



The CORPORATE LIFECYCLE

BUSINESS,
INVESTMENT, AND
MANAGEMENT
IMPLICATIONS

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THE CORPORATE LIFE CYCLE

- Thoughts about how businesses age, and the implications for corporate finance, valuation, investing and managing.

Aswath Damodaran

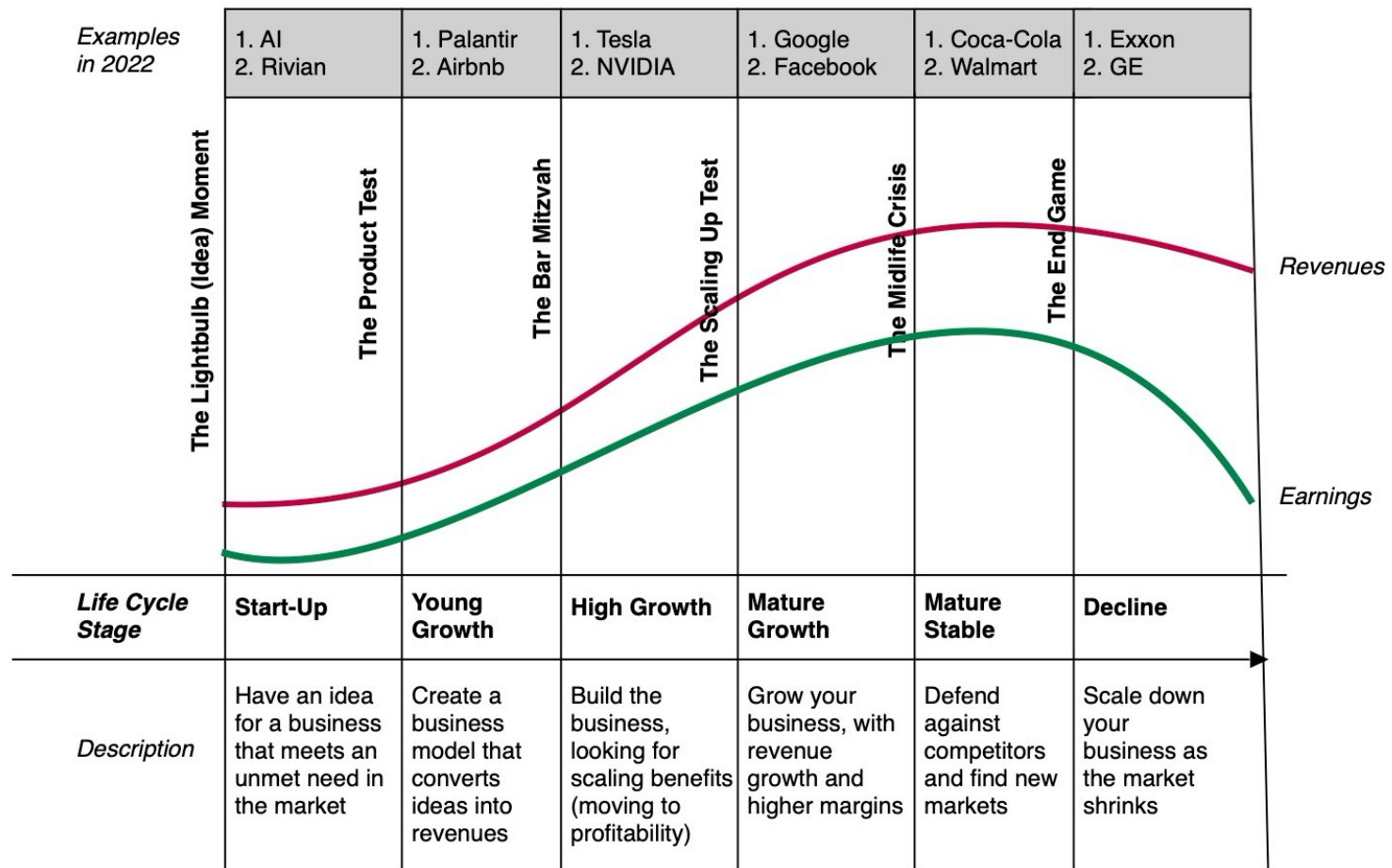


THE "BIG" IDEA

- In every discipline, practitioners search for a framework that helps them explain the whys, the why nots and the what ifs of that discipline.
- In corporate finance and valuation, we have seen many such attempts to build universal theories, and in our view, the structure that offers the most promise is the corporate life cycle, where companies go through the cycle of being born, growing up, growing old and eventually perishing.
- It is one that we find ourselves coming back to, repeatedly, as we try to understand the behavior and misbehavior of businesses, differences across investing perspectives and the allure of the next big thing.



