

REFEREE'S REVIEW

Program:	Master in Corporate Finance Program
Student:	Maxim Sagaidak
Title of thesis:	Incorporating default fees in capital structure modelling

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	4	<u>3</u>	2
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	<u>4</u>	3	2
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	<u>4</u>	3	2
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.	5	4	<u>3</u>	2
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	<u>4</u>	3	2
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	4	<u>3</u>	2
Quality of thesis layout. Layout fulfils the requirements of the Regulations for master thesis preparation and defense, correct layout of tables, figures, references.	5	<u>4</u>	3	2

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

Additional comments:

The thesis under review examines default fees and their influence on optimal leverage of the company. The author gives a short review of existing research devoted to the topic, which covers certain aspects of optimal capital structure models, actual modelling process and concept of default fees. The review is somewhat chaotic and lacks justification of choice of specific theories and models being analysed.

The suggested topic is described as being highly important, however justification of such importance for either scientific, or practical reasons is missing. The aim and objectives of the thesis are defined relatively clear however seem to be narrower than actual topic and sometimes not in line with it or subsequent analysis, with no justification of such practice being presented (e.g. only one class of optimal leverage structure theories (trade-off theories) is analysed; the objective is stated as "modelling firm value for different leverage levels taking into account default events and subsequent default fees", but the model output is optimal capital structure curve showing dependence of optimal leverage upon default costs). The structure of the thesis is clear, however narrowing the topic and analysed parameters within the thesis is not always properly justified which leads to questionable conclusions.

The author demonstrates good Matlab programming skills and knowledge of program mechanics. However the research described in the thesis lacks interpretation and justification on all its stages from

underlying assumptions to interpreting results. The model suggested by the author is based upon statistics for US market, and then is applied to European market, which is later used by the author as explanation of inconsistent results. Many assumptions which form the base of the model are not justified (number of simulated periods, company performing better than average, earnings distribution pattern, etc.); the data gathered for construction of the model and testing it are not uniform, which is not justified and then serves as an explanation of the fact that practical implementation of the model produces different results from those anticipated.

The layout of the thesis meets most requirements with exception of graphs and charts: They sometimes lack proper axis/column labels and require additional formatting.

Master thesis of **Maxim Sagaidak** meets the requirements of Master in corporate finance program, and deserves a “**good**” grade, thus the author can be given the desired degree.

Date: 15.06.2013 .

Referee:
Associate Professor,
Anna E. Loukianova

