



# Survey Report

## Higher for Longer? Cost of Capital in the Current Environment

November 2023



# Summary

On September 28, 2023, Kroll Managing Director Carla S. Nunes, CFA, and Director Jim Harrington discussed current and projected global economic conditions, financial market performance, as well as trends in risk-free rates, equity risk premium, cost of debt, and country risk premium assumptions before a live audience of **706 participants**.\*

Throughout the webinar, they polled the attendees on valuation and cost of capital-related topics, including the interaction between ESG factors and valuation.

In the following slides, you will find the results of these polling questions.

\*Out of 706 live attendees, 15% were Kroll employees and 85% were external/third-party participants



1

In which country/region are your valuations primarily focused?

2

Do you believe an economic recession is imminent in the country you are located?

3

Which methods/data sources do you use as the equity (market) risk premium (ERP) input in your cost of equity estimates? [Select ALL that apply]

4

Do you typically incorporate environmental, social and governance (ESG) adjustments in your valuation analyses? [Select ALL that apply]

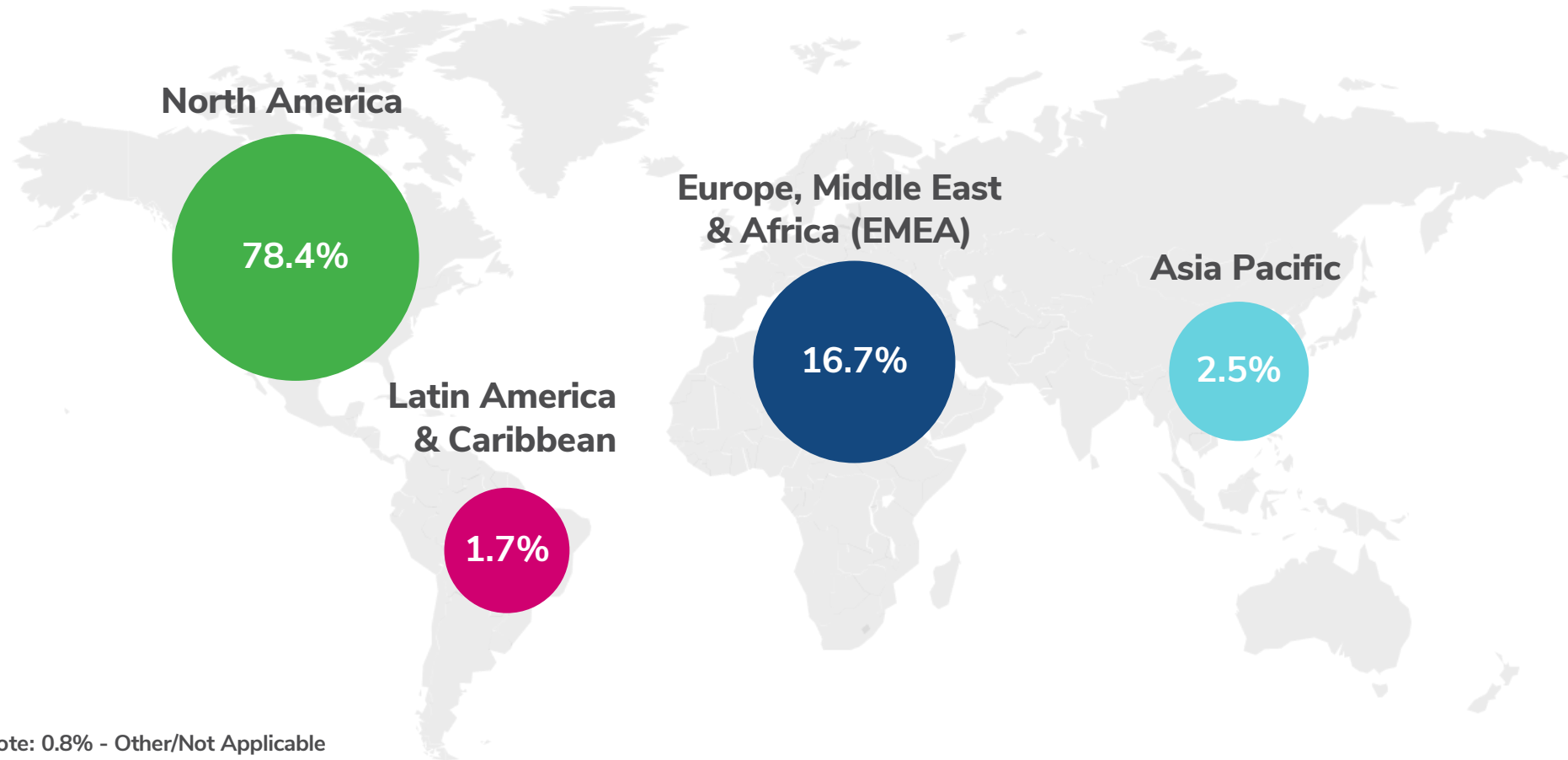
5

Do you typically incorporate country risk adjustments in your valuation analyses?

