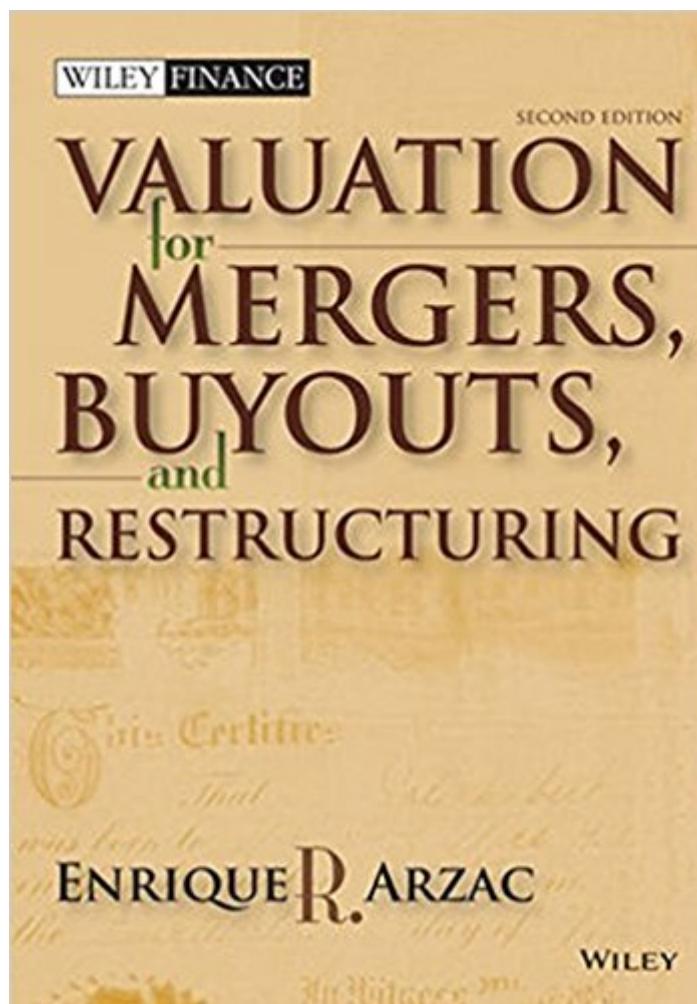


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# Valuation: Mergers, Buyouts And Restructuring



## Synopsis

Praise for Valuation for Mergers, Buyouts, and Restructuring "Enrique Arzac has provided an excellent analytical framework for the LBO business."--William T. Comfort, Chairman, Citigroup Venture Capital "Enrique Arzac has created a masterpiece--his work combines the theoretical with the practical. He has created an invaluable reference guide that is thoughtful, complete and very user friendly. He provides insight into the theory behind core valuation, LBO's, and options pricing, which creates the foundation for mergers, buyouts and restructuring. In addition to the theoretical, he provides practical insight into deal structuring and deal dynamics. His work should be standard material for all incoming associates."--James P. McVeigh, Managing Director, Corporate & Investment Banking, Banc of America Securities "This first-rate book of applied financial theory provides the tools for financial institutions and capital market participants seeking a methodology for comparing, contrasting, and evaluating investment opportunities and options. By incorporating over 30 years of research, teaching, and practical experience, Professor Arzac has created a text that is not only timely, but timeless in its usefulness to anyone interested in learning the applications of financial theory for the best and most useful allocation of the scarcest economic resource in the world--capital."--William W. Priest, Co-Managing Partner, Steinberg, Priest and Sloane Capital Management and Former Chairman and CEO of Credit Suisse Asset Management "There are two important aspects in graduate business education. The first is acquiring a thorough understanding of the theories of modern finance and the second is acquiring an appreciation for how these theories can be applied to important decisions. Enrique Arzac has taken on this task and made it a successful venture for readers of this book. Unlike other texts on valuation, he explains the reasons for the process and sequence that he recommends rather than just providing the ingredients and the recipe without explanation. This is a welcome addition to the literature in applied corporate finance."--Joel M. Stern, Managing Partner, Stern, Stewart & Co.

