

# Contents

---

## **Part One Foundations of Value**

- 1 Why Maximize Value? 3
- 2 The Value Manager 23
- 3 Fundamental Principles of Value Creation 47
- 4 Do Fundamentals Really Drive the Stock Market? 71

## **Part Two Core Valuation Techniques**

- 5 Frameworks for Valuation 103
- 6 Thinking about Return on Invested Capital and Growth 135
- 7 Analyzing Historical Performance 161
- 8 Forecasting Performance 233
- 9 Estimating Continuing Value 275
- 10 Estimating the Cost of Capital 297
- 11 Calculating and Interpreting Results 339
- 12 Using Multiples for Valuation 371

## **Part Three Making Value Happen**

- 13 Performance Measurement 393
- 14 Performance Management 415
- 15 Creating Value through Mergers and Acquisitions 437
- 16 Creating Value through Divestitures 465
- 17 Capital Structure 487
- 18 Investor Communications 523

**Part Four Advanced Valuation Issues**

19	Valuing Multibusiness Companies	547
20	Valuing Flexibility	559
21	Cross-Border Valuation	591
22	Valuation in Emerging Markets	621
23	Valuing High-Growth Companies	655
24	Valuing Cyclical Companies	671
25	Valuing Financial Institutions	681
Appendix A	Economic Profit and the Key Value Driver Formula	711
Appendix B	Discounted Economic Profit Equals Discounted Free Cash Flow	713
Appendix C	Adjusted Present Value Equals Discounted Free Cash Flow	715
Appendix D	Levering and Unlevering the Cost of Equity	719
Appendix E	Leverage and the Price-Earnings Multiple	725
Index		729