OPPONENT'S DIPLOMA THESIS REVIEW

Title: Valuation of a company in the beverage industry under the risk terms

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This diploma thesis aims at the company valuation. The main contribution of this thesis is that the valuation is undertaken under the risk terms, i.e. the situation, where one of the input data necessary for the valuation is random, i.e. it is not possible to predict his value in the future, but it is known his probability distribution. The topic and the ways of diploma thesis processing can be considered as adequately chosen with respect to the level of the study.

The aim of the diploma thesis stated in the introduction is to estimate the probability distribution of the market value of Tsingtao Brewery Co., Ltd. By applying two-stage DCF method. As it is obvious from the results, the aim was fully 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 method and cost of capital estimation, which will be applied in the practical part of the diploma thesis. Furthermore, fundamentals of the regression and Cholesky algorithm are described here, which will be used for the random variable prediction.

Chapter three is focused on the rough description of the Tsingtao Brewery Co., Ltd, its history, main activities business strategy. At the end, common size analysis and ratio analysis is performed.

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

Here author of the diploma thesis determine the value of the company under the risk terms. It means that the result of the valuation process is not single value but rather the probability distribution of the company value.

First regression model with three independent values is developed and tested. Next, other financial variables for the FCF calculation are estimated or planned (change in NWC, depreciation, investments). For the cash flows discounting, cost of capital is estimated by employing CAPM model. In the end, company value is determined for each scenario and probability distribution of the company value is constructed. The main statistical characteristics are calculated including chosen percentiles.

In the last step, sensitivity analysis is performed. Here author analyse the impact of the changes in the cost of capital and growth rate in the second stage on the expected value of the distribution of the company value.

Results of the calculations are shown in figures and tables and are commented. The diploma thesis is structured in an appropriate way; there is logical structure and development of the company value determination. The English level of the text is high.
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. It has turned out that the author is able to solve given problem, which is one of the main assumption for the recommendation of the diploma thesis for defence.

Ostrava, 12th May 2014

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