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Article

Industry-Specific Equity Valuation Practices: Evidence from South African Equity Research Reports

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Abstract

Valuation methodologies vary across industries because firms differ in capital intensity, asset life, earnings stability, and exposure to risk. This study examines the valuation approaches used by South African equity analysts across diversified mining, platinum group metals mining, gold mining, retail, and banking sectors over the period 2018-2026, with non-financial firm coverage extending to 2024 and banking sector coverage extending to 2026. Using qualitative document analysis of 201 equity research reports covering 24 Johannesburg Stock Exchange-listed companies, including 19 non-financial firms and the five largest South African banks, the study identifies clear clustering of valuation methods by industry. The findings show that resource-based sectors are predominantly valued using intrinsic approaches such as life-of-mine discounted cash flow (DCF) and risk-adjusted net present value (NPV), while retail firms are primarily valued using earnings-based multiples. Gold mining exhibits a hybrid valuation pattern, and banking institutions are valued using balance-sheet- and profitability-based approaches anchored on book value, return on equity, and dividend flows. Overall, the results indicate that analyst valuation practice in the South African equity market is strongly industry-specific and aligned with the underlying economic characteristics of the sectors being analysed. The study contributes to the limited empirical literature on professional valuation practice in African capital markets and provides insights relevant to analysts, investors, and regulators.

Keywords: equity valuation; equity analysts; discounted cash flow; risk-adjusted net present value; life-of-mine valuation; relative valuation; price-to-earnings multiples; South African equity market; emerging markets; equity research reports

1. Introduction

Equity and firm valuation are central to financial economics because investment decisions, capital allocation, corporate restructuring, and portfolio management all depend on the ability to estimate intrinsic value (Bancel and Mittoo 2014; Moyo and Obadire 2024; Olbert 2024b). Although financial theory provides a common foundation by defining value as the present value of expected future economic benefits, valuation practice varies across contexts. In applied settings, analysts use different valuation approaches depending on the nature of the firm, the availability of information, and the economic characteristics of the industry being analysed (Damodaran 2013; Massari et al. 2014; Pinto et al. 2019). The main valuation frameworks include intrinsic methods, such as discounted cash flow (DCF), dividend discount, and residual income models, and relative methods, such as price-to-earnings (P/E), enterprise value-to-EBITDA (EV/EBITDA), and price-to-book multiples (Lie and Lie 2002; Damodaran 2013; Olbert 2024a). In capital markets, equity analysts play a key role in translating these valuation frameworks into practice. Through equity research reports, analysts evaluate firm

performance, forecast earnings and cash flows, and justify target prices and investment recommendations. Because analyst coverage is usually sector-specific, valuation model choice is often shaped by industry conditions, including asset intensity, earnings stability, project life, and exposure to market or commodity risk (Demirakos et al. 2004; Bancel and Mittoo 2014; Olbert 2024a; Olbert 2024b). Prior research shows that analysts frequently combine intrinsic and relative valuation methods rather than relying on a single model and that model choice varies with the valuation context (Liu et al. 2002; Demirakos et al. 2004; Demirakos et al. 2010).

However, most empirical evidence on analyst valuation practice comes from developed markets, particularly the United States and Europe (Demirakos et al. 2004; Olbert 2024b). Evidence from emerging and African capital markets remains limited, despite the fact that valuation in these contexts may be shaped by distinct sector structures, market conditions, and information environments (Hearn 2013; Hearn et al. 2025). Recent African evidence remains narrow in sectoral scope. For example, Moyo and Obadire (2024) show that bank analysts in South Africa, Nigeria, and Kenya rely heavily on warranted equity and residual income models in valuing bank shares. Much less is known about how analysts in African markets vary their valuation approaches across non-financial industries. This issue is important because industry characteristics are likely to influence valuation model choice in systematic ways. Resource-based sectors such as mining are characterised by long-lived assets, reserve-based production, high capital intensity, and cash flows closely linked to commodity prices. These features generally favour intrinsic methods such as DCF and risk-adjusted NPV. By contrast, consumer-oriented sectors such as retail typically exhibit shorter operating cycles, more stable earnings, and clearer peer comparability, making relative valuation methods such as forward P/E more practical (Damodaran 2013; Massari et al. 2014; Pinto et al. 2019). Against this background, this study examines whether valuation methodologies applied by professional equity analysts vary systematically across industries in the South African equity market. The study analyses 201 equity research reports issued between 2018 and 2026 by analysts from Investec Bank Ltd. and Standard Bank Group Ltd. covering 24 Johannesburg Stock Exchange-listed firms in five sectors: diversified mining, platinum group metals mining, gold mining, retail, and banking. These sectors were selected because they differ materially in asset structure, earnings profile, capital intensity, and market risk, making them appropriate for examining whether valuation practices vary systematically across industries (Damodaran 2013; Koller et al. 2020; Olbert 2024b). By focusing on disclosed valuation methodologies in analyst reports, the study provides direct evidence on how valuation models are applied in professional investment practice in an African market context.

This study contributes to the literature in three ways. First, it provides empirical evidence on analyst valuation practice in an under-researched African capital market setting. Second, it uses disclosed equity research reports to examine valuation practice directly rather than inferring model choice from market outcomes alone. Third, it shows that valuation approaches differ systematically across industries, including financial sector firms, highlighting how sector-specific economic characteristics shape analysts' choice of valuation models.

2. Literature Review

2.1. Valuation Approaches in Financial Analysis

Equity valuation is generally organised around three broad approaches: intrinsic valuation, relative valuation, and asset-based valuation (Damodaran 2013; Massari et al. 2014; Pinto et al. 2020). Intrinsic valuation estimates value from the present value of expected future economic benefits, typically through discounted cash flow (DCF), dividend discount, or residual income models. Relative valuation estimates value using market-based benchmarks derived from comparable firms, commonly through multiples such as price-to-earnings (P/E), enterprise value-to-EBITDA (EV/EBITDA), and price-to-book (P/B) ratios. Asset-based valuation, by contrast, focuses on the net

value of assets less liabilities and is generally more relevant in asset-intensive or liquidation contexts (Penman 2003; Damodaran 2013).

Among intrinsic approaches, DCF remains the most widely recognised framework in corporate valuation because it links value directly to expected future cash flows and the cost of capital (Damodaran 2013; Koller et al. 2020). Variants such as free cash flow to the firm and free cash flow to equity are widely used in practice, especially where analysts can model long-term operating performance with reasonable confidence. Other intrinsic approaches, such as dividend discount and residual income models are also important in specific settings, particularly where dividends, accounting book values, or abnormal earnings provide a useful basis for valuation (Ohlson 1995; Dechow et al. 1999; Pinto et al. 2020; Olbert 2024b).

