

Opponents' Report on Dissertation Thesis

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| Advisor: | doc. PhDr. Petr Teplý, Ph.D., VŠE |
| Opponent: | Prof. Ing. Michal Mejstřík, CSc., IES FSV UK |
| Title of the Thesis: | The Cross-Border M&A Wealth Impact in the European Banking Industry |
| Type of Defense: | FINAL DEFENSE |

Address the following questions in your report, please:

- a) Can you recognize an original contribution of the author?
- b) Is the thesis based on relevant references?
- c) Do the results of the thesis allow their publication in a respected economic journal?
- d) Are there any additional major comments on what should be improved?
- e) What is your overall assessment of the thesis? (a) I recommend the thesis for defense, (b) not-defendable in the form.

A. Introductory remarks

The banking professionals are sharing the view that the European banking sector is too fragmented in time when banks are facing more challenges than ever before (IFLR). "The rise of digital and challenger banks spurred by the updated Payment Services Directive and potential entry of big global tech conglomerates (such as Amazon with market cap USD 860 billion or similar size Apple) into the market are causing incumbents to rethink the strategies to react to the growing threats. One solution could be to merge with the competition to take on the newcomers together, and many are taking – or at least considering - this option. The number of the banks in Europe has been steadily declining from the 8525 EU-based credit institutions in 2008 to 6660 in 2016". Consolidation is going on both by domestic and cross-border mergers and acquisitions.

Given this past and future developments it is the right moment to access the Cross-Border M&A Wealth Impact in the European Banking Industry both methodologically and empirically. And Ing. David Moreira presented in his dissertation thesis one possible approach.

The work consists of six chapters plus references. After brief introduction the sizable second chapter (42 pages = over half of thesis) entitled Theoretical Background provides paradoxically mostly empirical kick-off for the whole study. At first in subchapter 2.1 It summarizes for European banking M&As 1985-2017 both aggregate empirical data and their different facets (Transaction form, Target regions, Public status, Financial advisors, underlying strategic advisory M&A purposes, structuring the deal and the acquisition %, serial acquirers by nations, banking nature). It is supplemented by historical records of the largest Italian and German cross-border banking M&As. Second subchapter 2.2 summarizes basics of M&A strategy in descriptive terms while subchapters 2.3 and 2.4 presents the author's approach to changing environment and the problem identified as research gap to

“verify if the European cross-border banking M&A created value to the shareholders during the event period... The most of former studies did not find conclusive evidence regarding value creation during period after the transaction is done” (page 48). It is supported by the brief review of the relevant literature (the full list of references is included in chapter 7).

In chapter 3 the author defends his approach indicating that further consolidation in Europe by cross-border M&As creates value. Having adopted standard research methodology (event studies and CAR/AAR cumulative/average abnormal returns) he presents his four testable research hypotheses: Hypothesis I: The European cross-border merger and acquisition in the banking industry announced during the period of 1985 and 2017 created wealth effects among the bidding banks; Hypothesis II: The European cross-border merger and acquisition in the banking industry announced during the period of 1985 and 2017 created wealth effects among the acquired banks; Hypothesis III: The European cross-border merger and acquisition in the banking industry announced during the period of 1985 and 2017 created wealth effects among the combined bidding and acquired banks; Hypothesis IV: The European cross-border merger and acquisition in the banking industry announced during the period of 1985 and 2017 on average created more value to the targeted banks in Western Europe than in Eastern Europe.

Chapter 4 provides the specific data analysis comparing them with the other studies' data samples. Mr. Moreira defined the criteria limiting original data sample of 2000 relevant M&As from January 1, 1985 until December 31, 2017 (provided by a database of Bureau Van Dijk) to cover only 75 deals. While the criteria such as size and majority share acquisition are understandable, the criterium of the maximum 365 days between the announcement and completion of the deal is simplyfying the approach but often looks somewhat unrealistic.

Chapter 5 summarizes the empirical results including tests of four above mentioned hypotheses.

Chapter 6 offers final conclusions.

B. An original contribution of the author

The author deals with the longer time span (from January 1, 1985 until December 31, 2017) than time intervals dealt with the referenced studies. That enables researcher to deal with the range of events but might also enable to consider changing business cycle volatility (maybe in future publications).

Within Chapter 5, interesting results of test of four above mentioned hypotheses are presented and commented.

In subchapter 5.1, hypothesis I was not rejected, i.e. the wealth effects to the bidding banks during the event of an M&A announcement have not created value among the acquirers (bidding banks). Also, in the Figure 3 constructed with Eikon Thompson Reuters M&A database, the black trend line well illustrates a clear negative CAR at the end of the window period that is consistent with findings of number of other studies.