QUESTION 1

# In which country/region are your valuations primarily focused?

**78.4%** of survey participants conducted valuations primarily based in North America.

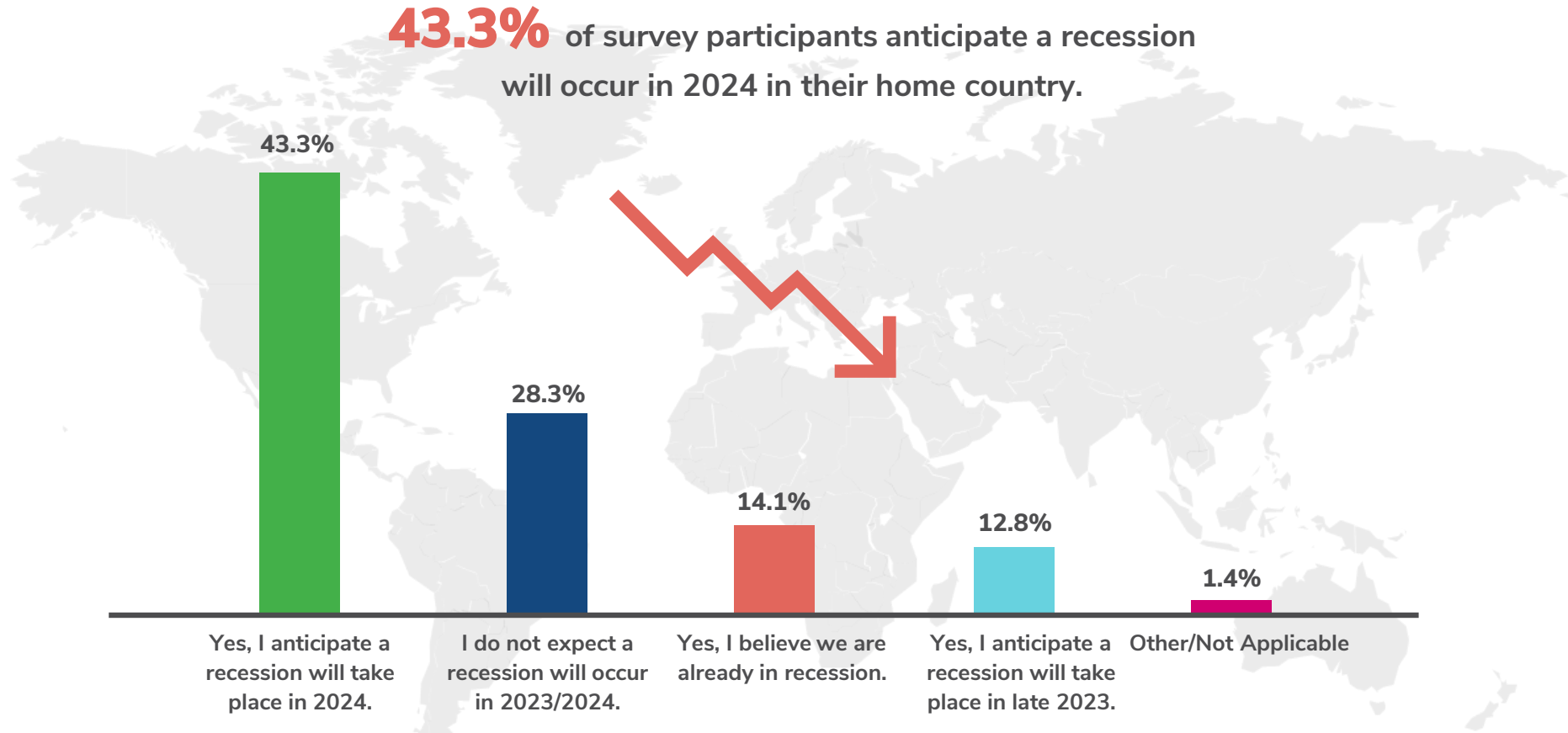


Note: 0.8% - Other/Not Applicable

QUESTION 2

# Do you believe an economic recession is imminent in the country you are located?

**43.3%** of survey participants anticipate a recession will occur in 2024 in their home country.

