Valuation and Common Sense (5th edition)

Book available for free at SSRN. http://ssrn.com/abstract=2209089

Tables and figures are available in **excel format** with all calculations on:
http://web.iese.edu/PabloFernandez/Book_VaCS/valuation%20CaCS.html

This book has 45 chapters. Each chapter may be downloaded for free at the following links:

I would like to dedicate this book to my wife Lucia and my parents for their on-going encouragement, invaluable advice and a constant example of virtues: hope, fortitude, good sense… I am very grateful to my children Isabel, Pablo, Paula, Juan, Lucia, Javier and Antonio for being, in addition to many other things, a source of joy and common sense.

The book explains the nuances of different valuation methods and provides the reader with the tools for analyzing and valuing any business, no matter how complex. The book uses 253 figures, 444 tables, and more than 170 examples to help the reader absorb these concepts.

This book contains materials of the MBA and executive courses that I teach in IESE Business School. It also includes some materials presented in courses and conferences in Spain, US, Austria, Mexico, Argentina, Peru, Colombia, UK, Italy, France and Germany. The chapters have been modified many times as a result of the suggestions of my students since 1988, my work in class, and my work as a consultant specialized in valuation and acquisitions. I want to thank all my students for their comments on previous manuscripts and their questions. The book also has results of the research conducted in the International Center for Financial Research at IESE.

This book would never have been made possible without the excellent work done by a group of students and research assistants, namely José Ramón Contreras, Teresa Modroño, Gabriel Rabasa, Laura Reinoso, Jose Mª Carabias, Vicente Bermejo, Javier del Campo, Luis Corres, Pablo Linares, Isabel Fernandez-Acin and Alberto Ortiz. It has been 25 years since we began and their contribution has been essential.

Chapters of the book have been revised by such IESE Finance Professors as José Manuel Campa, Javier Estrada and Mª Jesús Grandes, who have provided their own enhancements.

I want to thank my dissertation committee at Harvard University, Carliss Baldwin, Timothy Luehrman, Andreu Mas-Colell and Scott Mason for improving my dissertation as well as my future work habits. Special thanks go to Richard Caves, chairman of the Ph.D. in Business Economics, for his time and guidance. Some other teachers and friends have also contributed to this work. Discussions with Franco Modigliani, John Cox and Frank Fabozzi (from M.I.T.), and Juan Antonio Palacios were important for developing the ideas which have found a significant place in this book.

I would like to express my deepest gratitude to Rafael Termes, Juanjo Toribio, Natalia Centenera, José Mª Corominas and Amparo Vasallo, CIF Presidents and CEOs respectively, for their on-going support and guidance throughout. The support provided by CIF's own sponsoring companies is also greatly appreciated.

I thank Vicente Font (Professor of Marketing at IESE) and don José María Pujol (Doctor and Priest) for being wonderful teachers of common sense.

Lastly, I express my gratitude to the Deans of IESE Carlos Cavallé (for hiring me) and Jordi Canals (for not firing me) and to all the persons working at IESE. For me, it has been a privilege working at IESE for almost 30 years: for the human quality of its employees and for being the Business School with the clearest mission and with the clearest conception of what is a human person.

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Glossary

Accounting cash flow. Net Income plus depreciation.

Adjusted Book Value Difference between market value of assets and market value of liabilities. Also called Net Substantial Value or Adjusted Net Worth.

Adjusted present value (APV). The APV formula indicates that the firm value (E + D) is equal to the value of the equity of the unlevered company (Vu) plus the value of the tax shield due to interest payments.

Arbitrage pricing theory (APT) An asset pricing theory that describes the relationship between expected returns on securities, given that there are no opportunities to create wealth through risk-free arbitrage investments.

Arbitrage. The purchase and sale of equivalent assets in order to gain a risk-free profit if there is a difference in their prices.

Arbitration Alternative to suing in court to settle disputes between brokers and their clients and between brokerage firms.

Benchmark Objective measure used to compare a firm or a portfolio performance.

