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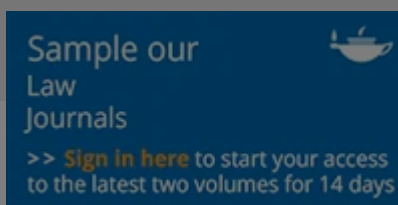
EQUITY INVESTMENTS

# Multiples Used to Estimate Corporate Value

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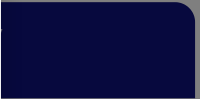
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When we look at the value of intangible assets (i.e., R&D), the valuation is also found to be significantly higher because of the intangible nature of R&D.

Our research is certainly relevant to practitioners, such as investment bankers and analysts, because they use multiples to value companies, but we believe it is also consequential to academic researchers. For instance, studies of the effect of corporate diversification on value use multiples to value individual segments of a company and then compare the estimated aggregate value to the market value to determine the “excess value” created by diversification. The results presented here may help such researchers choose multiples that minimize potential bias embedded in the value measures, especially if the companies or company segments exhibit certain irregularities.



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