

# PURPOSE-DRIVEN VALUATION: ONE FRAMEWORK, MANY LENSES



Whether it's an equity research report, a corporate acquisition, or a tax dispute, **the why behind the valuation determines how we approach the how.**

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Valuation is at the heart of finance, yet it is not a purely mechanical process. While core valuation techniques such as discounted cash flow (DCF) or comparable company analysis are standardized, the inputs, assumptions, and even the interpretation of outputs can vary significantly depending on the **purpose** behind the valuation.

Whether it's an equity research report, a corporate acquisition, or a tax dispute, the **why** behind the valuation determines how we approach the **how**. Failing to consider this context can result in flawed conclusions or misalignment with stakeholders and other target audiences.

## Equity Research – Valuation for Investor Insight

Equity research analysts conduct valuations primarily to inform investment decisions. The goal is to arrive at a reasonable estimate of intrinsic value to support a buy, hold, or sell recommendation for publicly traded securities.

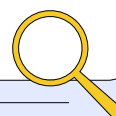
- 1 Perspective**  
Minority, market participant view assuming no control or synergies.
- 2 Assumptions**  
Based on publicly available financials, industry outlooks, and consensus forecasts. Analysts typically rely on consistent models across their coverage universe to maintain comparability.
- 3 Valuation Methods**  
Income approach (i.e., DCF using cost of equity as the discount rate) and market approach (i.e., using P/E, EV/EBITDA multiples).
- 4 Key Consideration**  
The analysis must be transparent, repeatable, and easily digestible for both institutional and retail investors.
- 5 Constraints**  
Analysts have limited access to internal company data and must rely solely on public disclosures and estimates. Model assumptions must remain consistent across coverage, which can limit flexibility and customization.
- 6 Practical Insights**  
Target prices are typically time-bound (e.g., 12-month horizon), so near-term performance assumptions often carry more weight than terminal value. Market sentiment and momentum can override fundamentals, so analysts must balance objectivity with market expectations.

*In 2025, Palantir Technologies (PLTR) became one of the S&P 500's top-performing stocks and caught many analysts by surprise. Despite widespread caution from equity research firms, which flagged high valuation multiples and government customer concentration, investor enthusiasm around AI adoption powered a massive re-rating. Traditional valuation models like DCF and EV/EBITDA didn't account for the explosive momentum driven by Palantir's Artificial Intelligence Platform (AIP), along with Gotham and Foundry. While analysts remained anchored in near-term fundamentals, investors embraced the long-term AI narrative, favoring future potential over present metrics. The result: a clear disconnect between valuation frameworks and market behavior<sup>1</sup>.*



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<sup>1</sup>Source: Palantir Defies Bears, Leads S&P 500 in 2025 | Nasdaq and Palantir Stock: Palantir Earnings Beat Amid Robust U.S. Government Growth | Investor's Business Daily



### M&A – Valuation for Deal Structuring & Negotiation

In M&A transactions, valuation is used to guide negotiation and deal structuring. The focus shifts from theoretical fair value to strategic value for a specific buyer.

- 1 **Perspective**  
Acquirer's viewpoint, often assuming a controlling interest.
- 2 **Assumptions**  
May include synergies, restructuring impacts, or post-deal capital structure changes.
- 3 **Valuation Methods**  
DCF (with WACC adjusted for post-deal leverage), precedent transactions, and accretion/dilution analysis.

- 4 **Key Consideration**  
Strategic buyers may be willing to pay above fair market value if material synergies are expected. Equity value generally involves control premium to account for the ability to influence management decisions and corporate strategy.

- 5 **Constraints**  
Private transactions often involve limited market comps; precedent deal data may be stale or not truly comparable. Competitive pressure (e.g., auctions) can inflate pricing beyond standalone fair value. Post-deal integration risks are difficult to quantify but essential to value realization.

- 6 **Practical Insights**  
Valuation serves as both a financial estimate and a strategic negotiation tool. Sensitivity analysis is crucial, especially around key deal drivers such as revenue growth, cost synergies, and exit multiples. Due diligence findings (e.g., customer churn, pipeline risk, or contingent liabilities) can significantly shift assumptions mid-process.



