REVIEWER’S DIPLOMA THESIS ASSESSMENT

Title: Valuation of the Tencent Company under the Risk Conditions

Student: Bc. Jiang Tianzhen

Diploma thesis of the student Bc. Jiang Tianzhen focuses on the company valuation under risk, i.e. the situation, when one (or more) input variables evolve over the time randomly (stochastically). The result of the valuation process is not a single company value, but rather probability distribution of the company value, which is described by statistical parameters. It is possible to state that the topic and the level of difficulty of the diploma thesis correspond to requirements on the diploma thesis of graduated of master degree students at the Finance department at VSB-TU of Ostrava.

The goal of the diploma thesis (as declared in the introduction) is to estimate the probability distribution of the market value of the Tencent Company. As it is apparent from the results and procedure, the goal was fulfilled.

In accordance with the diploma thesis assignment, the diploma thesis is divided into five chapters, where chapter two is theoretical part; chapter three and four represents the application.

Second chapter concentrates primarily on the company valuation methodology description, which will be applied in the practical part of the diploma thesis. Besides this, calculations of necessary inputs for valuation models are stated (free cash flow, cost of capital, etc.). Furthermore, there are basic stochastic models used for prediction of random variables described here including statistical verification.

Chapter three is focused on the basic financial characteristics of the Tencent Company and SWOT analysis is performed.

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

Here the company valuation including sensitivity analysis is performed. The valuation (two-stage DCF method) is based on the simulation of random variable (here revenues). The other variables necessary for company valuation are considered to be deterministic. Result of the valuation is presented in the form of the probability distribution of company value, for which the main statistical characteristics are calculated (Table 4.19). Within the sensitivity analysis, author focused on the issue of changes in growth rate in the second stage on the company value. Results are again presented in Chart 4.7 and 4.8. Results are commented throughout the chapter.

Overall summary

On the basis of the results, procedure and contents of the diploma thesis it is possible to say, that the main objective was fulfilled. Unfortunately there are lots of mistakes in the text. These mistakes are both in theoretical part (see for example Formula 2.8; mistakes in symbols (Formula 2.10) and application part as well (for example pp. 37 – result of regression in Image 4.4 do not correspond with the final regression model in (4.1), etc.). The comments are quite frequently chaotic and do not reflect obtained results. Anyway, the author of the thesis proved to be able to solve given financial issue (even though with mistakes), which is the main assumption for recommendation the diploma thesis for defence.

Ostrava, 10th August 2015

Miroslav Čulík

diploma thesis reviewer