The Ultimate Guide to Stock Valuation – Sample Chapters

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For the past month, I've been working, writing and designing a free ebook for stock valuation to give out to Old School Value members and visitors. It covers all the valuation techniques contained in the OSV Stock Analyzer as well as this blog.

Valuation is important, but it is not black and white.

It is an art.

Every valuation method requires assumptions and inputs and value investors do not like having to project numbers. I am one of them.

However, it is a necessary evil.

Make realistic assumptions and the inputs are acceptable. Do not use numbers to match what you want the output to be.

Your role as an investor is to be a realist. Not an optimist or a pessimist or to have your views confirmed.

I have people who disagree with the methods I use to value stocks, but that's because I take a practical and real world approach to valuing stocks. Stocks are valued in all sorts of ways and in the book, you will learn 8 valuation techniques that I use frequently to value stocks.

The most recent example is the post on Friedman Industries. I showed you the NCAV, NNWC, EPV and EBIT multiples which are valuation methods independent of each other.

If you are a current member of old school value and you want to maximize your results, get better results but most importantly save more time by knowing how to really make it work, I provide the details in the book.

For non members, I believe the book is still relevant to you too. I go through a step by step process of how to use each valuation method, examples and illustrations for you to do it on your own.

Table of Contents of the Book

Sample Chapters – Graham Net Net Stocks and the Graham Formula

Here is a page from the sample chapter. Click the image to enlarge and use one of the links to read the rest. If you are reading from email, come to the website to see it properly.

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The Ultimate Guide to Stock Valuation

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Benjamin Graham's "Net Net" Stocks

In 1932 at the bottom of the Great Crash, Ben Graham's fund had lost 70% of its value.

It was precisely at this time when he wrote a Forbes article stating how cheap the market was. In fact, Graham remarked about how the market was selling the United States for free.

What made Graham make this claim?

Deep Value Companies

It all came down to the way Graham looked at companies.

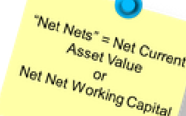
Stocks were being quoted in the market for much less than its liquidating value, priced as if the company was destined to be doomed.

This still happens today.

But does it make sense to be quoted for less than the cash in your hand?

Such deep value stocks are referred to as "net nets" and the idea is to calculate the liquidation value.

Liquidation Value



Graham defined liquidating value very conservatively.

The common definition used is Net Current Asset Value.

NCAV = Current Assets - Total Liabilities

You can see how conservative the above definition is.

But the term current assets is rather broad. It consists of cash, accounts receivables, inventory, and other assets easily convertible to cash. A company with 100% cash is much better off than a company with 100% in prepaid assets.

And so, to define it clearer, I use a variation of NCAV which is stricter, but makes more sense and offers extra security when valuing and selecting net net stocks.

That variation is called Net Net Working Capital.

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