



Comparable Companies Model

Comparable Companies Model

- ❖ Having chosen our Peer group the next step is to collect the financial information and input it into our spreadsheet

Comparable Companies Model

❖ The financial information includes:

- ❖ Share Price
- ❖ Market Cap
- ❖ Enterprise Value
- ❖ Sales
- ❖ EBITDA
- ❖ EBIT
- ❖ EPS

Comparable Companies Model

- ❖ There are models which can require you to collect a full set of financial information on each peer company but we are focusing on the valuation not on creating elaborate models
- ❖ You can download an XLS version of my model with this lecture

Comparable Companies Model

- ❖ Step 1: Input the Peer Group Company names, Tickers and Last Accounts in the Peer Group Sheet

Company	Ticker	Last Financial Period
DELL INC.	DELL-US	2-Nov-12
HEWLETT-PACKARD COMPANY	HPQ-N	31-Oct-12
APPLE INC.	AAPL-O	29-Dec-12
EMC CORPORATION	EMC-N	31-Dec-12
INTERNATIONAL BUSINESS MACHINES CORPORATION	IBM-N	31-Dec-12
SONY CORPORATION	6758-TO	31-Dec-12
TOSHIBA CORPORATION	6502-TO	31-Dec-12
LENOVO GROUP LIMITED	992-HK	31-Dec-12
ACER INCORPORATED	2353-TW	30-Sep-12
SAMSUNG ELECTRONICS CO.,LTD	005930-SE	30-Sep-12
NETAPP, INC.	NTAP-O	26-Oct-12

Comparable Companies Model

- ❖ Step 2 Add financial information to the green squares in the COMPS VALUATION Sheet
- ❖ The amber cells are self populating and formulas
- ❖ Price, Market Cap and EV

Company	Ticker	Last Period End Date	Price	Market Cap - Consolidated	Enterprise Value
DELL INC.	DELL-US	2-Nov-12	13.81	24,010.07	21,767.07
HEWLETT-PACKARD COMPANY	HPQ-N	31-Oct-12	16.79	32,786.18	49,615.18
APPLE INC.	AAPL-O	29-Dec-12	460.16	432,116.80	391,663.80
EMC CORPORATION	EMC-N	31-Dec-12	24.00	50,559.71	47,269.38
INTERNATIONAL BUSINESS MACHINES CORPORATION	IBM-N	31-Dec-12	200.98	227,093.90	249,357.90
SONY CORPORATION	6758-TO	31-Dec-12	15.37	15,554.05	21,371.25
TOSHIBA CORPORATION	6502-TO	31-Dec-12	4.75	20,142.87	42,512.55
LENOVO GROUP LIMITED	992-HK	31-Dec-12	1.13	11,831.54	7,591.71
ACER INCORPORATED	2353-TW	30-Sep-12	0.86	2,432.10	1,902.90
SAMSUNG ELECTRONICS CO.,LTD	005930-SE	30-Sep-12	1,340.62	215,900.67	206,329.41
NETAPP, INC.	NTAP-O	26-Oct-12	36.55	13,279.15	8,930.95

Comparable Companies Model

❖ Then input the Sales, EBITDA, EBIT and Earnings Per Share

Company	P/E FY1	Sales FY1	EBITDA FY1	EBIT FY1	EPS FY1
DELL INC.	8.08	56,744.13	4,942.43	3,909.03	1.71
HEWLETT-PACKARD COMPANY	5.06	112,325.47	13,311.60	9,174.97	3.32
APPLE INC.	10.28	183,102.61	60,552.48	55,443.98	44.75
EMC CORPORATION	12.91	23,480.21	7,141.92	5,963.34	1.86
INTERNATIONAL BUSINESS MACHINES CORPORATION	11.98	106,275.29	28,820.22	24,242.98	16.77
SONY CORPORATION	114.30	77,101.70	5,324.60	1,711.65	0.13
TOSHIBA CORPORATION	15.14	68,872.97	5,698.79	2,615.52	0.31
LENOVO GROUP LIMITED	19.13	34,308.31	975.37	772.92	0.06
ACER INCORPORATED	119.39	14,797.73	136.71	47.79	0.01
SAMSUNG ELECTRONICS CO.,LTD	7.68	207,106.05	48,832.09	32,774.49	174.55
NETAPP, INC.	16.07	6,372.79	1,227.73	976.00	2.27

Comparable Companies Model

- ❖ The model calculates:
- ❖ EV / Sales
- ❖ EV / EBITDA
- ❖ EV / EBIT
- ❖ As well as the PE ratio