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## Customer Reviews

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When should you acquire a target or enter a new business? How do you go about structuring and valuing leveraged buyout transactions? What do you do if the application of the weighted average cost of capital approach is not correct? Answers to these commonly encountered valuation problems and more are given right here in this complete valuation toolkit for mergers, buyouts, and restructuring. Enrique Arzac, an internationally recognized authority on the subject, provides an up-to-date, comprehensive synthesis of current valuation theory and practice, including free cash flow valuation, financing and valuation of leveraged buyouts, real option analysis for entry and exit decisions, contract design to resolve disagreements about value, and the valuation of special offer structures. Keep up-to-date with the latest thinking on valuation for mergers and acquisitions

Enrique Arzac applies the latest academic thinking to mergers, buyouts, and restructuring, and

blends it with his own practical approach to valuation developed over years of consulting. Apply practical valuation procedures to a variety of situations You'll learn how to value stand-alone companies and business units, merged firms, foreign firms in developed or emerging markets, troubled-company restructuring, and more. Learn how to use expert analysis tools The book provides the essential analysis tools for estimating the cost of capital for public and private companies, performing discounted cash flow valuation, estimating and applying valuation multiples, estimating sustainable debt, and much more. Save time modeling transactions with professional-grade software The CD included with this book contains DealModeler and Valuation Aids software. DealModeler is integrated modeling software for preparing pro-forma financial statements and valuing mergers, acquisitions, and leveraged buyouts, similar to those used by investment bankers and appraisal professionals. Valuation Aids software is designed to help you perform specialized computations, such as estimating the equity premium and valuing financial and real options.

This a short version of a longer analysis by this author, but hits the high points. Not sure if its included disc can still be run (due to current software's changes), but, when I used it when first published, it was very good and detailed.

This book has a wealth of solid technical material for corporate finance. Very useful for understanding the logic behind the valuation and modeling that most investment bankers take for granted. Although most bankers will never make use of some technical details, the framework is essential.

This is a very good book, but possibly a little too technical across the board. The depth the book goes to in certain parts of the text are very deep, and it might have been an idea to introduce more material to the book rather than go so deep into certain areas. An excellent reference text, but not a book that someone would want to read to come up to speed on topics such as M & A Valuation.

One of the few texts that covers the differences in valuation situations. Valuable as a reference. My only negative, CD did not come with the book, otherwise 5 stars.

As an M&A finance practitioner, I am torn between giving this book a 3-star or 4-star rating. As many reviewers have noted, this is structured to be a reference book. There is more math than is

typically needed or used in most small or medium-sized transactions, and there is very little introductory material for the uninitiated to get their bearings. Instead, the book delves straight into valuation exercises that are at times even more difficult than what I have encountered in the profession. The examples, while numerous and varied, are often reviewed much too quickly, and occasionally with so many permutations and small digressions that it is difficult to keep track of the purpose of the original endeavor. And as good students know, it is very hard to remember how to do something when you do not know \*why\* you are doing it. As such, it is difficult to recommend this book with much enthusiasm to anyone who does not at least have a few transactions under their belt because as a general guide it does not at all do the trick. However, for more experienced users, it can come in handy, although I will still have to say that information is unnecessarily difficult to find. I feel like this book is so dense that it would be much more effective in an electronic (and hence, searchable) version. That being said, I really enjoyed a few chapters, including Chapter 9, which had some excellent examples of the effect different tax treatments have on a transaction. It came in very handy for a deal I was working on where I had to deal with NOLs.

In my consulting career, I have worked on lots of models to value M&A candidates, to restructure debt, to perform due diligence etc. My main problem was that I always found it difficult to get a good reference book on valuation. Most books just give the basics of DCF and treat valuation in a straightforward manner. Arzac's book on the other hand treats valuation from a practical and theoretical perspective and is supported by research evidence. I found his book to be very helpful as it contained the different types of valuation tools and arrangements commonly found in practice i.e. adjusted present value, earnouts, original issue discount, synergies and scenario analysis, contingent clauses, entry, foothold and exit options etc. I am an engineer by training so I found the technical notes at the end of the book to be very handy. In addition, the CD accompanying Arzac's textbook is very useful as it provided many essential valuation tools such as option pricing, debt capacity calculator etc. I highly recommend this book to anyone with a serious interest in corporate finance, consulting and investment banking.

I have read many many books on Valuation for investment banking purposes. Many of them have good theories and decent number crunching. But this is the best one in regard technical aspects of finance. It's not for everyone. The book really is for practitioner and MBA students who want go ahead of their peers. If you are through with this book nobody can beat you in valuation world. Enrique I would really want you to cover Project Finance in your next addition. I thoroughly

enjoyed the book and liked the technical concepts especially the explanation about formulas and derivations at the end of the book. Moreover the book is absolutely to the point and covers analytical part of Valution for M&A, LBO and Restructuring.Great Work Enrique.Manu

This is a solid work on the subject matter of valuations. Although it is definitely academically oriented rather than telling a than a story, it gives great examples (many of them based on real-life deals) of actual real-life applications.The plethora of examples and solid coverage in the area earns this book a permanent spot on my bookshelf. I believe I'll be referencing it quite often. Also, the included CD has helpful sample deal models that are immediately usable.On a side note, I find no basis for the 'one-star' review from the 'MBA-student' hoping to gain some insights before an interview at an investment bank. Comparing Arzac's solid work to the reviewer's misleading comments raises questions about the reviewer's competence and/or credibility.

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