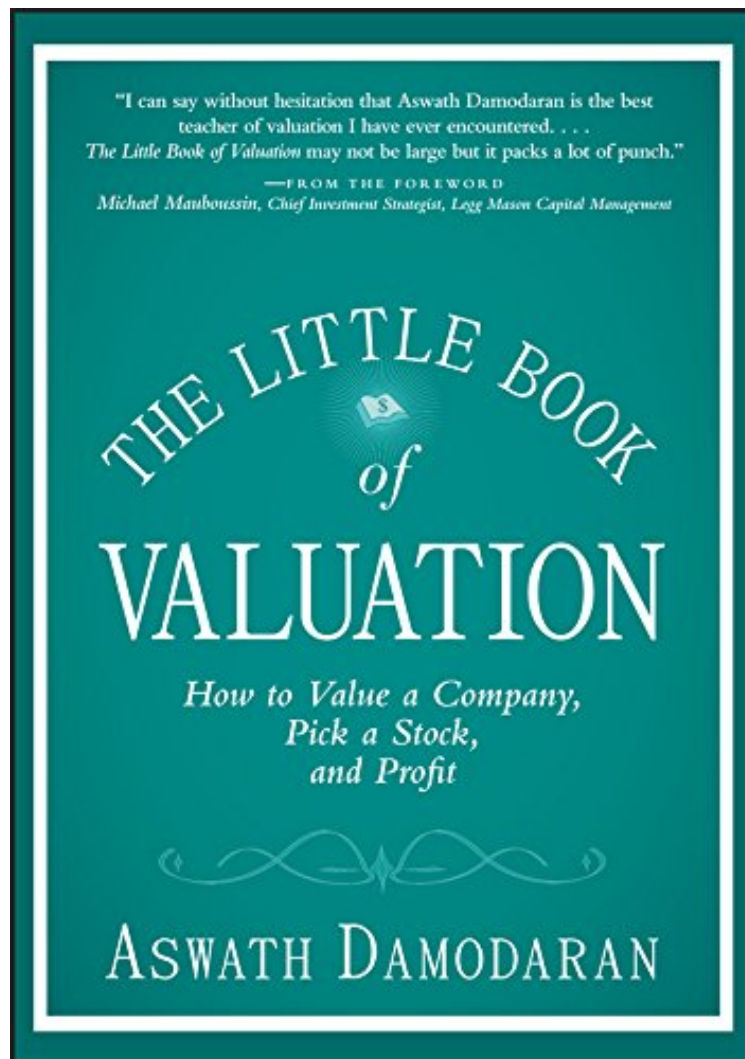


(Free read ebook) The Little Book of Valuation: How to Value a Company, Pick a Stock and Profit (Little Books. Big Profits)

The Little Book of Valuation: How to Value a Company, Pick a Stock and Profit (Little Books. Big Profits)

Aswath Damodaran

ePub | *DOC | audiobook | ebooks | Download PDF



DOWNLOAD



READ ONLINE

#78428 in eBooks 2011-03-29 2011-03-29 File Name: B004SI4A4C | File size: 59.Mb

Aswath Damodaran : The Little Book of Valuation: How to Value a Company, Pick a Stock and Profit (Little Books. Big Profits) before purchasing it in order to gauge whether or not it would be worth my time, and all praised The Little Book of Valuation: How to Value a Company, Pick a Stock and Profit (Little Books. Big Profits):

2 of 2 people found the following review helpful. Loved it By Laurel B. Cull Of all the books on value investing I have read, this one has moved to the top. Not only are the formulas included but he explains why he is using certain measures instead of others. He also explains very well the difference between valuing the business or valuing the equity in the business. 1 of 1 people found the following review helpful. Five Stars By J. C. Tsang Excellent 41 of 45

people found the following review helpful. Too much theory, not enough practical value
By Kindle Customer
The author is a noted valuation author with several other books, much more in depth than this one. As an introduction to security valuation, it's good enough to get the job done, but I take issue with some of his methods.
Pros:- Explains with clarity the different types of discounted cash flows (annuities, perpetuity, etc).- Gives good explanation as to the significant metrics behind valuation multiples (ROE in PE, etc, Net PM in P/S, etc).- Details why you should use historical averages, and not simply the most recently available metric for these calculations.- Financial institutions are notoriously hard to value, and his method here is probably the best I've come across.
Cons:- My biggest complaint is his over-reliance on CAPM beta as a risk-metric. Numerous studies have shown that stocks with low betas routinely out-perform those with high betas, which is the exact opposite of what's supposed to happen, according to financial theory. In fact, the author even briefly glosses over why beta may not be a great metric to use, but then continues to do so through out the entire book. As Buffett says, any time you see finance use a Greek symbol, they're substituting theory for experience.- Doesn't give any alternatives to beta (WACC is no better, as it also includes beta) towards measuring risk. Should ignore beta completely and simply use the average market return over the past 200 or so years of 8 - 10% (I typically use 9).- The regression analysis part seems completely out of place in a book like this.- Likewise, his over-reliance on DCF is borderline absurd. Again, numerous studies have shown that most PROFESSIONAL analyst fail to accurately predict a firm's earnings over a short-term horizon (David Dremen has published many of these studies), so to assume a non-professional investor can with even remote accuracy predict cash flows 10 years into the future is ridiculous.
Overall, it's good for an introduction on discounting cash flows and being able to value a financial institution, but his use of beta and 10 years worth of forecasting is what holds this down.