Beta. A measure of a security's market-related risk, or the systematic risk of a security.

Binomial option pricing model. A model used for pricing options that assumes that in each period the underlying security can take only one of two possible values.

Black-Scholes formula. An equation to value European call and put options that uses the stock price, the exercise price, the risk-free interest rate, the time to maturity, and the volatility of the stock return. Named for its developers, Fischer Black and Myron Scholes

Book value (BV) The value of an asset according to a firm's balance sheet.

Break-up Value Valuation of a company as the sum of its different business units

Call Option. Contract that gives its holder (the buyer) the right (not the obligation) to buy an asset, at a specified price, at any time before a certain date (American option) or only on that date (European option).

Capital Asset Pricing Model (CAPM) Equilibrium theory that relates the expected return and the beta of the assets. It is based on the mean-variance theory of portfolio selection.

Capital Cash Flow (CCF) Sum of the debt cash flow plus the equity cash flow.

Capital Market line. In the capital asset pricing model, the line that relates expected standard deviation and expected return of any asset.

Capital structure. Mix of different securities issued by a firm.

Capitalization Equity Market Value.

Cash budget. Forecast of sources and uses of cash.

Cash dividend. Cash distribution to the shareholders of a company.

Cash Earnings (CE) Net income before depreciation and amortization. Also called Accounting Cash Flow and Cash Flow generated by operations.

Cash Flow Return on Investment (CFROI) The internal rate of return on the investment adjusted for inflation.

Cash Value Added (CVA) NOPAT plus amortization less economic depreciation less the cost of capital employed.

Collection period. The ratio of accounts receivable to daily sales.

Company's value (VL) Market value of equity plus market value of debt

Constant growth model. A form of the dividend discount model that assumes that dividends will grow at a constant rate.

Consumer Price Index Measures the price of a fixed basket of goods bought by a representative consumer.

Convertible debentures Bonds that are exchangeable for a number of another securities, usually common shares.

Correlation Coefficient The covariance of two random variables divided by the product of the standard deviations. It is a measure of the degree to which two variables tend to move together.

Cost of capital. The rate used to discount cash flows in computing its net present value. Sometimes it refers to the WACC and other times to the required return to equity (Ke).

Cost of Leverage The cost due to high debt levels. It includes the greater likelihood of bankruptcy or voluntary reorganization, difficulty in getting additional funds to access to growth opportunities, information problems, and reputation…

Covariance. It is a measure of the degree to which two asset returns tend to move together.

Credit Rating Appraisal of the credit risk of debt issued by firms and Governments. The ratings are done by private agencies as Moody's and Standard and Poor's.

Credit Risk. The risk that the counterpart to a contract will default.

Cumulative preferred stock. Stock that takes priority over common stock in regard to dividend payments. Dividends may not be paid on the common stock until all past dividends on the preferred stock have been paid.

Current asset. Asset that will normally be turned into cash within a year.

Current liability. Liability that will normally be repaid within a year.

Debt Cash Flow (CFd) Sum of the interest to be paid on the debt plus principal repayments.

Debt's Market Value (D) Debt Cash Flow discounted at the required rate of return to debt (may be different than the Debt's book value).

Debt's book value (N) Debt value according to the balance sheet.

Default risk. The possibility that the interest of the principal of a debt issue will not be paid.

Default Spread Difference between the interest rate on a corporate bond and the interest on a Treasury bond of the same maturity.

Depreciation (Book) Reduction in the book value of fixed assets such as plant and equipment. It is the portion of an investment that can be deducted from taxable income.

Depreciation (Economic) ED (economic depreciation) is the annuity that, when capitalized at the cost of capital (WACC), the assets' value will accrue at the end of their service life.

Derivative. Financial instrument with payoffs that are defined in terms of the prices of other assets.

Discounted dividend model (DDM). Any formula to value the equity of a firm by computing the present value of all expected future dividends.

Discounted value of the tax shields (DVTS) Value of the tax shields due to interest payments.

