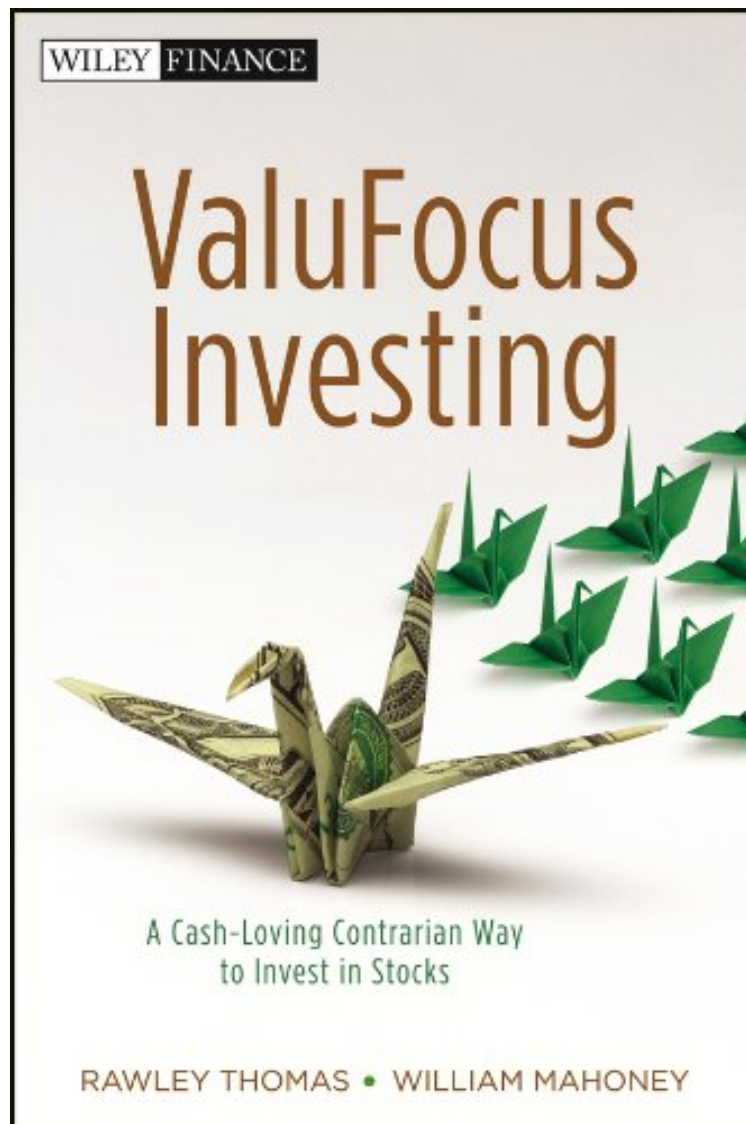


(Download pdf) ValuFocus Investing: A Cash-Loving Contrarian Way to Invest in Stocks (Wiley Finance)

## ValuFocus Investing: A Cash-Loving Contrarian Way to Invest in Stocks (Wiley Finance)

*Rawley Thomas, William Mahoney*  
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**Rawley Thomas, William Mahoney : ValuFocus Investing: A Cash-Loving Contrarian Way to Invest in Stocks (Wiley Finance)** before purchasing it in order to gauge whether or not it would be worth my time, and all praised ValuFocus Investing: A Cash-Loving Contrarian Way to Invest in Stocks (Wiley Finance):

12 of 12 people found the following review helpful. A giant advertisement laced with academiaBy Kindle CustomerI bought this book with the belief it would mesh the perspectives of both value investing and quantitative investing into one cohesive paradigm. What I got instead was a giant advertisement for the authors software, laced with snippets of