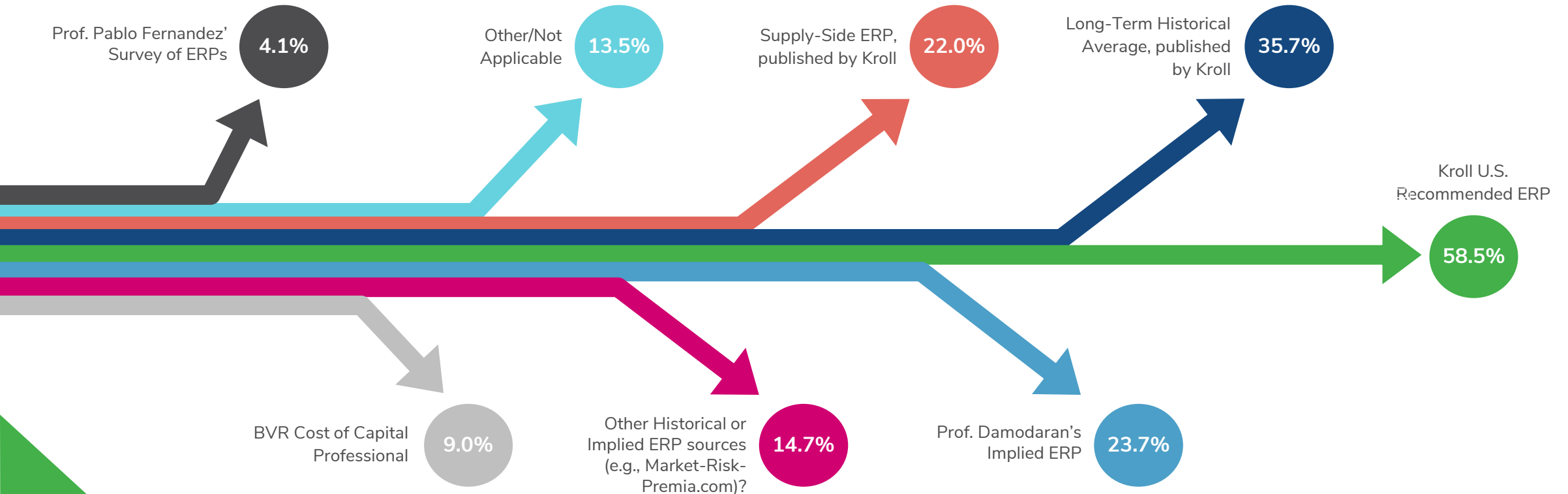


Note: Responses may not add to 100% due to rounding

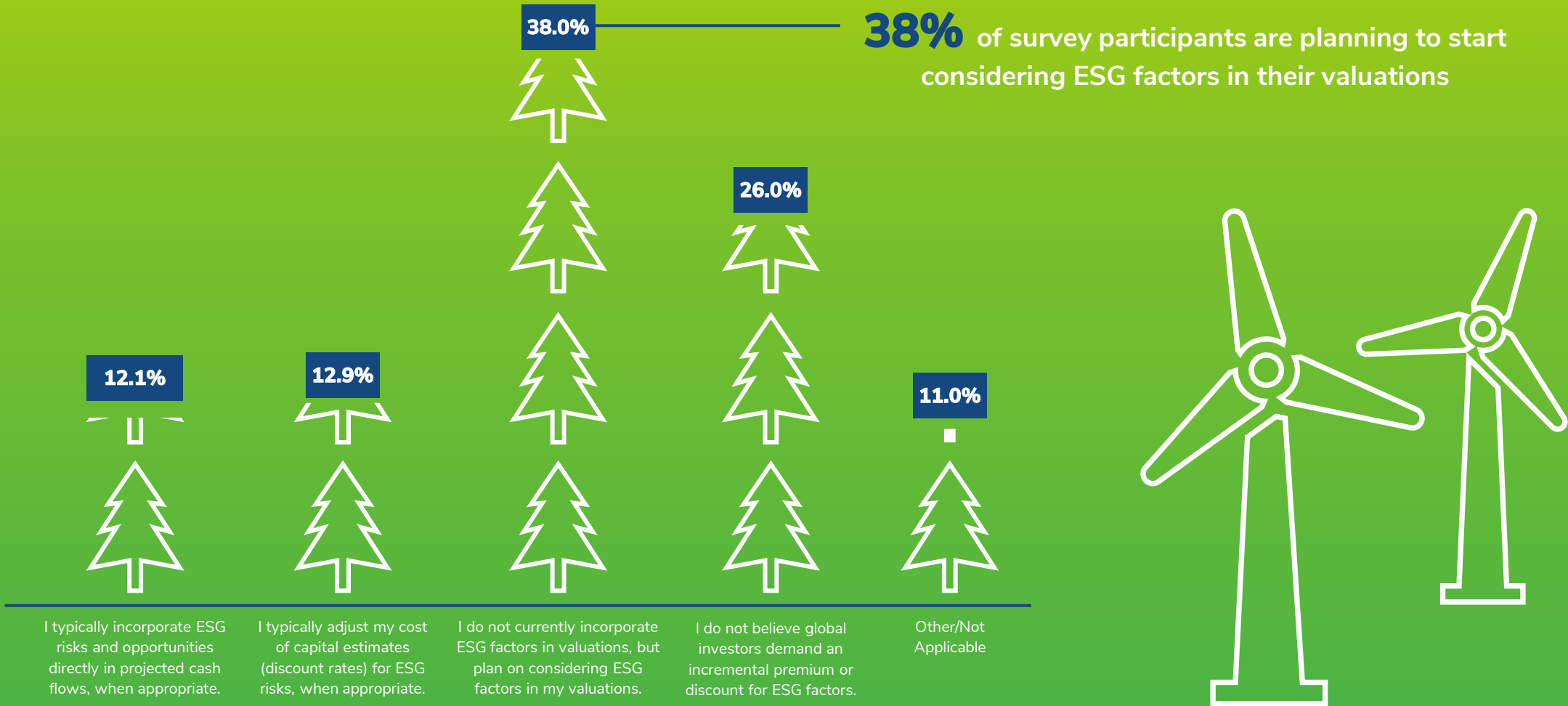
### QUESTION 3

# Which methods/data sources do you use as the equity (market) risk premium input in your cost of equity estimates?

Almost 60% of survey participants rely on the Kroll-Recommended U.S. ERP. More than a third of participants also use a Long-Term Historical Average as a basis to estimate ERPs, while approximately 22% utilize the Supply-Side ERP, both published by Kroll. Almost a quarter of the audience also takes into consideration Professor Aswath Damodaran's Implied ERP.\*



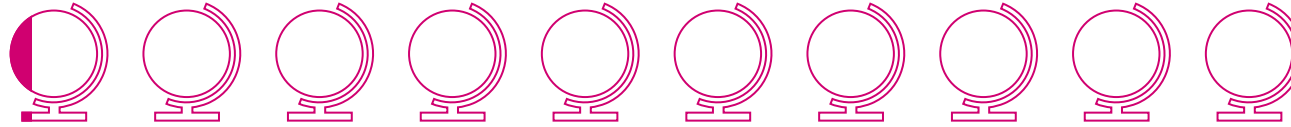
# Do you typically incorporate ESG adjustments in your valuation analyses?