In subchapter 5.2 on empirical findings of CARs to the targets, hypothesis II was also not rejected: i.e. the wealth effects to the acquired and merged (target) banks have created value for the shareholders of target banks. That is again consistent with prevailing number of referred studies. It is once more well illustrated by the black

solid line in the Figure 4 (constructed moreover with Eikon Thompson Reuters M&A database).

In subchapter 5.3 empirical findings of CARs to the combined target and acquirer wealth effects result in different findings than previous studies - hypothesis III was not rejected. Within total CARs the target CARs prevail (see Figure 5) and it supports the pro-consolidation scenario generating positive wealth creation of cross-border M&As in the European banking industry.

And in subchapter 5.4 on empirical findings of value creation with respect to the geography, hypothesis IV was rejected because the author shows „strong evidence that the Western region has maintained a stable positive level of returns over the last three decades“. On the other hand, Mr. Moreira indicates that „the acquirers located in the Eastern region have a consistent downward slope of stock returns during the same event window period“.

Subchapter 5.5 provides the reader with the nice brief survey and overview Table 14, in which the author furthermore summarizes his empirical results in comparison with previous studies that suggest his contributions. We have already mentioned the longer time interval but one should not overlook time windows and high statistical significance of t-statistics.

In subchapter 5.6 Mr. Moreira presents the widening of scope of the further research that implicitly indicates his opinion about the restricted range of his current research. He is aware of the different facets of his topic that was reflected in his well-structured dissertation thesis.

Due to the current challenges for the banks and optional consolidation scenarios, Mr. Moreira thesis timely, at the appropriate time, updates relevant scope of research and supports the idea of mostly efficient bank consolidation.

C. Relevant references

The full list of references is included in chapter 7. The author carefully dealt with number of relevant references through the whole dissertation thesis, but I was missing besides seminal JM Campa contributions

JM Campa, I Hernando, Shareholder value creation in European M&As, European financial management, 2004 - Wiley Online Library

JM Campa, I Hernando, M&As performance in the European financial industry, Journal of Banking & Finance, 2006 - Elsevier

also some wider, but inspiring studies, mostly recent stuff such as

J Hagendorff, M Collins, K Keasey, Investor protection and the value effects of bank merger announcements in Europe and the US, Journal of Banking & Finance, 2008 - Elsevier

J Williams, A Liao, The search for value: Cross-border bank M&A in emerging markets, Comparative Economic Studies, 2008 - Springer

A Amici, F Fiordelisi, F Masala, O Ricci, F Sist, Value creation in banking through strategic alliances and joint ventures, Journal of Banking & ..., 2013 – Elsevier

M Du, A Boateng, State ownership, institutional effects and value creation in cross-border mergers & acquisitions by Chinese firms, International Business Review, 2015 – Elsevier

J Li, P Li, B Wang, Do cross-border acquisitions create value? Evidence from overseas acquisitions by Chinese firms, International Business Review, 2016 - Elsevier

A De Jong, S Ongena, A Rajamani, M van der Poel, The international diversification of banks and the value of their cross-border M&A advice, 2015 - papers.ssrn.com

GA Karolyi, AG Taboada, Regulatory arbitrage and cross-border bank acquisitions, The Journal of Finance, 2015 - Wiley Online Library

M Rahman, M Lambkin, D Hussain, Value creation and appropriation following M&A: A data envelopment analysis, Journal of Business Research, 2016 - Elsevier

G Kyriazopoulos, E Drymbetas, Do domestic banks mergers and acquisitions still create value? Recent evidence from Europe, Journal of Finance, 2015 - jfbmnet.com

G Alexandridis, N Antypas, N Travlos, Value creation from M&As: New evidence, Journal of Corporate Finance, 2017 - Elsevier
J Cornaggia, JY Li, The value of access to finance: Evidence from M&As, Journal of Financial Economics, 2018 - Elsevier

Suggested references might be used during the later publications of parts of dissertation thesis.

D. Publication in a respected economic journal

David Moreira published with Karel Janda paper on "Measuring the M&A Value of Control and Synergy in CEE Transition Economies with the case of Avast-AVG Acquisition" in European Financial and Accounting Journal (2017) that adopts similar methodology on recent non-financial, corporate M&A case.

The publication of empirical findings of his dissertation thesis with respect to the comments made above can be recommended.

E. Major comments and recommendations

The thesis fulfills basic requirements set by the VSE, my comments and recommendations see above.

F. Overall assessment of the thesis

I consider the thesis as good work and I recommend it for final defense ("doporučuji k obhajobě").

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| Date: | 11 September, 2018 |
| Opponent's Signature: | Prof. Ing. Michal Mejstřík, CSc. |
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