



WiF Case Valuation + Presentations + Help Session

Binghamton Women in Finance



Agenda

- Accounting Part II
 - Ratio Analysis
- Comparable Companies Workshop
 - Comparable Companies Analysis
 - What Makes A Comp Good?
 - Key Ratios And Statistics
 - Benchmarking Key Ratios
 - Determining Valuation Range
 - How To Display Your Analysis
- Presentation Workshop
 - Preparation For Presentation
 - Introduction
 - Question & Answer Period
- Help Session

Ratio Analysis

- What is a financial ratio?
 - Financial ratios show relationships between line items and help financial analysts compare companies
- Profitability
 - Demonstrates how profitable a company is (i.e., how much does it make in profit for each dollar of revenue?)
- Leverage
 - Demonstrates how much debt a company has; shows riskiness of a business
- Asset turnover
 - Measures efficiency of a company's assets (i.e., how much revenue does this factory produce each year?)

Ratio Analysis Cont'd

- Profitability
 - Operating Profit / Sales
 - COGS / Sales
 - SG&A / Sales
- Leverage
 - Debt / Equity
 - Debt / EBITDA
 - EBIT / Interest expense (shows debt burden, not leverage)
- Asset turnover
 - Sales / Property Plant and Equipment
 - Sales / Accounts Receivables

Comparable Companies Analysis

- Using similar companies to value a target company
 - Also known as “comps” or “relative valuation”
- **Essentially, you set up a proportion to value your target based on ratios of similar companies**
- Why is comparable companies analysis used?
 - Similar companies provide a relevant reference point
 - Designed to reflect valuation based on current market conditions
- This method acts as a check on other valuation methods
- Can be inaccurate when markets are irrational

What Makes A Comp Good?

- **A good comp is as similar to the target as possible in both an operational and financial perspective**
- Similar business profiles
 - Sector / industry
 - Products and services
 - Customers and end markets
 - Distribution channels and geography
- Similar financial profiles
 - Size (revenue)
 - Profitability
 - Growth profile
 - Capital structure

Key Ratios And Statistics

- Enterprise value multiples

- $\frac{\text{Enterprise Value}}{\text{Revenue}}$

- $\frac{\text{Enterprise Value}}{\text{EBITDA}}$

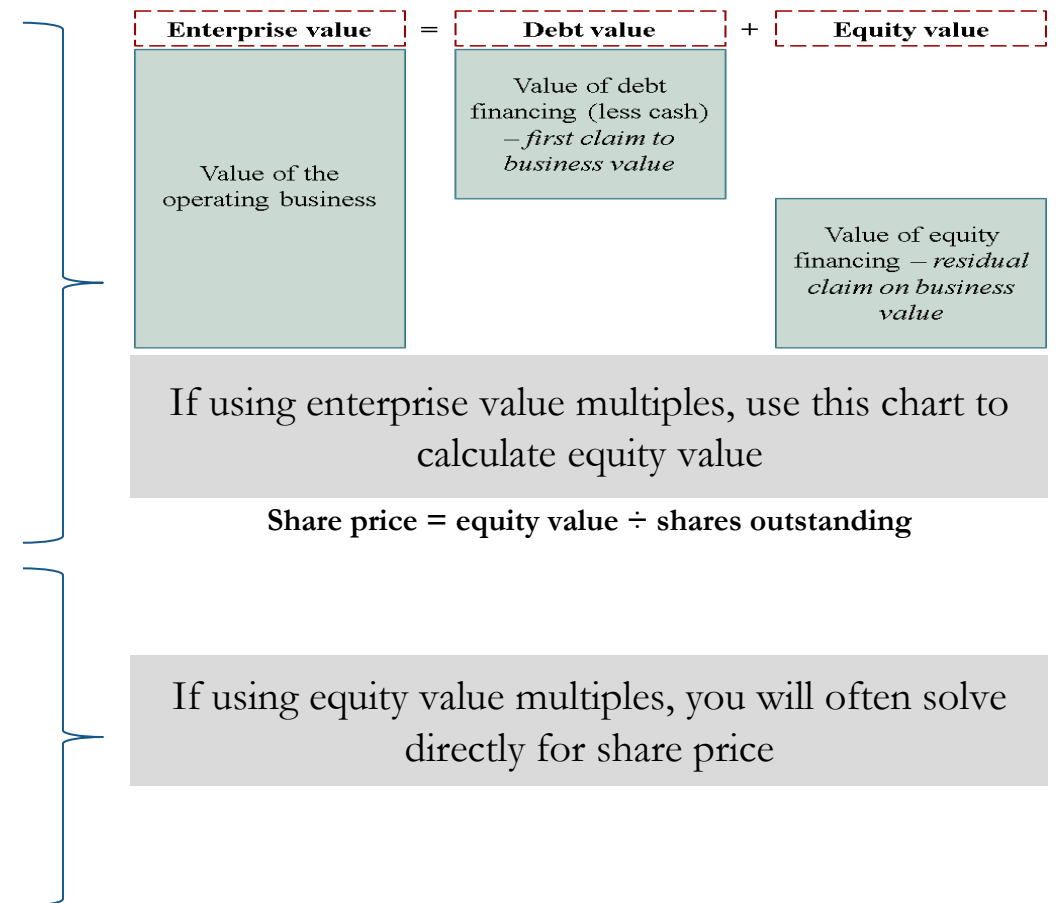
- $\frac{\text{Enterprise Value}}{\text{EBIT}}$

