

Relative Valuation Practice Problem

1. Dunder Mifflin has a fiscal year end of 12/31. For fiscal year 2018 the firm showed a Revenue of \$212.8M, EBIT of \$78.6M, and D&A of \$27.9M. Calculate the LTM Revenue, EBIT and EBITDA for the 3 following scenarios:
 - (a) In May of 2019 you are asked to calculate the LTM figures for Dunder Mifflin. They reported fiscal Q1 results of Revenue of \$42.7M, EBIT of \$16.5M, and D&A of \$9.7M for period ended 3/31/2019. Fiscal Q1 of 2018 had Revenue of \$44.8M, EBIT of \$17.2M, and D&A of \$10.2M.
 - (b) In August of 2019 you are asked to calculate the LTM figures for Dunder Mifflin. They reported fiscal Q2 results of Revenue of \$60.2M, EBIT of \$24.8M, and D&A of \$10.2M for period ended 6/30/2019. Fiscal Q2 of 2018 had Revenue of \$75.4M, EBIT of \$29.7M, and D&A of \$6.4M.
 - (c) In November of 2019 you are asked to calculate the LTM figures for Dunder Mifflin. They reported fiscal Q3 results of Revenue of \$28.9M, EBIT of \$10.2M, and D&A of \$8.1M for period ended 9/30/2019. Fiscal Q3 of 2018 had Revenue of \$30.2M, EBIT of \$9.1M, and D&A of \$7.1M.
2. Assume Dunder Mifflin has Long-term debt of \$180M, Cash of \$100M and current portion of long-term debt is \$22M. Dunder Mifflin has 38 million diluted shares outstanding. (Use these assumptions for #3 and #4 as well)
 - (a) In May of 2019 you are asked to calculate the implied share price. You gather information on a group of 5 peers (Staples, Office Depot, Prince Family Paper, OfficeMax, and Michael Scott Paper Company) and find a peer average of 4.7x EV/Revenue, 14.3x EV/EBIT and 9.9 EV/EBITDA. What is the implied share price for each of the 3 multiples.
 - (b) In August of 2019 you are asked to calculate the implied share price. You gather information on a group of 5 peers (Staples, Office Depot, Prince Family Paper, OfficeMax, and Michael Scott Paper Company) and find a peer average of 5.2x EV/Revenue, 13.9x EV/EBIT and 9.7 EV/EBITDA. What is the implied share price for each of the 3 multiples.
 - (c) In November of 2019 you are asked to calculate the implied share price. You gather information on a group of 5 peers (Staples, Office Depot, Prince Family Paper, OfficeMax, and Michael Scott Paper Company) and find a peer average of 6.0x EV/Revenue, 15.6x EV/EBIT and 10.4 EV/EBITDA. What is the implied share price for each of the 3 multiples.
3. The peer group has an average forward P/E ratio of 16.4x. The analyst estimate forward EPS for Dunder Mifflin is 1.88. What is the implied share price? If the peer group has an average Price-to-Book of 3.3x and Dunder Mifflin shows a book value of assets of \$900M and book value of liabilities of \$550M, what is the implied share price?
4. You also gathered information on comparable transactions. In December Staples acquired Prince Family paper and Office Depot acquired Michael Scott paper company. The average transaction value to Revenue was 12.2x and offer price to EPS of 17.8x. What are the implied share prices? (Use the EPS from #3)
5. If the peer average Cash/TA is 14.6%, what is the level of excess cash for Dunder Mifflin? What if the peer average Cash/TA was 9.9%

Answer to above problems

- 1) a) \$210.7; \$77.9; \$105.3
- b) \$195.5; \$73.0; \$104.2
- c) \$194.2 \$74.1; \$106.3
- 2) a) \$23.38; \$26.63; \$24.75
- b) \$24.07; \$24.02; \$23.91
- c) \$27.98; \$27.74; \$26.41
- 3) \$30.83; \$30.39
- 4) \$59.66; \$33.46
- 5) \$0; \$10.9