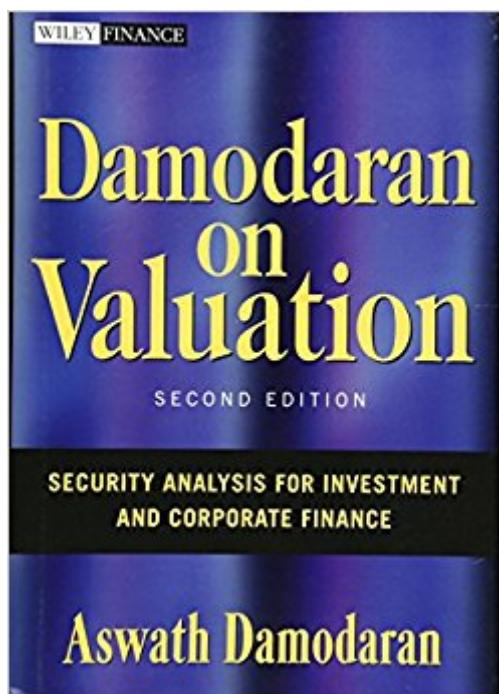


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# Damodaran On Valuation: Security Analysis For Investment And Corporate Finance



## Synopsis

"Aswath Damodaran is simply the best valuation teacher around. If you are interested in the theory or practice of valuation, you should have Damodaran on Valuation on your bookshelf. You can bet that I do." -- Michael J. Mauboussin, Chief Investment Strategist, Legg Mason Capital Management and author of More Than You Know: Finding Financial Wisdom in Unconventional Places In order to be a successful CEO, corporate strategist, or analyst, understanding the valuation process is a necessity. The second edition of Damodaran on Valuation stands out as the most reliable book for answering many of today's critical valuation questions. Completely revised and updated, this edition is the ideal book on valuation for CEOs and corporate strategists. You'll gain an understanding of the vitality of today's valuation models and develop the acumen needed for the most complex and subtle valuation scenarios you will face.

## Book Information

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## Customer Reviews

The ability to value any asset is an essential skill in a wide variety of professional environments, from corporate finance to portfolio management to strategy. And while the reasons for doing valuation are as wide-ranging and varied as business itself, the fundamental precepts underlying valuation are surprisingly similar in both form and function. Damodaran on Valuation, Second Edition provides you with today's most straightforward and comprehensive examination of the approaches and models necessary for performing valuations. Written by renowned teacher, author, and valuation authority Aswath Damodaran, and fully revised and updated from its top-selling first edition;which has become the essential reference for any professional needing accurate and

reliable valuation information; this invaluable book now provides you with: In-depth coverage of different distinct valuation approaches and key models within each Techniques for accurately assessing the effect on value of employee stock options and other equity-based compensation Methodologies for using valuation models to value intangible assets; patents, copyrights, trademarks, licenses, brand names, and more Sound strategies for identifying and measuring the value of control in any business and why the expected value of control plays a role in many different valuation contexts Discussion of how liquidity; or, more accurately, illiquidity; affects value, along with ways to measure this impact on value Potential sources of the ever-elusive "synergy" when combining two entities, how best to value each type of synergy, and an examination of why firms so often overpay for synergy Techniques for measuring the costs of accounting opacity and business complexity, and accurately discounting the value of complex firms to promote transparency at every level A commonsense framework you can use to sift through numerous possible valuation models to determine the best model for your valuation task For more than a decade, Damodaran on Valuation has been the standard valuation reference for professionals in virtually everyfield. Business realities have changed dramatically over that time, but the principles underlying valuation have not. Let this comprehensively revised and updated edition give you the knowledge and tools you need to address today's increasingly complex; and uncompromising; corporate and investment valuation environment.

Praise for Damodaran on Valuation SECOND EDITION "Aswath Damodaran is simply the best valuation teacher around. If you are interested in the theory or practice of valuation, you should have Damodaran on Valuation on your bookshelf. You can bet that I do." ;Michael J. Mauboussin, Chief Investment Strategist, Legg Mason Capital Management and author of More Than You Know: Finding Financial Wisdom in Unconventional Places "Damodaran on Valuation is a marvel. The combination of expositional simplicity and conceptual rigor in this book is a rarity in the field of finance; rarer still is the clarity of ideas that simultaneously informs and delights. I do not believe that one can claim to be a serious practitioner; or, for that matter, teacher; of business valuation without mastering the ideas presented in this definitive piece of work."