Dispersion. Broad variation of numbers.

Diversifiable risk. The part of a security's risk that can be eliminated by combining it with other risky assets.

Diversification principle. The theory that by diversifying across risky assets investors can sometimes achieve a reduction in their overall risk exposure with no reduction in their expected return.

Dividend payout ratio (p) Percentage of net income paid out as dividends.

Dividend yield. Annual dividend divided by the share price.

Duration. A measure of the sensitivity of the value of an asset to changes in the interest rates.

Earnings Per Share (EPS) Net Income divided by the total number of shares.

Economic Balance Sheet Balance sheet that has in the asset side working capital requirements.

Economic Profit (EP) Profit after tax (net income) less the equity's book value multiplied by the required return to equity.

Economic Value Added (EVA). NOPAT less the firm's book value multiplied by the average cost of capital (WACC) and other adjustments implemented by the consulting firm Stern Stewart.

Efficient portfolio. Portfolio that offers the highest expected rate of return at a specified level of risk. The risk may be measured as beta or volatility.

Enterprise value (EV) Market value of debt plus equity

Equity Book Value (Ebv) Value of the shareholders' equity stated in the balance sheet (capital and reserves). Also called Net Worth.

Equity Cash Flow (ECF) The cash flow remaining available in the company after covering fixed asset investments and working capital requirements and after paying the financial charges and repaying the corresponding part of the debt's principal (in the event that there exists debt).

Equity Market Value (E) Value of all of the company's shares. That is each share's price multiplied by the number of shares. Also called Capitalization.

Equity value generation over time Present value of the expected cash flows until a given year.

Exercise price. Amount that must be paid for the underlying asset in an option contract. Also called strike price.

Fixed-income security. A security such as a bond that pays a specified cash flow over a specific period.

Franchise Factor (FF) "Measures what we could call the growth's ""quality"", understanding this to be the return above the cost of the capital employed."

Free Cash Flow (FCF) The operating cash flow, that is, the cash flow generated by operations, without taking into account borrowing (financial debt), after tax. It is the equity cash flow if the firm had no debt.

Goodwill Value that a company has above its book value or above the adjusted book value.

Gross domestic product (GDP). Market value of the goods and services produced by labor and property in one country including the income of foreign corporations and foreign residents working in the country, but excluding the income of national residents and corporations abroad.

Growth (g) Percentage growth of dividends or profit after tax.

Growth Value The present value of the growth opportunities.

Homogenous expectations. Situation (or assumption) in which all investors have the same expectations about the returns, volatilities and covariances of all securities.

IBEX 35 Spanish stock exchange index

Interest Factor The PER the company would have if it did not grow and had no risk. It is -approximately- the PER of a long-term Treasury bond.

Internal rate of return (IRR). Discount rate at which an investment has zero net present value.

Leverage ratio. Ratio of debt to debt plus equity

Leveraged buyout (LBO). Acquisition in which a large part of the purchase price is financed with debt.

Levered beta (bL) Beta of the equity when the company has debt

Levered Free Cash Flow (LFCF) Equity cash flow

Liquidation Value Company's value if it is liquidated, that is, its assets are sold and its debts are paid off.

Market portfolio. The portfolio that replicates the whole market. Each security is held in proportion to its market value.

Market risk (systematic risk). Risk that cannot be diversified away.

Market Value Added (MVA) The difference between the market value of the firm's equity and the equity's book value.

