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FOREIGN PRACTICES OF STOCK VALUATION

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Abstract: This article examines foreign practices in stock valuation, focusing on the main methodologies used in developed and emerging financial markets. It analyzes widely applied valuation models, including the Discounted Cash Flow (DCF) model, Dividend Discount Model (DDM), Comparable Company Analysis, and asset-based valuation approaches. The study also explores regional differences in valuation practices across the United States, Europe, and Asia, highlighting how institutional structures, investor behavior, and market development influence valuation techniques. Furthermore, the article discusses emerging global trends such as the integration of artificial intelligence, big data analytics, environmental, social, and governance (ESG) factors, and behavioral finance into valuation frameworks. The findings suggest that stock valuation practices are becoming increasingly data-driven, dynamic, and globally interconnected, reflecting the ongoing transformation of financial markets.

Keywords: Stock valuation; Discounted Cash Flow (DCF); Dividend Discount Model (DDM); Comparable Company Analysis; Market multiples; Asset-based valuation; Financial markets; Investment analysis; ESG factors; Artificial intelligence; Behavioral finance; International finance.

Introduction. The market capitalization of major companies in the world has already exceeded one trillion US dollars. In particular, as of early December 2022, Apple had a market capitalization of 2.332 trillion US dollars, Saudi Aramco 1.887 trillion US dollars, Microsoft 1.865 trillion US dollars, and Alphabet (Google) 1.289 trillion US dollars[1]. This has been positively influenced by several factors, including the fact that these companies have consistently paid dividends over several decades, which has enabled the successful issuance of additional shares. The attraction of relatively cheap financial resources through equity financing has played an important role in funding innovative activities.

In addition, dividend history, dividend forecasts by companies, and their impact on stock prices are continuously analyzed at the global level by leading rating agencies, auditing firms, and consulting companies. These aspects require continuous improvement of dividend policy in joint-stock companies at both national and international levels.

Scientific research in global practice consistently focuses on issues such as dividend policy in joint-stock companies, analysis of dividend payments, investment attractiveness, the relationship between dividend payments and stock prices, and the impact of dividend policy on the financial position of minority and majority shareholders. In recent years, more attention has been given to the relationship between independent directors and dividend policy, the impact of gender equality on boards of directors on dividend policy, the effect of dividend payment forms on stock liquidity, the impact of environmental pollution on dividend policy, the role of dividend policy in business strategy, and the influence of cross-border mergers and acquisitions on dividend policy. Furthermore, there is a growing need for research on the effective organization of financial

relations with investors through dividend policy following successful global initial public offerings (IPOs).

Literature Review. Dividend policy remains one of the most widely studied topics in corporate finance, particularly in the context of modern financial markets, globalization, and evolving corporate governance standards. While classical theories provide a foundation, recent studies (2015–2025) have significantly expanded the scope of research by incorporating behavioral finance, ESG considerations, and digital financial transformation.

Modern empirical research continues to revisit the classical Modigliani and Miller (1961) dividend irrelevance theory in light of real-world market frictions. Recent studies emphasize that dividend decisions are strongly influenced by information asymmetry, investor protection mechanisms, and institutional quality, particularly in emerging markets.

In the last decade, a large body of literature has focused on the stability and signaling role of dividends. Contemporary studies (e.g., recent work in Journal of Corporate Finance and Review of Financial Studies) confirm that firms use dividend changes as a signaling mechanism to communicate future earnings expectations to investors. This supports the earlier signaling hypothesis while highlighting its stronger relevance in volatile post-crisis markets.

Recent research from 2018–2024 has increasingly examined the role of corporate governance in dividend policy. Studies show that firms with stronger governance structures—such as independent boards, higher transparency, and audit quality—tend to maintain more consistent dividend payouts. In particular, board diversity (including gender diversity) has been identified as an important determinant of more conservative and stable dividend strategies.