;Professor Anant K. Sundaram, Faculty Director of Executive Education, Tuck School of Business at Dartmouth College "Professor Damodaran does an excellent job of incorporating public and private company valuation issues in one volume. It's full of 'how tos' in dealing with difficult technical issues not usually addressed in text books, making it a great discussion tool and resource for both the student and the valuation professional. This is a great addition to any valuation library or

training program." &#151;Scott A. Nammacher, CFA, ASA, Managing Director, Empire Valuation Consultants, LLC In today's no-room-for-error business environment, the ability to accurately value a company's assets&#151;both tangible and intangible&#151;is essential for a wide variety of professionals, whether they are inside or outside that company. Damodaran on Valuation looks at valuation from the viewpoint of both the internal corporate strategist and the external portfolio manager, addressing issues related to models and techniques for valuing a business and, just as important, explaining their application in either the operation or acquisition of that business. Damodaran on Valuation explores all aspects of valuation, from the fundamentals of estimating cash flows and discount rates to the principles underlying the use of multiples. In addition, the book addresses what are often left as loose ends in valuation&#151;the value of control and synergy; how best to deal with cash, non-operating assets, and employee stock options when valuing a company; and the consequences of illiquidity, distress, and lack of transparency for asset value. Whether you are a manager looking to maximize a company's value or an investor looking to beat the market, Damodaran on Valuation will give you the detailed, logical, and sensible answers you need to arrive at an accurate valuation.

I saw the author speak at a conference which prompted me to buy the book. His presentation and book nicely merge theory with practice -- too many valuation books are academic and don't deal with the real-life problems. He seems to anticipate the types of real-life challenges you'll get and then tells you how to handle them (about half the book addresses these "loose ends" that aren't always covered in more basic valuation material). I especially like that he's embraced valuation methods beyond DCF (such as P/E and P/B) because purists tend to dismiss these other methods as too crude for serious consideration(in his book he acknowledges that only 10% of Wall Street valuations are done with DCF). His web site is great for practitioners because you can download the raw numbers for thousands of companies and do the valuation steps he highlights in the book.

This is an excellent book. It serves as both a course in valuation as well as a useful reference tool. The book is heavily weighted to discounted cash flow analysis, though it also discusses relative valuation (like P/E multipliers) and contingent claims. Clearly written the book presents in detail simple to complex DCF based models (dividend discount model, free cashflow to equity and free cashflow to the firm). This range of models deal with the complex valuation problem of variable growth. After presenting a model, its limitations and best uses are explained. He then shows how these models can be used to derive P/E, P/S, and P/BV ratios from fundamentals. Abundant

examples are used to make the material clear. The book also discusses special situations, e.g., cyclical firms, and distressed firms to mention just a few. At first glance this book might be mistaken for a "cook book". Lots of formulas and detailed examples of how to work them. But there is more. And this is where the real "meat" of the book is - underpinning the seeming forest of details and examples - is a valuation logic and philosophy. If you read this book carefully, you will develop an appreciation for the impact certain fundamentals have on valuation and how they interact with one another. This is much more important than memorizing the formulae in the book. Also there is some very useful and frank discussion of shortcomings in some of the tools used, including the CAPM and a warning about being seduced into believing that the DCF approach results in certainty. Valuation involves estimates and formulas (or multiples) are simplifications of very complex real world dynamics. In the business world, valuation is typically a process of estimating ranges of values for each of several methods chosen (e.g., DCF, market comparables, precedent transactions, replacement value, etc). The resulting matrix of values is then compared (in effect cross checked) to come up with a range of possible values. And here the differences between buyer and seller affect the outcome - different assumptions re the DCF or the cashflow and synergies that can be achieved - come into play to create two different matrices of values - from which the two parties then negotiate the actual price. The book and its author are well regarded. This particular volume is used in AIMR's CFA study program - which is a measure of its worth.

Damodaran is fantastic. I love his work. His valuation books are really insightful.

Damodaran is widely known in the academic/financial arena. The second edition clears up many hiccups in the first edition. There are other books out there that will provide you with most of the information in this book, but not with as much detail and explanation. Also, this book is written very well. It does a great job of keeping the student's interest and not sounding too dry (most of the time). I bought this for one finance class, and have used it as a supplement in nearly all other finance classes. Every finance professor I have asked about Damodaran speaks very highly of him. Although this book material/methodology sticks primarily to the academic world, it still provides the reader with the real-world content and thorough understanding that will be needed in the business world. If you want a truly detailed yet practical analysis of valuation, then this is the book for you.

I used it for my Corporate Finance class and this book is as thorough as you can get. It made it so easy for me and I easily sailed by the entire semester without taking any additional notes and solely

based on this book.

What an in-depth analysis. Wow.

Arrived on time and matched description.

Excellent book! Wish I found it earlier.

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