Market Value of Debt (D) Market Value of the Debt

Market-to-book ratio (E/Ebv) It is calculated by dividing the equity market value by the equity book value.
Net Operating Profit After Tax (NOPAT) Profit after tax of the unlevered firm.
Non systematic risk. Risk that can be eliminated by diversification. Also called unique risk or diversifiable risk.
Par value. The face value of the bond.
Pay in Kind (PIK) Financial instruments that pay interest or dividends using new financial instruments of the same type, instead of paying in cash.
Payout ratio (p) Dividend as a proportion of earnings per share.
Perpetuity. A stream of cash flows that lasts forever.
Put Option Contract that gives its holder the right to sell an asset, at a predetermined price, at any time before a certain date (American option) or only on that date (European option).
Real prices. Prices corrected for inflation.
Recurrent Cash Flows Cash Flows related only to the businesses in which the company was already present at the beginning of the year.
Relative PER The company's PER divided by the country's PER or the industry's PER.
Required Return to Assets (Ku) Required return to equity in the unlevered company
Required Return to Equity (Ke) The return that shareholders expect to obtain in order to feel sufficiently remunerated for the risk (also called Cost of Equity).
Residual income. After-tax profit less the opportunity cost of capital employed by the business (see also Economic Value Added and Economic Profit).
Residual value Value of the company in the last year forecasted.
Retained earnings. Earnings not paid out as dividends.
Return on assets (ROA). Accounting ratio: NOPAT divided by total assets. Also called ROI, ROCE, ROC and RONA. ROA = ROI = ROCE = ROC = RONA.
Return on Capital (ROC) See Return on assets
Return on Capital Employed (ROCE) See Return on assets
Return on equity (ROE). Accounting ratio: PAT divided by equity book value.
Return on investment (ROI). See Return on assets
Reverse valuation Consists of calculating the hypotheses that are necessary to attain the share's price in order to then assess these hypotheses.
Risk Free Rate (R_F) Rate of return for risk-free investments (Treasury bonds). The interest rate that can be earned with certainty.
Risk premium. An expected return in excess of that on risk-free securities. The premium provides compensation for the risk of an investment.
Security market line. Graphical representation of the expected return-beta relationship of the CAPM.
Share buybacks Corporation´s purchase of its own outstanding stock.
Share repurchase. A method of cash distribution by a corporation to its shareholders in which the corporation buy shares of its stock in the stock market.
Share's beta It measures the systematic or market risk of a share. It indicates the sensitivity of the return on a share to market movements.
Shareholder Return The shareholder value added in one year divided by the equity market value at the beginning of the year.
Shareholder Value Added The difference between the wealth held by the shareholders at the end of a given year and the wealth they held the previous year.
Shareholder Value Creation Excess return over the required return to equity multiplied by the capitalization at the beginning of the period. A company creates value for the shareholders when the shareholder return exceeds the required return to equity.
Shareholder Value Destroyer A company in which the required return to equity exceeds the shareholders return.
Specific risk. Unique risk.
Stock dividend. Dividend in the form of stock rather than cash.
Stock split. Issue by a corporation of a given number of shares in exchange for the current number of shares held by stockholders. A reverse split decreases the number of shares outstanding.
Substantial Value Amount of investment that must be made to form a company having identical conditions as those of the company being valued.
Systematic risk. Risk factors common to the whole economy and that cannot be eliminated by diversification.
Tax Shield The lower tax paid by the company as a consequence of the interest paid on the debt in each period.
Treasury bill. Short-term, highly liquid government securities issued at a discount from the face value and returning the face amount at maturity.
Treasury bond or note. Debt obligations of the federal government that make semiannual coupon payments and are issued at or near par value.
Treasury stock. Common stock that has been repurchased by the company and held in the company's treasury.

Unique risk See unsystematic risk.
Unlevered company´s value (Vu) Value of the equity if a company had no debt
Unsystematic risk. Risk that can be eliminated by diversification.
Variance. A measure of the dispersion of a random variable. Equals the expected value of the squared deviation from the mean.
Volatility The annualized standard deviation of the shareholder returns. It measures the share's total risk, that is, the market risk and the diversifiable risk.
Weighted average cost of capital before taxes ($WACC_{BT}$) Appropriate discount rate for the capital cash flow.
Weighted average cost of capital (WACC) Appropriate discount rate for the free cash flow.
Working Capital Requirements (WCR) The difference between current operational assets and current operational liabilities
Yield curve. A graph of yield to maturity as function of time to maturity.
Yield to maturity. Internal rate of return on a bond.

