

Investment Banking and Venture Capital

Comparable Company Analysis

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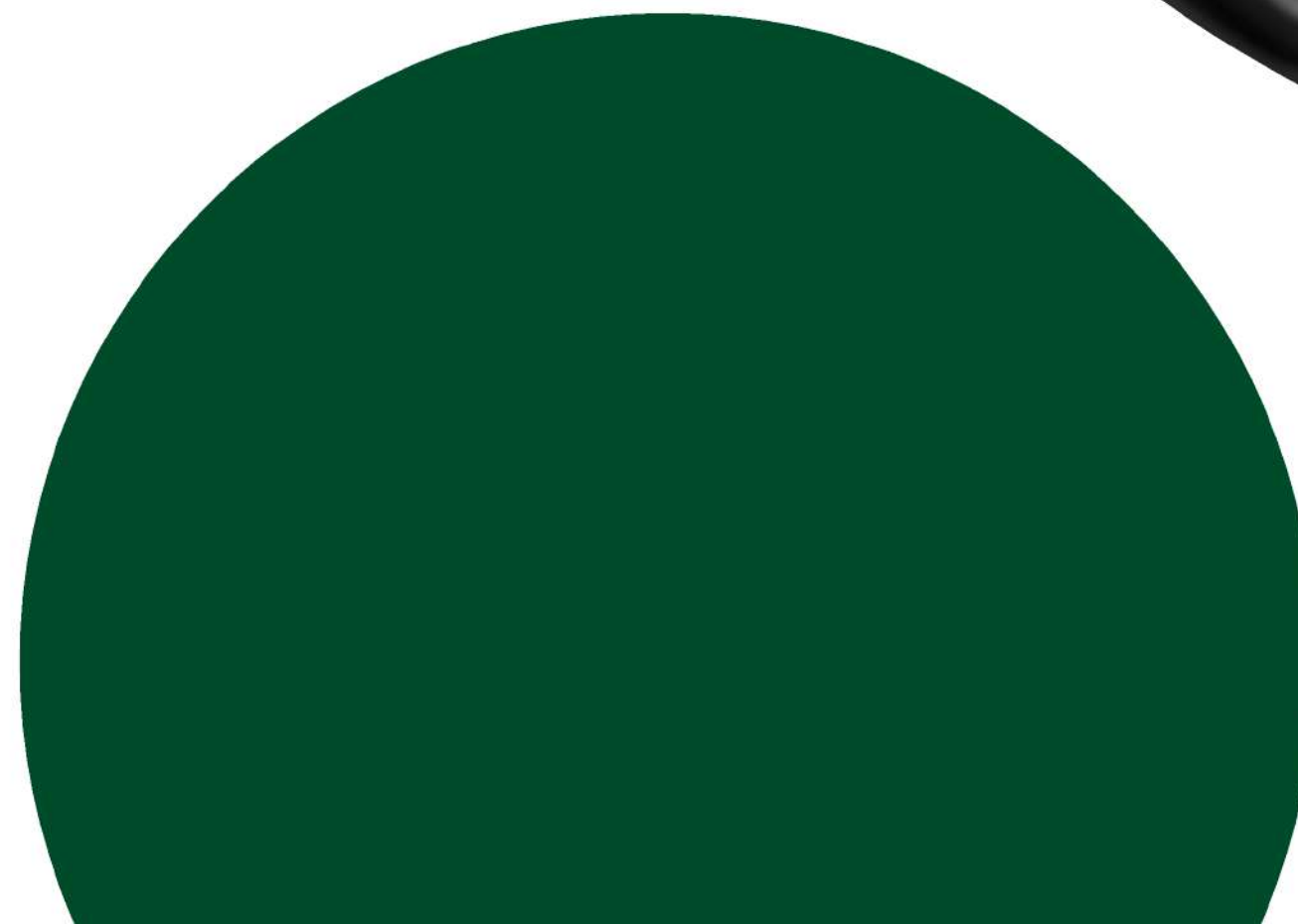
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Selected Companies

01 Foot Locker

02 Ebay

03 Nordstrom

"Reason for Selecting Companies for Comparative Analysis"

Business Model

All three companies operated in the online retail sector, specializing in apparel and footwear.

Customer Base

Each company targeted consumers interested in purchasing apparel and footwear online, though specific customer demographics may have varied.

Size and Scale

eBay, Nordstrom, and Overstock.com were all publicly traded with substantial market capitalization and revenue.

Geographic Focus

All three had a prominent presence in the United States.

