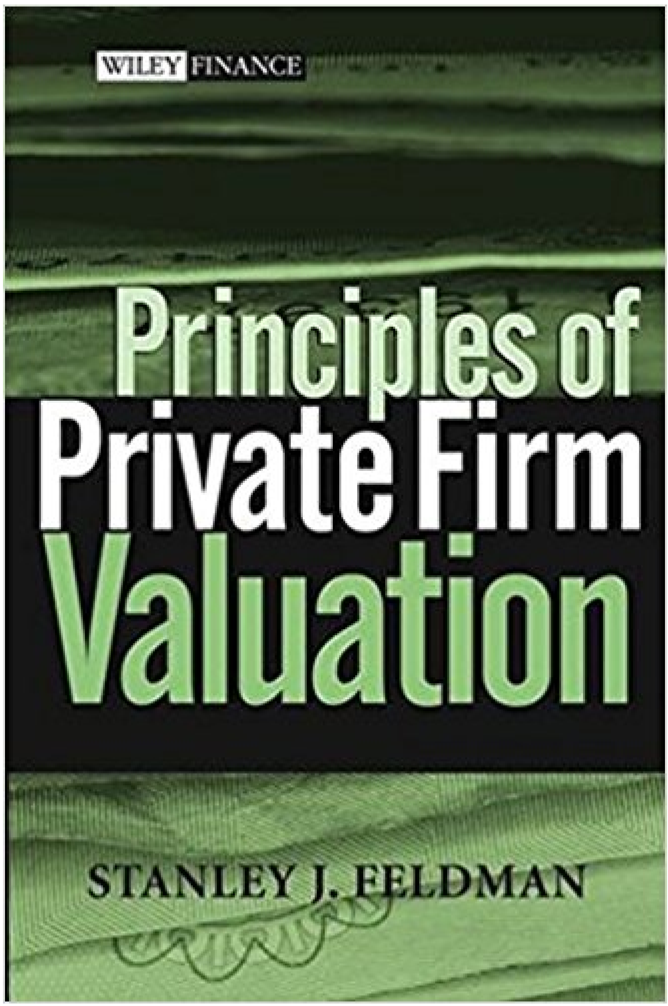
Principles Of Private Firm Valuation



Synopsis

A complete explanation of the issues that determine private firm value Principles of Private Firm Valuation combines recent academic research and practical real-world experience to help readers better understand the multitude of factors that determine private firm value. For the financial professional serving private firms-who are increasingly being called upon to give advice on issues related to firm valuation and deal structure-this comprehensive guide discusses critical topics, including how firms create value and how to measure it, valuing control, determining the size of the marketability discount, creating transparency and the implications for value, the value of tax pass-through entities versus a C corporation, determining transaction value, and the valuation implications of FASB 141 (purchase price accounting) and 142 (goodwill impairment). Dr. Stanley J. Feldman (Lowell, MA) is Associate Professor of Finance at Bentley College, where he currently teaches courses in corporate finance with a focus on business valuation and business strategy at both the graduate and undergraduate levels. He is a member of the FASB Valuation Resource Group and is Chairman and cofounder of Axiom Valuation Solutions.

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Customer Reviews

The entrepreneurial explosion in the United States over the last thirty years has resulted in a record number of established private businesses. If you’re a financial professional serving these private firms—as a CPA, valuation analyst, or even CFO—you’ve probably been called upon to give advice on issues such as firm valuation, deal structure, and related business transition planning. Whether you’re looking to use valuation in preparation for a private firm transaction or strictly for tax-related reasons, you need a solid understanding of how private firm valuation works. Written by valuation expert Stanley Feldman, Principles of Private Firm Valuation integrates academic research results with on-the-ground experience, in order to provide more disciplined guidance on how you should address several of the most important—and largely unresolved—issues in the arena of private firm valuation. Filled with in-depth insights and practical advice, this comprehensive resource offers an executive education on important valuation issues, including: Assessing which valuation method is most accurate—discounted free cash flow or the method of multiples Estimating the size of the marketability discount Estimating the value of control and its implication for valuing minority interests in a private firm The influence of taxes on firm value, specifically whether S corporations are worth more than equivalent C corporations How best to estimate a private firm's cost of capital—with a focus on the adjusted version of the CAPM, known as the build-up method From introducing a framework designed to measure the value benefits of various strategic initiatives to outlining the valuation implications of FAS 141 (Accounting for Business Combinations) and FAS 142 (Accounting for Goodwill and Other Intangible Assets), Principles of Private Firm Valuation covers some of today's most important valuation issues. Weaving recent academic research with real-world case studies, this unique guide offers the most up-to-date tools and techniques needed to properly perform private firm valuation.

