The Three Approaches

Accounting & Finance

Every valuation method belongs to one of three families.

The three approaches.

Approach	Asks	Method
Income	What will it earn?	Discounted cash flow
Market	What do similar ones sell for?	Comparable multiples
Asset	What is it made of?	Net asset value

A credible valuation triangulates. If DCF and comparables disagree sharply, one assumption is wrong — find it.