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Chapter 1 : Valuation: Measuring and Managing the Value of Companies by Tim Koller

The 6th edition of Valuation, now celebrating 25 years in print, has been thoroughly revised to reflect business conditions in today's volatile global economy. It provides insights on how to create, manage, and measure the value of an organization, including practical advice on: analyzing historical.

Measuring and Managing the Value of Companies, 5th Edition , would be the main textbook that I would use. When the book was originally published more than 20 years ago it was meant to be a handbook for McKinsey consultants. As the name implies the book teaches you how to value companies based on the principles of discounted cash flow analysis. Value investors in my opinion generally follow two distinct approaches to investing: In the Berkshire Hathaway annual report, Buffett stated the following: What counts, however, is intrinsic value â€" the figure indicating what all of our constituent businesses are rationally worth. With perfect foresight, this number can be calculated by taking all future cash flows of a business â€" in and out â€" and discounting them at prevailing interest rates. So valued, all businesses, from manufacturers of buggy whips to operators of cellular phones, become economic equals. Valuation will teach how to correctly analyze past performance, forecast free cash flows, estimate the cost of capital and interpret the results of a valuation analysis. The book is categorized into six parts. Chapter 2, titled Fundamental Principles of Value Creation, is probably the best explanation I have ever seen of why ROIC Return On Invested Capital is the key value driver for any business from both a theoretical and mathematical perspective. Anyone that has taken a corporate finance course will be familiar with the well-known cash flow perpetuity formula: Most financial analysts use some form of this formula when deriving terminal values in a typical valuation exercise. Everything else is mere detail. By incorporating the key driver formula into my terminal value calculations, I can honestly say that reading Valuation improved my investment process. Part two of the book is basically a self-taught course on discounted cash flow DCF analysis. However, for experienced practitioners it will serve as a good refresher course. Part three of the book provides empirical evidence of why stock prices reflect long-term value creation as described in the book. I think most value investors intuitively believe that stock prices should reflect value creation over time. The authors also tackle market bubbles in this section of the book. The authors take the practical view that mispricings do occur in the market and are eventually corrected. Part four of the book is written primarily for managers. It deals with the process of value creation when running a company. As a former investment banker, I can testify to the inability of most management teams of publicly traded companies to generate value through acquisitions. Essentially, most CEOs end up focusing on revenue and earnings per share growth when return on invested capital and cash flow generation should be their focus. As a result, most CEOs end up overpaying when acquiring businesses and returns to shareholders are negatively impacted. This section of the book is an attempt to help corporate managers implement a framework to evaluate corporate portfolio strategy. However, it will help to identify managers that are focused on creating shareholder value rather than simply growing their fiefdom. Part five of the book deals with advanced valuation techniques and deals with more complex issues such as taxes, pension reserves, inflation and foreign currencies. This part of the book serves as a good source of reference for these issues. Part six of the book is focused on special situation analysis such as valuing high growth companies, companies in emerging markets, cyclical companies and banks. I think the book may be a too technical for a novice investor. However, I think any investor would benefit from reading part one and part two of the book to understand why ROIC is the key driver of long-term value creation for any business. You can read my review of the book here. Ankur Shah Ankur Shah is the founder of the Value Investing India Report, a leading independent, value oriented journal of the Indian financial markets. Ankur has more than eight years of equity research experience covering emerging markets, with a focus on India and South East Asia. Ankur is a graduate of Harvard Business School. You can learn more about his latest views on global markets at the Value Investing India Report. Subscribe to ValueWalk Newsletter.

Chapter 2 : Any tips on getting through the McKinsey valuation book? : investing

McKinsey & Company's #1 best-selling guide to corporate valuation, now in its sixth edition Valuation is the single best guide of its kind, helping financial professionals worldwide excel at measuring, managing, and maximizing shareholder and company value.

This new sixth edition provides insights on the strategic advantages of value-based management, complete detailed instruction, and nuances managers should know about valuation and valuation techniques as applied to different industries, emerging markets, and other special situations. Valuation lies at the crossroads of corporate strategy and finance. This guide shows you everything you need to know, and gives you the understanding you need to be effective. Estimate the value of business strategies to drive better decision making Understand which business units a corporate parent is best positioned to own Assess major transactions, including acquisitions, divestitures, and restructurings Design a capital structure that supports strategy and minimizes risk As the valuation function becomes ever more central to long- and short-term strategy, analysts and managers need an authoritative reference to turn to for answers to challenging situations. Valuation stands ahead of the field for its reputation, quality, and prestige, putting the solutions you need right at your fingertips. A WOMAN WILLING TO RISK EVERYTHING Rylie Jones is on a desperate quest to single-handedly take down a human trafficking ring Beginning in the 16th century, Armenia was once more the object of contention between two hostile powers, the Ottoman Empire and Iran It presents current and historical geology, discussions of human impacts, ecosystem degradation, and planned restoration, and covers the socioeconomic aspects of the Everglades ecosystem With over 60 quick and easy recipes for breakfast, main dishes, soups, and desserts, you are sure to find some great meals to satisfy your taste buds What you will enjoy about this book is how you can have more fun than you imagined, but in a rewarding and humbling way, by just being a half-decent person download Valuation: Measuring and Managing the Value of Companies Wiley Finance pdf In his home state of New York, Curtice was the first to start testing cattle for tuberculosis, and his research contributed to the control of parasites in sheepValuation: Measuring and Managing the Value of Companies, Sixth Edition provides the knowledge executives need to make value-creating decisionsâ€”replacing some of the myths that pervade the corporate world with proven principles of value creation. The Sixth Edition provides: An overview of the two core principles of valuation: Guidance for using discounted cash flow DCF to value a company, with an emphasis on how to analyze historical performance, forecast free cash flows, estimate the appropriate opportunity cost of capital, identify sources of value, and interpret results. An explanation of how to analyze and incorporate in your valuation such complex issues as taxes, pensions, reserves, inflation, and foreign currency, complete with a case-study example. An exploration of special situations in which valuation is complex, such as the multi-dimensional challenges of valuing higher growth companies, emerging markets, cyclical companies, and banks; or in the use of option-pricing theory and decision trees in valuations. Acclaimed for 25 years by corporate finance experts as the best guide in its class, Valuation, Sixth Edition explains, step-by-step, how to do valuation well. It is required reading for all executives. A Casebook "The bible in its field. Anyone wanting to understand what drives corporate value should read this latest edition. It is also available via flatpack at online bookstores. Valuation Workbook, Sixth Edition: The Four Cornerstones of Corporate Finance offers an executive overview of the core concepts of corporate finance and their ties to value. Intended for managers and students, this accessible guide offers a solid foundation to valuation. See all Editorial Reviews Rating:

Chapter 3 : Valuation: Measuring and Managing the Value of Companies - Wikipedia

Description. McKinsey & Company's #1 best-selling guide to corporate valuation, now in its sixth edition. Valuation is the single best guide of its kind, helping financial professionals worldwide excel at measuring, managing, and maximizing shareholder and company value.

The first is that the value of something is what someone is prepared to pay for that something. The other model is based on that a company has a fundamental intrinsic value that is On a basic level there are two competing mental models of stock values in the financial sector. The other model is based on that a company has a fundamental intrinsic value that is separate from the market pricing of its equity. This book is about both how to estimate this intrinsic value and also on how to create it. Out of all the books reviewed on this website Valuation is probably the one that sits on most shelves behind workstations of employees in the financial sector. The reason is that most of us have had it as a text book at university, but compared to all the other text books this one is also a handbook in corporate valuation that is used by practitioners. For those who use the concept of intrinsic value, cash flow valuation has become the standard methodology and Valuation is the standard source material. The book is mandatory reading for persons within corporate finance, venture capital and private equity who are slightly less close to the public stock market. It is less widely used by portfolio managers or sell side analysts who often look to shorter time horizons. There are obviously competing text books on valuation such as Damodaran on Valuation. Two of the he authors of Valuation are employed by McKinsey and the main focus is on one specific method of valuation. This is a fifth edition. Damodaran on Valuation is written by an academic, Valuation is written by consultants for daily use by CEOs and finance professionals. The intrinsic value in a DCF is based on cash flows, the growth in cash flows and the risk that these future cash flows will not materialize. The cash flow in question differs; it might be dividends for stocks, coupons for bonds or after tax cash flows for businesses. The problem is that as the future is unknown the intrinsic value is unobservable. Any calculation of it is an act of faith. One strength of the DCF is that it is transparent. It requires a large number of assumptions of future performance. Each such input has a range of reasonable values and the choice of inputs can be examined and criticized. Paradoxically the construction also opens up for psychological biases. If each and one of the many inputs are tweaked in a slightly more optimistic or pessimistic direction the multiplier effect of all those small but one by one reasonable changes will bring huge swings in the calculated intrinsic value. The fact that a DCF could be made to show almost anything has created a mini revival for excess return valuations such as the Residual Income Model. These are close cousins to the DCF methodology, but use a the capital base of the company and b its ability to earn a return on capital that is higher than the cost of capital as the two main inputs. Using the capital as the base for the valuation makes it potentially less dependent on estimates of an unknowable future. This book is unbeatable for the practitioner who needs the tools for valuing a company or must understand how other do just that. More philosophical issues are to be sought elsewhere. This has a lot of information but is admittedly a little beyond my ability at the time. I think the information is solid and it will be something I keep on hand as a reference text especially as I get a little more established. I feel like it leaves too much up to speculation and esp I studied this book with the hopes of gaining some more in depth methodology for valuation. I feel like it leaves too much up to speculation and especially with how complicated it gets to calculate I expect I would never feel the sense of precision I would like after working through it. If you understand the basics of finance level-ready and above and you want one book to read and then use as a reference to learn how to understand and conduct business valuations, this is one of the books to consider. But it covers valuation principles well and delves into the common complicating factors, the most commonly relevant theoretical challenges, etc.

Chapter 4 : valuation sixth edition | Download eBook PDF/EPUB

VALUATION MEASURING AND MANAGING THE VALUE OF COMPANIES SIXTH EDITION McKinsey & Company Tim Koller Marc Goedhart David Wessels WlLEY.

Chapter 5 : Valuation: Measuring and Managing the Value of Companies, 6th Edition - Valuation - Account

Description McKinsey & Company's #1 best-selling guide to corporate valuation, now in its sixth edition. Valuation is the single best guide of its kind, helping financial professionals worldwide excel at measuring, managing, and maximizing shareholder and company value.

Chapter 6 : A Review of Valuation, Fifth Edition

The leading book on corporate valuation by the renowned financial professionals at McKinsey & Company has been fully updated and expanded! The following is an outline of the suite of Valuation, Sixth Edition books, software, and resources, along with other helpful links to help you master the science of corporate valuation.