THE CORPORATE LIFE CYCLE

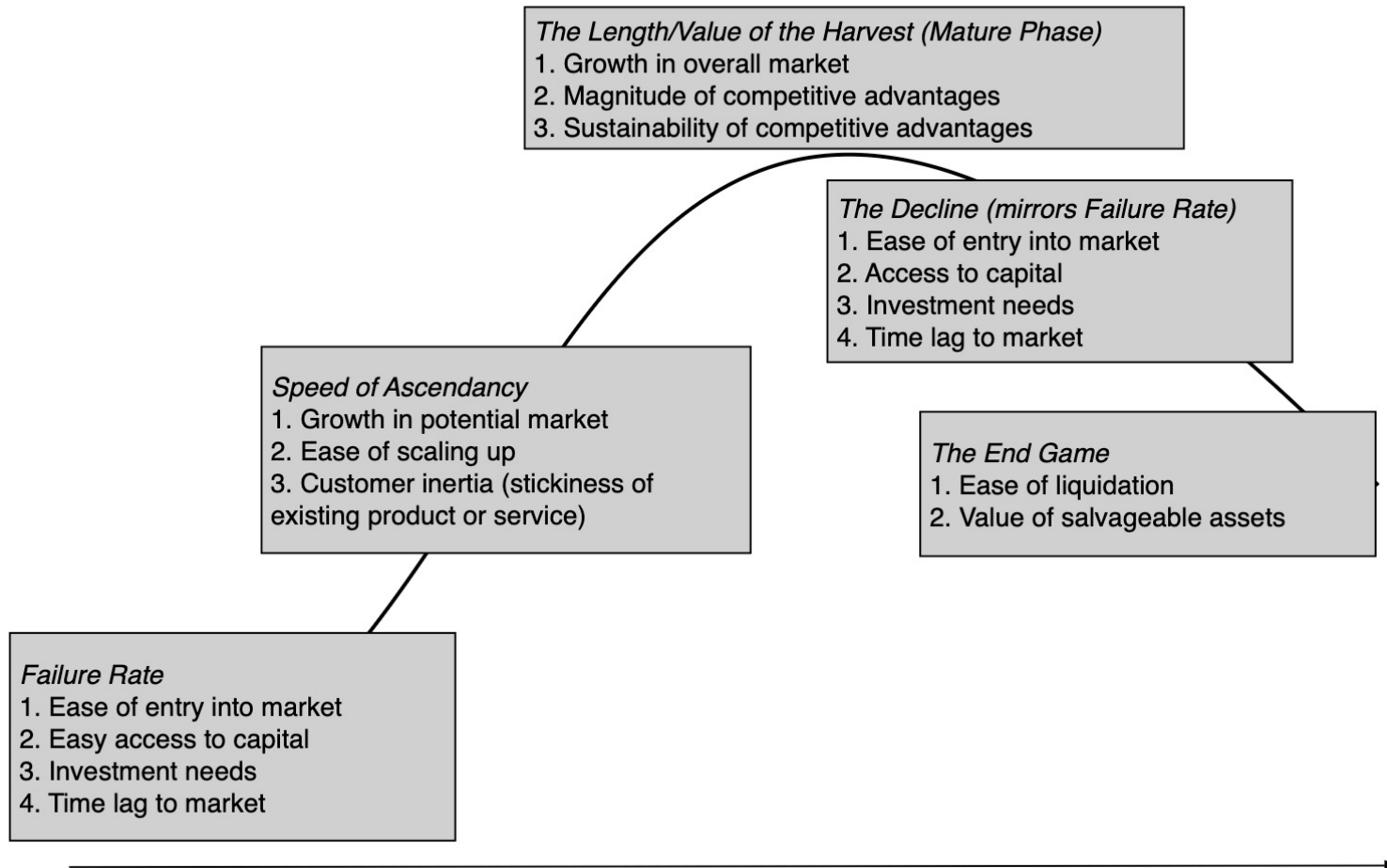


MEASURING CORPORATE AGE

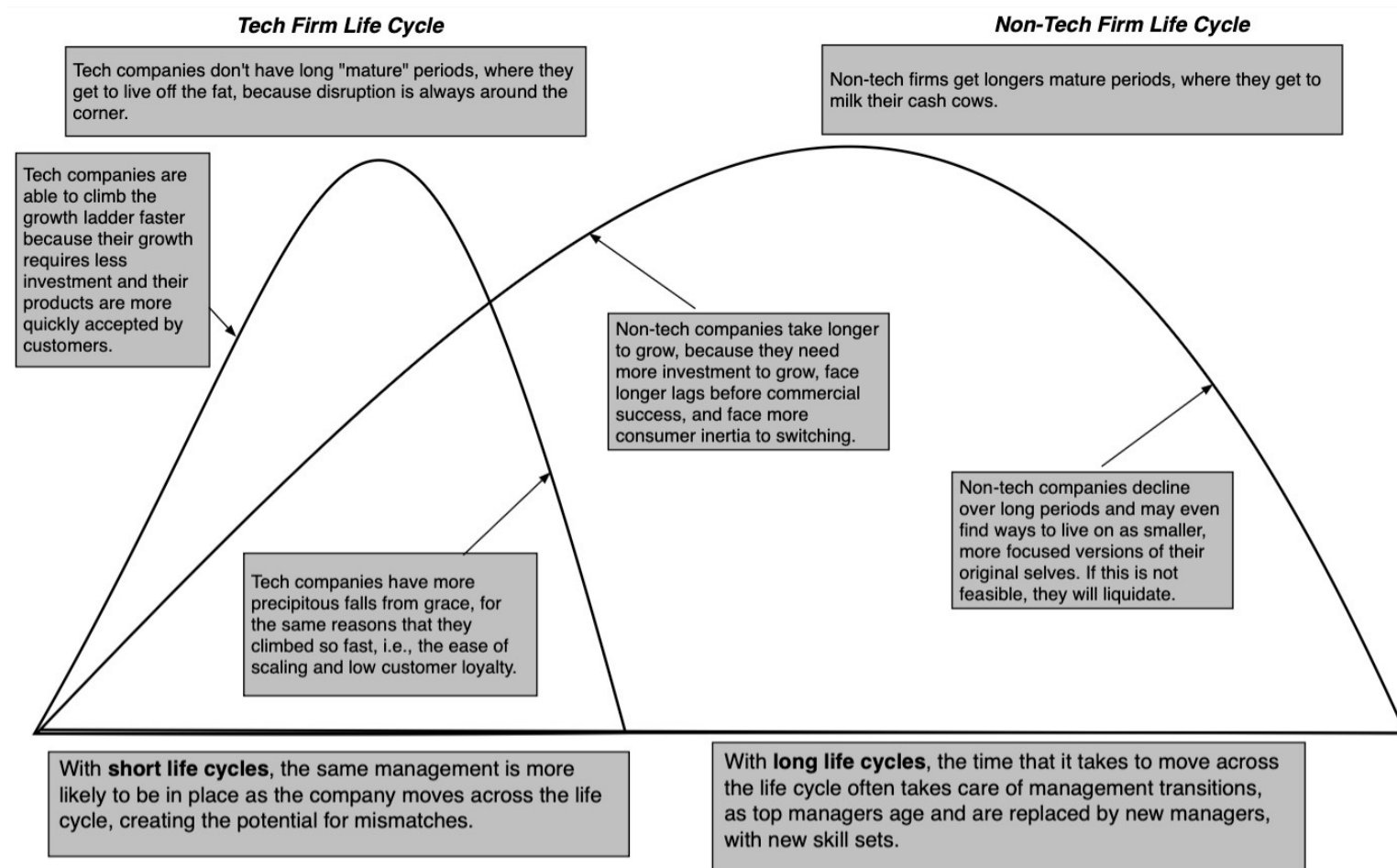
- Chronological age: You can look at how old a business is, from founding date to today. Implicitly, you assume that older companies are further along the life cycle than younger firms.
- Industry/Sector: You can look at the industry and country that a company operates in, and assume that companies that operate in some industries (say technology) and some countries (India) are earlier in the life cycle than companies that operate in others (industries or countries).
- Operating metrics: You can look at a company's revenue growth, operating margins and reinvestment policy to determine age; younger companies have higher revenue growth, changing (usually rising) margins and large reinvestment (relative to their earnings)



