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Relative Valuation

1. EV multiples

You are asked to evaluate company Kents, having available some data about comparable companies in the following Table:

	EV	Sales	EBITDA	DA
Company A	1280	120	90	15
Company B	2800	230	200	30
Company C	2400	200	170	25
Company D	1650	180	110	15

The P&L of company Kents is the following one:

Sales	200
Opex	80
EBITDA	120
DA	15
EBIT	105

Solution

	EV/sales	EV/EBITDA	EBIT	EV/EBIT
Company A	10.7	14.2	75	17.1
Company B	12.2	14.0	170	16.5
Company C	12.0	14.1	145	16.6
Company D	9.2	15.0	95	17.4
	11.0	**14.3**		**16.9**

$$\boldsymbol{EV = \frac{EV}{SALES} \times sales = 11.0 \times 200 = 2200}$$

$$\boldsymbol{EV = \frac{EV}{EBITDA} \times ebitda = 14.3 \times 120 = 1716}$$

$$\boldsymbol{EV = \frac{EV}{EBIT} \times ebit = 16.9 \times 105 = 1774.5}$$

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2. E multiples

You want to estimate the equity value of Water through the relative valuation. You know that water has to pay 100 mln euro of interests and has a corporate tax of 40%.
You have identified two listed comparable companies (Still and Sparkling) whose price per share is 2,34 and 2,75 euro per share respectively. Furthermore, the earnings of Still have been 140 mln euro while the earnings of Sparkling have been 185 mln euro. Finally, you know that Still has 1000 shares while Sparkling has 1200 shares.

TABLE1

	WATER
Sales	800
EBITDA	540
EBIT	330

With the information available, select the adequate multiple and compute the equity value of Water.

Solution

$$\frac{P}{E}still = \frac{2.34€ \times 1000}{140\ mln\ €} = 16.71$$

$$\frac{P}{E}sparkling = \frac{2.75€ \times 1200}{185\ mln\ €} = 17.84$$

$$avg\frac{P}{E} = \frac{16.71 + 17.84}{2} = 17.28$$

Earning=(EBIT-interests)x(1-t)=(330-100)x(1-40%)=138

E=17.28x138=2384