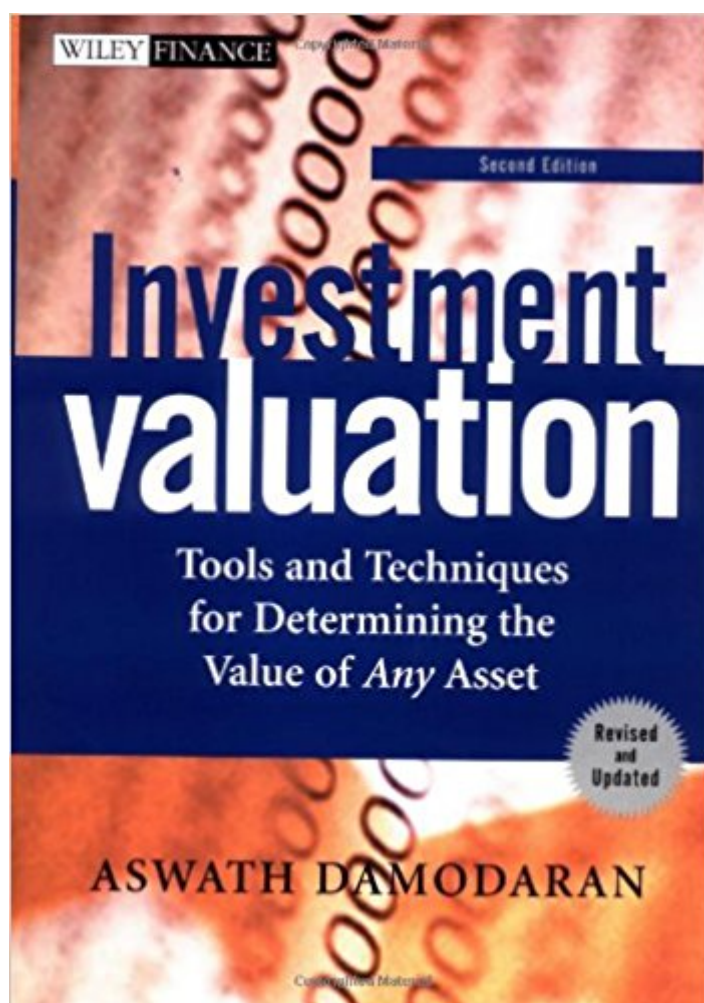


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# Investment Valuation: Tools And Techniques For Determining The Value Of Any Asset, Second Edition



## Synopsis

Investment Valuation Tools and Techniques for Determining the Value of Any Asset Valuation is at the heart of every investment decision, whether that decision is to buy, sell, or hold. But the pricing of any financial asset has become a more complex task in modern financial markets. Now completely revised and fully updated to reflect changing market conditions, Investment Valuation, Second Edition, provides expert instruction on how to value virtually any type of asset—stocks, bonds, options, futures, real assets, and much more. Noted valuation authority and acclaimed NYU finance professor Aswath Damodaran uses real-world examples and the most current valuation tools, as he guides you through the theory and application of valuation models and highlights their strengths and weaknesses. Expanded coverage addresses:

- \* Valuation of unconventional assets, financial service firms, start-ups, private companies, dot-coms, and many other traditionally valued assets
- \* Risk in foreign countries and how best to deal with it
- \* Using real option theory and option pricing models in valuing business and equity
- \* The models used to value different types of assets and the elements of these models
- \* How to choose the right model for any given asset valuation scenario
- \* Online real-time valuations that are continually updated at [www.damodaran.com](http://www.damodaran.com)

A perfect guide for those who need to know more about the tricky business of valuation, Investment Valuation, Second Edition, will be a valuable asset for anyone learning about this critical part of the investment process.

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## Customer Reviews

Investment Valuation Tools and Techniques for Determining the Value of Any Asset Regarded as one of the top experts on investment valuation, NYU Stern Business School professor Aswath Damodaran returns with a completely revised Second Edition of his classic, *Investment Valuation*. This practical, comprehensive guide covers a wide range of tools and techniques, both new and old, for determining the value of any asset, including the valuation of stocks, bonds, options, futures, real assets, and much more. Using updated real-world examples and the most current valuation tools, this Second Edition addresses new sectors such as dot-coms, private companies, and financial service firms that pose complex valuation problems. Damodaran guides you through the theory and application of different valuation models and clarifies the entire process from cash flow valuation and relative valuation to acquisition valuation. An invaluable resource for authoritative information, analysis, and insight, *Investment Valuation, Second Edition*, covers all the key topics in asset valuation, including:

- \* Choosing the right valuation model for any given asset valuation scenario
- \* Applying valuation techniques to start-up firms, unconventional assets, private equity, and real estate
- \* Risk and return-domestically and abroad
- \* Value enhancement measures such as economic value-added (EVA) and cash flow return on investment (CFROI)
- \* Using real option theory and option pricing models in valuing individual assets such as patents as well as entire businesses

*Investment Valuation, Second Edition*, thoroughly explains the valuation process from the ground up and offers you some of the most flexible approaches to valuing assets. Now you can easily access a significant number of data sets and spreadsheets associated with this book online at [www.damodaran.com](http://www.damodaran.com). In fact, the valuations will be constantly updated online, so you can have a closer link to real-time valuations. Filled with case studies and proven valuation models, this indispensable guide is a must for anyone wishing to gain a better understanding of investment valuation and its methods. Take the insight and advice of a recognized authority on the valuation process and put them to work for you today.