published academia. For the first 150 pages or so, the paragraph structure is as followed: A sentence or two discussing a particular financial or valuation theory (EMH, DCF, DDM, etc), a sentence on why the authors agree/disagree with it, and then about four to six sentences telling the reader that their ValuFocus software improves on these ideas with "historical evidence." There is ZERO detail about what goes in to their valuation model, only that it's an improvement based on "historical evidence." For instance, when discussing earnings quality and WHY it's important (it is), the authors fail to mention HOW they determine earnings quality in their model. To they scale net income - cash from operations to total assets? Measure net income against cash from operations and investments? The reader is left to wonder, only being assured that their model factored on "historical evidence." I was a history major in college, so I'm all for historical accuracy, but, as they say, "garbage in, garbage out." On top of not establishing what financial metrics are used in their determination of "intrinsic value," they claim that their model incorporates "smart operational or management or financial moves," and "macro economic, political, or other factors." While it's possible to evaluate "financial moves" by measuring debt issuance, interest expense, pay down of debt, equity issuance and repurchases, all those other factors are QUALITATIVE in nature, not subject to quantification. Research has shown that the butter price in India explained 90% of the SP returns in the 1980s, you can find statistical evidence for anything if you datamine enough. My only possible guess is that they up their discount rate for firms in politically unstable countries (but then how do they determine what's politically stable from unstable?). But again, since the authors never explain what or how they determine "macro economic, political, or other factors," it's really all just smoke and mirrors. If I don't know what's being used to arrive at your calculation of value, WHY would I trust it? In relation to earnings quality, the authors tell us to focus on cash earnings, and not GAAP earnings (which is correct), and even (shockingly) tell us how they measure free cash flow. They then explain why the usual WACC is flawed as a discount rate metric (it is), but then fail to detail how their model determines an appropriate discount rate, except that it's (you guessed it) "based on historical evidence." Whatever. In another related metric, they say that as a quick back-of-envelope valuation, they use 8x EBITDA. Why they would use EBITDA instead of Free cash flow (which they actually discuss) is beyond me. On top of it, they scale EBITDA to the EQUITY price, instead of using it against the ENTERPRISE VALUE (Market value of equity + market value of debt - cash, as EBITDA is what's available to ALL capital contributors of the firm, not merely equity holders. Of course, EBITDA doesn't account for capital expenditures, so really it's simply a measurement of barebones debt service, but again, "garbage in, garbage out.") I've never seen ANY investor use EBITDA to only the market value of the equity, so this one is particularly unforgiveable. Some of the chapters are only three or so pages long, instead of expanding on the topic of the given chapter, reference the reader to other works on the subject instead. Thanks guys, but isn't that what footnotes/endnotes are for? Despite the book being a total wash, I decided to check out the software ([valufocus.com](http://valufocus.com)) to play around with it. One part of the book explains how it can be used for security analysis (on top of equity valuation), so I figured it might be good for that. Not only is the software available only a demo (despite the book being published months ago), but it uses data from 3 - 4 years ago! And shockingly, there's no financial statement analysis available. To top it all off, despite the authors detailing why cash earnings should be focused on over GAAP earnings (which is sound advice), the only available measure able to be manually altered in the software to arrive at your own valuation is (take a guess)... GAAP earnings! There was absolutely ZERO practical use in the software, it's laughable that the authors believe people will actually pay for such a thing. If it wasn't for the very broad overview of holes in current financial and valuation theory, I'd consider this one of the worst investment books I've ever read. Rather, it's just terrible. If you're looking for books that mesh value and quantitative investing successfully (without peddling any software), I HIGHLY recommend "What Works on Wall Street," "Quantitative Value," and "The Little Book that Still Beats the Market." If you're looking for a valuation premier and software, check out "The Conscious Investor." Not sure if that author's software is still available, but it's great as an in depth look at all the different valuation metrics available to investors. If you're looking for simply stock valuation software, I can't recommend enough the Excel Spreadsheets at ([oldschoolvalue.com](http://oldschoolvalue.com)). 5 of 5 people found the following review helpful. Save your money By John Green Another book to promote a website. There was no real useful information in the book so I tried the website and tried to download the Demo, but it kept having errors downloading. 2 of 9 people found the following review helpful. Value investing for the 21st century By Shepherd G. Pryor IV ValuFocus Investing: -A Cash-Loving Contrarian Way to Invest in Stocks This book is differentiated from other investment books by the depth of the investigation which led to the methodology. Many others do a broad brush "search and destroy" on competing investment theorists, pounding them down to comparatively boost the value of their offering. Like negative politics, they seek to be the "least worst" alternative. On the other side, the investing public sees accolades dished out to "successful" investors, those with huge returns. The pundits doling out the psychic awards to these investors have no idea how they accomplish it, so there is nothing useful conveyed to the investor. The fastest way to investment success is market timing. Using the time machine method, one can show how to flawlessly double and triple the portfolio year after year. The trouble is, if you lose the keys to the time machine, you are out of business. The media baits its audience with success stories of investors who were lucky at timing, leading investors to falsely believe that there is a talent they can develop to ensure success at market timing. Many investors have had their expectations dashed on the rocks by the realities of the difficulty of market timing. Another group tells us that, if you

