Valuation: It really is not rocket science

Aswath Damodaran
General Information

- Office: Room 9-96
- Phone: 998-0340
- E-mail: adamodar@stern.nyu.edu
- Home Page: http://www.stern.nyu.edu/~adamodar
- For this class: http://pages.stern.nyu.edu/~adamodar/New_Home_Page/execvaln.html
Course Objectives

*Intrinsic Value*
The value of an asset is the present value of the expected cashflows

*Relative Value*
The value of an asset is what others are willing to pay for it (or something like it)

*Contingent Value*
The value of an asset may be contingent on what happens to other assets

Ways of thinking about/estimating value

Every asset has a value. We just have to find it.

Ways of Applying Value

Valuing publicly traded firms
- Small vs Large
- Developed vs Emerging
- Manufacturing vs Technology

And private businesses
- For owners
- And investors
  (private equity, venture capital)

Across the life cycle
- Young firms
- IPOs
- Mature firms
- Declining firms

In sickness and in health
Distressed vs Healthy

Value Enhancement

Changing Value

Investors
Managers
Analysts

Acquisitions

Perspectives on value
# Course Outline

<table>
<thead>
<tr>
<th>Topic</th>
<th>Session</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>Discounted Cashflow Valuation</td>
<td>2-4</td>
</tr>
<tr>
<td>Loose Ends in Valuation</td>
<td>4</td>
</tr>
<tr>
<td>Relative Valuation</td>
<td>5</td>
</tr>
<tr>
<td>Option Pricing Applications in Valuation</td>
<td>6</td>
</tr>
</tbody>
</table>
# Book Chapters

<table>
<thead>
<tr>
<th>Topic</th>
<th>Dark Side</th>
<th>Investment Valn (2ed)</th>
<th>Damodaran (2 ed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>1-2</td>
<td>1-2</td>
<td>1</td>
</tr>
<tr>
<td>Discounted Cashflow Valuation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Estimation Issues</td>
<td>3-5</td>
<td>7-12</td>
<td>2-4, 10, 11, 16</td>
</tr>
<tr>
<td>2. Valuation Examples</td>
<td>6-7</td>
<td>13-16, 21-23</td>
<td>5-6, 17</td>
</tr>
<tr>
<td>Relative Valuation</td>
<td>8-10</td>
<td>17-20</td>
<td>7-9</td>
</tr>
<tr>
<td>Valuing Private Firms</td>
<td></td>
<td>24</td>
<td>14</td>
</tr>
<tr>
<td>Option Pricing Applications</td>
<td>11</td>
<td>5, 28-30</td>
<td>12</td>
</tr>
<tr>
<td>Valuing Acquisitions</td>
<td></td>
<td>25</td>
<td>13.15</td>
</tr>
<tr>
<td>Value Enhancement Strategies</td>
<td>12</td>
<td>31-32</td>
<td>13</td>
</tr>
<tr>
<td>Review</td>
<td>13</td>
<td>35</td>
<td>18</td>
</tr>
</tbody>
</table>
Grading Basis

- **Project**: Each participant should value one company. The details are in the project description
  - Valuation Project 40%

- **Individual Work**: Quizzes: There will be two thirty minute quizzes, at the start of sessions 3 and 5 worth 30% each.