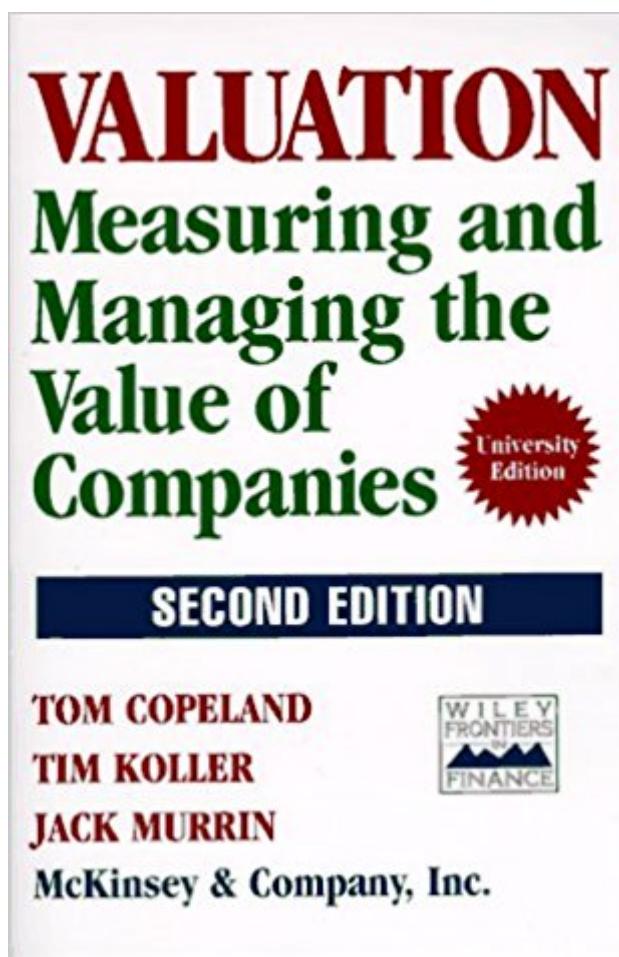


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# Valuation: Measuring And Managing The Value Of Companies (Frontiers In Finance Series)



## **Synopsis**

"This book on valuation represents fresh new thinking. The writing is clear and direct, combining the best academic principles with actual experience to arrive at value-increasing solutions." â "J. Fred Weston Cordner Professor of Money and Financial Markets Graduate School of Management, UCLA "The book's clarity and comprehensive coverage make it one of the best practitioners' guides to valuation." â "Financial Times In the global economy of the 1990s, investors move their money quickly and easily around the world in search of the greatest return. As such, it's essential for today's business graduates to understand the importance of measuring, managing, and maximizing shareholder value. Valuation illustrates how to take advantage of the American tradition of maximizing shareholder value, demonstrates how value-based management contributes to improved strategic thinking, and shows how managers at any level can create value for their companies. In addition, this book provides: A chapter featuring insights into the strategic advantages of value-based management Strategies for multibusiness valuation, and valuation for corporate restructuring, mergers, and acquisitions International comparisons of the cost of capital, differences in accounting procedures, and how valuation works in different countries A detailed case study showing how valuation techniques and principles are applied

## **Book Information**

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## **Customer Reviews**

"Information in the book is clearly presented. A good read which will enable you to approach

corporate valuation with confidence." (Lloyd's List, 4th November 2000)

Hailed by financial professionals worldwide as the single best guide of its kind, *Valuation* provides crucial insights into how to measure, manage, and maximize a company's value. This long-awaited Third Edition has been comprehensively updated and expanded to reflect business conditions in today's volatile global economy and to provide highly effective ways for managers at every level to create value for their companies. In addition to all new case studies, *Valuation* now includes in-depth coverage on valuing dot.coms, cyclical companies, and companies in emerging markets, along with detailed instructions on how to drive value creation and apply real options to corporate valuation. Here is expert guidance that management and investment professionals and students alike have come to trust, including: *Valuation*'s acclaimed chapter devoted to insights into the strategic advantages of value-based management Strategies for multibusiness valuation, and valuation for corporate restructuring, mergers, and acquisitions International comparisons of the cost of capital, differences in accounting procedures, and how valuation works in different countries Detailed, actual case studies showing how valuation techniques and principles are applied This timeless, respected book on valuation allows you to face the crossroads where corporate strategy and finance meet with more confidence and winning strategies than ever before. McKinsey & Company, inc. is an international top management consulting firm. Founded in 1926, McKinsey & Company, Inc. advises leading companies around the world on issues of strategy, organization, and operations, and in specialized areas such as finance, information technology and the Internet, research and development, sales, marketing, manufacturing, and distribution. Please visit us at [www.WileyValuation.com](http://www.WileyValuation.com) WileyValuation.com is a premier Web site devoted to all things valuation. At this unique online community for financial professionals, you will enjoy the following features: New information on valuation topics links to key valuation sites Valuation message boards and chats Downloadable valuation spreadsheets

Loved this book

The book is still very useful and it is a classical textbook for valuation. But the transportation of USPS is very slow.