Relative valuation is also widely used in professional practice because it is less information-intensive and closely reflects prevailing market sentiment (Lie and Lie 2002; Liu et al. 2002; Damodaran 2013). Empirical studies show that earnings and enterprise-value multiples can provide useful valuation benchmarks, especially where firms operate in comparable industries and exhibit similar economic characteristics (Alford 1992; Liu et al. 2002; Akhtar 2021). In practice, analysts often do not rely on a single model, but combine intrinsic and relative approaches to improve robustness and to cross-check valuation outputs (Demirakos et al. 2004; Pinto et al. 2019).

2.2. Industry-Specific Valuation Logic

Although valuation theory is unified in principle, the application of valuation models differs across industries because firms are characterised by different asset structures, earnings patterns, growth profiles, and risk exposures (Damodaran 2013; Koller et al. 2020; Olbert 2024b). Firms in resource-based industries, such as mining, are typically characterised by long-lived assets, reserve-based production, substantial capital expenditure, and strong exposure to commodity prices. These features generally make intrinsic methods such as DCF and risk-adjusted NPV more suitable because value depends on long-term project cash flows and reserve life (Massari et al. 2014; Pinto et al. 2020). By contrast, firms in consumer-oriented sectors such as retail often exhibit shorter operating cycles, more stable earnings, and clearer peer comparability. In such cases, relative valuation methods, particularly forward P/E multiples, may be more practical and more frequently used by analysts (Liu et al. 2002; Damodaran 2013). This suggests that valuation model choice is not arbitrary, but shaped by the economic characteristics of the industry being analysed.

2.3. Evidence on Analyst Valuation Practice

Prior empirical research shows that equity analysts play a central role in translating valuation theory into market practice through published equity research reports and target price estimates (Bancel and Mittoo 2014; Olbert 2024a). Studies of analyst behaviour indicate that analysts frequently combine multiple valuation models and adapt their model choice to industry context rather than applying a uniform framework across all firms (Demirakos et al. 2004; Imam et al. 2008; Demirakos et al. 2010). This evidence is important because it highlights valuation as a practical and context-dependent activity rather than a purely mechanical application of theory.

However, most empirical studies on analyst valuation practices have focused on developed markets, particularly the United States and Europe (Demirakos et al. 2004; Albrechts 2013; Olbert 2024a). Evidence from emerging and African capital markets remains limited. Existing African evidence is also narrow in sectoral focus. For example, Moyo and Obadire (2024) show that bank analysts in selected African markets rely heavily on warranted equity and residual income models in valuing banks. While this contributes important evidence, less is known about how analyst valuation practices vary across non-financial industries in African equity markets.

2.4. Research Gap

The literature therefore points to two related gaps. First, although valuation theory recognises that model suitability depends on firm and industry characteristics, there is limited direct evidence on how professional analysts in African markets apply different valuation models across sectors. Second, most existing studies either focus on developed markets or on single sectors, leaving limited understanding of cross-industry valuation practice in emerging-market settings. This study addresses these gaps by examining valuation methodologies disclosed in 201 equity research reports covering 24 Johannesburg Stock Exchange-listed companies, comprising 19 non-financial firms and the five largest South African banks, across five sectors: diversified mining, platinum group metals mining, gold mining, retail, and banking. In doing so, it provides evidence on how analysts in the South African equity market vary their valuation approaches across sectors with different economic characteristics.

3. Methodology

3.1. Research Design and Sample

This study uses qualitative document analysis to examine the valuation practices employed by professional equity analysts through disclosed equity research reports (Demirakos et al. 2004; Bancel and Mittoo 2014; Olbert 2024a). This approach is appropriate because equity research reports explicitly set out the valuation models, assumptions, and target price justifications used in professional investment practice, thereby allowing direct observation of analyst valuation behaviour. The study analyses 201 equity research reports covering 24 Johannesburg Stock Exchange-listed companies, including 19 non-financial firms and the five largest South African banks (Capitec Bank Ltd, FirstRand Ltd, ABSA Group Ltd, Standard Bank Group Ltd, and Nedbank Group Ltd). The sampled non-financial firms comprise five diversified mining companies, four PGM mining companies, three gold mining companies, and seven retail companies. These sectors were selected because they differ materially in asset structure, earnings profile, capital intensity, and market risk, making them appropriate for examining whether valuation practices vary systematically across industries (Damodaran 2013; Koller et al. 2020; Olbert 2024b). The reports were produced by analysts from Investec Bank Ltd. and Standard Bank Group Ltd. between 2018 and 2026. While the overall dataset spans the period 2018–2026, the coverage differs slightly across sectors due to data availability.

Equity research reports for non-financial firms were available consistently up to 2024, whereas more recent reports for banking institutions extended to 2026. This reflects differences in reporting frequency and availability across sectors rather than differences in sampling design. The inclusion of more recent banking reports enhances the analysis by capturing current valuation practices in the financial sector. The unit of analysis is the disclosed valuation method applied to each company in the sampled reports. For each report, the study identified the primary valuation technique, any supporting valuation technique, and the relevant valuation language used by analysts, including references to life-of-mine cash flow modelling, discount rates, earnings multiples, net present value, and premium or discount adjustments.

3.2. Coding and Classification

The reports were reviewed manually and coded according to the valuation approach disclosed by the analyst. A distinction is made in this study between primary and supporting valuation methods because analysts frequently employ more than one model in practice (Demirakos et al. 2004; Pinto et al. 2020). The primary method refers to the dominant technique used to anchor target-price formation, while supporting methods serve as cross-checks, benchmarking devices, or contextual valuation tools. This distinction is particularly important in sectors such as gold mining and retail, where analysts often combine intrinsic and relative approaches rather than relying on a single valuation model. Identifying primary and supporting methods therefore improves the analytical precision of the coding framework and allows clearer interpretation of sector-specific valuation practice.

