REFEREE'S REVIEW

Program:	**Master in Corporate Finance**
Student:	**Evgenia Temnysheva**
Title of thesis:	**The Use of Fundamental Value for Private Equity Valuation: the Case of Russian Economy**

Justification of the topic choice. Accuracy in defining the aim and objectives of the thesis. Justification of the topic choice; accuracy in defining the aim and tasks of the thesis; originality of the topic and the extent to which it was covered; alignment of the thesis' topic, aim and objectives.	**5**			
Structure and logic of the text flow. Logic of research; full scope of the thesis; alignment of thesis' structural parts, i.e. theoretical and empirical parts.	**5**			
Quality of analytical approach and quality of offered solution to the research objectives. Adequacy of objectives coverage; ability to formulate and convey the research problem; ability to offer options for its solution; application of the latest trends in relevant research are for the set objectives.	**5**			
Quality of data gathering and description. Quality of selecting research tools and methods; data validity adequacy; adequacy of used data for chosen research tools and methods; completeness and relevance of the list of references.		**4**		
Scientific aspect of the thesis. Independent scientific thinking in solving the set problem/objectives; the extent to which the student contributed to selecting and justifying the research model (conceptual and/or quantitative), developing methodology/approach to set objectives.	**5**			
Practical/applied nature of research. Extent to which the theoretical background is related to the international or Russian managerial practice; development of applied recommendations; justification and interpretation of the empirical/applied results.	**5**			
Quality of thesis layout. Layout fulfils the requirements of the Regulations for master thesis preparation and defense, correct layout of tables, figures, references.	**5**			

Each item above is evaluated on the following scale, as applicable: 5 = excellent, 4 = good, 3 = satisfactory, 2 = poor   .

Additional comments:

Master Thesis is devoted to the very important topic and has a very high level of execution. This Master Thesis could be a good basis for research publication in a per-review journal. There are only few additional comments to the Master Thesis:

1. On page 16 and in the following text the author gives classification of valuation techniques, and she includes to the model-based techniques only DCF and real options. Why residual income techniques which are in the focus of the thesis are not included into this classification?

2. Results obtained from the first case of Bashneft are very interesting, but their interpretation could be more correct and deeper. For example, on page 49 the author mentions that refining companies have higher values than the retail companies and explains this by the fact that refining companies possess specific knowledge and techniques, have unique competences, while retail companies do not have unique competitive skills that can add value to them. This explanation seems to be rather debatable. Real explanation is obvious: refinery is much more capital intensive than retail, so refinery companies have much more physical assets than retail. The second example, on the same page the author makes the conclusion that the model undervalues refining companies, but overvalues the retail ones when compared with the actual values of the deal and values given by analytical companies. But the sum of actual values of all non-traded companies is quite close to the sum of valuations given by the model. These very interesting results explains by the quite large retained earnings, which the retail companies have due to high level of incomes and quite low book values due to the specifics of the main operations. This explanation seems to be also debatable. More obvious explanation is that Bshneft is a vertically integrated company and uses

transfer prices in the value chain which differs from the market prices while the valuation in actual deal and valuation done by appraisal company (according to appraisal standards) are based on market prices in the value chain.

3. The second case of TGK-6 has some problems with data. Why the author takes only 4 out of 6 non-traded companies merged in TGK-6? Why the author makes all calculations as if the merge happened in 2005 in spite of the fact that the merge was registered only in March 2007?

The above mentioned comments don't reduce the very positive impression from this work.

Master thesis of Evgenia Temnysheva meets all the requirements of Master in Corporate Finance program, and deserves an **"excellent"** grade, thus the author can be given the desired degree.

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