SUPERVISOR'S DIPLOMA THESIS REVIEW

Title:                  Baosteel Company Valuation under Risk
Student:               Bc. Peiye Shi

Diploma thesis of the student Bc. Peiye Shi concentrates on traditional topic of financial management, e.g. company valuation. Financial assets valuation is one of the crucial issues of 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 determine the value of the company Baosteel, a company operating in the metallurgical 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. Besides this, calculation 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 rough description of the Baosteel Company, its main activities and history 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) by Vasicek MR process. 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. 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 both graphically (Figure 4.20) and numerically in the table (Table 4.21). Results are appropriately 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 grammatical mistakes in the text. Anyway, the author of the thesis proved to be able to solve given financial issue, which is the main assumption for recommendation the diploma thesis for defence.

Ostrava, 9th May 2015

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