

Report on Bachelor / Master Thesis

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

Student:	David Přerovský
Advisor:	Jiří Novák M.Sc., Ph.D.
Title of the thesis:	Analysis of Effects of the European Monetary Union on Merger and Acquisition Activity in Europe

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

Short summary

The author tests a hypothesis that the presence of monetary union positively influences cross-border M&A activity. Firstly, this could be by decreasing the transaction costs and removing barriers that make acquisitions across borders more appealing. Secondly, it can be indirectly caused by the economic growth that happened after joining the monetary union. Another hypothesis is that the adoption of the euro increases cross-border M&A activity with other members of EMU more, compared to the activity of non-members of EMU. Cross-border M&A activity is classified as either inbound or outbound, depending on the direction of the trade. The number of deals per year and the value of those deals are used as two measures of M&A activity. The M&A activity is naturally occurring in waves - periods of low activity and high activity. For assessing whether the adoption of the euro had a significant effect on M&A author uses difference-in-differences (DiD) and triple difference (DDD) models. These models should be able to capture the underlying M&A waves in the data - those not caused by the adoption of the euro as well as the effect of the euro adoption. No evidence supporting the two hypotheses stated was found.

Contribution

The author explores an interesting topic that is not sufficiently covered in the literature. Hypotheses are well defined and nicely motivated in the literature review section. However, the connection of these hypotheses to the results section is not that clear.

The author uses DiD and DDD models, which are novel in this application. Before estimating the models, it is necessary to prepare and aggregate the data used. I like how the data section was structured, as it also includes limitations of the dataset. Regarding the data limitations section, I would appreciate some references to support the claims about the database quality, e.g. Bollaert, Helen, and Marieke Delanghe. "Securities Data Company and Zephyr, data sources for M&A research." 2015. Unfortunately, the results from the DiD and DDD models do not support the hypotheses stated.

I appreciate the addition of the R code with the analysis and that the aggregated data are provided.

Methods

The empirical analysis is based on difference-in-differences (DiD) and triple difference (DDD) models. There is, however, no explicit methodology section. The part resembling the methodology section is in 'research design' section, but there is no theoretical introduction to the methods. There is also no comprehensive comparison with other models used in the literature. The interpretation of the results with respect to the methods used could also be more extensive.

Literature

The literature review section covers the most important literature on this topic. It provides a more theoretical overview of motivations of firms for M&A, on the expected effects of currency union on M&A, and other related literature.

Manuscript form

The manuscript form could be improved. The writing style makes reading comprehension difficult.

Figure 5, summarizing the process of the analysis, is a nice addition to the thesis.

Some of the comments on the manuscript form:

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- Missing commas, redundant commas and syntax - longer sentences are confusing and hard to read - rewriting or splitting them would improve readability. I suggest reading the rules for comma usage.
- In-text citations are in an unusual form of "Author, year;" instead of the Harvard style. I was not able to find any citation style that follows this format. Moreover, semicolons in the middle of the sentence seem unnecessarily confusing.
- It is common to write out numbers under ten ('between the 2 periods').
- Grammar flaws in the text. This includes missing words, incorrect forms of the verbs, typos, wrong prepositions. It seems most pronounced in the literature review section.
- Direct quotations, present mainly in the literature review section, do not add value to the thesis but rather distract the reader - paraphrasing them might be better.
- Petroulas, 2006 is cited in the text, but Petroulas, 2007 in references.
- Some of the figures (2, 3, 4, 8 and 9) are, in fact, tables.
- Table 'Figure 2' contains column 'Percent of deal value known from 1985' where all values are 0%. It is not explained in the text why this is the case. Germany, for example, seems to have non-zero data for all years - could there be a numerical error?

Suggested questions for the defense:

- You could explicitly formulate the hypothesis you are trying to test and how you obtained corresponding statistical significance. Be specific.
- Interpret your main results (p. 53: Table 1 - main DiD model)
- Could the low number of observations affect your results and their significance?
- Could quarterly data be used in your case to increase the sample size? If not, argue why. Could DiD model be used in this case, or would we need a different methodology?
- Head and Ries (2008) claim that 70-80% of FDIs are in the form of mergers and acquisitions - could you stress the difference between focusing on FDI (FDI flows by partner country) vs on cross-border M&A?

In my view, the thesis fulfills the requirement for a bachelor thesis at IES, Faculty of Social Sciences, Charles University. I recommend it for the defense and suggest grade B.

The results of the Urkund analysis do not indicate significant text similarity with other available sources.

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	25
<i>Methods</i> (max. 30 points)	25
<i>Literature</i> (max. 20 points)	20
<i>Manuscript Form</i> (max. 20 points)	11
TOTAL POINTS (max. 100 points)	81
GRADE (A – B – C – D – E – F)	B

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NAME OF THE REFEREE: Lenka Nechvátalová

DATE OF EVALUATION: 25.5.2021

***Digitally signed (25.5.2021):
Lenka Nechvátalová***

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F