

Report on Bachelor / Master Thesis

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

Student:	Adam Maryniok
Advisor:	Evžen Kočenda
Title of the thesis:	Determinants of the Mode of Payment in Mergers & Acquisitions in the European

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 factors influencing the choice of medium of exchange in M&A deals with European Union domiciled bidders.

Contribution

The thesis analyzes several factors influencing the choice of medium of exchange in deals on mergers and acquisitions (M&A) conducted by bidders with domicile in the European Union (EU). Altogether, 13 independent variables are used that proxy for bidder's financial and corporate governance characteristics, issues of information asymmetry, and differences in legal systems. The analysis is performed on the representative data set of transactions announced between 2010 and 2018. The novelty of the analysis rests in (i) the fact that instead of the classical frequentist approach based on p-values, it uses a Bayesian model averaging for the purpose of statistical inference. Further, (ii) the analysis brings very recent results because the similar research on the topic was performed in mid 2000' on the data covering period 1997-2000 when also a market situation was different.

The key findings show that high-growth and high-value companies tend to finance acquisitions at least partly with stock. Further, the ratio of cash balance exhibits a strong effect. Information asymmetry plays some role in stock financing in same industry deals and in deals involving privately owned target. Other characteristics do not show a strong effect, in general. Finally, in terms of mixed (stock and cash) and stock financed transactions industry related and domestic deals increase the odds ratio of a stock payment relative to a cash method by about seventy percent each.

Methods

Analysis is performed on 1492 M&A transactions over 2010-2018. Data selection is described carefully and the employed data are presented with sufficient detail. A full logit model including 13 independent variables is used. In the next step, given relatively high number of independent variables, several model selection techniques and a Bayesian Model Averaging (BMA) method are used to establish an optimal model specification given. Later, a multinomial logit model is simplified into a binary one. Results from the multinomial and binary logit models are used to draw further inferences. Hypotheses are well articulated, motivated, and are also grounded in the relevant literature. Their formal presentation is somewhat missing, though. Overall, the methodology approach is fine, well motivated and executed.

Literature

The literature section summarizes the current state of research in the field. It is divided into two parts to cover literature on models used in similar analyses and empirical results. 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 reads well but at some places the flow could be better. Introduction is very short but still, it is clear and motivates well the researched topic. Data are fully described. Hypotheses are clearly stated within the text. Tables and figures are presented in an organized and legible manner. Appendices provide additional information on independent variables and model selection.

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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 for the period after the global financial crisis.

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

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	28
<i>Methods</i> (max. 30 points)	25
<i>Literature</i> (max. 20 points)	20
<i>Manuscript Form</i> (max. 20 points)	18
TOTAL POINTS (max. 100 points)	91
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: *Evžen Kočenda*



DATE OF EVALUATION: *January 14, 2019*

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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

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

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

Overall grading:

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