Company	EV/Sales FY1	EV/EBITDA FY1	EV/EBIT FY1
DELL INC.	0.38	4.40	5.57
HEWLETT-PACKARD COMPANY	0.44	3.73	5.41
APPLE INC.	2.14	6.47	7.06
EMC CORPORATION	2.01	6.62	7.93
INTERNATIONAL BUSINESS MACHINES CORPORATION	2.35	8.65	10.29
SONY CORPORATION	0.28	4.01	12.49
TOSHIBA CORPORATION	0.62	7.46	16.25
LENOVO GROUP LIMITED	0.22	7.78	9.82
ACER INCORPORATED	0.13	13.92	39.82
SAMSUNG ELECTRONICS CO.,LTD	1.00	4.23	6.30
NETAPP, INC.	1.40	7.27	9.15

Comparable Companies Model

❖ The model then calculates:

❖ Mean

❖ Median

❖ High

❖ Low

❖ Values for the three EV ratios

Company		EV/Sales FY1	EV/EBITDA FY1	EV/EBIT FY1
DELL INC.	1	0.38	4.40	5.57
HEWLETT-PACKARD COMPANY	2	0.44	3.73	5.41
APPLE INC.	5	2.14	6.47	7.06
EMC CORPORATION	6	2.01	6.62	7.93
INTERNATIONAL BUSINESS MACHINES CORPORATION	7	2.35	8.65	10.29
SONY CORPORATION	3	0.28	4.01	12.49
TOSHIBA CORPORATION	1	0.62	7.46	16.25
LENOVO GROUP LIMITED	6	0.22	7.78	9.82
ACER INCORPORATED	1	0.13	13.92	39.82
SAMSUNG ELECTRONICS CO.,LTD	5	1.00	4.23	6.30
NETAPP, INC.	7	1.40	7.27	9.15
Mean		1.00	6.78	11.83
Median		0.62	6.62	9.15
High		2.35	13.92	39.82
Low		0.13	3.73	5.41

Comparable Companies Model

- ❖ It is at this point that you might consider identifying high and low outliers which may be distorting the ratios
- ❖ You can either eliminate these values or consider removing the company from the Peer Group

Company		EV/Sales FY1	EV/EBITDA FY1	EV/EBIT FY1
DELL INC.	1	0.38	4.40	5.57
HEWLETT-PACKARD COMPANY	2	0.44	3.73	5.41
APPLE INC.	5	2.14	6.47	7.06
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Mean		1.00	6.78	11.83
Median		0.62	6.62	9.15
High		2.35	13.92	39.82
Low		0.13	3.73	5.41

Comparable Companies Model

❖ For your target company you can input:

❖ Sales

❖ EBITDA

❖ EBIT

Company	P/E FY1	Sales FY1	EBITDA FY1	EBIT FY1	EPS FY1
DELL INC.	8.08	56,744.13	4,942.43	3,909.03	1.71
HEWLETT-PACKARD COMPANY	5.06	112,325.47	13,311.60	9,174.97	3.32
APPLE INC.	10.28	183,102.61	60,552.48	55,443.98	44.75
EMC CORPORATION	12.91	23,480.21	7,141.92	5,963.34	1.86
INTERNATIONAL BUSINESS MACHINES CORPORATION	11.98	106,275.29	28,820.22	24,242.98	16.77
SONY CORPORATION	114.30	77,101.70	5,324.60	1,711.65	0.13
TOSHIBA CORPORATION	15.14	68,872.97	5,698.79	2,615.52	0.31
LENOVO GROUP LIMITED	19.13	34,308.31	975.37	772.92	0.06
ACER INCORPORATED	119.39	14,797.73	136.71	47.79	0.01
SAMSUNG ELECTRONICS CO.,LTD	7.68	207,106.05	48,832.09	32,774.49	174.55
NETAPP, INC.	16.07	6,372.79	1,227.73	976.00	2.27
Mean					
Median					
High					
Low					
Valuation					
Target Co		100,000.00	15,000.00	10,000.00	

Comparable Companies Model

- ❖ The model uses the Target Co sales and profit numbers to calculate values based on the Mean and the Median ratios of the Peer group

Company	P/E FY1	Sales FY1	EBITDA FY1	EBIT FY1	EPS FY1	EV/Sales FY1	EV/EBITDA FY1	EV/EBIT FY1
DELL INC.	8.08	56,744.13	4,942.43	3,909.03	1.71	0.38	4.40	5.57
HEWLETT-PACKARD COMPANY	5.06	112,325.47	13,311.60	9,174.97	3.32	0.44	3.73	5.41
APPLE INC.	10.28	183,102.61	60,552.48	55,443.98	44.75	2.14	6.47	7.06
EMC CORPORATION	12.91	23,480.21	7,141.92	5,963.34	1.86	2.01	6.62	7.93
INTERNATIONAL BUSINESS MACHINES CORPORATION	11.98	106,275.29	28,820.22	24,242.98	16.77	2.35	8.65	10.29
SONY CORPORATION	114.30	77,101.70	5,324.60	1,711.65	0.13	0.28	4.01	12.49
TOSHIBA CORPORATION	15.14	68,872.97	5,698.79	2,615.52	0.31	0.62	7.46	16.25
LENOVO GROUP LIMITED	19.13	34,308.31	975.37	772.92	0.06	0.22	7.78	9.82
ACER INCORPORATED	119.39	14,797.73	136.71	47.79	0.01	0.13	13.92	39.82
SAMSUNG ELECTRONICS CO.,LTD	7.68	207,106.05	48,832.09	32,774.49	174.55	1.00	4.23	6.30
NETAPP, INC.	16.07	6,372.79	1,227.73	976.00	2.27	1.40	7.27	9.15
Mean						1.00	6.78	11.83
Median						0.62	6.62	9.15
High						2.35	13.92	39.82
Low						0.13	3.73	5.41
Valuation								
Target Co		100,000.00	15,000.00	10,000.00				
Mean						EV/Sales	EV/EBITDA	EV/EBIT
Mean						99,689.39	101,654.36	118,255.70
Median						61,726.03	99,278.69	91,505.60
Average						80,707.71	100,466.52	104,880.65