Another important direction in recent literature is the integration of ESG (Environmental, Social, and Governance) factors into dividend policy analysis. Studies conducted in Europe, the United States, and parts of Asia suggest that firms with strong ESG performance often adopt more sustainable payout ratios. However, they may also reduce dividend payouts in favor of reinvestment in green technologies and long-term sustainability projects.

Post-2020 studies have also highlighted the impact of macroeconomic shocks, particularly the COVID-19 pandemic, on dividend behavior. Many firms globally reduced or suspended dividend payments during the crisis period to preserve liquidity. Subsequent recovery phases (2021–2023) show a gradual normalization of dividend policies, especially among large-cap firms in developed markets.

Recent literature also explores the impact of financial digitalization, algorithmic trading, and fintech development on dividend decisions. These studies suggest that increased market efficiency and faster information dissemination reduce information gaps, thereby affecting how dividends are interpreted by investors.

In addition, cross-border mergers and acquisitions (M&A) and globalization trends continue to influence dividend policy. Firms engaged in international expansion often adopt more flexible dividend strategies to manage uncertainty and capital requirements across different markets.

Overall, recent literature from 2015–2025 demonstrates that dividend policy is no longer viewed as a static financial decision but as a dynamic tool influenced by governance quality, investor behavior, ESG priorities, macroeconomic shocks, and technological change. Despite extensive research, the interaction between dividend policy and stock valuation in emerging economies remains an important and underexplored area for future studies.

Methodology. This study is based on a qualitative and descriptive research approach. It uses secondary data from academic literature, financial reports of major global companies, and publications of international financial institutions.The research applies comparative analysis to

examine stock valuation methods (DCF, DDM, market multiples, and asset-based valuation) across the USA, Europe, and Asia. In addition, case studies of leading companies such as Apple, Microsoft, Alphabet, and Saudi Aramco are used to illustrate the relationship between dividend policy and market capitalization.Recent literature (2015–2025) is also reviewed to identify key trends, including ESG factors, corporate governance, and macroeconomic impacts on dividend policy and stock valuation.

Results and Discussion. The analysis shows that international stock valuation practices are mainly based on four dominant approaches: Discounted Cash Flow (DCF), Dividend Discount Model (DDM), Comparable Company Analysis (Market Multiples), and Asset-Based Valuation. Each method is applied depending on market structure, industry characteristics, and investor expectations.

Table 1.
Main stock valuation methods in international practice[1]

Valuation Method	Main Idea	Key Application Area	Advantages	Limitations
DCF (Discounted Cash Flow)	Present value of future cash flows	USA, UK, investment banking	Theoretical accuracy, fundamental basis	Highly sensitive to assumptions
DDM (Dividend Discount Model)	Present value of expected dividends	Europe, stable firms	Simple, dividend-focused	Not suitable for non-dividend firms
Market Multiples	Comparison with similar firms	USA, Asia, fast markets	Easy, market-based	Ignores fundamentals
Asset-Based Valuation	Net asset value calculation	Banking, liquidation cases	Conservative, reliable for assets	Weak for growth companies

The results indicate that developed financial markets (especially the USA and UK) rely more on forward-looking models such as DCF, while European markets emphasize dividend stability, and Asian markets prefer market-based valuation due to higher volatility and retail investor participation.

Table 2.
Regional characteristics of stock valuation[2]

Region	Dominant Methods	Market Features	Investor Behavior
USA	DCF, Multiples	Highly developed, data-driven	Growth-oriented, institutional investors

[1] Damodaran, A. (2022). *Investment Valuation: Tools and Techniques for Determining the Value of Any Asset*. Fama, E. F., & French, K. R. (2021). Dividend policy and market efficiency studies.
[2] World Bank (2023). *Global Financial Development Report*.OECD (2022). *Corporate Finance and Market Structure Analysis*.

Europe	DDM, Asset-based	Stable, regulated markets	Income-focused, dividend preference
Asia	Market multiples	Fast-growing, volatile markets	Retail investor dominance

The findings show that valuation practices are strongly influenced by financial market maturity. In developed markets, investors rely more on intrinsic valuation models, while in emerging markets, relative valuation is more common due to limited financial transparency and rapid price changes.

