

Abstract

One of the main features of currently running financial and economic crisis is the substantial drop of the value of assets held in form of stocks. The key issues for investors nowadays is, whether to hold the stocks in the expectations of consequent regain of their value, or whether to look for safer and more profitable targets for allocation of capital. This is the question that is being asked also by the hundreds of professional as well as small investors and households, which are keeping their money in form of stocks of companies tradable at Prague Stock Exchange. Having in hand the information about the potential over- or undervaluation of the market price of these stock in relation to their intrinsic values based on true financial fundamentals can help them make the right decision.

Finding the answers on these questions was set as a main goal of this diploma thesis. The analysis, which of the theoretical concepts and stock valuation methods are the most successful in explaining the development of the actual stock prices for the companies listed in Prague Stock Exchange comes to the forefront. Different valuation models and econometric tools are tested on several companies in order to estimate the potential relationship between the actual and intrinsic value of these stocks as well as to exhibit eventual over- or undervaluation. Finally, based on the outcomes of this analysis, investment proposal related to buying or selling of respective stocks is made.