Notation

APV	Adjusted Present Value
BV	Book Value.
CAPM	Capital asset pricing model.
CCF	Capital Cash Flow
CE	Cash Earnings
CF	Cash Flow
CFd	Debt Cash Flow
CFROI	Cash Flow Return on Investment
CPI	Consumer Price Index
CVA	Cash Value Added
D	Market Value of the Debt
DCF	Discounted Cash Flow
Dep	Depreciation
Div	Dividends.
DPS	Dividend per share
DVTS	Discounted value of the tax shield.
E	Market Value of the Equity
EBIT	Earnings Before Interest and Taxes.
EBITDA	Earnings before interest, taxes, depreciation and amortization.
EBT	Earnings Before Tax
Ebv	Equity Book Value
ECF	Equity Cash Flow
ED	Economic depreciation
EG	Earnings growth
EMU	European Monetary Union
EP	Economic Profit
EPS	Earnings Per Share
EV	Enterprise value
EVA	Economic Value Added
FAD	Funds Available for Distribution
FCF	Free Cash Flow
FF	Franchise Factor
g	Growth rate.
G	Growth Factor
G_L	Present value of the taxes paid by the levered co.
GNP	Gross National Product
GOV	Present value of taxes paid to the government
Gu	Present value of the taxes paid by the unlevered company.
I	Interest payments
IBEX 35	Spanish stock exchange index

Inp	Interest not paid
IRR	Internal Rate of Return
Kd	Required Return to Debt, before taxes
Ke	Required Return to Equity
K_{TL}	Required return to tax in the levered company.
K_{TU}	Required return to tax in the unlevered co.
Ku	Required Return to Equity in the unlevered firm
LFCF	Levered Free Cash Flow
MVA	Market Value Added
N	Debt's book value or nominal value of debt
NFA	Net Fixed Assets
NI	Net income = profit after tax
NOPAT	Net operating profit after tax. Also *Earning before interest and after tax (EBIAT)* and *Net operating profit less adjusted taxes (NOPLAT)*
NPV	Net Present Value
NS	Number of shares
P	Share's price.
p	Pay – Out Ratio
PAT	Profit After Tax or Net Income
PBT	Profit Before Tax
PER	Price – Earnings Ratio
P_M	Expected Market Risk Premium
PV	Present Value
r	Cost of debt.
R_F	Risk-free interest rate
R_M	Market return.
ROA	Return on Assets. It is calculated by dividing the NOPAT by the equity and debt (at book value). Also called ROI, ROCE, ROC and RONA. ROA = ROI = ROCE = ROC = RONA.
ROC	Return on Capital
ROCE	Return on Capital Employed
ROE	Return on Equity. It is calculated by dividing the net income by the shares' book value.
ROGI	Return on Gross Investment
ROI	Return on Investment
RONA	Return on Net Assets
S	Sales
S&P500	Standard and Poor's 500 Index
β	Share's beta
βd	Debt's beta

β_L	Levered Beta
β_u	Unlevered Beta or beta of the assets
T	Tax rate
TBR	Total Business Return.
TSR	Total Shareholder Return.
UEC	Union of European Accounting Experts
V_L	Value of the levered company

Vu	Value of the unlevered company.
WACC	Weighted Average Cost of Capital
$WACC_{BT}$	WACC Before Tax
$WACC_{bv}$	Weighted Average Cost of Capital using weights of debt and equity at book value
WCR	Working Capital Requirements
σ	Volatility

Some comments from the readers.

