Which Multiples should I use?

Which Multiples should I use?

- Your starting point for collecting your information should be to collect a wider range of multiples and deal financial information than you may need
- This information will be incomplete and will need further follow up - so be thorough

Which Multiples should I use?

- The basic information should be collected about the deal

- Date
- Target Name
- Buyer
- Type of Buyer
- Price Paid
- Equity Value
- Enterprise Value
- Sales
- EBITDA
- EBIT

Which Multiples should I use?

- This will enable you to calculate the ratios you need which are:
- Note as with Comps, using Enterprise Value rather than Equity Value takes into account the financial structure of the target company

- EV / Sales
- EV / EBITDA
- EV / EBIT
- PE
- PEG

Which Multiples should I use?

- EV/Sales
- Useful when EBITDA is negative - startups or distressed cos
- Revenue can be a poor comparator as it tells you nothing about profitability
- Construction companies have very high revenues and very low margins because of the way they account for all the materials and services used in construction

Which Multiples should I use?

- EV / EBITDA
- Proxy for FCF
- Most commonly used
- Very relevant for PE deals

Which Multiples should I use?

- EV / EBIT
- Adjusts for Depreciation and Amortisation
- More applicable to capital intensive industries where there will be much higher levels of D&A

Which Multiples should I use?

- Price Earnings (PE)
- Very useful if available, often not for private company deals

Which Multiples should I use?

- PEG Ratio
- PE divided by the rate of growth in earnings
- Growth rate is critical to valuation so its very helpful

Which Multiples should I use?