

Contents

About the Authors ix

Preface xi

Acknowledgments xv

Part One Foundations of Value

- 1 Why Value Value? 3
- 2 Fundamental Principles of Value Creation 17
- 3 Conservation of Value and the Role of Risk 35
- 4 The Alchemy of Stock Market Performance 49
- 5 The Stock Market Is Smarter Than You Think 65
- 6 Return on Invested Capital 93
- 7 Growth 115

Part Two Core Valuation Techniques

- 8 Frameworks for Valuation 135
- 9 Reorganizing the Financial Statements 165
- 10 Analyzing Performance 201
- 11 Forecasting Performance 221
- 12 Estimating Continuing Value 247

vi CONTENTS

13	Estimating the Cost of Capital	269
14	Moving from Enterprise Value to Value per Share	301
15	Analyzing the Results	321
16	Using Multiples	331
17	Valuation by Parts	353

Part Three Advanced Valuation Techniques

18	Taxes	373
19	Nonoperating Items, Provisions, and Reserves	387
20	Leases and Retirement Obligations	405
21	Alternative Ways to Measure Return on Capital	423
22	Inflation	445
23	Cross-Border Valuation	459
24	Case Study: Heineken	481

Part Four Managing for Value

25	Corporate Portfolio Strategy	525
26	Performance Management	543
27	Mergers and Acquisitions	565
28	Divestitures	593
29	Capital Structure, Dividends, and Share Repurchases	611
30	Investor Communications	643

Part Five Special Situations

31	Emerging Markets	667
32	Valuing High-Growth Companies	691
33	Cyclical Companies	705
34	Banks	713
35	Flexibility	741

CONTENTS vii

Appendix A	Discounted Economic Profit Equals Discounted Free Cash Flow	775
Appendix B	Derivation of Free Cash Flow, Weighted Average Cost of Capital, and Adjusted Present Value	781
Appendix C	Levering and Unlevering the Cost of Equity	787
Appendix D	Leverage and the Price-to-Earnings Multiple	795
Appendix E	Other Capital Structure Issues	799
Appendix F	Technical Issues in Estimating the Market Risk Premium	805
Index		809

<http://www.pbookshop.com>

<http://www.pbookshop.com>