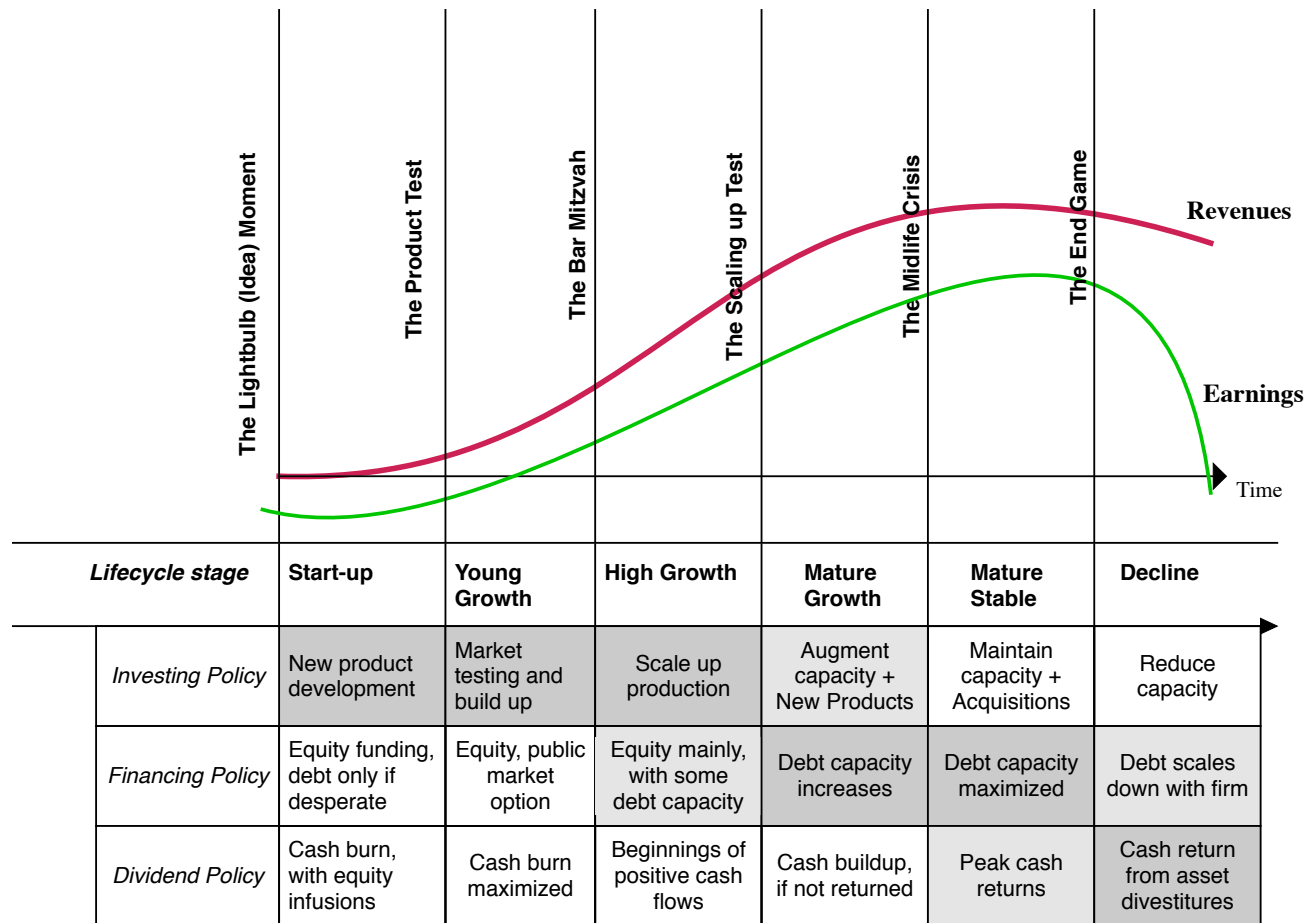
CORPORATE LIFE CYCLE DETERMINANTS



