

BUSINESS VALUATION IN THE CONTEXT OF DIGITAL TRANSFORMATION: THE CASE OF UZBEKISTAN

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Abstract. *Digital transformation has become one of the most important drivers of change in modern economies. Companies increasingly adopt digital technologies such as artificial intelligence, big data, cloud computing, and digital platforms to improve efficiency, competitiveness, and customer experience. These changes significantly affect how businesses create value and, consequently, how they should be valued. Traditional valuation methods often fail to fully capture the impact of digital assets, intangible resources, and platform-based business models.*

This article examines the impact of digital transformation on business valuation, with a particular focus on Uzbekistan as an emerging economy. Using the IMRAD framework, the study analyzes key challenges in valuing digitally transformed companies, discusses methodological problems, and proposes practical solutions and recommendations. The results show that digital transformation increases the importance of intangible assets, changes risk profiles, affects cash flows, and requires adjustments to traditional valuation models. The article concludes that successful integration of digital factors into valuation practices is essential for accurate and fair business valuation in Uzbekistan.

Keywords: *business valuation, digital transformation, intangible assets, digital economy, Uzbekistan, corporate value*

Introduction. In recent years, digital transformation has fundamentally changed the way companies operate, compete, and create value. Digital technologies

are no longer limited to the IT sector; they affect almost all industries, including banking, manufacturing, agriculture, retail, logistics, and public services. As a result, the traditional understanding of business value, based mainly on physical assets and historical financial performance, is becoming insufficient.

Business valuation plays a critical role in investment decisions, mergers and acquisitions, privatization, credit analysis, and strategic management. In Uzbekistan, business valuation has gained increasing importance due to economic reforms, privatization of state-owned enterprises, development of capital markets, and attraction of foreign investment.

However, valuing companies in the context of digital transformation presents serious challenges. Digital assets such as software, data, platforms, algorithms, and customer networks are often not fully reflected in financial statements. Moreover, digital business models generate value in non-linear ways, making future cash flows more uncertain but potentially much higher.

The purpose of this article is to analyze how digital transformation affects business valuation, identify key problems faced by valuers in Uzbekistan, and propose solutions and recommendations for improving valuation practices in the digital economy.

Methodology. This study uses a qualitative research methodology based on the analysis of secondary data. The research methods include:

- Review of academic literature on business valuation and digital transformation
- Analysis of international valuation standards and best practices
- Examination of digital transformation trends in Uzbekistan
- Logical and comparative analysis of traditional and digital valuation approaches

The article does not rely on empirical modeling but focuses on conceptual analysis and practical implications for valuers, investors, and policymakers.

Results and Discussion.

1. Digital Transformation and Value Creation

Digital transformation refers to the integration of digital technologies into all areas of business, leading to fundamental changes in how companies operate and deliver value. Unlike simple automation, digital transformation reshapes business models, organizational structures, and customer relationships.

In Uzbekistan, digital transformation is actively promoted through national strategies such as the “Digital Uzbekistan – 2030” program.

Banks, telecom companies, fintech firms, and e-commerce platforms are among the most digitally advanced sectors.

Digital transformation creates value through:

- Increased operational efficiency
- Improved customer experience
- Data-driven decision-making
- Scalability and network effects
- Innovation and new revenue streams

However, these value drivers are often intangible and difficult to measure.

2. The Role of Intangible Assets in Digital Valuation

One of the most important changes brought by digital transformation is the growing importance of intangible assets. These include:

- Software and digital platforms
- Databases and customer data
- Intellectual property
- Brand and reputation
- Human capital and digital skills

In traditional valuation, tangible assets such as buildings and equipment played a dominant role. In digital companies, intangible assets often account for the majority of value.

In Uzbekistan, accounting standards and valuation practices still focus heavily on tangible assets. As a result, the true value of digitally transformed companies may be underestimated, especially during privatization or investment negotiations.

3. Impact of Digital Transformation on Cash Flows

Digital transformation significantly affects future cash flows, which are central to business valuation. Digitally advanced companies often experience:

- Faster revenue growth
- Lower marginal costs
- Higher scalability
- Increased volatility in early stages

For example, an e-commerce platform may incur losses initially but achieve rapid growth once a critical mass of users is reached. Traditional valuation models may fail to capture this dynamic growth pattern.

In Uzbekistan, many digital businesses are still in early development stages, making cash flow forecasting particularly challenging.

4. Risk and Uncertainty in Digital Valuation

Digital transformation changes the risk profile of companies. On the one hand, digitalization can reduce operational risks through automation and data analytics. On the other hand, it introduces new risks such as:

- Cybersecurity threats
- Technological obsolescence
- Regulatory uncertainty
- Dependence on digital infrastructure

Valuers must adjust discount rates and risk premiums to reflect these new risks. In Uzbekistan, limited historical data on digital companies complicates risk assessment.

5. Valuation Approaches in the Digital Economy

Traditional valuation approaches include:

- Income approach (DCF)
- Market approach (multiples)
- Asset-based approach

In the context of digital transformation:

- DCF models must incorporate digital growth scenarios and flexible assumptions.

- Market multiples should be adjusted for digital maturity and scalability.

- Asset-based approaches are often less relevant but can be adapted to include intangible assets.

Hybrid models and scenario analysis are increasingly used to improve valuation accuracy.

Problems of Business Valuation in Digital Transformation (Uzbekistan)

1. Incomplete Reflection of Digital Assets

Many digital assets are not recognized on balance sheets, leading to undervaluation.

2. Lack of Qualified Digital Valuers

There is a shortage of specialists who understand both valuation theory and digital business models.

3. Weak Market Comparables

The Uzbek digital market is relatively small, limiting the availability of comparable companies.

4. Regulatory and Institutional Gaps

Valuation standards have not fully adapted to digital realities.

5. High Uncertainty of Forecasts

Rapid technological change increases uncertainty in long-term projections.

Solutions to Identified Problems

1. Development of Digital Valuation Guidelines

National valuation standards should incorporate digital-specific guidance.

2. Recognition of Intangible Assets

Accounting and valuation frameworks should better reflect intangible value.

3. Capacity Building

Training programs for valuers should include digital economy topics.

4. Use of Scenario and Sensitivity Analysis

Multiple scenarios help address uncertainty in digital valuation.

5. Cooperation with International Experts

Adopting international best practices can improve local valuation quality.

Proposals and Recommendations

1. Introduce digital valuation modules in university finance programs.

2. Encourage disclosure of digital performance indicators by companies.

3. Adapt WACC and discount rates to reflect digital risks.

4. Use mixed valuation approaches for digital companies.

5. Support development of digital capital markets in Uzbekistan.

Conclusions. Digital transformation fundamentally changes how companies create and sustain value. In Uzbekistan, this transformation presents both opportunities and challenges for business valuation. Traditional valuation methods remain relevant but require significant adaptation to reflect intangible assets, digital risks, and new growth patterns.

Accurate valuation in the digital economy is essential for attracting investment, supporting privatization, and ensuring fair market transactions. Therefore, improving valuation practices in the context of digital transformation should be a strategic priority for Uzbekistan's economic development.

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