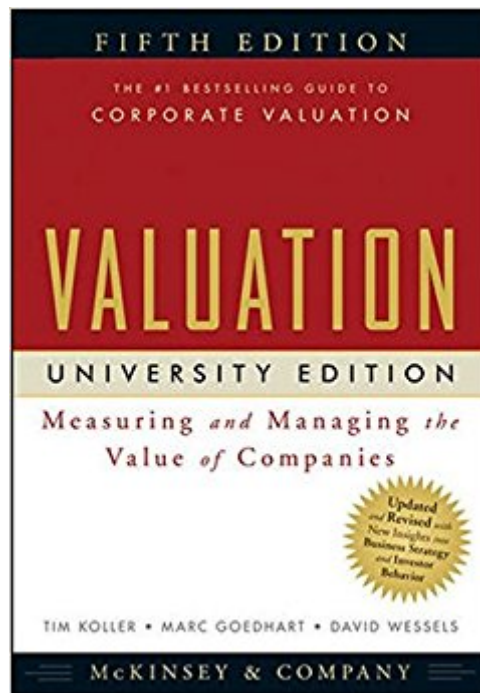


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# Valuation: Measuring And Managing The Value Of Companies, University Edition, 5th Edition



## Synopsis

McKinsey's Trusted Guide to Teaching Corporate Valuation is Back and Better than Ever

Designed for classroom use, *Valuation, University Edition Fifth Edition* is filled with the expert guidance from McKinsey & Company that students and professors have come to trust. Fully Revised and Updated, NEW FEATURES to the Fifth Edition include: ALL NEW CASE STUDIES that illustrate how valuation techniques and principles are applied in real-world situations NEW CONTENT on the strategic advantages of value-based management EXPANDED to include advanced valuation techniques UPDATED to reflect the events of the real estate bubble and its effect on stock markets, new developments in corporate finance, changes in accounting rules, and an enhanced global perspective

*Valuation, Fifth Edition* remains true to its roots with a solid framework for valuation through key concepts such as: Analyzing historical performance, including reorganizing a company's financial statements to reflect economic rather than accounting performance Forecasting performance, with emphasis on not just the mechanics of forecasting but also how to think about a company's future economics Estimating the cost of capital with practical tips that aren't found in textbooks Interpreting the results of a valuation in light of a company's competitive situation Linking a company's valuation multiples to the core drivers of its performance.

The University Edition contains the same key chapters as *Valuation Fifth Edition* but expands on them to enhance classroom application with End of Chapter Summaries and Review Questions to help students master key concepts from each chapter before moving on to the next. For professors, Wiley offers an Online Instructor's Manual with a full suite of resources exclusive to adopting professors. Contact your rep for more information.

## Book Information

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## Customer Reviews

I have to begin with a gripe. The first four reviews are implausibly quick, given the length of this book, and are all five-star. Three are from people who reviewed only one product, one is completely devoid of content. The fifth reviewer has reviewed one other product, a razor. I understand the temptation to stuff the ballot-box early by having friends review, but I think you should find real reviewers and insist on some content. There are several great valuation books out there.

Damodaran on Valuation concentrates on security valuation and is the most academic. Business Valuation is the best for small, private companies. Business Valuation on Wall Street tells you how Wall Street approaches the question. Theory of Valuation is the best on theory. Corporate Finance has the best treatment of valuation among corporate finance texts. Earlier editions of this book were the clear leaders in big and complex public company valuation.

This is a good book on valuation by applying the discounted cash flow methodology. The book is worth four stars, because it is in no way a perfect book. The book is now in its fifth edition so the material on DCF analysis is solid in my opinion. It covers basics as well as interesting extensions, but also has glaring gaps. For instance you do not get any information about valuing the cost of working capital requirements. The links to accounting are also weak, you would imagine the book would have a section on accounting ratios like ROA, RONA, ROCE. How can you forecast the future without having a good grasp of the past??? The book is much weaker when it discusses how to actually forecast cash flows and how the stock market functions. We get to estimate the second decimal of WACC, but hardly learn anything about market share estimation. Instead some fairly junior consultants have read some of the academic literature and done a valiant attempt to summarize it in a traditional consulting style (i.e. with managerial implications). This is actually a bit silly. The content is interesting but the authoritative voice of the authors is a clear sign that they do not know as much as they believe they do. During the last ten years the trend in academic finance has been towards building micro-foundations based on a more realistic description of human actors. The fully rational man is long gone in cutting-edge finance research. I do not think the authors of this book has fully understand the implications of this sea change. They bravely quote research papers (that they don't really understand), but in the end conclude that the markets are so close to rational so one can proceed as if.

On a basic level there are two competing mental models of stock values in the financial sector. The first is that the value of something is what someone is prepared to pay for that something. In the equity market this leads to statements such as "the valuation of a stock is low" if the current market pricing of the stock is historically low compared to, for example, the estimate of the near term future earnings. 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. Where professor Aswath Damodaran's writing is academic and covers more ground with regards to different aspects of securities valuation, Valuation is a practical book that connects valuation to corporate strategy and value based management.

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