In the last step, sensitivity analysis has been performed. The impact of the changes in net profit, WACC, Investments and Depreciation on the company value has been analysed. It follows from the results that the company value is the most sensitive to the changes in investments and net profit.

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 the diploma thesis for defence.

Ostrava, 9th May 2014

Ing. Miroslav Čulík, Ph.D.
diploma thesis supervisor