

# **CORPORATE & EQUITY VALUATION APPROACHES**

Presentation of Approaches and Influential Factors of Value

How the Approaches Interact, Why They Are Used for Different Purposes and  
How to Apply the Valuation Approaches via a Weighting Methodology

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PhD THESIS submitted to the  
Department of Accounting and Finance  
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Thessaloniki, Greece, 2015

# **INTRODUCTION/SYNOPSIS AND STRUCTURE OF PhD THESIS**

After the introduction of the CAPM model by Sharpe (1964), Lintner (1965), Treynor (1965) and Mossin (1966) independently, building on the earlier work of Markowitz (1952), the valuation of corporation has started to be founded and utilized broadly. Following the establishment of the corporate valuation theory many researchers have contributed to its further development while different methodologies have been introduced. Despite the development of many different valuation models throughout the years, the most commonly utilized by the corporate and academic community for the valuation of a company are the four major valuation approaches which are summarized to Present Values or Income Approach, Asset Values or Asset Based Approach, Multiples or Market Based Approach, and Options Based Valuation or Options Pricing.

However, rarely the valuation of a firm is solely based on one of these approaches. Instead a weighting is performed among the output of each model in order to take into account the different valuation approaches and their influential factors of value. The respective weighting of the outputs which is commonly referred to as the weighted valuation is the most popular and most utilized process in the global business environment among valuation practitioners and financial analysts. When valuing a company, the estimator or financial analyst initially selects a range of valuation methodologies / approaches which at a later stage weights to extract the weighted valuation outcome with regard to the subject company.

However so far there has not been defined a technique determining the precise weights of the selected valuation methodologies or approaches in order to derive the weighted corporate value. It can therefore be very useful to develop a selection and most importantly a weighting technique that determines in a more transparent manner the precise weights of the four major valuation approaches mentioned above and discussed in this thesis. Therefore, the purpose of the current PhD Thesis is to aggregate and present information with regard to the “background” and concept of the four major Corporate and Equity Valuation Approaches, and develop a methodology in order to weight the output of each model based on the influential factors of value, the interactions and the purpose of use of the approaches.

The PhD Thesis is structured as follows:

- Chapter 1 constitutes an introduction to corporate valuation approaches and presents the aim and objective of the current Phd thesis.

-- Chapters 2 present in synopsis the four major methodologies / approaches applied in corporate and equity valuation: Present Values or Income Approach, Asset Values or Asset Based Approach, Multiples or Market Based Approach, and Options Based Valuation or Options Pricing. Moreover, in the current chapter a review of the main statements and conclusions drawn in several pieces of academic literature is presented. It also synthesizes a series of notes, opinions and references expressed by corporate valuation practitioners. The chapter also presents and / or discusses the approaches' influential factors of value.

-- Chapter 3 presents the methodology and the factors taken into consideration for the development of the new weighting methodology proposed in the current Phd. In addition the current chapter sheds light on additional influential factors of value or determinant factors regarding the selection of a valuation approach for any given valuation case or subject company.

-- Chapter 4 presents the results of the new developed methodology, applied on selected companies of different business segments, sectors or industries.

-- Chapter 5 presents the concluding remarks of the current PhD thesis.

In conclusion, the deeper understanding of the corporate and equity valuation approaches and their influential factors of value can be of great assistance to the valuator who needs not only to justify the selection of the most appropriate valuation approaches in any valuation case / assignment but also to determine the precise weighting of the valuation approaches selected.

Important Notes:

The presentation of the valuation approaches and the literature review in the PhD Thesis are based on academic research as well as on practitioners' views and applications from a wide range of geographic markets and economies. Research findings, views and discussion statements with regard to valuation practices originated from practitioners and academicians in Europe, Americas and Asia.

The PhD Thesis does not deal with any conception, development and practical application of valuation models. It presents and discusses the already known models that are utilized by academicians and professionals.

Throughout the thesis, the term valuator or analyst is used to denote the individual performing the task of valuation, whereas the term subject company is used as a general reference to any company that is an object of valuation. The terms "valuation approach" and "valuation methodology" are used identically.

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**End of Sample Information about the PhD Thesis**