Consistent with established valuation literature, the coding framework classified valuation methods into three broad categories: intrinsic valuation methods, relative valuation methods, and hybrid valuation methods (Damodaran 2013; Massari et al. 2014; Pinto et al. 2020; Koller et al. 2020). Intrinsic methods include discounted cash flow (DCF), life-of-mine DCF, risk-adjusted net present value (NPV), and residual income-based approaches. Relative methods include price-to-earnings (P/E), enterprise value-to-EBITDA (EV/EBITDA), and price-to-book (P/B) multiples. Hybrid methods refer to cases where analysts explicitly combine intrinsic and relative techniques in deriving or supporting target prices (Erkilet et al. 2022). Where a report disclosed one dominant valuation method and one or more additional methods, the dominant method was coded as the primary method and the others as supporting methods. Where the report indicated joint use of multiple methods without a clearly dominant approach, the valuation was classified as hybrid. This coding procedure enabled systematic comparison of valuation practices across firms and sectors.

3.3. Analytical Approach

The coded data were analysed comparatively to identify patterns in valuation model selection across industries. The analysis focused on whether analysts applied similar valuation approaches within the same sector and whether model choice varied across sectors with different economic characteristics. Particular attention was given to differences between resource-based industries, where value is closely linked to long-lived assets, reserve life, and commodity price assumptions, and retail firms, where value is more closely associated with earnings stability and comparability across firms (Damodaran 2013; Koller et al. 2020; Olbert 2024a). The study is interpretive rather than econometric. Its purpose is not to estimate causal effects statistically, but to identify recurring patterns in disclosed analyst practice across the 201 reports reviewed. This allows the study to document whether valuation methodologies used by professional equity analysts in the South African equity market are systematically industry-specific. While the evidence is limited to two institutions and selected JSE-listed firms, the multi-year sample provides a useful basis for identifying recurring valuation practices in an under-researched emerging market context (Hearn 2013; Moyo and Obadire 2024).

4. Results and Discussion

For the purposes of this study, valuation methods are interpreted in relation to the dominant economic drivers of each sector. Intrinsic methods are expected to dominate where firm value depends primarily on long-lived assets, reserve life, capital expenditure, and discounted project-level cash flows. Relative methods are expected to dominate where firms exhibit more stable earnings, shorter operating cycles, and stronger peer comparability. Hybrid approaches are expected where intrinsic value remains important but market perceptions, risk premia, and peer-based benchmarks also materially influence price formation. This analytical distinction provides the basis for interpreting sectoral differences in analyst valuation practice in the South African equity market.

4.1. Industry Coverage and Valuation Techniques

The analysis of the 201 equity research reports reveals clear cross-industry differences in the valuation methods applied by professional equity analysts. Table 1 summarises the dominant value drivers, primary valuation methods, and supporting valuation techniques identified across the sampled sectors.

Table 1. Industry-specific valuation methods used by equity analysts.

Industry	Companies Analysed	Dominant drivers	Primary Valuation Method	Supporting Method
Diversified Mining	BHP Group, Glencore, Anglo-American, Kumba Iron Ore, Exxaro Resources	Reserve life, long-lived assets, commodity prices, capital expenditure	Risk-adjusted NPV / LoM DCF	EV/EBITDA multiples

PGM Mining	Northam Platinum, Sibanye Stillwater, Anglo-American Platinum, Impala Platinum	Reserve-based production, metal prices, long-horizon capex	Life-of-mine DCF	Earnings multiples
Gold Mining	Goldfields, AngloGold Ashanti, Harmony Gold	Reserve value, gold price exposure, market risk perception	Hybrid: real DCF / NPV	EV/EBITDA, P/B, P/NPV overlays
Retail	Truworths, Woolworths, Mr Price, Foschini Group, Pick n Pay, Shoprite, SPAR	Earnings stability, peer comparability, shorter operating cycles	Forward P/E	RIV, SoTP, DCF, DDM
Banking	Capitec, FirstRand, ABSA, Standard Bank, Nedbank	Book value, ROE, capital adequacy, dividend flows	P/B, tNAV, Gordon Growth	DDM, SoTP

As shown in Table 1, intrinsic methods dominate in diversified mining and PGM mining, relative valuation dominates in retail, and gold mining exhibits a hybrid pattern shaped by both reserve-based fundamentals and market-based overlays. This pattern suggests that analysts align valuation methods with sector-specific value drivers rather than applying a uniform valuation framework across firms. The findings are consistent with valuation theory and prior evidence showing that model choice is shaped by asset structure, earnings characteristics, and industry context (Imam et al. 2008; Damodaran 2013; Demirakos et al. 2010; Olbert 2024a).

4.2. Valuation Approaches Across Industries

4.2.1. Diversified Mining

The evidence reported in Table 1 and Appendix Table A1 indicates that the sampled South African diversified mining firms, BHP Group, Glencore, Anglo-American, Kumba Iron Ore, and Exxaro Resources, are valued predominantly using intrinsic approaches, particularly risk-adjusted net present value (NPV) and life-of-mine discounted cash flow (DCF) methods. These methods are well suited to mining firms because value is derived from long-lived extraction assets, reserve life, expected production profiles, commodity price assumptions, operating costs, and capital expenditure requirements (Damodaran 2013; Massari et al. 2014). In this setting, valuation depends fundamentally on the discounted value of project-level cash flows over the productive life of the assets (Kaplan and Ruback 1995). The report evidence also shows that analysts frequently supplement these intrinsic methods with EV/EBITDA multiples. This suggests that multiples serve mainly as benchmarking or corroborative tools rather than as the primary basis of valuation (Demirakos et al. 2010). The sector therefore reflects predominantly intrinsic valuation logic, consistent with theory and prior empirical work showing that firms with long-duration assets and capital-intensive operations are commonly valued using discounted cash flow frameworks (Damodaran 2013; Massari et al. 2014).

4.2.2. Platinum Group Metals Mining

As detailed in Table 1 and Appendix Table A2, analysts from Investec Bank Ltd. and Standard Bank Group Ltd. predominantly value the sampled South African platinum group metals (PGM) firms, Northam Platinum, Sibanye Stillwater, Anglo-American Platinum, and Impala Platinum, using life-of-mine discounted cash flow (DCF) approaches, with earnings-based multiples playing a secondary supporting role. This is consistent with the economics of PGM producers, whose values depend heavily on reserve life, production planning, metal price assumptions, and long-term capital allocation decisions (Damodaran 2013; Massari et al. 2014). The dominance of life-of-mine DCF in this sector indicates that analysts treat PGM firms primarily as long-horizon resource assets rather than as businesses best valued through short-term earnings multiples alone (Massari et al. 2014; Pinto et al. 2020). The use of multiples as supporting techniques suggests that relative valuation plays a secondary role, mainly to provide market discipline or comparability checks, rather than serving as the primary valuation anchor (Demirakos et al. 2004; Damodaran 2013). Overall, the evidence indicates that the PGM sector is valued using a strongly

intrinsic approach, in line with valuation theory for finite-resource and reserve-based businesses (Damodaran 2013; Massari et al. 2014; Pinto et al. 2020).

