Supervisor's diploma thesis assessment

Student: Yulei Chen
Title: Fundamental Analysis of the Suning Commerce Group Co., Ltd.
Supervisor: Ing. Martina Novotná, Ph.D.

The thesis is focused on fundamental analysis which is a common method used by investors for the purposes of stock valuation. The aim of the thesis is to carry out fundamental analysis of the Suning Commerce Group Corporation. The objective is clearly stated in the introductory part and with respect to the content and results of the thesis; it is evident that the student has achieved the objective of her work.

The structure of the thesis is logical; the student systematically proceeds from the theoretical background to the practical application of fundamental analysis. There are five main chapters in the thesis, where two of them present the practical application. In the third chapter, the student conducts global and industry analysis, the main focus is on the Chinese economy. Eventually, the company analysis, including financial analysis and stock valuation, is conducted. The student used two models for stock valuation: dividend discount model (DDM) and free cash flow to firm model (FCFF). All the calculations are carried out in MS Excel and Eviews, including the linear regression analyses. The proceeding steps and calculations are mostly sufficiently described in the text, however there are some issues not explained enough in some parts. For example, the estimated growth rate of dividends over a second stage of DDM is not clear (p. 62). The student should have compared the current price with the intrinsic value, not the present value of terminal value (p. 62, below the table 4.11). When estimating the stock price by FCFF, the student assumes different rates of growth in comparison to DDM that could have been better explained in the text. The final investment recommendation is stated in the conclusion.

It is evident that the student is capable of original and independent work. The work contains minor grammar and typing errors; some parts could have been discussed in more detail, namely the stock price valuation. The tables, figures and equations are appropriately included in the text and adequately commented.

Regardless of the comments above, the work satisfies the requirements for the elaboration and provides author’s original results. For the reasons above, I recommend the thesis for the oral defence.

Ostrava, May 19, 2014

Ing. Martina Novotná, Ph. D.