- $\frac{\text{Enterprise Value}}{\text{Subscribers}}^{1*}$

- Equity value multiples

- $\frac{\text{Price per Share}}{\text{Earnings per Share}}$

- $\frac{\text{Price per Share}}{\text{Book Value per Share}}^{2*}$



1* Usually used to value subscription-based businesses

2* Usually used to value banks

Benchmarking Key Ratios

- Comparable companies don't always trade at the same exact multiple, but should trade close to each other
- The goal is to determine a valuation range for the target
- To accomplish this goal:
 - Select the closest comps to the target
 - Compare the multiples between these firms
 - Calculate a valuation range for these firms

Determining Valuation Range

- Valuation “low” and “high” are usually represented by the 1st and 3rd quartiles of the data set respectively
 - Use your best judgement
- Exclude multiples that are “not meaningful”, such as those that are extreme outliers in the data set

Example

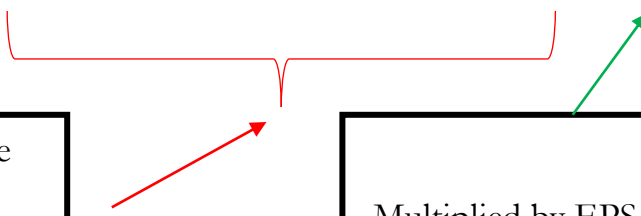
Ticker	Share Price	Market Cap	Shares Outstanding	Cash	Total Debt	Enterprise Value	Last 12 Months									
							Revenue	EBITDA	EBIT	EPS	FCFF	EV/Revenue	EV/EBITDA	EV/EBIT	EV/FCFF	P/E
UAA	\$ 6.73	3,205,230	476,260	1,049,413	1,454,000	3,609,817	5,558,027	386,547	246,722	0.02	(168,943)	0.65	9.34	14.63	-21.37	336.50
NKE	\$ 83.55	131,257,050	1,571,000	8,574,000	12,627,000	135,310,050	46,306,000	7,939,000	7,198,000	3.83	6,457,000	2.922	17.044	18.80	20.956	21.815
LULU	\$ 279.56	35,923,460	128,500	1,259,900	1,594,300	36,257,860	7,930,600	1,778,000	1,525,500	8.57	237,600	4.572	20.392	23.77	152.600	32.621
VFC	\$ 29.91	11,614,053	388,300	1,275,900	6,798,500	17,136,653	11,908,900	2,259,700	2,570,200	2.58	220,100	1.439	7.584	6.67	77.858	11.593

Minimum	0.65	7.58	6.67	-21.37	11.59
Quartile 1	1.24	8.90	12.64	10.37	19.26
Median	2.18	13.19	16.71	49.41	27.22
Quartile 3	3.33	17.88	20.04	96.54	108.59
Maximum	4.57	20.39	23.77	152.60	336.50
Average	2.40	13.59	15.97	57.51	100.63

Minimum	6.73	5.31	2.60	6.73	0.23
Quartile 1	13.64	6.37	5.70	-4.53	0.39
Median	24.60	9.86	7.81	-18.38	0.54
Quartile 3	38.07	13.66	9.53	-35.10	2.17
Maximum	52.51	15.70	11.46	-54.98	6.73
Average	27.11	10.18	7.42	-21.25	2.01

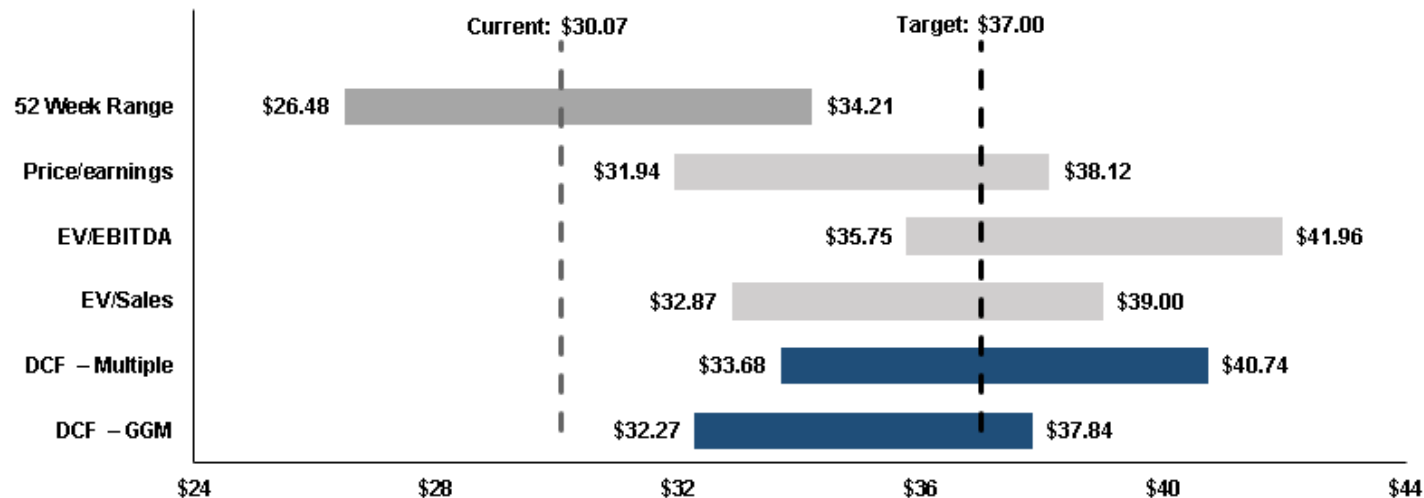
Multiplied by denominator to get Enterprise Value
 Added Cash
 Subtracted Debt
 Divided by diluted shares outstanding