Although Mr. Copeland's conceptual presentation and arguments for using FCF as the ultimate basis for performance and valuation is indeed compelling, the book falls as a practitioners' guide.

Why ? Because Mr. Copeland never addresses a reality that all financial analysts confront ... accessibility / availability / integrity of data on which the analysis is grounded on, particularly when he focuses on subsidiaries of parent companies. Try valuing any one of GE's subsidiaries using Mr. Copeland's prescription ... good luck. Warning: familiarize yourself w/ accounting principles before reading this. If you aren't, you won't hesitate returning the book back to the book store.

This was the text book for an advanced seminar on Valuation that I took in my MBA program, and I have a feeling the professor will not use this text book ever again. The problem is, as another reviewer observed, these McKinsey guys take great care not to reveal any trade secrets in their text. Therefore you will notice that there is an unusual amount of prose, and a conspicuous lack of financial formulae in this text book. Our professor had to prepare supplemental lecture notes chock full of formulae, exercises, and examples because she realized that much of what is really needed to learn Valuation is not covered, but only mentioned or alluded to in this book. For example, everyone accepts that a controlling interest in a firm is worth more than a minority interest in a firm, and Copeland et. al. mention that discounts and premiums may be necessary to accommodate for this situation, but they give no guidance in calculating such premiums. Further, this book is all about discounted cash flow analysis, which is really only one of several valuation methods. No space is given to relative valuation or the interpretation of multiples such as P/E. The authors' reason for shunning relative valuation is flimsy at best (they argue that relative valuation doesn't help you if you are investing in an industry in which ALL firms are over-valued by the Market). There are two different groups who might be interested in valuation: investors who want to use valuation techniques to make passive investments in public companies, like Warren Buffett; and entrepreneurs / managers who are charged with the job of buying or selling business assets for their firms. To the first group, I recommend the Valuation books of Aswath Damodaran (my favorite is "The Dark Side of Valuation"). Not only is Damodaran's treatment of the subject matter more complete, but he is much clearer in his explanations because he is not afraid to use an occasional formula (the rule of thumb is that for every formula omitted a writer will have to add an additional two pages of prose just to explain the concepts). Plus, readers get access to Damodaran's web page, which is an amazing supplement full of downloadable excel spreadsheets, PDF files, examples, problem sets, etc., all free to purchasers of his books. To the second group, I recommend the works of Shannon Pratt et. al., especially Valuing a Business, Valuing Intangible Assets, etc. Pratt is a professional Valuation expert, who is often hired by lawyers, accountants, and business owners to appraise businesses, projects, and assets. Pratt's books represent the state of the art, and cover all

techniques in encyclopedic fashion. For my MBA class a Valuation expert from a Big 5 firm came to speak to us one day about her work, and much of the techniques she uses are consistent with Pratt's own writing. The only reason to read this book is as a bathtub refresher book after you have already studied the techniques of valuation and just want to read what someone else has written about the subject. Remember, though, reading a descriptive book about the French language is not the same as learning to speak it yourself!

This is a good intro to give the basics of valuation for "old economy" businesses. It determines the valuation of companies based almost exclusively on their cash flow over the previous few years (i.e., 3, 5 and 7 year periods) to the analysis. Unfortunately it ignores (completely) too many issues that play an extremely important role in valuation. For example, the quality, background, knowledge of management, the products the company manufactures, the markets for these products, macroeconomic conditions, intellectual property, market position (i.e., oligopolistic? Is entry/exit difficult in the industry?). Not one of these issues is even touched upon!!! The authors seem to be implying that these issues are irrelevant!! Only the cash flow over the previous few years applied forward (i.e., discounted for present value) matters according to the book!!! Perhaps this type of mentality explains why the overwhelming majority of mergers and acquisitions fail!!!!If you are looking purely for a way to use past cash flows to determine a company's "value" this is the book for you. If you are looking for a discussion of just about any other factor affecting valuation, forget it.

The first part of the book covers very basic material that may be found anywhere on the Internet or in a beginner's finance text book. This portion will be valuable only to introductory students of the subject. The second two parts, which deal with actual valuation techniques, are very verbose, but lacking in organization and depth. This half assumes that you are already familiar with concepts such as WACC, Free Cash Flows, and other accounting and valuation terms. Although several valuation techniques are indeed discussed, by no means is the list comprehensive. Furthermore, no systematic approach to deriving or explaining the formulas is available, and often, terms not introduced earlier are used. On the positive side, however, the book makes easy reading and focuses on a more practical, rather than academic or theoretical, discussion of valuation. This book may not provide much value to a serious student of valuation. Furthermore, I do not believe it will make an ideal reference for the experienced professional either. At best, it will make a good second reference for a graduate level course in valuation.

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