

Report on Bachelor / Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Anna Lukashova
Advisor:	Evžen Kočenda
Title of the thesis:	The impact of foreign and domestic M&A on acquirers' stock prices in Central and Eastern Europe

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Please provide your assessment of each of the following four categories, summary and suggested questions for the discussion. The minimum length of the report is 300 words.

The thesis analyzes value implications of the mergers and acquisitions (M&A) deals on stock prices of the acquirer in a sample of Polish and Russian firms.

Contribution

The thesis analyses the sample of the 203 M&A announcements made by the bidder firms from Poland and Russia over 2006-2016 and brings assessment of the M&A announcement on the wealth of the acquirers' shareholders. The thesis deals with interesting issue that is not enough covered in the emerging European markets. From the comparative perspective it is interesting to see the differences in the effects on firms in the two large economies in the region. Specifically, it is shown that on average investors of the Polish acquirers receive positive short-term wealth effect, while the investors of the Russian firms lose in terms of their short-term value. The limited number of transactions that are considered might not yield enough extent of generalization, though. Still, the assembly of the data is well done. Further, the empirical results provide also some support for the positive wealth effect when acquirers target the strategically important asset. Quantitative analysis also singles out the key important determinants of the M&A initiated by the Polish and Russian firms. Consequently, the results touch on the potential that emerging market firms may have different motives for pursuing the inorganic expansion through M&A. When results are presented, number of specific deals is discussed. On the other hand, comparison with similar studies is scarce. Truth is that the region is not sufficiently covered, but some studies do exist. Comparative perspective based studies dealing with other economies/markets might be beneficial. Finally, from the policy perspective, the results indicate that ability of the M&A transactions to create value do depend on the quality of the institutional environment.

Methods

Analysis is performed on 203 deals (79 announcements made by 57 Polish firms and 124 announcements made by 56 Russian firms). Data selection is described carefully and the employed data are presented with sufficient detail, including discussion on the confounding events problem, limitations of the available deals, etc. That could plague the results if not accounted for properly. The assessment is performed via the event study augmented with the analysis of the determinants. Specifically, the wealth effect of the deal announcement is assessed with the event study methodology targeting the Cumulative Abnormal Returns (CAR). Further, calculated CAR are regressed on the explanatory and control variables. The approach is fully in line with the mainstream literature, it is also fully explained and well executed. Maybe a more detailed explanation for the choice of the window length could be helpful; on the other hand the length choice is pretty standard. Determinants and controls are well advocated and presented. Hypotheses are well articulated, motivated, and are also grounded in the relevant literature. Overall, the methodology approach is fine, well motivated and executed.

Literature

The literature section summarizes the current state of research in the field. Further, it also provides a well structured overview of the acquisitions, including types, motivations, strategies, determinants, etc. Review of the methods to assess post/M&A effects along with the post-acquisition performance in the empirical literature is also provided. The thesis further provides a detailed overview of the

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economic development related to the M&As in Poland and Russia. Hence, the literature is reviewed in a detail and covers all relevant papers and angles.

Manuscript form

The manuscript conforms to formal requirements for the master thesis. It also reads well and contains only some minor typos. Introduction is clear and motivates well the researched topic. Student also nicely sets the stage for the subject analysis within the economic transformation in Poland and Russia. Data are fully described. Hypotheses are clearly stated. Tables and figures are presented in an organized and legible manner. The single weakness is that some references in the literature list are incomplete or slightly incorrect.

Summary and suggested questions for the discussion during the defense

The thesis represents a solid piece of work on the subject that has not been sufficiently treated yet in the Central and Eastern Europe.

In case of the successful defense, I recommend the grade A.

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Contribution (max. 30 points)</i>	27
<i>Methods (max. 30 points)</i>	29
<i>Literature (max. 20 points)</i>	20
<i>Manuscript Form (max. 20 points)</i>	17
TOTAL POINTS (max. 100 points)	93
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: *Evžen Kočenda*

DATE OF EVALUATION: *August 21, 2018*

Referee Signature