stay in the market long enough, you will encounter a major crash and suffer huge losses. The response is to employ a strategy of doom, pouring your fortune into out-of-the-money puts, hoping to reap giant rewards when the final crash occurs. ValueFocus Investing finally brings high tech investment theory to the individual investor. The difference in the LCRT framework is the recognition that the rising tide of the market over the last 100 years is not a statistical fluke. Productivity and entrepreneurialism continue to survive all of the insults that have been thrown at them over that time and the outcome is that the market continues to accrue value. Those who are willing to stay invested and to act rationally, have real opportunities as investors. LCRT helps to tune the strategies and tactics of those investors. Rather than jumping in and out of the market on the hope that lucky timing will pay off, users of LCRT have the ability to seek undervalued assets. Over time, the market rectifies the inconsistencies and the undervalued assets show superior returns. LCRT should give the investor the hint of x-ray vision necessary to find undervalued assets with which to populate their portfolios.

A must-read book for investors who prefer to pick stocks based on cash flow facts, not on media hype and fiction. How to Pick a Stock is written for the contrarian investor who wants an investing method that is based on cash flow facts, not on media hype and speculative impulse. This book combines an accessible presentation of a contrarian investment model and the ValuFocus tool that offers a highly studious, detailed explanation of understanding a company's true intrinsic value. If you can calculate a company's intrinsic value on the basis of knowing if the market is currently under, fairly, or over pricing its stock, then it is possible to invest wisely in the stock market. Investors who want to buy undervalued stocks, or sell (short) overvalued ones will find this book immensely useful. The ValuFocus investing tool calculates the intrinsic value of every company in their database automatically. Thus, an individual investor can become an "A" student of a modeling process, or can go right ahead in using this tool to pick stocks and manage their own portfolio. Additionally, this book helps to develop an enhanced framework to fundamental equity valuation. Contains the ValuFocus tool for calculating the intrinsic value of every company in the LCRT Nucleus database. Offers specific and innovative valuation techniques of practicing professionals for individuals to use in picking stocks long-term. Highlights the most state-of-the-art approaches to unconventional stock-picking for investors and corporate finance professionals. Offering encouragement to individual investors by outlining a model that delivers satisfying returns, How to Pick a Stock is especially useful for those who are patient and believe in longer-term investing horizons.

From the Inside Flap. ValueFocus Investing is written for individual and professional investors who face the daunting task of picking stocks and managing a portfolio in today's volatile equity market. This reliable guide presents the LCRT Investment Process, an investing method that is based on cash flow facts, not media hype or speculative impulse. In it, Rawley Thomas, with the help of William Mahoney, provides an accessible presentation of a contrarian investment model and the ValuFocus tool, which offers a highly studious, detailed explanation of understanding a company's true intrinsic value. Once you are able to calculate a company's intrinsic value by understanding if the market is currently under, fairly, or over pricing its stock, then you are able to invest wisely in the stock market. Investors who want to buy undervalued stocks, or sell (short) overvalued ones, will find this book an invaluable resource. A key component to success in the market is the ValuFocus investing tool, which calculates the intrinsic value of every company in its database automatically. ValuFocus is simple to use, because with it you can visually compare current price to intrinsic value on a Value chart that displays all the tools needed to select a stock to buy, sell, or short. Thus, an individual investor can become a highly skilled student of the modeling process and can use this tool to pick stocks and manage their own portfolio. ValueFocus Investing offers both the fundamentals and more advanced strategies for investors who want to develop an enhanced framework for equity valuation. ValueFocus Investing also proves useful for investors interested in value management and corporate governance; the managers of business enterprises, who require capital from investors to run and grow their companies. This book is filled with a wealth of helpful concepts on value creation and the authors propose a unique, consistent, and unified path for both investing within the corporation and external investing in the corporation's stock. Offering encouragement to individual investors by outlining a model that delivers satisfying returns, ValueFocus Investing is especially useful for those who are patient and believe in longer-term investing horizons.

