

Valuation 2: Comparables

Comparable Trading and Transaction Analysis

Summary

This course is focused on providing an understanding of relative valuation analysis which is an essential component in valuing companies and assets. Relative valuation involves both technical skills and solid business judgment.

Participants will learn how to construct comparable trading and comparable transaction analyses, as well as how to interpret and apply the results in performing valuation.

Major issues and pitfalls in performing relative valuation will be discussed.



Prerequisites

Participants should have a solid grasp of basic accounting fundamentals and proficiency with Excel prior to taking this course.



Timing

This course requires 8 – 24 hours, depending on the amount of material to be covered.

Learning Topics

1. Review Valuation Concepts

- ✓ Review various valuation methodologies and the rationale for using comparable trading and comparable transaction analyses
- ✓ Discuss the significance of trading multiples and the need for qualitative judgment in applying relative valuation
- ✓ Discuss the concepts of Enterprise Value and Equity Value
- ✓ Review Non-Controlling Interest and Long-Term Investments and discuss how these items impact a company's Enterprise Value

2. Conduct Relative Valuation Analysis

- ✓ Discuss the importance of selecting appropriate comparable companies
- ✓ Discuss the Income Statement and Balance Sheet data inputs
- ✓ Calculate a company's fully diluted shares outstanding by accounting for all dilutive instruments
- ✓ Discuss Operating and Capital Leases and how to properly adjust a comparable analysis to normalize the impact of Leases
- ✓ Review non-recurring items and other adjustments that need to be made when creating comparables analysis
- ✓ Learn to check the MD&A and Notes to the Financial Statements carefully to uncover critical issues
- ✓ Discuss the need to create pro-forma financial data to reflect an acquisition or divestiture
- ✓ Calculate and review various valuation and credit ratios
- ✓ Develop a relative valuation analysis to illustrate the various learning topics