

SUPERVISOR'S DIPLOMA THESIS REVIEW

Topic: Evaluation and Comparison of the Effects of Value Creation for the Selected Czech and Chinese Company

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The submitted diploma thesis is devoted to the one of the key financial issues, particularly to the company's valuation. Particularly, analysis of the value creation in two companies in same industry but in different region is conducted. Topic of the thesis can be considered as traditional, current and convenient for thesis on the diploma's level of study.

Thus, the topic of the diploma thesis is "**Evaluation and Comparison of the Effects of Value Creation for the Selected Czech and Chinese Company**" and main goal of the thesis is to estimate, analyse and compare the *V/EBIT* multiplier for two companies in energy industry, where one of them is from Czech Republic and one from China.

The goal of the thesis is explicitly stated within Introduction. From the conclusions we can state that the objective has been met.

Diploma thesis is divided into two main parts, methodological part and application part.

The first chapter (besides Introduction) is focused on the description of the company's valuation methodology. Student describes the basic methods of company's valuation, focusing on the discounted cash flow method. Pyramidal decomposition of the chosen multiplier is also part of the chapter.

Next chapter is focused on the basic characteristics of the analysed companies and on the description of the overall financial performance in the previous years.

The key part of the thesis is Chapter 4, which is devoted to the estimation of the value multiplier *V/EBIT* for both analysed companies. Author focuses on the relevant parameters within key value driver formula (ROIC, WACC and rate of growth) and after estimation of the multiplier he analyses differences by pyramidal decomposition and analysis of deviation.

It is necessary to say that there are a lot of mistakes in this work. Firstly, some of the methodological tools, which are used in the application part, are not described in the theoretical part (financial plan, analysis of deviation, regression analysis...), whereas some of the methodological parts are redundant (pp 15 -16). Moreover, some cited sources are invalid (Fig.

2.6 – 2.8 are definitely not from the cited book). Some procedures in the application part are not described and verifiable (prediction of the electricity prices on page 53; results in Chart 4.17 (here is even not described, which method is used); or value of multipliers $V/EBIT$ on p. 72 (which should be the main result)...). Some results are obviously wrong (e.g. in Tab. 4.14 and 4.15 author claims that higher rate of growth and higher return on capital has negative influence on the company value). The main goal of the thesis (i.e. explanation of the difference between two multipliers) is solved on the last two pages.

Summary

Research Topic / Problem Identification:

<i>Significance of Topic</i>	Excellent	Good	Fair	Poor
<i>Clarity of Goal</i>	Excellent	Good	Fair	Poor
<i>Clarity of Literature</i>	Excellent	Good	Fair	Poor

Methodology:

<i>Description</i>	Excellent	Good	Fair	Poor
<i>Appropriateness</i>	Excellent	Good	Fair	Poor
<i>Justification</i>	Excellent	Good	Fair	Poor
<i>Analytical Techniques</i>	Excellent	Good	Fair	Poor

Results / Conclusions


<i>Accuracy of Calculations</i>	Excellent	Good	Fair	Poor
<i>Comments</i>	Excellent	Good	Fair	Poor
<i>Conclusions</i>	Excellent	Good	Fair	Poor

Written Expression:

<i>Clarity</i>	Excellent	Good	Fair	Poor
<i>Integration</i>	Excellent	Good	Fair	Poor
<i>Argument Logic</i>	Excellent	Good	Fair	Poor
<i>Spelling & Grammar</i>	Excellent	Good	Fair	Poor
<i>References</i>	Excellent	Good	Fair	Poor

Despite the above mentioned objections, I **recommend** the submitted thesis to the defence.

Ostrava, 21st May 2018


Petr Gurný, Ph.D.