4.2.3. Gold Mining

Table 1, read together with Appendix Table A3, shows that the sampled South African gold mining firms, Goldfields, AngloGold Ashanti, and Harmony Gold, are generally valued using a hybrid framework in which real discounted cash flow (DCF) or net present value (NPV)-based methods are complemented by market-based overlays such as EV/EBITDA, price-to-book (P/B), and premium-or-discount-to-NPV reasoning. This is consistent with the economics of gold producers, whose values remain tied to reserve-based cash flows but are also shaped by market perceptions of risk and asset quality (Damodaran 2013; Massari et al. 2014). This is particularly evident in the treatment of firms such as AngloGold Ashanti and Goldfields, where analysts explicitly refer to real discounted cash flow, reserve-based forecasting horizons, and P/NPV adjustments reflecting reserve quality, country risk, management credibility, operational performance, and exposure to gold prices and exchange rate movements (Damodaran 2013). In this sector, market-based measures do not replace intrinsic valuation; rather, they refine or contextualise it. Gold mining therefore appears to occupy an intermediate position between the strongly intrinsic logic of diversified and PGM mining and the more multiple-driven logic of retail. This finding suggests that gold mining cannot be cleanly classified as either purely intrinsic or purely relative. Instead, analysts appear to recognise that while gold producers remain reserve-based assets requiring DCF or NPV valuation, market perceptions of risk and quality are especially important in determining whether firms trade at premiums or discounts to intrinsic value (Demirakos et al. 2004; Damodaran 2013).

4.2.4. Retail

The pattern reported in Table 1 and elaborated in Appendix Table A4 indicates that analysts from Investec Bank Ltd. and Standard Bank Group Ltd. predominantly apply forward price-to-earnings (P/E) multiples in valuing the sampled South African retail firms, Truworths, Woolworths, Mr Price, Foschini Group, Pick n Pay, Shoprite, and SPAR, while methods such as residual income valuation (RIV), sum-of-the-parts (SoTP), discounted cash flow (DCF), and occasionally dividend discount models are used mainly as supporting techniques. This reflects the relatively stable earnings profiles, shorter operating cycles, and greater availability of comparable firms in the retail industry (Liu et al. 2002; Damodaran 2013). In such conditions, forward P/E provides a practical and efficient basis for relating expected earnings performance to market valuation (Alford 1992; Liu et al. 2002). The report evidence also shows that analysts sometimes use residual income valuation (RIV), sum-of-the-parts (SoTP) analysis, discounted cash flow, and occasionally dividend discount models as supporting techniques, but these methods are generally secondary to the dominant use of forward P/E (Demirakos et al. 2004; Damodaran 2013). Retail therefore stands out as the sector in which relative valuation is most clearly dominant, consistent with literature showing that multiples are especially useful when firms exhibit stable earnings and can be assessed against a clear peer group (Alford 1992; Liu et al. 2002; Damodaran 2013).

4.2.5. Banking Sector

The evidence presented in Appendix A, Table A5-A7 indicates that equity analysts covering South African banking institutions, including Capitec Bank Ltd, FirstRand Ltd, ABSA Group Ltd, Standard Bank Group Ltd, and Nedbank Group Ltd, predominantly apply valuation approaches anchored on book value, return on equity (ROE), and dividend flows. The dominant methods include price-to-book (P/B) multiples, Gordon Growth-based dividend discount models, and tangible net asset value (tNAV) frameworks. These approaches reflect the distinctive financial structure of banks, where assets and liabilities are largely financial in nature and frequently marked to market, making book value a central anchor for valuation (Penman 2003; Damodaran 2013; Koller et al. 2020). Unlike

resource-based industries, where value is derived from long-term project-level cash flows, bank valuation focuses on sustainable profitability, capital adequacy, and the ability to generate returns above the cost of equity capital. The evidence shows that analysts frequently derive terminal values using growth-adjusted ROE assumptions and cost of equity estimates, consistent with residual income and dividend-based valuation logic (Ohlson 1995; Penman 2003). Prior empirical studies further show that equity analysts commonly rely on book value and earnings-based frameworks when valuing financial institutions, particularly in emerging markets where accounting-based valuation anchors are more prominent (Liu et al. 2002; Demirakos et al. 2004; Moyo and Obadire 2024). The use of tNAV-based approaches further reflects the importance of balance-sheet strength and capital structure in determining firm value.

Overall, the banking sector exhibits a distinct valuation logic compared to both mining and retail sectors. While intrinsic valuation dominates in resource-based industries and relative valuation dominates in retail, bank valuation is primarily anchored on balance-sheet metrics and profitability measures. This reinforces the broader conclusion that valuation practices vary systematically across industries and are shaped by underlying economic and financial characteristics (Damodaran 2013; Koller et al. 2020).

4.3. Cross-Industry Comparison

Taken together, the results show that valuation practice in the sampled South African equity research reports is strongly industry-specific. Diversified mining and PGM mining are dominated by intrinsic valuation methods, especially risk-adjusted NPV and life-of-mine DCF, reflecting the long-term, asset-based, and commodity-dependent nature of these firms (Damodaran 2013; Massari et al. 2014; Pinto et al. 2020). Retail is dominated by forward P/E multiples, reflecting greater earnings stability and the availability of comparable listed peers (Alford 1992; Liu et al. 2002; Damodaran 2013). Gold mining occupies a hybrid position in which intrinsic valuation remains important but is frequently adjusted or interpreted through market-based overlays such as EV/EBITDA, P/B, and premium-or-discount-to-NPV reasoning (Demirakos et al. 2004; Damodaran 2013). The findings therefore support the view that analysts do not apply valuation models uniformly across industries, but instead select methods that correspond to the underlying economic characteristics of the firms they cover (Imam et al. 2008; Demirakos et al. 2010; Olbert 2024a). This suggests that professional valuation practice in the South African market is structured by sector-specific value drivers rather than by random model choice. In that sense, the findings extend prior research on analyst valuation behaviour to an African equity market context (Moyo and Obadire 2024; Olbert 2024a). A further notable pattern is the broad consistency in valuation logic across the two sampled institutions. Although report wording and supporting adjustments differ, analysts from both Investec Bank Ltd. and Standard Bank Group Ltd. apply similar sector-based valuation frameworks, suggesting that the observed patterns reflect professional norms in South African equity research rather than institution-specific preferences. The inclusion of the banking sector further strengthens this conclusion by introducing a distinct valuation regime in which value is anchored on book value, return on equity, and dividend flows rather than on long-term asset-based cash flows or earnings multiples alone. This highlights the existence of three broad valuation logics in practice: asset-based intrinsic valuation in resource sectors, earnings-based relative valuation in consumer sectors, and balance-sheet-based valuation in financial institutions. The availability of more recent banking sector reports further suggests that valuation practices in financial institutions remain stable over time, even when compared with earlier observations from non-financial sectors.

