Financial Modelling Workshop
Day 2
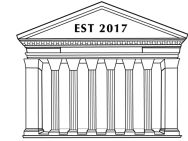
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Lesson Outline

1. Relative Valuation
2. Company Screening
3. Building Comps Tables
4. Comparison of Valuation Approaches

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Relative Valuation

Sector	Multiple Used	Rationale/ Comments
Cyclical Manufacturing	PE, Relative PE	Often with normalized earnings.
High Tech, High Growth	PEG	Big differences in growth across firms make it difficult to compare PE ratios.
High Growth/Negative Earnings	PS, VS	Assume future margins will be positive.
Infrastructure	V/EBITDA	Firms in sector have losses in early years and reported earnings can vary depending on depreciation method.
REIT	P/CF	Restrictions on investment policy and large depreciation charges make cashflows better measure than equity earnings.
Financial Services	PBV	Book value often marked to market.
Retailing	PS VS	If leverage is similar across firms. If leverage is different.

P/EPS   P/E

P/E/G

G = growth in earnings

P/S
vs
EV/Revenue?

EV/EBITDA?
EV/EBIT?

Difference?
Net debt consideration

Difference?
Depreciation & Amortisation
COGS

< Used on companies with high book value
e.g. construction with high PPE

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Capital IQ – Comparable Companies Screening (Demo)

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Comps Table

Comparable Companies Analysis
All figures are expressed in millions (US$)

Company Name	EV/Revenue			EV/EBITDA			PEG		
	LTM	2022E	2023E	LTM	2022E	2023E	LTM	2022E	2023E
	(x)	(x)	(x)	(x)	(x)	(x)	(x)	(x)	(x)
Extreme Networks, Inc. (NasdaqGS:EXTR)	1.40X	1.35X	1.27X	15.30X	9.66X	7.49X	-	0.69X	0.56X
Juniper Networks, Inc. (NYSE:JNPR)	2.10X	2.10X	2.03X	13.30X	10.39X	9.75X	-	1.12X	1.00X
NETGEAR, Inc. (NasdaqGS:NTGR)	0.50X	0.60X	0.58X	5.20X	5.75X	5.37X	-	-	-
Lumen Technologies, Inc. (NYSE:LUMN)	2.10X	2.19X	2.35X	4.70X	5.14X	5.58X	-	NM	NM
Dell Technologies Inc. (NYSE:DELL)	1.20X	1.13X	1.11X	10.50X	8.62X	8.41X	-	1.66X	1.60X
Arista Networks, Inc. (NYSE:ANET)	9.30X	8.58X	7.61X	27.70X	21.86X	19.58X	-	2.23X	2.00X
Summary Statistics – Infrastructure Platforms									
Max	9.30X	8.58X	7.61X	27.70X	21.86X	19.58X		2.23X	2.00X
90th Percentile	5.70X	5.39X	4.98X	21.50X	16.13X	14.67X		2.06X	1.88X
75th Percentile	2.10X	2.17X	2.27X	14.80X	10.21X	9.42X		1.80X	1.70X
Median	1.75X	1.73X	1.65X	11.90X	9.14X	7.95X		1.39X	1.30X
Mean	2.77X	2.66X	2.49X	12.78X	10.24X	9.36X		1.43X	1.29X
25th Percentile	1.25X	1.19X	1.15X	6.53X	6.47X	6.06X		1.01X	0.89X
Min	0.50X	0.60X	0.58X	4.70X	5.14X	5.37X		0.69X	0.56X

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Relative Valuation vs DCF

DCF

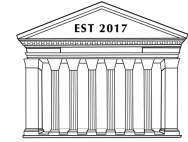**Multiples**
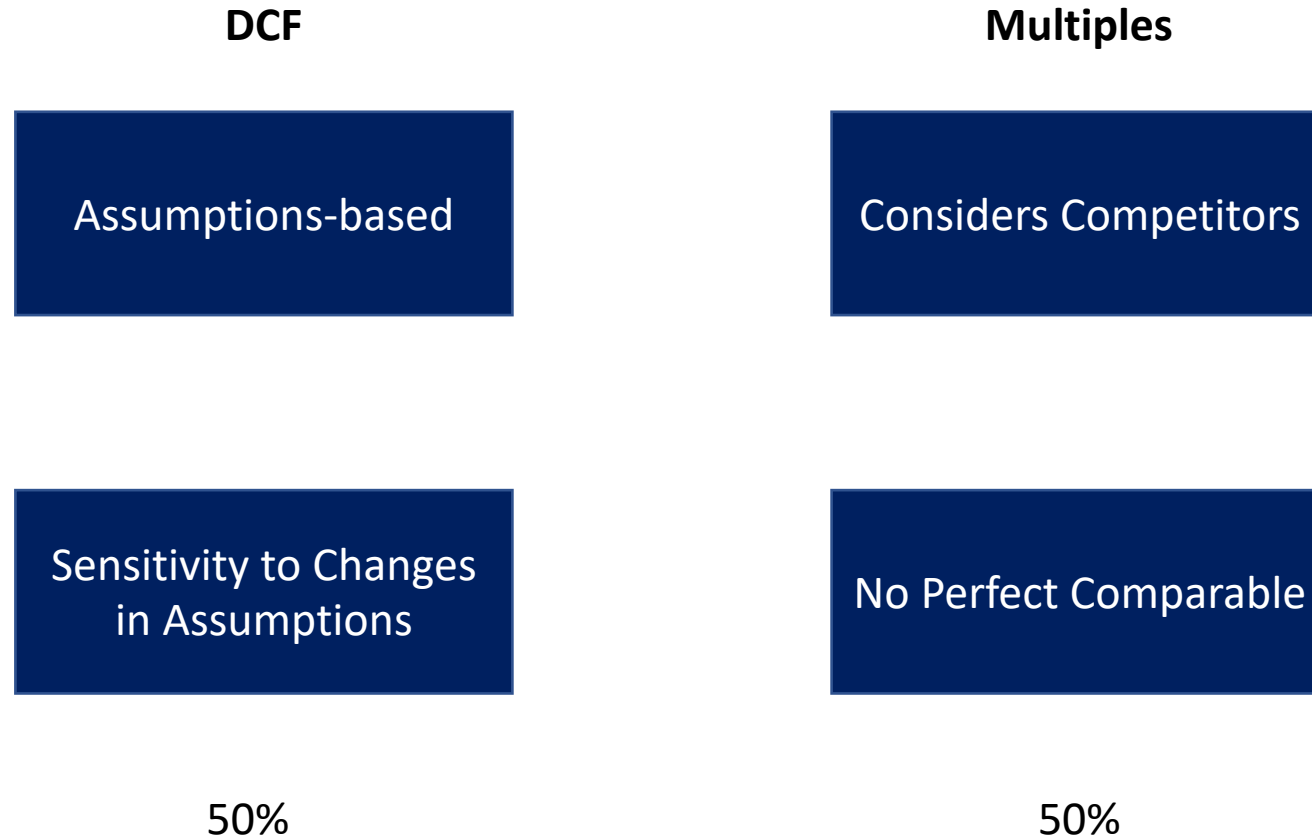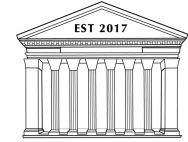
Sum of the parts valuation SOTP
1. Using 2 or more valuation methods to reach a target price
2. to combine the valuation of 2 or more business segments

DCF	Multiples
Assumptions-based	Considers Competitors
Sensitivity to Changes in Assumptions	No Perfect Comparable
50%	50%

Sea
1. Gaming
2. Fintech
3. E-commerce

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Thank You
&
God Bless!

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