An accessible, and intuitive, guide to stock valuation
Valuation is at the heart of any investment decision, whether that decision is to buy, sell, or hold. In *The Little Book of Valuation*, expert Aswath Damodaran explains the techniques in language that any investors can understand, so you can make better investment decisions when reviewing stock research reports and engaging in independent efforts to value and pick stocks.
Page by page, Damodaran distills the fundamentals of valuation, without glossing over or ignoring key concepts, and develops models that you can easily understand and use. Along the way, he covers various valuation approaches from intrinsic or discounted cash flow valuation and multiples or relative valuation to some elements of real option valuation.
Includes case studies and examples that will help build your valuation skills
Written by Aswath Damodaran, one of today's most respected valuation experts
Written with the individual investor in mind, this reliable guide will not only help you value a company quickly, but will also help you make sense of valuations done by others or found in comprehensive equity research reports.

From the Inside Flap
You buy financial assets for the cash flows you expect to gain. The price of a stock cannot be justified by assuming there will be other investors around who will pay a higher price in the future. That is the equivalent of playing an expensive game of musical chairs. As a prudent investor, you need to value the investment you are considering before buying it. Valuation is at the heart of any investment decision, whether that decision is to buy, sell, or hold. In *The Little Book of Valuation*, financial expert Aswath Damodaran explains valuation techniques in everyday language so that even those new to investing can understand. Using this important resource, you can make better investment decisions when reviewing stock research reports and engaging in independent efforts to value and select stocks for your portfolio. Page by page, Damodaran distills the fundamentals of valuation, without glossing over or ignoring key concepts, and develops models that you can easily understand and implement. He also makes the case that the two popular, and often divergent, approaches (intrinsic and relative) to valuation can be used in tandem. Damodaran discusses how both of these approaches can significantly improve your odds by helping you select stocks that are undervalued not only on an intrinsic level but also on a relative basis. Once you become familiar with the techniques outlined in this book, you will be able to value a company with confidence. In addition, *The Little Book of Valuation*: Includes illustrative case studies and examples that will help develop your valuation skills
Puts you in a better position to determine which investments are on track to add real value to your portfolio
Offers valuable valuation insights from one of the foremost experts in this field
Written with the individual investor in mind, this reliable guide will not only allow you to value a company quickly, but will also help you make sense of valuations done by others or found in comprehensive equity research reports.
From the Back Cover
LITTLE BOOK BIG PROFITS
reg; Praise for THE LITTLE BOOK OF VALUATION "There is nothing 'little' about Damodaran's *The Little Book of Valuation*. The whole gamut of ideas that form the basis for all business valuations—covered in his many multi-hundred page classics—are all here, with the same rigor, clarity, pointedness, and wit." —Professor Anant K. Sundaram Tuck School of Business, Dartmouth College "The *Little Book of Valuation* is a great book that I will recommend to my students and friends. This book is an impressive synthesis of sound theory and best practice. It is completely accessible to the novice. It is also an important addition to the professional library of the finance specialist. Acquire it without hesitation." —Pablo Fernandez, Professor of Finance IESE Business School, Spain
"Damodaran's fast read book offers valuable insights for both institutional and sophisticated individual investors.

Within the confines of 'intrinsic' (income approach) and 'relative' (market approach) analysis, he identifies the 'value drivers' in several broad categories of stocks and the most important factors to look for, and how to treat them in valuation for each category." —Shannon Pratt Chairman and CEO, Shannon Pratt Valuations

About the Author ASWATH DAMODARAN is Professor of Finance at New York University's Leonard N. Stern School of Business. He has been the recipient of numerous awards for outstanding teaching, including the NYU universitywide Distinguished Teaching Award, and was named one of the nation's top business school teachers by BusinessWeek in 1994. He has written or coedited numerous books, including Damodaran on Valuation, Investment Valuation, Corporate Finance, Investment Management, Investment Philosophies, and Applied Corporate Finance (all published by Wiley), as well as The Dark Side of Valuation, Investment Fables, and Strategic Risk Taking.