5. Conclusion

This study examined the valuation methodologies used by professional equity analysts in the South African equity market using evidence from 201 equity research reports covering 24 JSE-listed companies, including 19 non-financial firms and the five largest South African banks between 2018 and 2026. The aim was to assess whether analyst valuation practices vary systematically across industries. The findings show

that valuation model choice is strongly shaped by sector characteristics. Analysts covering diversified mining and PGM mining firms rely mainly on intrinsic valuation methods, particularly risk-adjusted NPV and life-of-mine DCF, reflecting the importance of reserve life, production profiles, capital intensity, and commodity price assumptions. In contrast, analysts covering retail firms rely primarily on forward P/E multiples, with intrinsic methods used mainly as supporting tools. Gold mining is best characterised as a hybrid case in which real DCF or NPV-based valuation is combined with market-based overlays such as EV/EBITDA, P/B, and premium/discount-to-NPV reasoning. The study contributes to the valuation literature by providing direct evidence on analyst valuation practice in an under-researched African market context. It also contributes methodologically by showing the value of disclosed equity research reports as a source for studying how valuation models are applied in practice rather than in theory alone. From a practical perspective, the results highlight that effective equity valuation requires industry-specific judgement and that the appropriateness of any valuation model depends on the economic structure of the firm being analysed. The inclusion of the banking sector further demonstrates that financial institutions are valued using balance-sheet and profitability-based approaches, reinforcing the importance of industry-specific valuation frameworks. The study is subject to some limitations. It is based on reports from two institutions and selected JSE-listed firms, and it captures disclosed analyst methodologies rather than the full internal modelling process. Future research could extend the analysis to additional sectors, institutions, and emerging markets, and could also examine whether differences in valuation model choice are associated with differences in target price accuracy, recommendation outcomes, or market reactions.

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Abbreviations

The following abbreviations are used in this manuscript:

NPV	Net Present Value
DCF	Discounted Cash Flow
JSE	Johannesburg Stock Exchange
tNAV	Tangible Net Asset Value
ROTE	Return on Tangible Equity
P/BV	Price per Book Value
ROE	Return on Equity

Appendix A

The data supporting the findings of this study are fully available within the Appendix A (see Tables A1–A7) of this manuscript.

Appendix A1: Diversified Mining Companies

Table A1. Valuation approaches used by Investec Bank Ltd and Standard Bank Group Ltd analysts to value equities of the top 5 South African diversified mining companies.

Investec Bank Ltd	Standard Bank Group Ltd
<p><i>Diversified mining companies covered by the analysts:</i> BHP Group Ltd, Glencore plc, Anglo-American plc, Kumba Iron Ore Ltd and Exxaro Resources Ltd.</p> <p>BHP Group, 11 March 2021 <i>[Method: We use an equal blend of risk-adjusted NPV (9% discount rate) and 6.3x FY21/22 EBITDA multiple.]</i> The EBITDA multiples used, however, differ: Glencore (5.5x) and Anglo-American plc (5.5x).</p> <p>Kumba Iron Ore, 15 March 2021 <i>[Method: We use a risk-adjusted NPV at a 13.6% discount rate.]</i></p> <p>Exxaro, 18 March 2021 <i>[Method: We use a risk-adjusted NPV at a 14% discount rate.]</i></p> <p>The analyst's valuation approach for the 5 mining companies remained unchanged from 2018 to 2021.</p>	<p><i>Diversified mining companies covered by the analysts:</i> BHP Group Ltd, Glencore plc, Anglo-American plc, Kumba Iron Ore Ltd and Exxaro Resources Ltd.</p> <p>BHP Group, 18 April 2024 <i>[Methods: We value BHP using a DCF valuation for operating assets over the LoM and assuming a USD WACC of 9.5% (equity risk premium (ERP) 4.5%, Beta 1.25, long bond 5.0%, cost of equity 10.6%, and long-term gearing of 20% debt/debt+ equity). We DCF our cash flows on a 12-month forward rolling basis at a 10% premium to reflect the historic premium, simplicity, potential growth and defensive nature of BHP.]</i></p> <p>The same basis was used to value Glencore and Anglo-American but with no premiums for both companies. The analysts' valuation approach for the 3 companies remained unchanged from 2018 to 2021.</p> <p>Exxaro, 19 August 2024 <i>[Methods: We value Exxaro using a DCF valuation for operating assets, and over the life of mine, assuming a ZAR WACC of 14.6% (equity risk premium (ERP) 4.5%, Beta 1.25, long bond 9%, cost of equity 14.6%, and long-term gearing of 0% debt/equity %). We DCF our cash flows on a 12-month forward rolling basis at a 10% discount for coal assets given ESG investor universe limits, a 20% discount for SIOC and Black Mountain given their unlisted status.]</i></p> <p>The same basis was used to value Kumba Iron Ore but with no discount or premium. The analyst's valuation approach for the 2 companies remained unchanged in the period 2018 to 2021.</p>

Table A1 shows the valuation approaches used by Investec Bank Ltd and Standard Bank Group Ltd analysts to value the equities of the top 5 South African diversified mining companies from 2018 to 2024. The top 5 South African diversified mining companies are BHP Group Ltd, Glencore plc, Anglo-American plc, Kumba Iron Ore Ltd and Exxaro Resources Ltd. The analysts' valuation approaches for the 5 diversified mining companies were unchanged from 2018 to 2024.

Appendix A2: Undiversified Mining Companies (PGMs)

Table A2. Valuation approaches used by Investec Bank Ltd and Standard Bank Group Ltd analysts to value equities of the top 4 South African undiversified mining companies (PGMs).

