

How Company Valuation Can Change Over Time, Lisaveta Ramotar Explores

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/EINPresswire.com/ -- Lisaveta Ramotar Explains It's Important to Understand How Company Valuation Changes

Companies should always understand the economic value that they hold within the marketplace. Additionally, the company valuation changes over time.

Lisaveta Ramotar, a level three CFA candidate, explains that understanding how a company's value is calculated will make it easier to understand how much value can change.

Lisaveta Ramotar explains that while there are different ways to go about calculating the value of a business, there are some generally accepted practices. In some cases, an absolute valuation is used where the future cash flow is assessed, and based on that a value per share is determined. Like with many other methods of valuation, the absolute valuation method does pose risks of over or underestimation of various measurement parameters and therefore, the business valuation may not have been appropriate.

In most instances, companies are valued by making comparisons to one another. This is called relative valuation. The idea is that similar assets should have a similar value. Therefore, companies within the same industries should trade for a similar value adjusted for difference in strategies, size, growth rate, etc. – As such, even though similar companies should trade for similar value if a company's growth rate is significantly higher its value would be much higher than a lower growing company.

Another example of relative valuation would be in the case of recently sold privately held businesses. Lisaveta Ramotar explains, that If a business was recently sold, identifying its sale price and other valuation metrics would be an effective way of valuing a similar company that



may be on the market in cases of mergers and [acquisitions. Lisaveta Ramotar](#) reiterates that differences in growth rates, industry association, and other factors would be considered to enhance or detract from that relative value.

Companies that fail to properly value their businesses are at risk of selling for considerably less than they should. No one wants to sell their company only to learn weeks or months later that another company sold for higher multiples. It is also [why Lisaveta Ramotar](#) recommends choosing multiple valuation methods in order to explore the overall value.

Lisaveta Ramotar notes that intangibles such as brands, patents, and even trademarks also add value to a company. A simple way of looking at it she notes is that when companies have brand recognition amongst consumers or have a good reputation, it can add significant value.

Brands come and go in terms of their popularity. Kodak was considered one of the top photography companies throughout the 1990s. What their company valuation was then versus what it is now is considerably different. The same goes for countless other brands.

What this means [is, Lisaveta Ramotar explores](#), is that while the finance expert may want to continually focus on the value of the company, where the value actually comes from is through the correct anticipation of the impact of future events and the correct strategy that is properly implemented. Companies like Kodak had it not been complacent and responded faster to developments within its industry could have continued to maintain its high value and high brand awareness.

As someone who has worked extensively in finance, Lisaveta Ramotar has seen firsthand how company valuations can change over time and recommends especially that newer and smaller businesses understand how this works.

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