

PECULIARITIES OF MARKET APPROACH APPLICATION: RECENT RESEARCH ON DEVELOPED AND EMERGING MARKETS

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Abstract

Comparative valuation is based on the market prices of similar companies and actually obtained financial results. Despite the fact that the method represents an approach which is quite easy to implement compared to the income approach, there are still some issues to be kept in mind regarding applicability of a set of multiples, accuracy of valuation, inter-country features and adjustments to be made.

An essential step in a correct and precise process of company's valuation from both the theoretical and practical points of view is making an adequate decision about methodology choice on the basis of allowances for company's features, market environment and economic situation. Comparative valuation is based on an analysis of several peer companies which implies existence of a mature liquid market with a bunch of players giving wide scope for determining potential analogues. Even partial violation of the basic assumption leads to a forthcoming of obstacles in using the method without detailed and complicated analysis.

It is not only the problem of choosing the right approach to a group of multiples' definition to be faced, but also an issue of the right use of multiples: there is a group of potential factors which can affect the specifics of multiples for companies operating on the different markets. This raises the question about the need of adjusting financial variables for different countries as there are no absolutely identical markets and, thus, close analogues. Moreover, deep understanding of determinants and drivers of multiples enables researchers to evaluate a company in a more precise way through the choice of the most applicable similar firms. It is also worth mentioning that a process of valuation includes not only a company's valuation but also a valuation quality control for further minimizing an error.

The practical complexity of comparative valuation application generates a bunch of methods and methodologies that can be implemented. This paper is dedicated to recent studies of comparative valuation through different elements of the theoretical framework including company features, market environment and country specifics.

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Ключевые слова: метод рыночных сравнений, мультипликаторы, сравнительный подход, развивающиеся рынки капитала, выбор мультипликаторов

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