Investec Bank Ltd	Standard Bank Group Ltd
<p><i>The undiversified mining companies (PGMs) covered by the analysts are:</i> Northam Platinum Holdings Ltd, Sibanye Stillwater Ltd, Anglo-American Platinum Ltd, and Impala Platinum Holdings Ltd.</p>	<p><i>The undiversified mining companies (PGMs) covered by the analysts are:</i> Northam Platinum Holdings Ltd, Sibanye Stillwater Ltd, Anglo-American Platinum Ltd, and Impala Platinum Holdings Ltd.</p>

<p>Northam Platinum Holdings, 08 March 2021 <i>[Method: We use Risk-adjusted NPV at a 13% discount rate.]</i></p> <p>The analysts used the same approach to value the equities of Sibanye Stillwater, Anglo-American Platinum and Impala Platinum Holdings. The analysts' valuation approach for the 4 undiversified mining companies (PGMs) remained unchanged from 2018 to 2021.</p>	<p>Northam Platinum Holdings, 02 September 2024 <i>[Methods: We adopt discounted cash flow and earnings multiples valuation methodologies. Our discounted cash flow extends over life of mine based on reserves. We use a conventional discount rate of 8%.]</i></p> <p>The same basis was used to value Anglo-American Platinum and Impala Platinum Holdings. The analysts' valuation approach for the 3 companies remained unchanged from 2018 to 2024.</p> <p>Sibanye Stillwater, 13 March 2024 <i>[Methods: We value the company using a DCF-based valuation, real cash flows and a real discount rate of 8%.]</i></p> <p>The analyst's valuation approach for the company remained unchanged from 2018 to 2024.</p>
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Table A2 shows the valuation approaches used by Investec Bank Ltd and Standard Bank Group Ltd analysts to value the equities of the top 4 South African undiversified mining companies (PGMs) from 2018 to 2024. The top 4 South African undiversified mining companies (PGMs) are Northam Platinum Holdings Ltd, Sibanye Stillwater Ltd, Anglo-American Platinum Ltd, and Impala Platinum Holdings Ltd. The analysts' valuation approaches for the 4 undiversified mining companies (PGMs) were unchanged from 2018 to 2024.

Appendix A3: Undiversified Mining Companies (PGMs)

Table A3. Valuation approaches used by Investec Bank Ltd and Standard Bank Group Ltd analysts to value equities of the top 3 South African undiversified mining companies (Gold).

Investec Bank Ltd	Standard Bank Group Ltd
<p><i>The undiversified mining companies (Gold) covered by the analysts are: Goldfields Ltd, AngloGold Ashanti Ltd and Harmony Gold Mining Company Ltd.</i></p> <p>AngloGold Ashanti, 18 February 2021 <i>[Method: We use the EV/EBITDA multiple.]</i></p> <p>The analysts used the same approach to value the equity of Harmony Gold Mining Company. The analysts' valuation approach for the 2 undiversified mining companies (Gold) remained unchanged from 2018 to 2021.</p>	<p><i>The undiversified mining companies (Gold) covered by the analysts are: Goldfields Ltd, AngloGold Ashanti Ltd and Harmony Gold Mining Company Ltd.</i></p> <p>AngloGold, 07 August 2024 <i>[Methods: Our price target methodology for AngloGold is based primarily on a real discounted cash-flow, in which we discount our future estimates of cash flow using a real discount rate of 8%. The number of years for estimating cash flows is based on the life of mine estimates as indicated by reserves and potential additional reserves. In some case, we use alternative valuation techniques, including transaction based and market-cap implied valuation techniques. The valuation of many mining assets, especially gold miners based on net present value (NPV) per share and discounted cash-flow (DCF) methodology does not generally reflect the value per share ascribed in the market place. Companies may trade at a premium or discount to NPV (generally referred to as P/NPV). The P/NPV per share premium or discount ascribed to a company's share should reflect the market perception of risk to that particular company. We believe the premium or discount ascribed takes into account the following: (1). Quality of reserves and resources. (2). Country and geographical risks. (3). Managements track record. (4). Leverage of cash flow to metal price and local currency exchange rates. (5). Quality of mining and metallurgical operations.]</i></p> <p>The same basis was used to value Harmony Gold Mining Company. The analysts' valuation approach for the 2 companies remained unchanged from 2018 to 2024.</p>

<p>Goldfields, 18 February 2021 [Method: We use the EV/EBITDA & P/B multiples.]</p> <p>The analysts' valuation approach for the company remained unchanged from 2018 to 2021.</p>	<p>Goldfields, 26 August 2024 [Methods: We value the company using Real DCF at an 8% discount rate at the spot gold price at the time of publication.]</p> <p>The analyst's valuation approach for the company remained unchanged from 2018 to 2024.</p>
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Table A3 shows the valuation approaches used by Investec Bank Ltd and Standard Bank Group Ltd analysts to value the equities of the top 3 South African undiversified mining companies (gold) from 2018 to 2024. The top 3 South African undiversified mining companies (gold) are Goldfields Ltd, AngloGold Ashanti Ltd and Harmony Gold Mining Company Ltd. The analysts' valuation approaches for the 3 undiversified mining companies (gold) were unchanged from 2018 to 2024.

Appendix A4: Undiversified Mining Companies (PGMs)

Table A4. Valuation approaches used by Investec Bank Ltd and Standard Bank Group Ltd analysts to value equities of the top 7 South African retail companies.

Investec Bank Ltd	Standard Bank Group Ltd
<p>The top 7 South African retail companies covered by the analysts are: Truworths International Ltd, Woolworths Holdings Ltd, Mr Price Ltd, The Foschini Group Ltd, Pick n Pay Stores Ltd, Shoprite Holdings Ltd and The SPAR Group Ltd.</p> <p>The Foschini Group, 21 February 2021 [Method: We use an equally weighted combination of RIV, SoTP and PER (P/E ratio).]</p> <p>The analysts used the same approach to value the equities of Truworths International Ltd, Woolworths Holdings Ltd, Mr Price Ltd, Pick n Pay Stores Ltd, Shoprite Holdings Ltd and The SPAR Group Ltd. The analysts' valuation approach for the 7 retail companies remained unchanged from 2018 to 2021.</p>	<p>The top 7 South African retail companies covered by the analysts are: Truworths International Ltd, Woolworths Holdings Ltd, Mr Price Ltd, The Foschini Group Ltd, Pick n Pay Stores Ltd, Shoprite Holdings Ltd and The SPAR Group Ltd.</p> <p>Woolworths Holdings, 31 July 2024 [Methods: A through the cycle 12-month forward PE is applied to forecast earnings, based on relative market sentiment and risks inherent in the business case.]</p> <p>The same basis was used to value Mr Price, Pick n Pay Stores and The SPAR Group. The analysts' valuation approach for the 4 companies remained unchanged from 2018 to 2024.</p> <p>Shoprite Holdings, 01 March 2024 [Methods: An applied through the cycle forward PE multiple, adjusted for inherent risks and earnings outlook. We provide additional valuation support using a sum-of-the-parts, DCF and dividend discount model.]</p> <p>The same basis was used to value Truworths International and The Foschini Group. The analyst's valuation approach for the 3 companies remained unchanged from 2018 to 2024.</p>

