



Thesis Evaluation Report

Student:	Kaplan, Robert
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Title:	The Impact of Mergers and Acquisition Activity on the Time Series Variation in the Stock Size Premium

Assessment

Summary

The thesis investigates an interesting research question whether variation in mergers and acquisitions (M&A) activity drives time-series changes in the size premium in stock returns. The study indeed finds that the semi-annual changes in takeover activity predicts the size premium. This result generalizes to a setting when the future M&A activity is estimated using a simple forecasting model based on historical data.

Evaluation

I find the thesis rather good for several reasons.

First, the research question investigates an important economic phenomenon, i.e. the existence of the size risk premium. The existence of the size premium is a subject to significant controversy in academic literature for decades. Given this importance significant research on this topic already exists. Nevertheless, the author is able to offer original contribution by considering a specific potential explanatory factor, i.e. the time-series variation in M&A activity that has not been extensively investigated in this setting so far.

Second, the author provides several compelling arguments on why the M&A activity may be related to the existence of the size premium. He is also able to support his motivation by referring to prior literature dating back to the very first study on the size premium, i.e. Banz (1981) who mentions the M&A activity as one of potential explanations for his puzzling finding. I find the argument the author provides for motivating his research question plausible and the user preferences appropriate. Such a motivation significantly reduces the risk that the conclusions the author makes are based on spurious correlations mined from the data and therefore are incorrect.

Third, I believe the thesis shows that the author acquired solid understanding of relevant literature and he is able to provide a well-structured review of prior literature. The author understands the current state of research in the area. He is able to describe well the controversy over the interpretation of the size premium and to collect his own research to this controversy. The

hypotheses are explicitly stated and properly motivated with reference to the existing literature. The author explains well how his thesis extends prior literature.

Fourth, I find the choice of the methodology and the data sample appropriate. The author motivates his choice of methods he uses. The estimation method is simple but it achieves the aim of the author's research. I like the way the author presents the results. He first makes a simplifying assumption that investors have a perfect foresight of the volume of M&A in the coming 6 months. I find such an assumption reasonable given the time that is needed to complete the M&A deals. In the second part of the thesis of the author proposes a simple prediction model for the future M&A activity. I find such an analysis meaningful provided that investors may have some understanding or expectations of the volume of future mergers and acquisitions but perhaps but their forecast may not be perfectly precise. The result based on the prediction model nicely complements for the initial result that assumes perfect foresight.

Fifth, the thesis is well organized, individual chapters follow a logical order and there is a good interconnection between individual sections. The thesis is also written in good English and it respects the academic style of writing.

Conclusion

Overall, I believe that the thesis meets well all the quality requirements for a Master's Thesis. Therefore, I propose the highest grade A.

Awarded Points and Grade

Contribution (max 30)	28
Methods (max 30)	26
Literature (max 20)	19
Form (max 20)	18
Total (max 100)	91
Grade (A – B – C – D – E – F)	A

Referee's Signature

May 15, 2018

Evaluation Date

Jiří Novák

Referee's Name

Grading Scale

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

Strong	Average	Weak
20	10	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.

Strong	Average	Weak
30	15	0

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.

Strong	Average	Weak
30	15	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.

Strong	Average	Weak
20	10	0

OVERALL GRADING:

Total Points	Grade
91 – 100	A
81 – 90	B
71 – 80	C
61 – 70	D
51 – 60	E
0 – 50	F