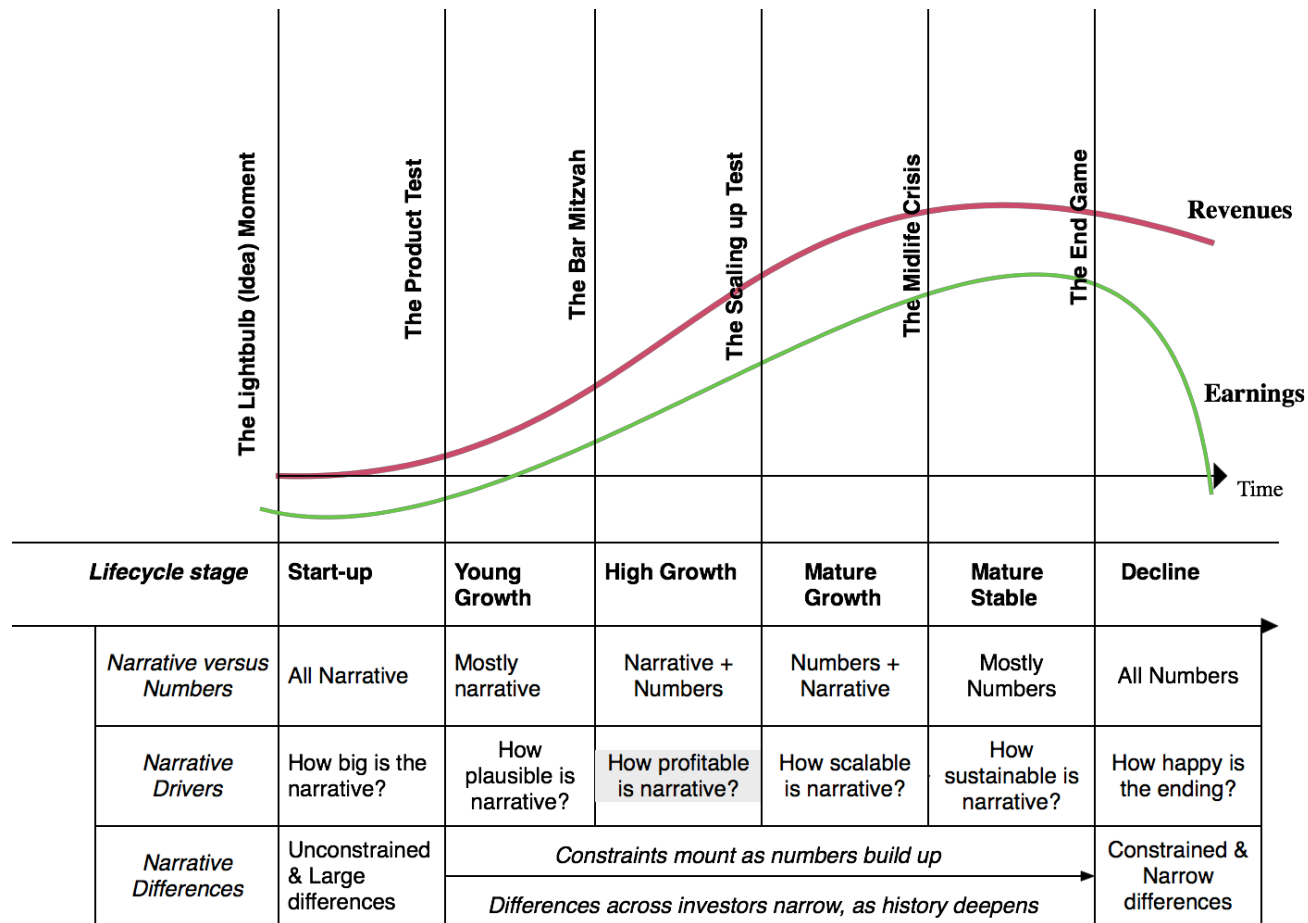
AGING IN DOG YEARS?



