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The Right Role for Multiples in Valuation

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University of Pennsylvania - Finance Department; Emory University - Goizueta Business School

Abstract


Discounted cash flow valuations are the best way to assess the value of projects, but they are only as accurate as the forecasts behind them. A careful review of a company's multiples - and those of its competitors - can help verify those underlying forecasts. However, executives must be critical consumers of published multiples and probe unexpected differences.

Keywords: Valuation, Multiples, Comparables

JEL Classification: G30, G34

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