# REFEREE'S REVIEW

| Program: | Master in Corporate Finance |
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| **Student:** | Maxim Nozhenko |
| **Title of thesis:** | The evaluation of middle-term influence of M&A deals on market performance in Oil and Gas industry in the USA |

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| **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. | | | 3 | |
| **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. | | | 3 | |
| **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. | | | 3 | |
| **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. | | 4 | | |
| **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. | | 4 | | |
| **Quality of thesis layout.** Layout fulfils the requirements of the Regulations for master thesis preparation and defense, correct layout of tables, figures, references. | | | 3 | |

Each item above is evaluated on the following scale, as applicable: 5 = the thesis meets all the requirements, 4 = the thesis meets almost all the requirements, 3 = a lot of the requirements are not met in the thesis, 2 = the thesis does not meet the requirements.

**Additional comments:**

*Please, elaborate on the above mentioned criteria (we kindly ask you to provide your comments structured as strengths and weaknesses, maximum 5 for each, unless more points are crucial to justify the grade).*

The thesis examines the market reaction on M&A in oil and gas sector at the middle-term period. The topic itself is interesting and important because of the crucial role of oil and gas industry in modern economy. The author brings a novelty in the research of M&A due to the innovative approach based on the dynamic portfolio method. This approach contributes to the understanding of the popularity of mergers and acquisitions as a growth strategy chosen by companies. The comments to grades are provided below.

1) The goal is not stated clearly. The author did not explain why the middle-term reaction was tested (and this is important for the research – usually the short-term reaction is tested on the base of event studies and long-term effects are checked either using the BHAR, or financial reporting approach, so the choice of the period explains the methodology applied). Also it would be useful to imply the limitations of the study – the author examines only the upstream sector, putting midstream and downstream sectors aside. This has some justification (provided in the concluding part of the paper) but needs clarification from the very beginning of the research. Alongside with these considerations, it should be noticed that the main goal of the research is achieved – the author proved empirically the positive medium-term impact of mergers and acquisitions in the oil and gas sector of economy for the American market.

2) In general, the logic of the research could be traced clearly and in certain extent is supported by the structure of the paper. But there are several drawbacks such as the incomplete argumentation in p.1.1.2 where the author just started to describe the valuation techniques and then abrupt himself at the DCF

approach, shifting to the history of M&A without any conclusions. Also, it seems that the author pays too much attention to common issues as types of M&A, the history of M&A etc. without the implementation of this knowledge in the empirical part of the thesis. It would be better if the author concentrated more on the oil and gas sector.

3) The research problem is stated clearly. The literature review is relevant and explains the topicality of the study and the novelty of the approach. But the research gap is not revealed clearly, and the choice of the methodology seems slightly opportunistic and requires more attention. The author explains his approach as the improvement of event study method, but it could be explained better if the length of the estimation period was reasoned with the relevant literature. The quality of the empirical part is good; the author created portfolios, and calculated the cumulative average abnormal returns between them. To define factors that have an impact at the CAAR, he ran the regression analysis. The results are significant and logically interpreted. The results add short-term and long-term evaluation of M&A effects with medium-term estimation. The author demonstrates an independent thinking in solving research questions and developing his methodological approach.

5) The practical implementation of the results is possible for market analysts and investors. Though there are the limitations caused by the nature of the market: what proved its efficiency at the American market needs additional empirical testing for emerging markets and especially for Russian one, with its specific ownership structure and managerial practices.

6) The quality of the layout needs improvement – this refers to the statistic data, argumentation, balance of chapters and language skills. Some parts include excessive descriptions (for example, look at p. 27 where the simple description of regression analysis is given). The conclusion does not provide with clear understanding of the theoretical contribution. The appendices also do not bear all the necessary information.

**Master thesis of Maxim Nozhenko meets the requirements of the Master in Corporate Finance program, and according to the reviewer's opinion deserves a "_satisfactory (D)_" grade, thus the author can be given the desired degree.**

03.06.2017

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