Table A4 shows the valuation approaches used by Investec Bank Ltd and Standard Bank Group Ltd analysts to value the equities of the top 7 South African retail companies from 2018 to 2024. The top 7 South African retail companies are Truworths International Ltd, Woolworths Holdings Ltd, Mr Price Ltd, The Foschini Group Ltd, Pick n Pay Stores Ltd, Shoprite Holdings Ltd, and The SPAR Group Ltd. The analysts' valuation approaches for the 7 retail companies were unchanged from 2018 to 2024.

Appendix A5: Banking Sector (2018-2021)

Table A5. Valuation approaches used by Investec Bank Ltd and Standard Bank Group Ltd analysts to value equities of the five largest South African banks (2018-2021).

Investec Bank Ltd	Standard Bank Group Ltd
<p>Banks covered: Capitec Bank Ltd, FirstRand Ltd, ABSA Group Ltd, Standard Bank Group Ltd and Nedbank Group Ltd.</p> <p><i>[Method: Valuation using a Gordon Growth Model. Basing the target price on a terminal value and adding back the value of the discounted interim dividends in order to account for all expected cash flow to the investor. To calculate the terminal value, we calculate the 3-year expected book value by the expected terminal P/B multiple. We base the terminal value on a standard Gordon Growth equation, using an adjusted historic ROE, growth factor and the cost of equity.]</i></p> <p>The analyst's valuation approach for the 5 banks remained unchanged from 2018 to 2021.</p>	<p>Banks covered: Capitec Bank Ltd and FirstRand Ltd.</p> <p>FirstRand Ltd, 21 March 2021</p> <p><i>[Methods: We value FirstRand on a price-to-book methodology using the average medium-term ROTE to determine the exit multiple. Given our average banking ROTE of 21% to FY23e and our cost of equity of 13.0% which is in line with the other counters in our universe, we arrive at an exit multiple of 2.2x. We apply this to our terminal TNAV and discount it back along with dividends to today to arrive at our current fair value. We then roll this forward at the cost of equity less the dividend yield to arrive at our 12-month price target of R58.0. We calculate a 21% potential upside and therefore upgrade our recommendation to BUY.]</i></p> <p>The same basis was used to value Capitec Bank Ltd equities. The analyst's valuation approach for the 2 banks remained unchanged from 2018 to 2021.</p>
	<p>Banks covered: ABSA Group Ltd, Standard Bank Group Ltd and Nedbank Group Ltd.</p> <p>Standard Bank, 26 March 2021</p> <p><i>[Methods: We value Standard Bank on a sum-of-the-parts basis by applying a price-to-book methodology on the banking operation and use the market valuation for Liberty. Given our average banking ROTE of 16.9% to FY24e and our cost of equity of 14.5%, which is in line with the other counters in our universe, we arrive at an exit multiple of 1.3x. We apply this to our terminal TNAV and discount it back along with dividends to today to arrive at our current fair value. We then add our fair value for the life insurance unit, and then roll this forward at the cost of equity less the dividend yield to arrive at our 12-month price target of R150. We calculate a 28% potential upside and, therefore, upgrade our BUY recommendation.]</i></p> <p>The same basis was used to value ABSA Group Ltd and Nedbank Group Ltd equities. The analyst's valuation approach for the 3 banks remained unchanged from 2018 to 2021.</p>

Table A5 summarises the valuation approaches used by Investec Bank Ltd and Standard Bank Group Ltd analysts to value the equities of the five largest South African banks in the period 2018 to 2021. The five largest South African banks are Capitec Bank Ltd, FirstRand Ltd, ABSA Group Ltd, Standard Bank Group Ltd and Nedbank Group Ltd. The analysts' valuation approaches for the 5 banks remained unchanged in the period 2018 to 2021.

Appendix A6: Banking Sector (2022–2025)

Table A6. Valuation approaches used by Investec Bank Ltd and Standard Bank Group Ltd analysts to value equities of the five largest South African banks (2022–2025).