*Announced in 2025, the CoreWeave–Core Scientific all-stock merger, valued at approximately \$9 billion, a roughly 60% premium over Core Scientific's pre-deal market cap. The merger underscored valuation driven by strategic vertical integration, operational synergies, and AI infrastructure value. According to CoreWeave, the acquisition of Core Scientific will eliminate about \$10 billion of future leases, create \$500 million annual run rate cost savings by the end of 2027 and simplify operations. The valuation was designed not for market benchmarking but to structure a compelling transaction that aligned incentives across shareholders and management<sup>2</sup>.*

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<sup>2</sup>Source: CoreWeave's \$9 bln deal has a lot to live up to | Reuters and CoreWeave buys Core Scientific for \$9 billion | Constellation Research Inc.



## Financial Reporting - Valuation for Accounting and Regulatory Compliance

Valuations for financial reporting must comply with accounting standards such as IFRS 13 or ASC 820, particularly for purchase price allocations, impairment testing, and other fair value measurements.

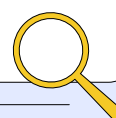
- 1 Perspective**  
Market participant, not entity-specific.
- 2 Assumptions**  
Based on observable market inputs when available; otherwise, supported by rigorous documentation.
- 3 Valuation Methods**  
Income approach (DCF) and/or market approach (using market multiples from precedent transactions or guideline public companies).
- 4 Key Consideration**  
Must be audit-defensible, aligned with regulator expectations, and compliant with internal control standards.
- 5 Constraints**  
Inputs must reflect market participant assumptions, even if management believes internal projections are more optimistic. Final conclusions are subject to audit and regulatory review, often leading to more conservative estimates.
- 6 Practical Insights**  
Cross-checks (e.g., reconciliation with carrying amounts, impairment tests) are the best practice. All assumptions should be clearly documented, as auditors frequently request justification, sources, and sensitivity analysis.



*Meta's December 2024 Form 10-K discloses that during the year ended December 31, 2024, 2023 and 2022, Meta recorded net impairment losses of \$383 million, \$2.43 billion, and \$2.22 billion, respectively, in aggregate for operating lease ROU assets and leasehold improvements under ASC Topic 360 as a part of their facilities consolidation restructuring efforts. The fair values of the impaired assets were estimated using discounted cash flow models (income approach) based on market participant assumptions with Level 3 inputs. The assumptions used in estimating fair value include the expected downtime prior to the commencement of future subleases, projected sublease income over the remaining lease periods, and discount rates that reflect the level of risk associated with receiving future cash flows. The purpose: ensuring that reported asset values reflect recoverable amounts, per GAAP, not for sale or investment decisions<sup>3</sup>.*

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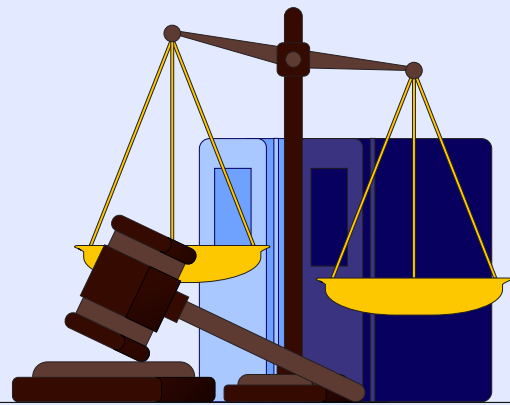
<sup>3</sup>Source: Meta's Form 10-K for the fiscal year ended December 31, 2024 (meta-20241231).



## Litigation or Tax Purposes - Valuation for Compliance, Dispute Resolution, and Tax Reporting

In litigation and tax contexts, valuations support purposes such as gift and estate planning, shareholder disputes, divorce settlements, and transfer pricing.

- 1 **Perspective**  
Varies, can be market-based or influenced by legal precedent or statutory definitions.
- 2 **Assumptions**  
Typically, more conservative, especially where aggressive assumptions may be challenged by tax authorities or in court.
- 3 **Valuation Methods**  
Income and market approaches are commonly used; application of control premiums and discounts for lack of marketability (DLOM) or control (DLOC) is standard practice.
- 4 **Key Consideration**  
Documentation is critical, as valuations may be scrutinized by opposing counsel, tax authorities, or judges.
- 5 **Constraints**  
Must comply with relevant laws, such as IRS Revenue Ruling 59-60 in the U.S., or other jurisdiction-specific guidance. Valuations may need to be updated if litigation or proceedings are delayed. Unsupported or aggressive assumptions may result in legal or financial penalties.
- 6 **Practical Insights**  
DLOM and DLOC are frequently debated, therefore, supporting them with credible empirical studies or valuation literature strengthens defensibility. Legal precedent often influences methodology, making familiarity with jurisdictional norms important.



