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Matching Risk and Return: Updated Observations on Developing Discount Rates



Wednesday, March 13, 2024

11:45 a.m. - 12:00 p.m.

Registration and Networking

12:00 p.m. - 1:45 p.m.

Luncheon, Presentation

Kroll Offices

167 N. Green Street, 12th Floor

Chicago, Illinois 60607

Network with colleagues and earn 1.5 CPE

DESCRIPTION:

Pricing risk in developing discount rates is one of the most difficult tasks confronting a valuer. Analysts choose guideline public companies on which to base their estimate of the subject company's discount rate knowing there are risk differences among the companies' financial risks and business risks. But matching risks is a much more complex task in practice than textbooks lead you to believe. Even after "removing" differences in financial risk, we often observe large differences in business risk as measured by asset betas.

In this session:

- We will examine the considerations in measuring differences in financial risk; and
- We will examine research in adjusting for differences in business risk- how business risk changes due to factors such as size, profit margin, expected growth, customer diversification, business concentration, age of the business; and
- We will walk through examples of adjustments for differences in business risk.

FEATURED SPEAKER: Roger Grabowski



Roger J. Grabowski, FASA, is a Senior Advisor with Kroll LLC and an Accredited Senior Appraiser and Fellow (FASA) of the American Society of Appraisers (ASA) (their highest designation), Business Valuation.

He was formerly Managing Director of the Standard & Poor's Corporate Value Consulting practice, a partner of PricewaterhouseCoopers LLP and one of its predecessor firms, Price Waterhouse (where he founded its U.S. Valuation Services practice and managed the real estate appraisal practice).

He has directed valuations of businesses, interests in businesses, intellectual property, intangible assets, real property and machinery and equipment. Roger has been recognized in various courts as an expert on matters of solvency, the value of closely held businesses and business interests, valuation and amortization of intangible assets and other valuation issues. His testimony in U.S. District Court was referenced in the U.S. Supreme Court opinion decided in his client's favor in the landmark *Newark Morning Ledger* case.

Roger is co-author with Shannon Pratt of *Cost of Capital: Applications and Examples*, 5th ed. (John Wiley & Sons, 2014), *The Lawyer's Guide to Cost of Capital* (ABA, 2014), and *Cost of Capital in Litigation: Applications and Examples* (John Wiley & Sons, 2010). He is co-author of the Duff & Phelps annual resources for cost of capital data: *Valuation Handbook-Guide to Cost of Capital*, *Valuation Handbook-Industry Cost of Capital*, *International Valuation Handbook - Guide to Cost of Capital and International Valuation Handbook - Industry Cost of Capital* (John Wiley & Sons).

Roger teaches courses for the American Society of Appraisers including Cost of Capital, a course he developed.