

## REFEREE'S REVIEW

<b>Program:</b>	MCF
<b>Student:</b>	Irina Ryzhkova
<b>Title of thesis:</b>	IMPACT OF NON-FINANCIAL INDICATORS ON MARKET VALUE OF INTERNET FIRMS

<b>Justification of the topic choice. Accuracy in defining the aim and objectives of the thesis.</b> 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			
<b>Structure and logic of the text flow.</b> Logic of research; full scope of the thesis; alignment of thesis' structural parts, i.e. theoretical and empirical parts.	5			
<b>Quality of analytical approach and quality of offered solution to the research objectives.</b> 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			
<b>Quality of data gathering and description.</b> 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			
<b>Scientific aspect of the thesis.</b> 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.	4			
<b>Practical/applied nature of research.</b> 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			
<b>Quality of thesis layout.</b> 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's thesis analyses the dependence of market value of internet companies on non-financial indicators, which are indicators related to the intensity of the use of the web site of the company. The first chapter surveys the traditional approaches to valuation and explains why standard approaches related to cash flows and other financial variables are hard to use in valuing internet firms. To approach the valuation of internet firms we need 1) to justify the use of non-financial parameters like the number of site visits, time spent on the web site or the number of customers, and 2) to build a valuation model based on those parameters. The paper provides a comprehensive answer to question 1)

The thesis layout is logical and clear. The second chapter states the problem, formulates the hypotheses and describes the data. The third chapter tests the hypotheses and interprets the results.

The formulation for both hypotheses is not standard since the answer (accept/reject) depends on the results on several models. Although I would not use 'hypotheses' terminology, there is no inconsistency between the formulation of the question and the result interpretation. The paper shows 1) non-financial indicators (the number of web site visits or the time spent on the site) are important for valuing internet companies, and 2) for different industries different indicators are important. Due to small samples used I am not sure of the strength of the second result.

The most significant drawback of the paper is the number of data points used in the research. Although the author took all companies traded in NASDAQ, I believe the data from other major stock exchanges could have been included in the analysis. The difference related to firms listed on different stock exchanges could have been controlled for and, I believe, that the benefits from using a bigger data set would be big enough.

The author indicates further directions of research as including more factors in the analysis. I believe that this will make the models even weaker. More prominent direction as I see it is conducting the analysis on as big dataset as possible. Another interesting direction of further research may be the creation of proper valuation models based on the importance of factors found in the analysis.

Master thesis of Irina Ryzhkova meets the requirements of MCF program, and deserves an **excellent** grade, thus the author can be given the desired degree.

Date June 15, 2012

Referee: (*academic title, name*)

Victor Archavski, PhD

A handwritten signature in blue ink, appearing to read 'Victor Archavski', is written over the printed name. The signature is stylized with a large, sweeping loop at the top and several vertical strokes below.