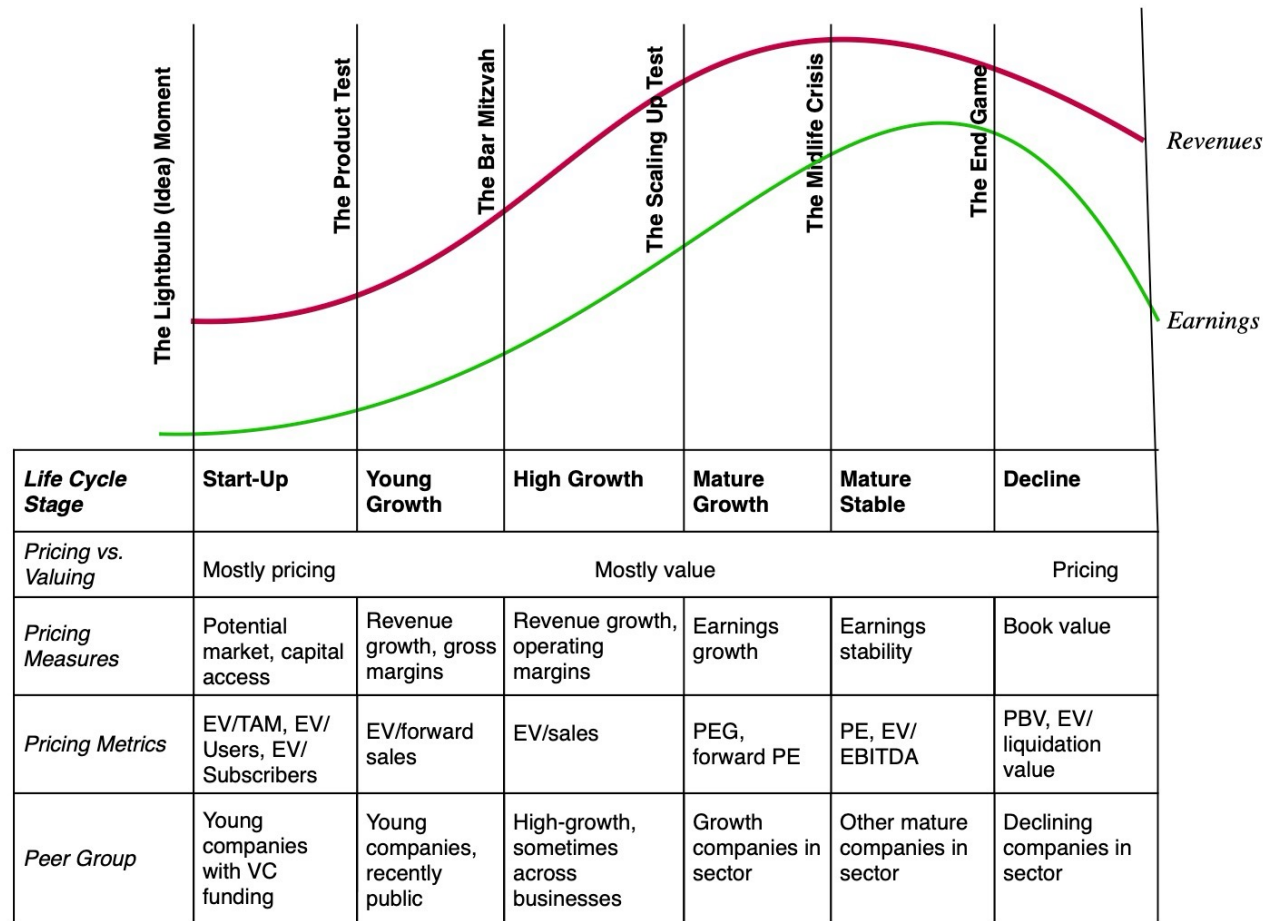
CORPORATE FINANCE ACROSS THE LIFE CYCLE



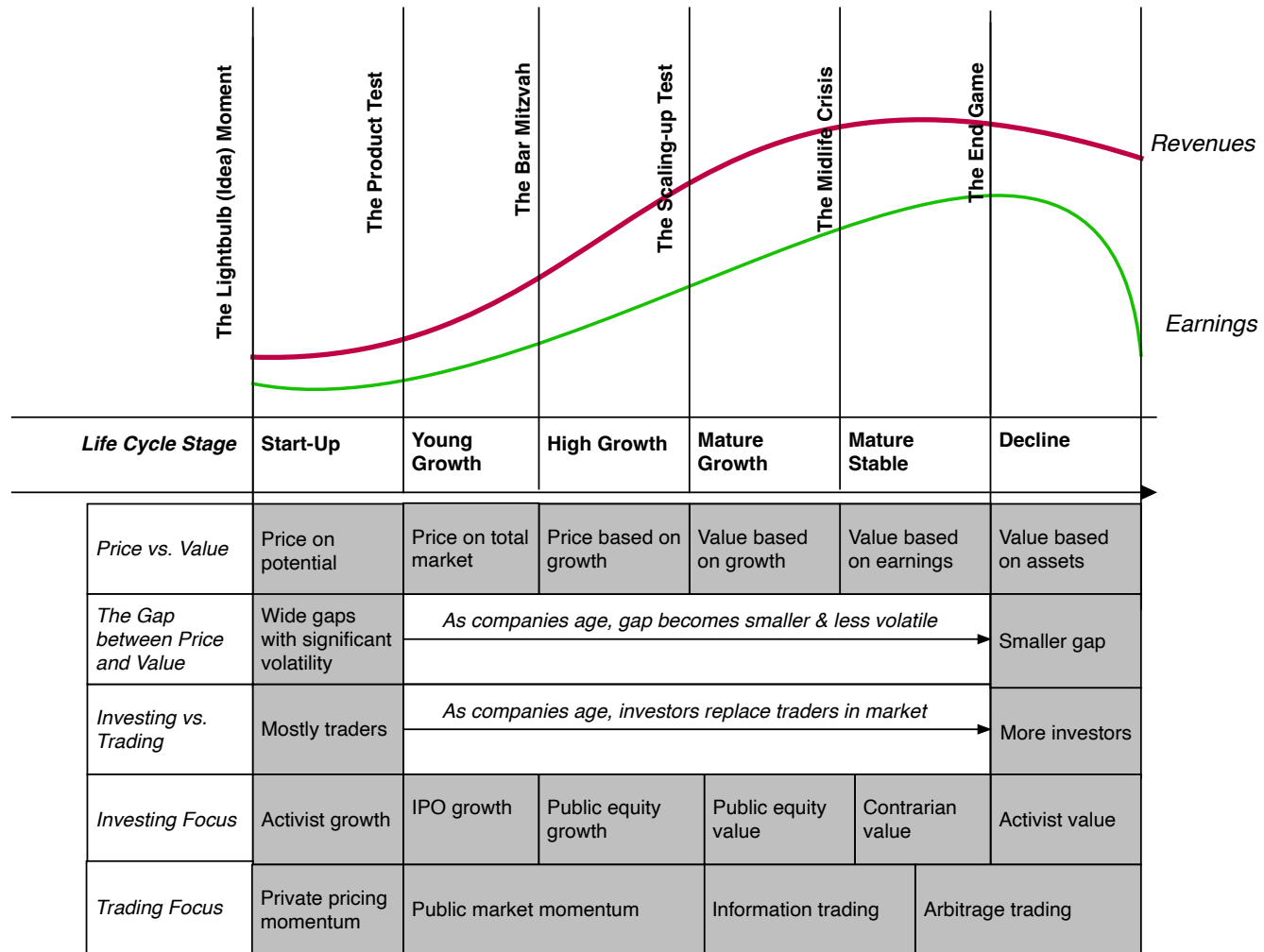
VALUATION ACROSS THE LIFE CYCLE



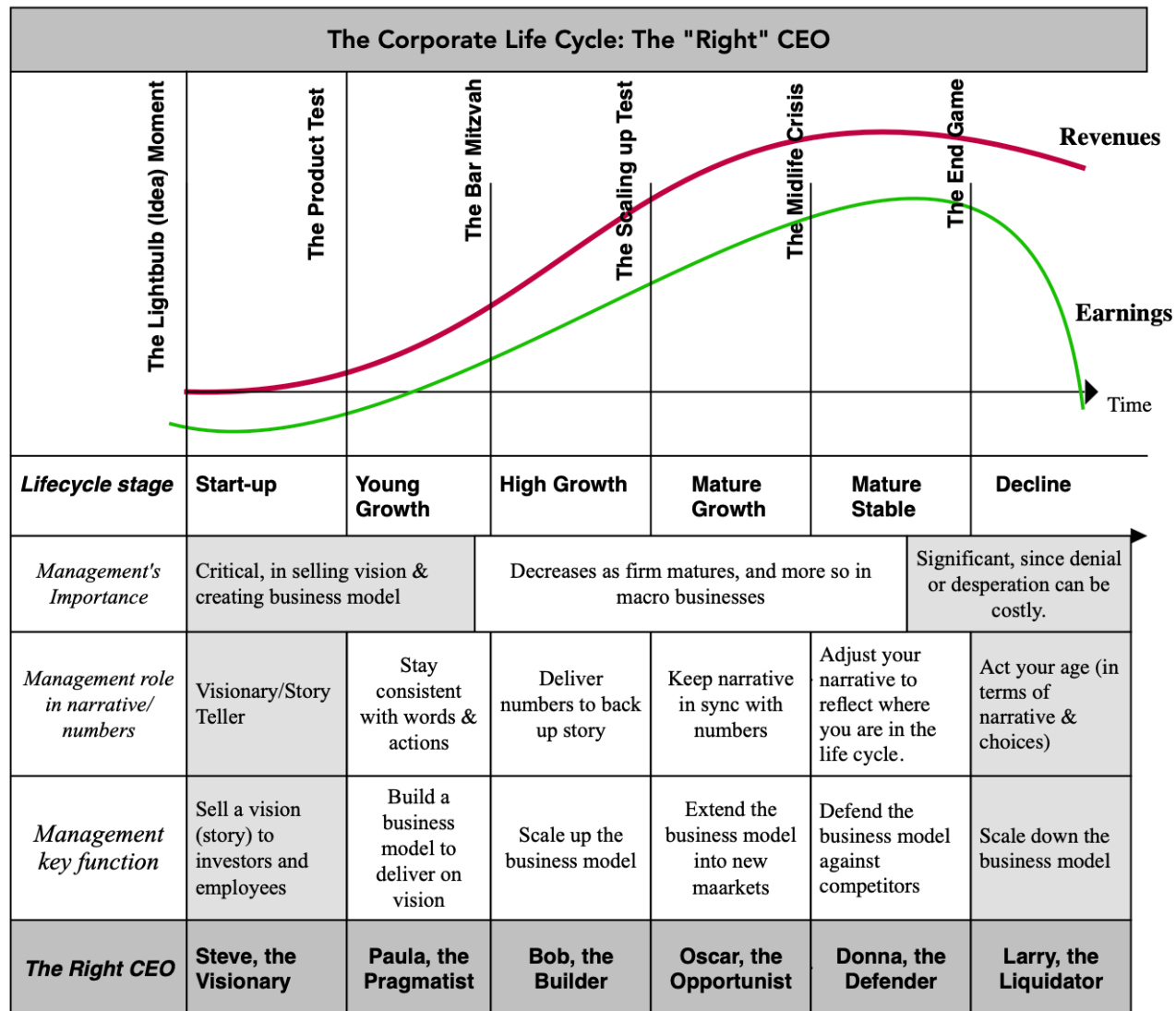
PRICING ACROSS THE LIFE CYCLE



INVESTING ACROSS THE LIFE CYCLE



MANAGING ACROSS THE LIFE CYCLE



AGING GRACEFULLY? THE CHOICES

- **Acceptance:** Accept where you are in the life cycle, and act your age.
- **Denial:** Deny that you are aging, blaming bad luck and outsiders for aging symptoms, and repeat what you used to do when you were younger.
- **Desperation:** Gamble on long-odds bets to become young again, especially with other people's money.
- **Rebirth:** Find that much sought after path back to youth, by reinventing your business or entering new ones.
- **Zombieland:** Mistake your end game as survival, at any cost.



WHAT NOW?

- **If you have neither time nor money** -> I have wasted enough of your time, if you have watched all the way through this session, and you have the gist of my thinking on corporate life cycles.
- **If you have time, but no money** -> Try the class that I have on corporate life cycles. It contains 20 sessions, about 25-30 minutes apiece, with exercises (if you are so inclined) for you to develop your own corporate life cycle framework.
 - YouTube Playlist:
<https://www.youtube.com/playlist?list=PLUkh9m2BorqlpbJBd26UEawPHk0k9y04>
- **If you have time and money** -> Take the class and get the book, available starting August 20, 2024, at booksellers all over (with an Indian edition waiting in the wings).
 - Penguin Random House:
<https://www.penguinrandomhouse.com/books/723161/the-corporate-life-cycle-by-aswath-damodaran/>
- **If you have money, but no time** -> Move on! Spend that time on friends, family and living your life.