QUESTION 5

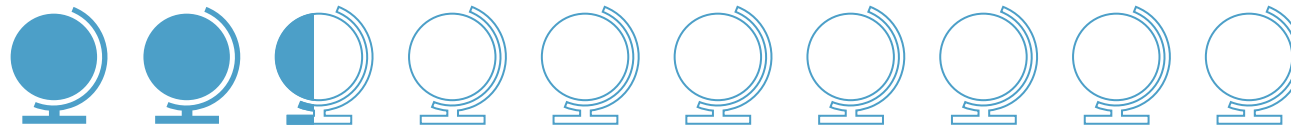
# Do you typically incorporate country risk adjustments in your valuation analyses?

**More than half** of the respondents incorporate country risk adjustments directly in their discount rate estimates.



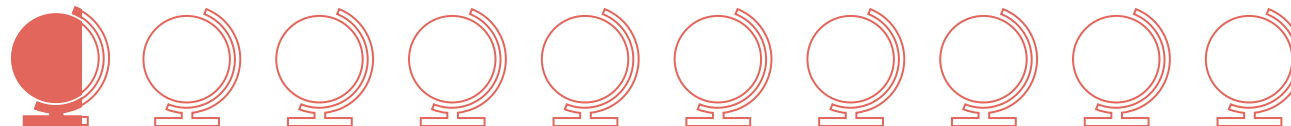
**3.8%**

I do not believe global investors demand an incremental premium for country risk.



**24.5%**

I do not perform valuations in countries where country risk is an issue.



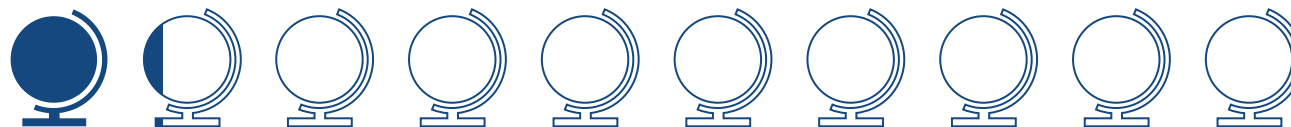
**8.8%**

I typically incorporate country risk directly in projected cash flows, when appropriate.



**50.8%**

I typically adjust my cost of capital estimates (discount rates) for country risk, when appropriate.



**12.1%**

Other/Not Applicable



Discover more from our Valuation Digital Solutions Team:

<https://www.kroll.com/en/insights/publications/cost-of-capital>



**Carla S. Nunes, CFA**

Managing Director  
Kroll, LLC

[carla.nunes@kroll.com](mailto:carla.nunes@kroll.com)



**Kevin Madden**

Director  
Kroll, LLC

[kevin.madden@kroll.com](mailto:kevin.madden@kroll.com)

#### About Kroll

As the leading independent provider of risk and financial advisory solutions, Kroll leverages our unique insights, data and technology to help clients stay ahead of complex demands. Kroll's global team continues the firm's nearly 100-year history of trusted expertise spanning risk, governance, transactions and valuation. Our advanced solutions and intelligence provide clients the foresight they need to create an enduring competitive advantage. At Kroll, our values define who we are and how we partner with clients and communities. Learn more at [www.kroll.com](http://www.kroll.com).

M&A advisory, capital raising and secondary market advisory services in the United States are provided by Kroll Securities, LLC (member FINRA/SIPC). M&A advisory, capital raising and secondary market advisory services in the United Kingdom are provided by Kroll Securities Ltd., which is authorized and regulated by the Financial Conduct Authority (FCA). Valuation Advisory Services in India are provided by Kroll Advisory Private Limited (formerly, Duff & Phelps India Private Limited), under a category 1 merchant banker license issued by the Securities and Exchange Board of India.

© 2023 Kroll, LLC. All rights reserved.