

# Fordham NYSSA Competition & CFA Research Challenge

## Comparables Selection

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When reviewing a company, there are several avenues one may take when choosing comparables, also called “peers”. This guide is meant to help you along this process.

### Step 1:

Begin by trying to find a list of public companies that are similar to the one you are analyzing. While doing this, if you are having trouble locating appropriate comparables from a business or product line perspective, choose companies that are affected by similar external events. For example, if you are looking at an clothing manufacturer and are unable to find a peer group you are satisfied with, don't be afraid to look at an accessory manufacturer, they both have similar customers, are impacted by some of the same input cost concerns and are tied to specific trends. One more thing, attempt to find companies with similar geographic dispersions, regional, national global, etc.

### Step 2:

Once the initial list is complete, locate/download the necessary financials. You can use the table in the sheet labeled ‘Multiples Example’ – I would suggest having multiple years for comparison for each specific company, as anomalies occur for specific companies that may over or under value them at specific periods of time. This table will offer you a good view on whether this group of companies are valued in a similar manner in the marketplace. This is key, because if you find drastic differences they may not be peers and have strong operating difference. You will likely eliminate some companies in this step. A good target group is 5-8 companies, but if it is difficult, 3 companies can be acceptable with the appropriate story, but more is preferred if possible. It may not always be possible in reality, especially when looking for M&A deal comps.

### Step 3:

Analyze the data. What are the growth/contraction rates for any specific multiple over a period of time. At the bottom of your table, be sure to add median and mean, so you can see which companies are outliers and may be removed from the analysis. You don't want companies that are far off from your company because that could lead you to an incorrect conclusion, the company is under or overvalued.

In the end, don't be afraid to adjust the example tables we have offered you, no one table format is correct. You are trying to determine your company's position in the marketplace, and many scenarios apply. So be creative. Adjust tables to suit your needs and prove your investment thesis.

The following page offers additional information and table examples for comparison. Best of luck!

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### Comparable Company Analysis

Company	Ticker	Market Cap.					EV / Sales					EV / EBITDA				
		2007	2008	2009	2010	2011 ttm	2007	2008	2009	2010	ttm 2011	2007	2008	2009	2010	ttm 2011

Median  
Mean  
Min  
Max

The above table is a better example of how to compare companies and multiples over time. You may want to add additional tables with other multiples such as Price/Book, P/E, or a margins table. This will depend on the best metrics used for a specific industry.

Here is a general list to further help guide you, you can use all of them or select a few of the most pertinent attributes to the industry:

Financial	Operational
Size	Industry
Growth	Product Mix
Leverage	Geography
Margins	Business Structure
Shareholder Base	Customer Base
Maturity of Organization	Seasonality/Cyclicality
Business Outlook	

Once complete, create a valuation range that you feel is acceptable given your analysis. Remember, the tables and points are just a guide and should not be considered everything needed, you can create your own tables very easily.

Here is a simple guide to find and review companies effectively and efficiently:

- 1) Go to the company's investor relations
- 2) Pull down the relevant 10k/q's
- 3) Pull down any investor presentations and review companies goals
- 4) Go to Investex (Fordham resource) and pull down 3-5 analyst reports as reference only
- 5) Review past years new articles for reference (as a guide, look for management changes, Acquisitions, Product launches and Goals)