Multiplied by EPS



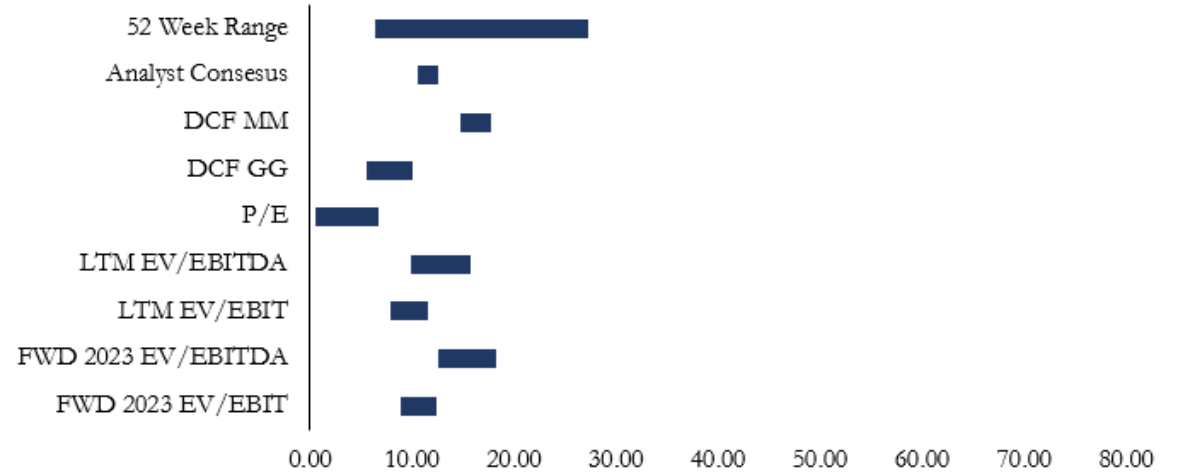
How To Display Your Analysis

- Make a ‘football field’ in Excel
 - This will include your valuation – DCF, comps, etc...
 - Other things to include – 52 week range, Street price targets
- Value ranges should be similar, but not exactly the same
 - There is no “correct” way to value a company



Example

	Min	Spread	Max
FWD 2023 EV/EBIT	8.93	3.53	12.46
FWD 2023 EV/EBITDA	12.52	5.70	18.21
LTM EV/EBIT	7.81	3.65	11.46
LTM EV/EBITDA	9.86	5.84	15.70
P/E	0.54	6.19	6.73
DCF GG	5.58	4.49	10.07
DCF MM	14.72	3.01	17.73
Analyst Consensus	10.5	2.00	12.5
52 Week Range	6.38	20.90	27.28



- Stacked horizontal bar chart
- Make the first ranges for each category white so they are not visible

Preparation For Presentation

- Divide the PowerPoint slides between members
 - Do not over allocate to one member
 - Be aware of how many transitions are needed
- Rehearse multiple times
 - Practicing speed
 - Efficient timing
 - Effective transitions
- Who is going to handle the clicker?

Introduction

- Introduce the members of the team
- Include a cover slide in the presentation
- Frame your pitch
 - Who is the company
 - What are the issues affecting the stock
- Remember to **stay** in the voice of a sell side analyst

Question & Answer Period

- There will be a 5 to 10 minute Q&A
- Add a question slide to the end of the presentation
- Be sure that all members are contributing
- If you're not sure of the answer, try your best to answer with information that you **DO** know
 - Reframe the question
 - Talk about the analysis required to answer
- Reference the appendices in your slides!
 - Build out your appendix with relevant information that you think could be asked
 - Read company news, know ratios, margins, competitor information, context of the company in the overall market, etc.

Deliverable 3

- Create a valuation for your company using at least the Comparable Companies Analysis
- Should be submitted as an Excel file
- Due Sunday, October 16th at 11:59 PM
- Email to bingwomeninfinance@gmail.com
 - Subject line must be: Team [number] – Deliverable 3

Thank You!

Questions?

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