1. Many thanks for copying me into the fruits of your research, which I am looking through with interest. As I am not a valuation expert but have worked in a few investment banks where valuation methodology was tweaked to obtain desired results, I was amused to see the conclusions about some well-known "establishment" valuation approaches. I absolutely agree that historical beta is an almost useless reference for valuation (at best it can diplomatically described as "not really being a reliable yardstick"), even though it has been trumpeted over the decades as an essential aspect of valuation methodology. Also, a lot of valuation methodologies cannot cater for the unexpected – unexplained and unpredictable market fads for particular industries or sudden demand for particular minerals because of a new unforeseen application.
   I liked your comparison of the different valuations of an internet company and your examination up-close of the workability of Damodaran's valuation model and the so-called optimal structure. Valuation is not a perfect science as there is not a perfect "crystal ball" to predict with accuracy company's future growth potential – if there was then a lot of analysts might be out of a job!
   Anyway, I wish you the best in your research which, in my view, is clearing the air and removing a few "myths" about valuation and thereby making it more understandable, even for people like me. Wishing you and your family God's Blessings and continuing inspiration in your research.
2. You are trying too hard to be too precise in trying to enhance an element in the investment process, e.g. valuation, which is actually only one of several factors affecting an investment decision, and most often not thought of in very precise terms.
3. Your book resolves practical issues that usually arise in applying valuation theories to real cases.
4. I observe many valuation models are used merely to justify the conclusion already made in financial analysts' mind.
5. It is wonderful that you submit a whole book and give it away for free. That is the true spirit of science. It is something I have decided to do for the rest of my life. I will never again bother myself with formatting rules or incompetent reviewers.
6. Over the past five years I have been active in "valuation engagements" with US clients. One observation I have is that many participants do not want the "right answer". They merely want a valuation argument that supports their position. But please do not take this statement to mean that any of us should have a diminished appreciation for the best theory!
7. I thank you for sharing generously of your knowledge.
8. Thank you very much for your willingness to share this valuable book.
9. In my opinion, many capital market practitioners have lost their "common sense". I hope that your book can make them regain their "common sense".
10. I think the book definitely deserves to be the base for the right class in an MBA program.
11. Your way of approaching the subject is very different and actually is very interesting.
12. What are missing are industry specific examples and exercises. For example, how to value a high street bank? If you take an example of a large high street bank, Banco Santander, or HSBC, or Citibank, and actually built the valuation model for it, using the annual reports that would be a great help and very valuable. I can say from 10 years' experience in the financial services industry as an investment analyst, I have not yet come across something that covers the above gap.
13. This work is a wonderful resource. Thank you very much for making it available.
14. Great work & great service to researchers and teachers in Finance. It is still greater that you put all these at SSRN for wide use.
15. Is there any way that you could include on Valuation and some cultural perspectives/ insights - something very soft skills and human?
16. Congrats for your efforts to complete a book beneficial to the investing public and professionals.
17. I wish to appreciate your magnanimity for the unrestricted assess your book. You are one in a million. Keep fit and stay blessed.
18. It appears that you have no idea about what valuation is. "Cash Flow is a Fact. Net Income is Just an Opinion"? Go buy "Accounting for value" by Steve Penman and learn how ignorant you are.
19. We always look forward to your material and as you know, we often have occasions to rely upon it.
20. This is a great work done in the finance area for betterment of the finance field, students as well as practitioners.

