# VALUATION OF EQUITY AND INTANGIBLE ASSETS – AN EMPIRICAL STUDY

**Abstract**

Valuation of equity and intangible assets is of great interest to financial managers, analysts, investors, and various other professionals. Many equity valuation models have been reported in the literature using a combination of earnings, book value, and dividends as value drivers. But no model has used all the three value drivers at the same time. Also notable is the absence of a model that considers intangible assets as a determinant of equity value. This thesis evidences simultaneous value relevance of earnings, book value, dividends, and intangible assets, combines them to develop log-linear models for valuation of equity, and estimates the values of model parameters using data from the Indian industries. Furthermore, the thesis makes use of multipliers to capture company-specific characteristics in the valuation model. It proposes that the coefficient of intangible assets in the regression models helps in finding the marginal contribution of these assets to equity price, and such contribution reflects the value the market assigns to a unit of the intangible assets. Using this logic, the thesis recommends a method to value intangible assets of a company. The models have been tested on a number of Indian and non-Indian companies, yielding equity values close to the corresponding actual prices. The proposed models for valuation of equity and intangible assets are devoid of subjectivity. They are also easy to use and are transparent and consistent. They are easy to use because they are based on available accounting information. They provide transparency in the sense that the method is well documented and has no open-ended issues. Also, all variables and their weights are clearly defined. The models are consistent since the estimated value is independent of the person performing the valuation. Application of the methods involves a few elementary arithmetic operations. The proposed models will benefit managers, investors–small and large, financial institutions, government, and others who are concerned with valuation of equity and intangible assets.

**Keywords:** Valuation of equity and intangible assets, Value drivers, Heterogeneity across companies, Log-linear valuation models, Company-specific multipliers.