*In the 2018 Delaware Court of Chancery case [Verition Partners v. Aruba Networks](#), Vice Chancellor J. Travis Laster ruled on the fair value of Aruba Networks shares following its 2015 acquisition by Hewlett-Packard (HP) at \$24.67 per share. Minority shareholders sought a higher appraisal value, arguing the deal undervalued Aruba. The Court examined three valuation methods: the deal price, discounted cash flow (DCF) analyses from both sides, and Aruba's unaffected 30-day market price before the acquisition announcement. Although the deal price typically holds strong probative value in arm's-length transactions, the Court excluded it due to substantial merger synergies and control premiums that must be omitted under Delaware appraisal law. The competing DCF valuations were rejected for their subjectivity and divergence. Instead, the Court adopted the unaffected market price of \$17.13 per share as the most reliable fair value indicator, citing Aruba's active trading, analyst coverage, and absence of a controlling shareholder as evidence of an efficient market. This case underscores that, in appraisal litigation involving publicly traded companies, courts may prioritize objective market prices over subjective models, emphasizing legal requirements to exclude deal-related synergies and control premiums<sup>4</sup>.*

### FIND OUT MORE

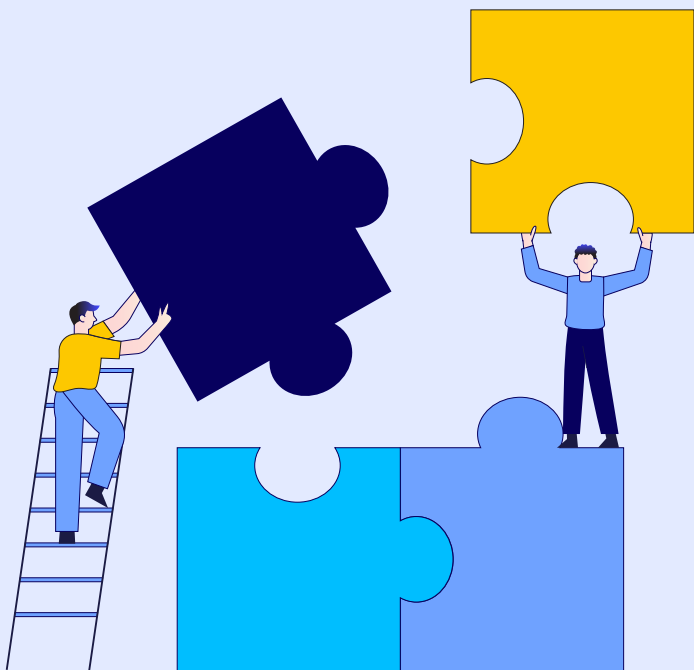
<sup>4</sup>Source: Article titled "M&A Update: A Trio of Recent Delaware Decisions Discount Deal Price In Appraisal Litigation", posted on The National Law Review on March 26, 2018 (DE Court on Dissenting Shareholders Seeking Appraisal).



## Conclusion: One Framework, Many Lenses

While the principles of valuation are anchored in finance theory, their real-world application depends heavily on context. A valuation for an equity investor, a tax authority, or a strategic acquirer will differ not because the math changes, but because the purpose changes the perspective, assumptions, and constraints.

CFA charterholders and valuation professionals must avoid treating valuation as a one-size-fits-all process. Instead, tailoring models and methodologies to fit the intended use and audience ensures that valuations remain relevant, credible, and decision-useful.



### DISCLAIMER

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# ABOUT VARNIT KAUSHIK



Varnit Kaushik is an Associate Director in the Corporate Finance Group (CFG) at EisnerAmper India. The CFG is a specialized sub-team within the Financial Advisory Services (FAS) practice, which forms part of the firm's broader Advisory service line. With over a decade of experience in Corporate Finance, Valuations, and Transaction Advisory (Mergers & Acquisitions), Varnit plays a key role in building and expanding the India FAS practice. He leads the Mumbai Advisory team and has advised clients across diverse industries, including technology, biotechnology, financial services, energy, sports & entertainment, and healthcare. He holds an MBA in Finance and is a CFA charterholder.