



VALUATION: PROJECT

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Project Description



- This project is designed to apply the valuation techniques we learn in class on companies in the real world.
- It is not about mechanics (I will supply you with the spreadsheet) but about learning how to tell a story about a company and then take that story and make it into a valuation of the company.

Step 1: Pick a company



- You can pick any company to value, including the company you own, work for or have worked at.
- You do not need to be in the business that the company operates in, though understanding how that business works is a plus.
- Your end game is to tell me whether, as an investor, you would buy or sell the company at the prevailing market price.

Step 2: Intrinsic Valuation



- Develop your narrative for this company. Give me your story of how you see your company evolving over time, given what you know about it, its market and the competition,
- Tie your narrative to key numbers that you will be using in your valuation.
- Value the stock in each company using a discounted cash flow model.

Step 3: Value relative to comparables

- Prepare a list of “comparable” companies, using criteria that you think are appropriate
- Choose a multiple that you will use in comparing firms across the group. (You might have to try a number of multiples out before making this choice)
- Evaluate your company against the comparable firms using the multiple that you have chosen for your valuation.

Step 4: Final Value Estimate and Recommendation

- Before you make your recommendation, check whether anything that has happened during the period of your analysis has changed your narrative and your valuation.
- Consider the values you have obtained from the discounted cash flow and relative valuation models.
 - ▣ How would you reconcile the different estimates of value?
 - ▣ Make a final recommendation on whether you would buy, sell or hold the stock.

Spreadsheets to use

- If you have a non-financial service company (does not matter whether it is growth, mature or declining), try this:

<http://www.stern.nyu.edu/~adamodar/pc/fcffsimpleginzu.xlsx>

- If you have a financial service company (bank, insurance company or investment bank), try this:

<http://www.stern.nyu.edu/~adamodar/pc/divginzu.xlsx>

For this assignment, I would prefer (for my sake, more than yours) that you not build a spreadsheet from scratch. There is a time to become an Excel Ninja, and that time has passed (for most of us).