Comparable Companies Model

- ❖ This allows us to allocate value ranges to each of the ratios

	EV/Sales	EV/EBITDA	EV/EBIT
	99,689.39	101,654.36	118,255.70
	61,726.03	99,278.69	91,505.60
	80,707.71	100,466.52	104,880.65

Comparable Companies Model

- ❖ EV / Sales
- ❖ \$99.6 bn - 61.7bn
- ❖ Average = \$80.7
bn

	EV/Sales	EV/EBITDA	EV/EBIT
	99,689.39	101,654.36	118,255.70
	61,726.03	99,278.69	91,505.60
	80,707.71	100,466.52	104,880.65

Comparable Companies Model

- ❖ EV / EBITDA
- ❖ \$101.6 bn - 99.2bn
- ❖ Average = \$100.4
bn

	EV/Sales	EV/EBITDA	EV/EBIT
	99,689.39	101,654.36	118,255.70
	61,726.03	99,278.69	91,505.60
	80,707.71	100,466.52	104,880.65

Comparable Companies Model

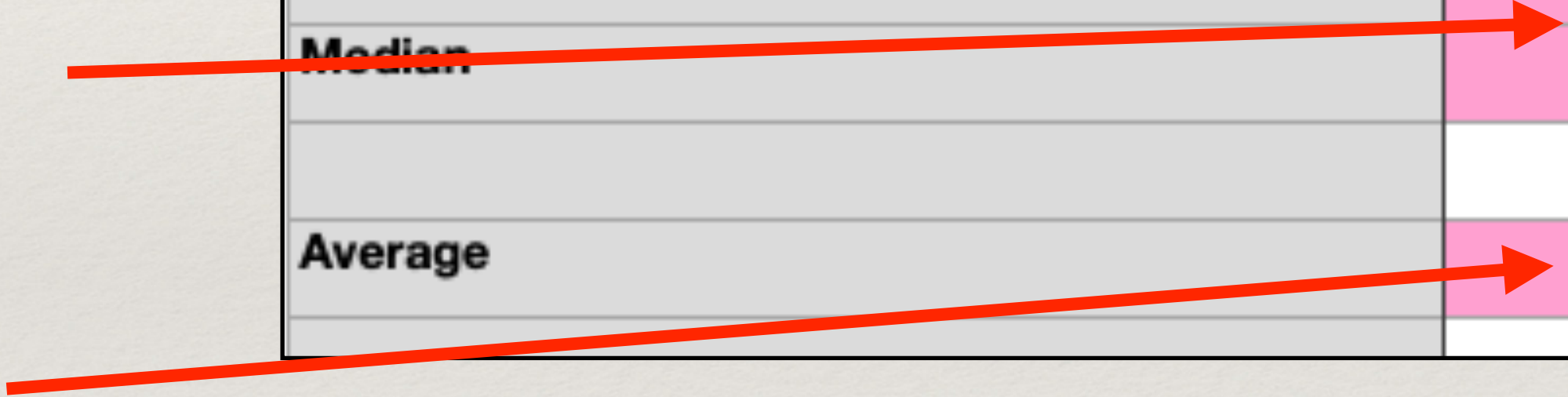
- ❖ EV / EBIT
- ❖ \$118.2 bn - 91.5bn
- ❖ Average = \$104.8
bn

	EV/Sales	EV/EBITDA	EV/EBIT
	99,689.39	101,654.36	118,255.70
	61,726.03	99,278.69	91,505.60
	80,707.71	100,466.52	104,880.65

Comparable Companies Model

- ❖ We can also look at the Mean and Median of the three ratios
- ❖ Giving us a value range of \$106.5 bn to \$84.1 bn
- ❖ The average of these 2 figures is \$95.3 bn

Valuation		
Target Co		
Mean	106,533.15	
Median	84,170.11	
Average	95,351.63	



Comparable Companies Model

- ❖ We have to present these figures together with the ratios they represent to show a full picture of the valuation ranges which are produced by the model



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