21. I want to congratulate you for making such a big contribution to the valuation area. The book is very detailed; I think everyone can learn a lot from it. All finance professors and analysts should know about this book.
22. Have you included in your valuation methods the notion of Corporate Social Responsibility?
23. You have been providing valuable knowledge to many of us in the developing nations, like Malaysia. I truly appreciate your generosity to share.
24. I love the title of the second chapter. I once attended a gathering of people in Chicago who were discussing energy hedging. One of the participants commented that every well run publicly traded company had four sets of books (in the US): one for the tax authorities, one for the SEC, one for the accountants and one for the board and management.
25. Much more can be said about intellectual capital.
26. Chapter 9 looks to be the best summary exposition available.
27. I can see that you have expended a tremendous amount of effort in presenting a very informative treatise on valuation theory and methodology that will serve as an outstanding instructional tool and reference source.
28. My past experiences with your work have all been exceptional. You have introduced a mathematical and logical rigor that has been sorely lacking for some time. Thanks for efforts in this endeavor.
29. Valuing Internet companies: I like it. I just ran a private auction process to sell 80% of the shares of a profitable, growing privately held Internet retailer, and am close to the topic. The best offers came it at approximately 6 times trailing 12 months adjusted EBITDA, with many offers in the 4-5x trailing EBITDA range. One positive factor you should mention is that Internet retail benefits from expected growth in that every year a few more percent of people feel comfortable purchasing on the Internet, given their fear of putting credit card details on the net. This gives the whole Internet retail category a natural 3-5% growth per year, just by more people joining the universe of Internet retail customers.
30. Excellent, impressive way to get your book out at zero cost to the reader. Your organization is the best that I have seen. I looked at a number of chapter synopses and found them very good also.
31. I can't believe it to have free access to such a monument of financial literature!
32. I like the idea of your 4 definitions of ERP
33. For more than 50 years I have been involved with business finance, including two different periods as CFO of large publicly traded companies in the US. I have read a couple of the chapters you created and find them both enlightening and very useful, unlike all too many finance texts. I particularly like some of your chapter titles and the brevity and focus of your work.
34. I enjoy reading the in-depth valuation topics. Is it possible to obtain a bound volume of the book with, perhaps, your autograph inside? I would, obviously, be honored to pay for it and it would be a fine addition to my library, especially since you are cited by some others as the "Damodaran of España."
35. I have spent years trying to reconcile two aspects of value investing. As value investors, we like to think of ourselves as very long-term investors, taking the view that we buy shares as if we were buying the whole company. Yet, the value discipline (and indeed even Ben Graham) demand that we sell once certain valuation levels are reached, which brings us closer to traders… After 44 years in the business, though I have learned to live with the contradiction, it still bothers my sense of harmony.
36. Thank you once again for this very welcome contribution to the field.
37. Thank you for writing such good chapters. They have been really helpful in understanding some of the concepts of valuation
38. You have a very clear writing style which explains complicated subjects really well. I look forward to learning more about your thoughts on business valuation.
39. I came across one of your articles from your book and was so impressed by the content that I started mining for other articles written by you. Your writings are so concise, easy to comprehend that I feel like it's akin to talking to you in person.
40. I would like to congratulate you for your work and hope we would learn more from you and other scholars like you.
41. It is written in plain English for students, unlike many valuation works.
42. It is a unique combination of theory, critical analysis, real world inputs and comprehensive surveys.
43. This is very precious and helpful, with answers to many questions I hadn't asked. Also, I love the format, which allows for reading by separate chapters on a handheld device.
44. Thank you for your amazing work and for the open sharing of ideas. In our practice we see abuses, misuses, misconceptions, and downright fraud all too often. I used to wonder why these occur. Now, at 80 years of age, I see them as human frailties rather than mental frailties or even honest differences of opinion in so many instances.
45. I think what you have compiled is excellent. Chapters are well organized and are very informative for the reader.
46. Your material is absolutely wonderful! I will definitely make use of it in forthcoming courses. Next term, I am teaching a case-based class, but some of your material is so good that I will try as much as I can to include it between the cases, or as compulsory reading material for the students.

common sense http://dictionary.reference.com/

noun. Sound practical judgment that is independent of specialized knowledge, training, or the like; normal native intelligence. *Origin:* 1525–35; translation of Latin *sēnsus commūnis,* itself translation of Greek *koinḕ aísthēsis*

http://www.thefreedictionary.com/ Sound judgment not based on specialized knowledge; native good judgment. Plain ordinary good judgment; sound practical sense
Sound practical judgment; *"Common sense is not so common"; "he hasn't got the sense God gave little green apples"; "fortunately she had the good sense to run away"*