Comparable Analysis by P/E , EV, EBITDA Ratios

	Nordstorm	Ebay	Footlocker
Enterprise value	5753.208	27860	1729
EBITDA	1054	2541	286
P/E	22.0609	8.23	12.04
EV/ EBITDA	5.45845161	10.9641873	6.04545455
MEDIAN EV/EBITDA	6.04545455		
MEDIAN P/E	12.04		



Indication of multiples about the market valuation

FOOT LOCKER

- EV/EBITDA Multiple: Foot Locker's ratio stands at 6.05.
- Valuation Context: This multiple suggests that the company's enterprise value is approximately 6 times its EBITDA.
- Industry Benchmark: An EV/EBITDA multiple between 5 and 10 is generally considered reasonable, varying by industry.
- Valuation Implication: Given the negative net earnings, Foot Locker's valuation might align with industry standards or could be slightly undervalued.

Foot Locker



Indication of multiples about the market valuation

eBay



- Market Valuation Metrics:
- EV/EBITDA: 3.41
- P/E Ratio: 4.91
- Market Sentiment: These multiples suggest that the market may have a cautious outlook on eBay's future earnings growth and may perceive its current profits as unsustainable at the same growth rate.
- Valuation Perspective:
- eBay could be seen as undervalued.
- This undervaluation might reflect underlying risks, such as increased competition, potential changes in business strategy, or external economic factors.



Indication of multiples about the market valuation



NORDSTROM

Nordstrom

- EV/EBITDA Ratio: 5.46
- Moderate Valuation: The company is valued at approximately 5.46 times its EBITDA. This indicates a moderate valuation—neither highly overvalued nor very cheap.
- Future Growth Potential: Investors are willing to pay 5.46 times EBITDA, reflecting some confidence in the company's cash flow generation without extreme optimism.
- P/E Ratio: 22.06
- Higher Valuation Based on Earnings: The P/E ratio of 22.06 suggests the market values the company more optimistically in relation to its earnings.
- Growth Expectations: A higher P/E ratio typically indicates expectations of significant future earnings growth or that the company operates in a sector with high growth potential.



Applying Multiples to Zappos

Enterprise Value and Equity Value of Zappos

$$EV = EBITDA * \text{Median EV} / EBITDA$$

$$EV = 40 \text{ MN} \times 6.0455 = 241.82 \text{ MN}$$

$$\text{Equity Value} = EV - \text{Debt} + \text{Cash}$$

$$\text{Equity Value} = 241.82 - 5 + 20 = 256.82 \text{ MN}$$

How does the valuation compare to actual acquisition price

Valuation Range Based on Comparables:

- The estimated value ranges from \$241.82 million to \$301 million, which is significantly lower than the \$1.2 billion paid by Amazon.
- Reasons for the Valuation Difference:
Strategic Premium: Amazon likely paid a premium for Zappos' strong brand value, customer loyalty, and e-commerce presence.
- Synergies: The deal may have included the potential for significant operational synergies with Amazon's existing business, enhancing Zappos' value to Amazon.
- Growth Potential: Amazon may have considered Zappos' future growth potential, beyond historical performance metrics, in its valuation.



Conditions which have influenced the multiples of comparable companies

E-Commerce Sector Valuations and Market Sentiment (2009)

- Market Context
- Economic Climate: The e-commerce sector was recovering from the 2008 global financial crisis.
- Investor Sentiment: Cautious, leading to conservative valuations and multiples.
- Company Valuations:
- Foot Locker: EV/EBITDA: 6.05
 - Reflects moderate valuation levels in a cautious market.
- eBay: EV/EBITDA: 3.41
 - Lower valuation indicates higher caution due to uncertain growth prospects.
- Nordstrom: EV/EBITDA: 5.46
 - Moderate valuation reflecting cautious optimism.



Conditions which have influenced the multiples of comparable companies

E-Commerce Sector Valuations and Market Sentiment (2009)

P/E Ratios and Market Confidence:

- Nordstrom: P/E Ratio: 22.0 Higher ratio suggests some market confidence in future growth.
- eBay: P/E Ratio 4.91 Lower ratio indicates a more cautious outlook due to uncertain growth prospects.

Strategic Acquisitions and Valuations

- Amazon's Acquisition of Zappos
 - Demonstrates how strategic premiums, including brand value and synergies, can elevate valuations beyond typical multiples during recovery phases.

Conclusion:

- - The 2009 e-commerce market was characterized by moderate valuations with cautious investor sentiment.
- - Strategic moves and acquisitions played a significant role in influencing valuations during the economic recovery phase.

Thank You