<p>Absa, 27 June 2025</p> <p>[Methods: Our target price is calculated using a tNAV-based valuation approach, summarised as follows:</p> <ol style="list-style-type: none"> 1. We forecast tNAV per share and return on tNAV 2. We use the average return over the 3 forecast years as a proxy for sustainable return on tNAV, currently 16.4%. 3. We divide this sustainable return less terminal growth by cost of equity less terminal growth (8.1%) in order to arrive at a fair multiple to tNAV (1.1x). Our calculation of cost of equity (15.8%) is a function of our assessment of the risk inherent in the company. 4. We multiply this "fair multiple to tNAV" with our forecast tNAV per share at the end of year 3 to arrive at a value per share at the end of year 3. 5. We use the company's cost of equity to present value this value per share at the end of year 3, as well as all the dividends that will be paid over the next three years. The result is our current valuation price. 6. We roll the current valuation forward 12 months at the cost of equity, and subtract the next two dividends to arrive at a 12-month target price of R217.00, implying 31.6% upside, including 4.5% dividend yield. 	<p>Capitec, 13 August 2025</p> <p>[Methods: Our target price is calculated using a tNAV-based valuation approach, summarised as follows:</p> <ol style="list-style-type: none"> 1. We use the average return over the 3 forecast years as a proxy for sustainable return on tNAV, currently 31.8%. 2. We divide this sustainable return less terminal growth by cost of equity less terminal growth (12.2%) in order to arrive at a fair multiple to tNAV (7.4x). Our calculation of cost of equity (14.9%) is a function of our assessment of the risk inherent in the company. 3. We multiply this "fair multiple to tNAV" with our forecast tNAV per share at the end of year 3 to arrive at a value per share at the end of year 3. 4. We use the company's cost of equity to present value this value per share at the end of year 3, as well as all the dividends that will be paid over the next three years. The result is our current valuation price. 5. We roll the current valuation forward 12 months at the cost of equity, and subtract the next two dividends to arrive at a 12-month target price of R4,300.00, implying 23.1% upside, including 2.7% dividend yield.
<p>FirstRand, 03 December 2025</p> <p>[Methods: Our target price is calculated using a tNAV-based valuation approach, summarised as follows:</p> <ol style="list-style-type: none"> 1. We forecast tNAV per share and return on tNAV, 2. We use the average return over the 3 forecast years as a proxy for sustainable return on tNAV, currently 22.0%.3. We divide this sustainable return less terminal growth by cost of equity less terminal growth (6.5%) in order to arrive at a fair multiple to tNAV (2.1x). Our calculation of cost of equity (14.0%) is a function of our assessment of the risk inherent in the company.4. We multiply this "fair multiple to tNAV" with our forecast tNAV per share at the end of year 3 to arrive at a value per share at the end of year 3. 5. We use the company's cost of equity to present value this value per share at the end of year 3, as well as all the dividends that will be paid over the next three years. The result is our current valuation price. 6. We roll the current valuation forward 12 months at the cost of equity, and subtract the next two dividends to arrive at a 12-month target price of R93.00, implying 16.6% upside, including 5.2% dividend yield. 	<p>Nedbank, 04 December 2025</p> <p>[Methods: Our target price is calculated using a tNAV-based valuation approach, summarised as follows:</p> <ol style="list-style-type: none"> 1. We forecast tNAV per share and return on tNAV, 2. We use the average return over the 3 forecast years as a proxy for sustainable return on tNAV, currently 16.2%.3. We divide this sustainable return less terminal growth by cost of equity less terminal growth (5.4%) in order to arrive at a fair multiple to tNAV (1.3x). Our calculation of cost of equity (14.0%) is a function of our assessment of the risk inherent in the company.4. We multiply this "fair multiple to tNAV" with our forecast tNAV per share at the end of year 3 to arrive at a value per share at the end of year 3. 5. We use the company's cost of equity to present this value per share at the end of year 3, as well as all the dividends that will be paid over the next three years. The result is our current valuation price. 6. We roll the current valuation forward 12 months at the cost of equity, and subtract the next two dividends to arrive at a 12-month target price of R335.00, implying 39.4% upside, including 8.3% dividend yield

Appendix A7: Banking Sector (2026)

Table A7. Valuation approaches used by Investec Bank Ltd and Standard Bank Group Ltd analysts to value equities of the five largest South African banks (2026).

<p>Absa, 12 March 2026</p> <p>[Methods: Our target price is calculated using a tNAV-based valuation approach, summarised as follows:</p> <p>1. We forecast tNAV per share and return on tNAV. 2. We use the average return over the 3 forecast years as a proxy for sustainable return on tNAV, currently 17.6%.3. We divide this sustainable return less terminal growth by cost of equity less terminal growth (7.1%) in order to arrive at a fair multiple to tNAV (1.4x). Our calculation of cost of equity (14.9%) is a function of our assessment of the risk inherent in the company.4. We multiply this "fair multiple to tNAV" with our forecast tNAV per share at the end of year 3 to arrive at a value per share at the end of year 3. 5. We use the company's cost of equity to present value this value per share at the end of year 3, as well as all the dividends that will be paid over the next three years. The result is our current valuation price. 6. We roll the current valuation forward 12 months at the cost of equity, and subtract the next two dividends to arrive at a 12-month target price of R281.00, implying 28.4% upside, including 8.2% dividend yield.</p>	<p>Capitec, 11 February 2026</p> <p>[Methods: Our target price is calculated using a tNAV-based valuation approach, summarised as follows:</p> <p>1. We forecast tNAV per share and return on tNAV. 2. We use the average return over the 3 forecast years as a proxy for sustainable return on tNAV, currently 31.4%.3. We divide this sustainable return less terminal growth by cost of equity less terminal growth (11.1%) in order to arrive at a fair multiple to tNAV (8.6x). Our calculation of cost of equity (13.5%) is a function of our assessment of the risk inherent in the company.4. We multiply this "fair multiple to tNAV" with our forecast tNAV per share at the end of year 3 to arrive at a value per share at the end of year 3. 5. We use the company's cost of equity to present value this value per share at the end of year 3, as well as all the dividends that will be paid over the next three years. The result is our current valuation price. 6. We roll the current valuation forward 12 months at the cost of equity, and subtract the next two dividends to arrive at a 12-month target price of R5,400.00, implying 20.7% upside, including 2.1% dividend yield.</p>
<p>FirstRand, 01 April 2026</p> <p>[Methods: Our target price is calculated using a tNAV-based valuation approach, summarised as follows:</p> <p>1. We forecast tNAV per share and return on tNAV</p> <p>2. We use the average return over the 3 forecast years as a proxy for sustainable return on tNAV, currently 22.4%.3. We divide this sustainable return less terminal growth by cost of equity less terminal growth (6.5%) in order to arrive at a fair multiple to tNAV (2.2x). Our calculation of cost of equity (13.6%) is a function of our assessment of the risk inherent in the company.4. We multiply this "fair multiple to tNAV" with our forecast tNAV per share at the end of year 3 to arrive at a value per share at the end of year 3. 5. We use the company's cost of equity to present value this value per share at the end of year 3, as well as all the dividends that will be paid over the next three years. The result is our current valuation price. 6. We roll the current valuation forward 12 months at the cost of equity, and subtract the next two dividends to arrive at a 12-month target price of R103.00, implying 24.5% upside, including 6.1% dividend yield.</p>	<p>Nedbank, 22 January 2026</p> <p>[Methods: Our target price is calculated using a tNAV-based valuation approach, summarised as follows:</p> <p>1. We forecast tNAV per share and return on tNAV</p> <p>2. We use the average return over the 3 forecast years as a proxy for sustainable return on tNAV, currently 16.2%.3. We divide this sustainable return less terminal growth by cost of equity less terminal growth (5.4%) in order to arrive at a fair multiple to tNAV (1.3x). Our calculation of cost of equity (14.0%) is a function of our assessment of the risk inherent in the company.4. We multiply this "fair multiple to tNAV" with our forecast tNAV per share at the end of year 3 to arrive at a value per share at the end of year 3. 5. We use the company's cost of equity to present value this value per share at the end of year 3, as well as all the dividends that will be paid over the next three years. The result is our current valuation price. 6. We roll the current valuation forward 12 months at the cost of equity, and subtract the next two dividends to arrive at a 12-month target price of R335.00, implying 39.4% upside, including 8.3% dividend yield.</p>

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