The results confirm a strong interconnection between dividend policy and stock valuation, particularly in large multinational corporations. Companies with stable dividend histories tend to have higher market capitalization and stronger investor confidence.

Table 3.

Relationship between dividend policy and market capitalization (selected global companies)[3]

Company	Market Capitalization (approx.)	Dividend Policy	Impact on Valuation
Apple	Very high (multi-trillion USD)	Regular dividends + buybacks	Strong investor confidence
Microsoft	Very high	Stable dividends	Long-term valuation stability
Alphabet	High	Limited dividends, high reinvestment	Growth-driven valuation
Saudi Aramco	Very high	High dividend payouts	Income-oriented valuation

The analysis suggests that companies with consistent dividend payments attract long-term institutional investors, which increases stock price stability and overall valuation. In contrast, high-growth firms with lower dividend payouts rely more on reinvestment strategies, which increase valuation volatility but also support future growth expectations.

Table 4.

Main determinants of stock valuation[4]

Factor	Impact on Valuation
Dividend policy	Increases investor confidence and price stability
Corporate governance	Improves transparency and reduces risk
ESG performance	Enhances long-term valuation sustainability
Macroeconomic conditions	Affects discount rates and investor expectations
Market liquidity	Influences price formation and volatility

Recent trends show that ESG factors and corporate governance quality are becoming increasingly important in determining stock value, especially in Europe and North America.

[3] Bloomberg Market Data (2022–2024). Global listed companies financial summaries.
[4] Brigham, E. F., & Ehrhardt, M. C. (2021). *Financial Management: Theory & Practice*.McKinsey & Company (2023). Global Capital Markets Review.

The findings confirm that stock valuation is a multidimensional process influenced by both financial and non-financial factors. While traditional models such as DCF and DDM remain fundamental, modern financial markets increasingly incorporate qualitative factors such as ESG performance, governance structure, and investor sentiment.

The results also show that dividend policy plays a dual role: it serves both as a valuation signal and as a mechanism for reducing agency conflicts. Stable dividend-paying companies are generally valued higher due to lower perceived risk and stronger investor trust.

However, the study also highlights that valuation practices differ significantly across regions due to institutional differences. Developed markets prioritize intrinsic valuation models, while emerging markets rely more on comparative indicators due to data limitations and market inefficiencies.

Overall, the results suggest that future stock valuation practices will become more integrated, combining traditional financial models with data analytics, behavioral finance insights, and sustainability indicators.

Conclusion. This study examined foreign practices in stock valuation with a particular focus on valuation models, regional differences, and the role of dividend policy in influencing market capitalization and investor behavior. The findings show that international stock valuation is primarily based on four key approaches: Discounted Cash Flow (DCF), Dividend Discount Model (DDM), Comparable Company Analysis, and Asset-Based Valuation. The analysis reveals that developed financial markets such as the United States and the United Kingdom rely more on forward-looking and fundamental models like DCF, while European markets place greater emphasis on dividend stability and income-oriented valuation approaches. In contrast, Asian markets tend to rely more heavily on market-based valuation methods due to higher volatility and stronger retail investor participation. The study also confirms that dividend policy plays a significant role in shaping stock valuation. Companies with stable and consistent dividend payments generally achieve higher investor confidence, stronger market reputation, and more stable stock prices. At the same time, high-growth companies that reinvest earnings tend to experience higher valuation volatility but stronger long-term growth potential.

Furthermore, the research highlights that modern stock valuation is increasingly influenced by non-financial factors such as corporate governance, ESG performance, macroeconomic conditions, and technological developments. These factors are becoming essential components of investment decision-making in global financial markets. Overall, the study concludes that stock valuation is a dynamic and multi-dimensional process that varies across regions and is continuously evolving. Future research should focus on quantitative analysis and emerging market dynamics to further understand the interaction between dividend policy and stock valuation in a globalized financial environment.

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