

University of Zurich

Department of Banking and Finance

Prof. Dr. Michel Antoine Habib

Professor of Finance

The Stock Market R&D Valuation in the High-tech Sector: a Comparison between US and European Firms

Bachelor Thesis

Author:	Quoc Fu Ha
Address:	Kirchpark 19, 6037 Root
Matrikelnummer:	10-711-034
Email:	fuha@gmx.ch
Specialization:	Banking and Finance
Supervising Tutor:	Diego Ostinelli
Due Date:	21 st October 2013

Abstract

The High-tech sector accounts for a disproportional large share of the Research and Development spending in relation to its value added. This relation is in the US more distinctive than in the EU and thus one of the causes for a R&D expenditure gap between the US and the EU. The focus of this bachelor thesis is to look if there is a R&D valuation difference between US and European firms on the basis of the R&D expenditure gap. The method for the empirical analysis is the ordinary least squares regression. It consists of the market value of a firm on the dependent side and R&D expenditure on the other side of the equation. The results report a 3 to 5 times higher R&D valuation for European firms than for US firms in the 90's. Upon including the size into the regression, the R&D valuation difference between US and European firms was only in half as much years significant than without. It appears that the R&D valuation is affected by the size effect of the firm; the bigger a firm the higher the R&D valuation.