Principles of Private Firm Valuation "The past forty years has produced significant theoretical and empirical research on the ways in which the capital markets value the equity shares of publicly traded firms. This research supported the rapid development of the analytical frameworks approach to the valuation of public equity shares. Stanley Feldman, in Principles of Private Firm Valuation, makes a major contribution in furthering this analytical frameworks approach to the valuation of privately held equity shares." —Timothy G. Sullivan, Professor of Finance, Bentley College, Waltham, Massachusetts "Principles of Private Firm Valuation offers CFOs of private firms critical insights into the factors that determine private firm value. The managing for value model is particularly useful because it creates a framework to measure the value created by undertaking various business strategies including acquisitions and divestitures. Overall, Principles offers a superlative guide must-read to the numerous and complex valuation issues that owners and managers of private firms face. It is a must read for those interested in how the value of private firms is determined." —Frank Fiumara, VP & CFO, Curtis Instruments, Inc. "CFOs of public firms are intimately involved in valuation issues related to acquisitions and divestitures. As private firms are targeted for acquisitions, CFOs of private firms will be increasingly relied upon to offer advice and guidance to owners. For finance professionals that desire to raise their level of preparedness for the valuation questions that will certainly come, Principles of Private Firm Valuation offers an excellent start. Principles clearly addresses a number of complex private firm valuation issues including determining the cost of capital, and the importance of transparency and liquidity to establishing the value of a private firm. For those interested in private firm valuation, I highly recommend Principles." —Mark Beucler, Vice President, Finance, Chief Financial Officer and Treasurer, Lifeline Systems

I used this book as a learning tool and somewhat of a template for a University independent study. This gives a reasonable overview of how and why to value a non-publicly traded firm. It isn’t thorough, but it does avoid some of the minutia that will weigh you down. Feldman refers you to other publications that you may or may not be able to find in University libraries such as Ibbotson and Associates Yearbooks and such. Short book that gives a good picture of what needs to be done and for what reasons.

I read this for a CPE course. The author takes you through the world of valuing privately held firms. This includes; Cash flow methods, comparative equities, estimating cost of capital, debt ratios and their effects, S corps vs C corps, controlling ownership premium, reliability of records, taxes, etc. The book does more than just cover the mechanics, it makes informed judgements as to which methods of valuation are appropriate in which circumstances. Some factors are indicated as possibly increasing or decreasing a firm’s value.Included are all the equations to support the text. The text is such that you can read right around most of the equations and not miss any of the principles.I have done some valuations and I found this book to be very informative. There’s more useful information here than in books many times as thick.

Feldman offers practical advice in the tricky task of valuing a firm that has no publicly traded stock. There are many intangibles. But the book gives methodologies to systematically assess in a rational manner what these might be.Take trying to find the beta. How to do so for a private firm? The book clearly sets out the steps of - 1. estimating the beta for the firm’s industry. 2. tweaking this for time lag effects. 3. change the beta to account for the firm’s size. 4. ditto, but now for the firm’s capital structure.Granted, steps 2, 3 and 4 can still be quite involved. And you might well have to still do subjective assessments within each. But the overall procedure is at least conceptually clear.The book has many other procedures that you should find useful.

Stanley's book on valuing businesses is basically useless in today's environment where many startup firms do not have five year's worth of financial data, are not cash flow positive, and have uncertain go-forward projections due to the state of the economy/industry they're operating in.The guy is purely an academic who has difficulty explaining what should be rather simple concepts. There are much better valuation books and resources out there, namely the one by McKinsey and anything by Damodaran. Avoid this one.

Principles of Private Firm Valuation Private Capital Markets: Valuation, Capitalization, and Transfer of Private Business Interests (Wiley Finance) The Architect's Guide to Small Firm Management: Making Chaos Work for Your Small Firm The New Colors of Law Firm Marketing: A Law Firm Marketing Coloring Book Law Firm Marketing: Successfully Promoting and Building Your Small Firm or Solo Practice Valuation Workbook: Step-by-Step Exercises and Tests to Help You Master Valuation + WS (Wiley Finance) Business Valuation for Business Owners: Master a Valuation Report, Find the Perfect Business Appraiser and Save Your Company from the Looming Disasters That You DonÃ¢â ¬â„¢t Yet Know About Investment Banking: Valuation, Leveraged Buyouts, and Mergers and Acquisitions + Valuation Models Peterson's Private Secondary Schools 2000-2001 : The Smart Parents' Guide to Private Education (Peterson's Private Secondary Schools, 2000-2001) Private Equity Firm Business Plan: and Capital Raising Guide Financial Modeling and Valuation: A Practical Guide to Investment Banking and Private Equity Financial Modeling and Valuation: A Practical Guide to Investment Banking and Private Equity (Wiley Finance) Private Equity Operational Due Diligence, + Website: Tools to Evaluate Liquidity, Valuation, and Documentation Private Equity Operational Due Diligence: Tools to Evaluate Liquidity, Valuation, and Documentation (Wiley Finance) Valuation for M&A: Building Value in Private Companies The McKinsey Edge: Success Principles from the WorldÃ¢â ¬â„¢s Most Powerful Consulting Firm (Business Books) The McKinsey Edge: Success Principles from the WorldÃ¢â ¬â„¢s Most Powerful Consulting Firm Valuation and Dealmaking of Technology-Based Intellectual Property: Principles, Methods and Tools Private Pilot Test Prep 2013: Study & Prepare for Recreational and Private: Airplane, Helicopter, Gyroplane, Glider, Balloon, Airship, Powered ... FAA Knowledge Exams (Test Prep series) I Said No! A Kid-to-kid Guide to Keeping Private Parts Private