

The Valuation School's



MASTERCLASS  
**VALUATION**  
Part - 1/30

9 Key Lessons to start with

Hey!



- I welcome you to the 1st part of 30 part masterclass series on valuation.
- **Pro tip** - Save this post for Revision
- I hope you will achieve max benefit of this masterclass series and would enhance your knowledge in valuations.

# Let's Begin

- Before we start learning about valuation, its very imp to understand 9 lessons.
- This will help you to think logically and will keep you on track.



# 1. Never perceive value Before hand

- If you have an idea about the value of Target company. It will create anchoring bias.
- You will tweak the valuation in every possible manner to make it close to your perceived value. **Never do that. Period.**



## 2. Thinking Valuation as Science or Art

- It is neither of them.
- Its a **craft**
- The story is more imp than numbers.
- Take Eg of cooking - It requires perfect measurements plus experience
- Your first valuation will be disaster
- **More you do it; You will get better**



### 3. Automated & complex models fetch superior valuations

- false, remember you need to keep the valuation as simple as possible.
- Excel model is better than VBA model and plain calculator is better than Excel model.
- Be a minimalist; Less is more here



## 4. Number v/s story

- Most of you are either good with numbers or with stories.
- You can't choose only one when it comes to valuation
- one won't work without other.
- Improve your weaker side. Period.



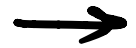
## 5. The story behind Numbers

- Valuation works with story
- Valuation of same company can be differed drastically.
- Is TCS an IT service provider?  
An HR company? or both
- whatever story you choose, the numbers will be dramatically different.



## 6. The story dilemma →

- You must have observed by now that how important story is.
- How to come up with a right story?
- There is nothing such as 'Right story'.
- Ensure your story must fall in one of the three P's
- Possible? Plausible? Probable?



**Possible** – Many stories are Possible  
(Eg- company selling lemonade)

**Plausible** – fewer stories are Plausible  
(Eg- lemonade co. become largest in country)

**Probable** – only handful of stories are probable  
(Eg- lemonade co. become largest in the world)

## 7. focus on Big Picture →

- Tonnes of Info is available everywhere
- Its easy to get lost in details while performing valuation.
- Details might be good. But if it doesn't affect cash flows, risk or growth - They do not matter.
- Remember - you have to be a minimalist here.

## 8. Soft factors →

- Soft factors are things like brand name, mgmt quality etc.
- Soft factors are often used to justify valuations.
- But in most cases **They are worthless**
- If they do offer an advantage, the numbers will show that.
- ↑ margins, faster growth etc.

## 9. Valuation v/s Pricing (V. Imp) →

- People often get confused between these two. But there is huge difference.
- Price is decided by Demand, Supply and momentum. It tells you what ppl are ready to pay
- Value is derived from cashflows growth and Risk.

If you understood this, you are already ahead of 90% people.



## Assignment of the day

- Identify 3 companies with different products / services and entirely different story (Hint - Tesla - car? Tech? Battery?)

Mention your Answers in  
Comments Below.



# The Valuation School

Repost - To help others

Save - To Revise later

follow - your man 'Parth'  
for premium finance  
content.