
BICM Research Seminar 36

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Paper details	
Title	The architecture of equity valuation: 5 Models 1 value
Author	Dr Waresul Karim Professor Department of Accounting and Finance School of Business and Economics North South University
Presentation details	
Presenter researcher	Dr Waresul Karim
Date	14 August 2024 (Wednesday)
Time	02:00 PM – 03:00 PM
Venue	BICM Multipurpose Hall
Expected Participants	Faculty Members of BICM & Invited Guests

About the Presenter

Dr Karim started his academic career as a lecturer of Finance at the University of Dhaka. He pursued his PhD on corporate financial reporting at the University of Leeds with a Commonwealth scholarship. Prior to joining North South, Dr Karim taught at reputable universities such as Victoria University of Wellington in New Zealand, Brunel University in the UK, Saint Mary's College of California, Eastern Illinois University, Alabama A & M University. Besides teaching, Dr Karim's passion lies at the cross-roads of market-based accounting research and political governance. His research theme spans the core areas of corporate governance and accountability, earnings quality, political governance, regulatory change, and corruption. Dr Karim has published in many prestigious, high-impact, journals including The International Journal of Accounting, Public, Money and Management, Corporate Governance: An International Review, Journal of Corporate Finance, Pacific Basin Finance Journal, and Research in Accounting Regulation. Besides undertaking research in accounting and auditing, Dr Karim stands out as a leading researcher on elections in Bangladesh. His book titled "Elections Under a Caretaker Government: An Empirical Analysis of the October 2001 Parliamentary Elections in Bangladesh", published by the University Press Limited (UPL) has earned domestic as well as international commendation. Dr Karim has recently completed a comprehensive study of three more elections held in 2008, 2014, and 2018 respectively and presented his findings at the National Press Club and the local representatives of the European Union (EU) and other international agencies residing in Bangladesh.

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The paper abstract is given below. If you have any questions regarding the seminar or you wish to present a paper or invite a guest researcher, please do not hesitate to contact S. M. Kalbin Salema, Assistant Professor, BICM at kalbin@bicm.ac.bd.

The architecture of equity valuation: 5 Models 1 value

Dr Waresul Karim¹

Abstract

Equity valuation is one of the most exciting and equally challenging tasks facing equity analysts, portfolio managers, and financial controllers. Investment decisions are typically based on an inherent comparison between price and value. Unlike prices, values are unobservable, elusive, and abstract, but constitute perhaps the most important drivers of buy, hold, or sell, decisions. While everybody is seeking alpha, equity analysts find themselves in an intense competition with a million other market participants, most of whom are using almost the same set of publicly available information. Nonetheless, they arrive at different, often conflicting decisions, placing them on opposite sides of the transaction spectrum. What, then, makes the difference? Private information? Or different versions of the same or different sets of forecasts of the security under question? In such a boiling temperature, only the smartest analysts are likely to succeed, at least in the longer term.

In this paper, the author develops a framework where you can value a stock using one or more of a range of theoretically sound valuation models but end up with identical values. But this occurs under only one combination of the seemingly infinite number of combinations of forecasts. In addition to providing a value, the framework serves an important purpose: validation. We can also carry out sensitivity analysis to see how the estimated “value” responds to changes in underlying assumptions behind the estimate. We can measure the price elasticity of earnings, residual earnings, free cash flows, interest rates, growth, etc. We can also rank the estimates on their relative impact on value. By doing so, we can see how possible changes in various input forecasts affect our estimated value.

¹ North South University