Superbly illustrated book on shareholder value creation deserves a look

Chapter 7 informs the reader about “Interest Rates: Their Importance in the Valuation,” while Chapter 8 explores “Valuation Using Multiples: How Do Analysts Reach Their Conclusions?” Chapter 9 compares and contrasts “Cash Flow and Net Income.” Chapter 10 focuses on “Inflation and Value,” and Chapter 11 on “Cost of Equity: Beta and Risk Premium.” The last chapter in Part I, Chapter 12 contains “Valuations of Internet Companies: The Case of Terra-Lycos.”

Part II then turns to “Shareholder Value Creation,” with Chapter 13 describing “Proposed Measures of Shareholder Value Creation: EVA®, Economic Profit, MVA, CVA, CFROI, and TSR.” Chapter 14 makes the case that “EVA, Economic Profit, and Cash Value Added Do Not Measure Shareholder Value Creation,” and Chapter 15 analyzes “The RJR Nabisco Valuation.” Chapter 16 tackles the subject of “Valuation and Value Creation in Internet-Related Companies.”


The last section, Part IV, is devoted to “Real Options and Brands.” Chapter 22 addresses itself to “Real Options: Valuing Flexibility: Beyond Discounted Cash Flow Valuation.” Finally, Chapter 23 undertakes the nebulous issue of “Valuation of Brands and Intangibles.”

Appendix A provides formulas and implications of the “Capital Asset Pricing Model,” followed by a glossary and notation system. The book concludes with three indexes: by subject, by name (of individual), and by company name (where mentioned in the book).

In the preface, the author graciously mentions that most of the tables and spreadsheets in the book, as well as updated financial data, may be downloaded for free from his Web site located at http://webiese.edu/pablofernandez/valuation.html.

About the Author

Pablo Fernandez received his Ph.D. in Business Economics at Harvard University (1989). He now holds the PricewaterhouseCoopers Chair of Corporate Finance at the IESE Business School (University of Navarra) in Spain.
Testimonials

“This book is an impressive synthesis of sound theory and best practice, accessible to the novice and yet of such depth as to be compelling to the advanced practitioner. It is an important addition to the professional library of both the aspirant to senior executive positions, and to the finance specialist. Acquire it without hesitation.” - Professor Robert F. Bruner, Darden Graduate School of Business, University of Virginia

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