



PRINCIPLES OF CASH FLOW VALUATION

An Integrated Market-Based Approach

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- ◆ Provides the only exclusive treatment of cash flow valuation
- ◆ Authors use examples and a case study to illustrate ideas
- ◆ Presentation appropriate for a range of technical backgrounds

"The book goes a long way towards bridging the gap between the application of cost benefit analysis and the theory of capital budgeting. The authors have distilled the essence of years of gathering academic wisdom in the study of cash flow analysis and the cost of capital."

-Savvakis C. Savvides, Cyprus Development Bank

"This is an elegant and insightful exposition of the principles and techniques involved in valuation of cash flows. The issues related to construction of cash flows and estimation of cost of capital under different scenarios—vital to the valuation of firms and investments—are dealt with in a careful and straightforward fashion... essential reading for anyone interested in understanding the issues associated with cash flow valuation."

-Gangadhar P. Shukla, Professor of Public Policy, Duke University

Principles of Cash Flow Valuation provides a comprehensive and practical, market-based framework for the valuation of finite cash flows that are derived from a set of integrated financial statements, namely, the income statement, the balance sheet and the cash budget. In addition to the standard cash flows, such as the Free Cash Flow (FCF) and the Cash Flow to Equity (CFE), the book discusses the novel Capital Cash Flow (CCF) approach to valuation. A detailed numerical example illustrates the construction of the pro-forma financial statements. A separate chapter is devoted to the calculations on the terminal value.

Contents: Basic concepts in market-based cash flow valuation; Time value of money (TVM) and introduction to cost of capital; Basic review of financial statements and accounting concepts; Constructing integrated pro-forma financial statements; Derivation of the free cash flows; Using the WACC in theory and in practice; Estimating the WACC for non traded firms; Beyond the planning period: calculating the terminal value; Theory for cost of capital revisited; How are Cash Flows Valued in Reality?

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