From the Back Cover. Praise for ValueFocus Investing "Rawley Thomas is one of the most experienced thinkers in the area of corporate valuation anywhere in the world. This forty-chapter book is unique for two reasons. First, it is comprehensive, having material about not only every aspect of valuation, but also his comparison of various approaches to each topic. It is literally encyclopedic. Rawley is not shy about including other authors' objections to his methods for valuation, nor does he fail to advocate, with careful reasoning, his own approach. I have known Rawley for twenty to thirty years and have always found him to be a fountain of knowledge. If you cannot have Rawley answer a question in person, this book is the next best thing." Thomas E. Copeland, PhD, Richard Woltman Professor of Financial Economics, University of San Diego; CEO, Commercial Valuation Consultants "ValueFocus Investing is an extraordinary book in scope and originality. Multiple levels of practical insights range from the history of valuation models, to the key differences among models, and then

to a process for investors to implement a model that is most likely to improve their investment performance." Bartley J. Madden, author of *Wealth Creation: A Systems Mindset for Building and Investing in Businesses for the Long Term* "Rawley is defining the frontier on intrinsic value. This book makes you question conventional financial wisdom and shows you new ways to delve into proper valuations." Mitchel Abeyta, Managing Director, SP Capital IQ "The concepts incorporated in this book set the standard for financial and investment analysis when first developed by the authors and remain so today. For compensation of all kinds, this means that the controllable drivers of gross cash investment and gross cash flow should become the core elements; from the shop floor to the executive suite." Mark C. Ubelhart, world-recognized human capital practice leader, former Hewitt Associates partner, and Global Analytics shareholder "ValuFocus Investing is an excellent and detailed review of the current state-of-the-art of cash flow-based stock selection models. I highly recommend this book to practitioners who use quantitative models to help build and manage stock portfolios." Michael Lindh, CFA, CPA, former president, CFA Society of Chicago "Easy to read, insightful, and a great breakthrough for the investor!" Professor Michael J. Riley, DBA, former CFO of the Postal Service, University of Maryland University College "Thomas and Mahoney provide a comprehensive overview of equity valuation." Javier Estrada, IESE Business School "Thoroughly researched and tested, Thomas and Mahoney introduce a fresh, new, proactive approach to modeling for serious value investors." Charles F. Beauchamp, PhD, Middle Tennessee State University "ValuFocus Investing offers both individual and professional investors an invaluable tool to help them estimate the intrinsic value of stocks." Michael Ehrlich, Associate Director, The Leir Center for Financial Bubble Research, School of Management, New Jersey Institute of Technology

**About the Author**  
Rawley Thomas is President of LifeCycle Returns, Inc. (LCRT). He served as assistant treasurer of SuperValu Stores, joined Callard, Madden in 1981, cofounded Holt Planning in 1985, and directed Value Management research for The Boston Consulting Group for eleven years. Thomas is past Vice President of Practitioner Services for the Financial Management Association International (FMA) and is Chairman of the FMA Practitioner Research Committee. Currently, he serves on the Northern Illinois Accountancy Board and chairs the Financial Management Association Practitioner Demand Driven Academic Research Initiative (FMA PDDARI) supported by the CFA Society of Chicago. WILLIAM MAHONEY is a veteran investor relations practitioner, journalist, and author. He spent twenty years as a communications and investor relations professional with companies such as Motorola, Scott Paper, and Esmark, and twenty-five years as an editor of investor relations and corporate governance publications, including *Update*, which is the official publication of the National Investor Relations Institute; *Shareholder Value* magazine; and the newsletter *Valuation Issues*. He has written a half-dozen books on investor relations and corporate governance. Mahoney began his career as a reporter for the Ft. Wayne News-Sentinel after graduating from Marquette University.