

### SCIENTIFIC ADVISOR'S REFERENCE

<b>Program:</b>	<b>Master in Corporate Finance</b>
<b>Student:</b>	<b>Aleksei Smirnov</b>
<b>Title of thesis:</b>	<b>Why do companies go private?</b>

**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.

Master thesis of Aleksei Smirnov is devoted to identification of factors that determine the companies' decision to go private. The topic of master thesis is definitely relevant and can be justified both by an increasing number of going private transactions and rising number of international researches devoted to the study of this topic. Both external and internal factors serve as determinants of the probability of a company being delisted. Therefore, the management of both public and private companies and investors are involved in the decision about legal organizational form of the company.

The research goal set by Aleksei Smirnov was to determine the factors, which are related to the company's decision to go private.

There is no doubt that the topic of the thesis is relevant, taking into account nature of the voluntary and obligatory public-to-private decisions in general and peculiarities of contemporary delisting transactions specifically. In order to achieve the research goal, the student met the following objectives: conducted a literature review on the topic of going private transactions, analyzed theoretical approaches to the decision of companies to go private and reviewed contemporary research on motivation for delisting. Furthermore, for the purpose of the study, the student conducted econometric analysis.

Goal of the econometric analysis was to identify the factors that serve as determinants of the probability of a company being delisted .

**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.

The structure of the thesis is the following: introduction, two chapters, conclusion and references. In the first chapter Aleksei Smirnov analyzed the going private transactions in general, investigated companies' decisions and motivation for going private transactions and considered former research on the topic of delisting. The structure of the thesis is logical. The theoretical part is directly connected with the empirical research: the methodology and structure of the empirical part is built on the theoretical framework and findings of the recent papers, covered in the first chapter. Each part of the thesis is logically connected with the previous one and the text flow is well-defined. Scope of the thesis is full and coherent.

**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.

In this thesis, Aleksei Smirnov covered all the objectives set and, hence, achieved the research goal of the paper. The methodology applied by the student is in line with theoretical concepts of contemporary academic literature. The conducted analysis and interpretation of findings demonstrate high level of analytical skills of the student. Aleksei Smirnov successfully identified the research problem, presented the solution and applied methods of regression analysis on a representative sample.

**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.

The applied methodology – econometric analysis is clearly relevant for conducted research and achievement of the research goal. The data sample used by the author is definitely adequate and relevant for the stated research problem. The list of references and literature review are complete and coherent, along with review of classical concepts, the student provides a comprehensive analysis of

contemporary literature.
<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.
The thesis is completed independently. Scientific part is done in a good way and all the necessary explanations are presented. Based on the existing methodology the author investigated the factors that serve as determinants of the going private decision and the conditional probability of a company being delisted. Findings of Aleksei Smirnov are valuable for understanding of motivation for the going private transaction. Quite low number of studies related to the analysis of motives for the delisting decision and diversity of the obtained results regarding the determinants of the going private transactions in prior research allowed the author to reach rational and practically valuable conclusions.
<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.
The econometric analysis was conducted on the sample of 613 companies of the Alternative Investment Market and 799 companies of the Main Market of the London Stock Exchange from 2005 till 2016. Aleksei Smirnov justified and interpreted all the findings of econometric analysis. The student concluded that, Alternative Investment Market companies with lower capital expenditures, lower operating performance and lower revenue growth rates are more likely to go private. Moreover, companies on the Main Market with lower operating performance, lower revenue growth rates and deteriorated liquidity of shares, are more likely to go private. Based on the findings of empirical analysis, the student developed a set of managerial recommendations, which could help investors seeking a profitable strategy and also owners and managers of the companies to make correct verdict in their decision to go private.
<b>Quality of thesis layout.</b> Layout fulfils the requirements of the Regulations for master thesis preparation and defence, correct layout of tables, figures, references.
The layout of the thesis fulfils all the official requirements of Regulation for master thesis preparation and defense. The layout of tables, figures and references is correct.
<b>Originality of the text.</b> All sources of match identified by the Safe Assign system follow the allowed cases, the paper does not contain any elements of plagiarism.
The thesis text is original and does not contain elements of plagiarism.

In general I would like to note very responsible and systematic work of the student on his thesis.

The Master thesis of Aleksei Smirnov meets the requirements for master thesis of MCF program thus the author of the thesis can be awarded the required degree.

Date  
3.06.2017

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