	Chapter	Pages	Tables	Figures	Downloadable at:
	Table of contents, acknowledgments, glossary	15			http://ssrn.com/abstract=2209089
1	Company valuation methods	18	15	8	http://ssrn.com/abstract=274973
2	Cash flow is a fact. Net income is just an opinion	10	12	0	http://ssrn.com/abstract=330540
3	Ten badly explained topics in most corporate finance books	13	1	4	http://ssrn.com/abstract=2044576
4	Cash flow valuation methods: perpetuities, constant growth and general case	20	14	3	http://ssrn.com/abstract=743229
5	Valuation using multiples: how do analysts reach their conclusions?	12	18	1	http://ssrn.com/abstract=274972
6	Valuing companies by cash flow discounting: ten methods and nine theories	16	20	0	http://ssrn.com/abstract=256987
7	Three residual income valuation methods and discounted cash flow valuation	12	5	0	http://ssrn.com/abstract=296945
8	WACC: definition, misconceptions and errors	7	9	0	http://ssrn.com/abstract=1620871
9	Cash flow discounting: fundamental relationships and unnecessary complications	15	9	0	http://ssrn.com/abstract=2117765
10	How to value a seasonal company discounting cash flows	16	25	6	http://ssrn.com/abstract=406220
11	Optimal capital structure: problems with the Harvard and Damodaran approaches	13	13	7	http://ssrn.com/abstract=270833
12	Equity premium: historical, expected, required and implied	26	15	7	http://ssrn.com/abstract=933070
13	The equity premium in 150 textbooks	25	6	2	http://ssrn.com/abstract=1473225
14	Market risk premium used in 82 countries in 2012: a survey with 7,192 answers	18	9	6	http://ssrn.com/abstract=2084213
15	Are calculated betas good for anything?	22	15	13	http://ssrn.com/abstract=504565
16	Beta = 1 does a better job than calculated betas	17	12	4	http://ssrn.com/abstract=1406923
17	Betas used by professors: a survey with 2,500 answers	22	9	3	http://ssrn.com/abstract=1407464
18	On the instability of betas: the case of Spain	16	12	22	http://ssrn.com/abstract=510146
19	Valuation of the shares after an expropriation: the case of ElectraBul	5	10	1	http://ssrn.com/abstract=2191044
20	A solution to *Valuation of the shares of ElectraBul*	11	13	4	http://ssrn.com/abstract=2217604
21	Valuation of an expropriated co.: the case of YPF and Repsol in Argentina	16	12	6	http://ssrn.com/abstract=2176728
22	1,959 valuations of the YPF shares expropriated to Repsol	16	3	2	http://ssrn.com/abstract=2226321
23	Internet valuations: the case of Terra-Lycos	12	13	1	http://ssrn.com/abstract=265608
24	Valuation of Internet-related companies	19	15	15	http://ssrn.com/abstract=265609
25	Valuation of brands and intellectual capital	18	12	10	http://ssrn.com/abstract=270688
26	Interest rates and company valuation	9	3	17	http://ssrn.com/abstract=2215926
27	Price to earnings ratio, value to book ratio and growth	19	10	28	http://ssrn.com/abstract=2212373
28	Dividends and share repurchases	12	5	21	http://ssrn.com/abstract=2215739
29	How inflation destroys value	11	12	4	http://ssrn.com/abstract=2215796
30	Valuing real options: frequently made errors	16	5	6	http://ssrn.com/abstract=274855
31	119 common errors in company valuations	27	23	0	http://ssrn.com/abstract=1025424
32	Shareholder value creation: a definition	9	10	7	http://ssrn.com/abstract=268129
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34	EVA and 'cash value added' do NOT measure shareholder value creation	10	5	6	http://ssrn.com/abstract=270799
35	All-shareholder return, all-period returns and total index return	12	14	8	http://ssrn.com/abstract=2358444
36	339 questions on valuation and finance	17	0	0	http://ssrn.com/abstract=2357432
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43	Meaning of the P&L and of the Balance Sheet: Madera Inc	12	5	1	http://ssrn.com/abstract=2671748
44	Net Income, cash flows, reduced balance sheet and WCR	17	0	0	http://ssrn.com/abstract=2675274
45	Meaning of Net Income and Shareholders' Equity	16	13	7	http://ssrn.com/abstract=2676802
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