Investment Valuation Tools and Techniques for Determining the Value of Any Asset Valuation is at the heart of every investment decision, whether that decision is to buy, sell, or hold. But the pricing of any financial asset has become a more complex task in modern financial markets. Now completely revised and fully updated to reflect changing market conditions, *Investment Valuation, Second Edition*, provides expert instruction on how to value virtually any type of asset—stocks, bonds, options, futures, real assets, and much more. Noted valuation authority and acclaimed NYU finance professor Aswath Damodaran uses real-world examples and the most current valuation tools, as he guides you through the theory and application of valuation models and highlights their

strengths and weaknesses. Expanded coverage addresses: \* Valuation of unconventional assets, financial service firms, start-ups, private companies, dot-coms, and many other traditionally valued assets \* Risk in foreign countries and how best to deal with it \* Using real option theory and option pricing models in valuing business and equity \* The models used to value different types of assets and the elements of these models \* How to choose the right model for any given asset valuation scenario \* Online real-time valuations that are continually updated A perfect guide for those who need to know more about the tricky business of valuation, *Investment Valuation, Second Edition*, will be a valuable asset for anyone learning about this critical part of the investment process.

Damodaran's writings are clear and easy to follow, but the details shown in his discussions are overwhelming. I feel that I gain valuable information on the first reading of a chapter, but I am forced to reread to approach a full understanding. This is not a criticism, but rather a compliment, showing how much attention to detail that the author has shown. One of the main advantages of this text is Damodaran's free website. [...] This contains detailed answers to the end of chapter problems and information about all of his books I would suggest the the potential purchaser of any of his products visit this web site first

I bought this book to replace an older valuation book also by Damodaran. I'm a professional analyst and am quite familiar with valuations, and this book provides a very thorough and comprehensive guide. I bought it just in time to serve as guidance through a very heavy and comprehensive research project. Everything I needed for the project was in the book, however one thing surprised and disappointed me: the organization. I simply don't see much of a logical flow in the chapter structure, so I think it would be more difficult to someone who wasn't already familiar with the basic structure of the valuation process. Why is market efficiency jammed between unrelated chapters? Why is the discussion and examples of the pro-forma capitalization of R&D split between distant chapters? Throughout a single project, one would have to keep the book marked in several different places, not necessarily in the order that one would have to deal with the questions if one were doing a valuation. The result is that this book is less easy to use as a practical guidebook than it could be, and will keep one busy in the index looking for where subjects are addressed. This is nit-picking however. Professor Damodaran is to be congratulated for producing such a high quality and comprehensive text on valuation.

*Investment Valuation* by Aswath Damodaran, professor of finance at NYU's Stern School of

Business, is essential reading for any financial analyst or serious individual investor. Damodaran develops detailed explanations of how to estimate the value of any asset but focuses primarily on the valuation of common stocks using both intrinsic and relative methods. Intrinsic valuation views an asset's current value as the discounted sum of future flows of funds. Depending on the asset and the analyst's preferences, the future flow of funds could be dividends, earnings, cash flow (earnings plus non-cash expenses), or free cash flow (cash flow minus net capital expenditures). In developing the intrinsic valuation models, Damodaran carefully points out several of the problems that one can encounter: Estimating future growth rates, Selecting an appropriate discount rate, How to value an asset with a high current growth rate that is certain to moderate (since no asset can grow faster than the overall economy forever). Relative valuation compares measures of value across several similar assets to determine which are overvalued and which are under valued. The multitude of possible comparisons include the: Price to Earnings (PE) ratio, PE to Growth (PEG) ratio, Price to Book Value (PBV) ratio, Price to Sales (PS) ratio. Here again, Damodaran identifies many of the problems and constraints an analyst might encounter, especially the need to calculate the ratios in a consistent manner. For example, PE and PEG could be computed using earnings and growth rates as reported for the last fiscal year, current fiscal year, next fiscal year, trailing twelve months, next twelve months, or twelve months centered on the current date. The choice of the timeframe is less important than its consistent application. However, I have found that I'm personally more comfortable using an average growth rate calculated over about six years (three in the past, three in the future) to smooth out annual variations. The beauty of Investment Valuation is that it is mathematically rigorous but does not require any mathematical training beyond high school algebra. (OK, a little calculus would help in understanding growth rates and sums of infinite series, but it's really not essential.) The book is highly readable and free of typographical errors. It doesn't offer any half-baked formulas on how to get rich; it provides useful tools for making your own investment decisions. If you are looking for a rigorous book on investment valuation techniques, this is the top choice and a terrific bargain at 's price.

Tough sledding here unless you're a math major or guru; Chapter 1 starts with evident assumption that the reader majored in math and remembers it all. Very complete in details and methods but far too complex for everyday stock analysis and equity investing. The book would be a great reference book for top corporate officers, M&A folk, arbitrage kings, investing software coders and valuation geeks, none of which describes me.

Perfect choice for me to study and use to become more quantitative in my stock picking. Particularly interested in discounted cash flow and discounted dividend methods.

I purchased this book as an adjunct to my masters degree work in finance and to assist personal investment valuations. Professor Damodaran's book covers the basics and then some to help value bonds, stocks, businesses, real estate and more. I'm carrying it in my car for use during the day, and refer to it when I read the Wall Street Journal in the morning. If you don't have time to work on a degree in finance, or even if you do, this book is invaluable.

An overall excellent text on valuing any asset. The author does a wonderful job of highlighting the only 3 rational ways to value any asset: discounted cash flows, relative valuation, and the options pricing model. This book may help you consider the value of assets using all 3 methods to arrive at a true valuation for your purchase or divestment. A must have for anyone who values assets.

First of all it is very comprehensive book. I like it. I am a buyer from Turkey. I received the book quicker than it was stated :) in a condition that is way better than it was described. Thank you very much for your service :) The World is really becoming smaller :) Frankly I can not believe that I can shop this much conveniently from another part of the world. YOGA RULES !!!! :)))

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