**Conclusion of the Practical Exercise**

In this lesson, we will conclude our multiples valuation by comparing the results obtained after adjusting EBIT and EV for each of the three peer companies: Daimler, BMW, and Toyota.

This exercise requires considerable time and effort. I spent several hours making the adjustments you see here. The good news is that after working on Volkswagen together, the analyst gains an understanding of the financial report structures of companies within a given industry, making most adjustments repetitive and thus faster to perform.

Let us now examine the multiples figures obtained for the three comparable companies. The average of the three multiples is 30.3. Given these numbers, the conclusion is that Volkswagen's market valuation is slightly lower compared to other companies with similar businesses. This could indicate that the company is a good buying opportunity.

In the spirit of continuous improvement, I would like to note that working with only three comparable firms is the bare minimum. It would have been preferable to analyze five, seven, or even ten firms, provided there is enough time and availability of good quality, comparable businesses. It is up to the analyst's discretion to decide how many companies to include in the peer list, but three is the minimum for multiples valuation.

Multiples valuation is a very exciting, challenging, and purely intellectual exercise which, if done correctly, can greatly contribute to the valuation of a target company. While the discounted cash flow (DCF) technique is probably the most popular tool for valuing established businesses, multiples are a very close second and often help analysts triangulate results and defend their initial valuation.

If we say that DCF is extremely reliant on future cash flow projections and growth rates, then multiples are highly dependent on the quality of peer selection and the careful and correct adjustment of enterprise value and EBIT components.

I hope you enjoyed this exercise and would like to thank you for sticking with it until the end. I hope these lessons will be useful to you in the future, and I certainly enjoyed our time together.

**Key Takeaways**

* Adjusting EBIT and EV for peer companies is a time-consuming but essential process.
* Analyzing multiple comparable firms improves the reliability of multiples valuation.
* Multiples valuation complements discounted cash flow (DCF) analysis by providing triangulation.
* The quality of peer selection and adjustments critically impacts multiples valuation accuracy.