



A VIRAL MARKET UPDATE VII: MULTIPLE MAYHEM

Revisiting the Pricing Game

The crisis (continued)

- I get a sense that I am approaching the end of this series of weekly posts, or perhaps I am just hoping that it is true, as the COVID crisis continued to play out in markets in the last two weeks, albeit on a more subdued scale and with a positive twist.
- In this post, I will, as in the prior weeks, update the prior weeks' market action (for two weeks, from April 4 to April 17) in different asset classes, and within equities, across regions, sectors and stock classifications.
- I will close this post by looking at how pricing tools, including a range of multiples (from PE ratios to price to book to EV to EBITDA multiples) will become shakier and less reliable in the aftermath of the crisis, and suggest ways in which we can compensate for the uncertainties.

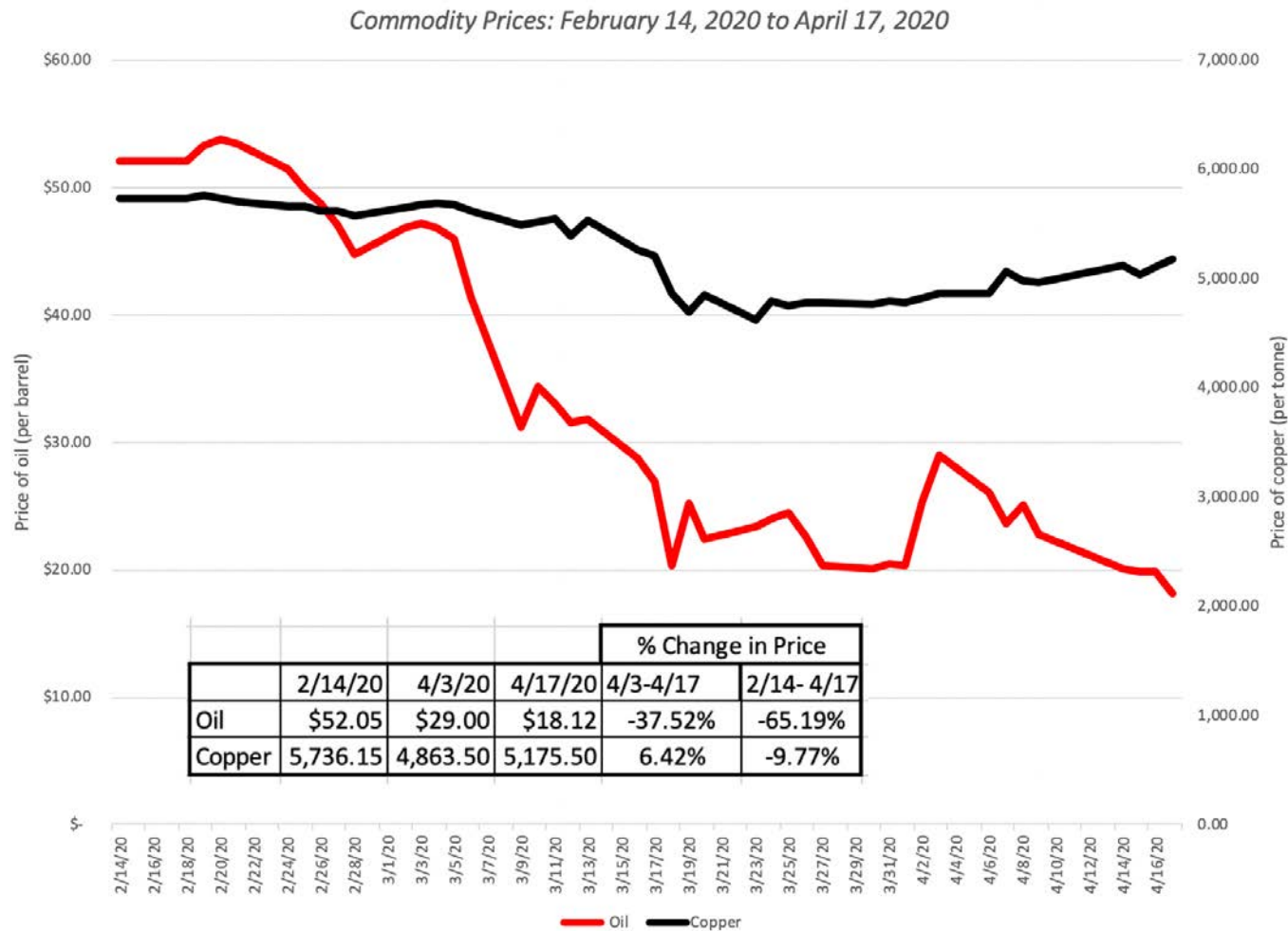
The markets: Equities

				% Change	
				4-10-4/17	3/17-4/17
<i>Americas</i>	<i>Index</i>	<i>Country/Region</i>	<i>Level on 4/17</i>		
	S&P 500	US	2875	2.68%	4.09%
	NASDAQ 100	US	8832	0.85%	6.00%
	TSX	Canada	14360	2.02%	22.51%
	IPC Mexico	Mexico	34743	0.37%	-2.22%
	iBovespa	Brazil	78990	0.20%	18.08%
<i>Europe</i>	FTSE 100	UK	5787	-0.08%	13.90%
	DAX	Germany	10626	-0.66%	25.87%
	CAC 40	France	4499	-0.66%	20.27%
	S&P Europe 350	Europe	1341	-0.11%	19.55%
<i>Asia</i>	Nikkei 225	Japan	19897	2.05%	18.96%
	Shanghai 50	China	2809	2.15%	6.98%
	Hang Seng	Hong Kong	24380	-0.23%	9.37%
	Sensex	India	27591	2.93%	9.42%
<i>Australia & NZ</i>	ASX 200	Australia	5068	-0.01%	10.79%
	NZX 50	New Zealand	9935	7.21%	14.00%
<i>Africa</i>	FTSE/JSE TOP 40	South Africa	44599	-1.18%	29.75%
	NSE All Share	Nigeria	21099	1.75%	1.60%

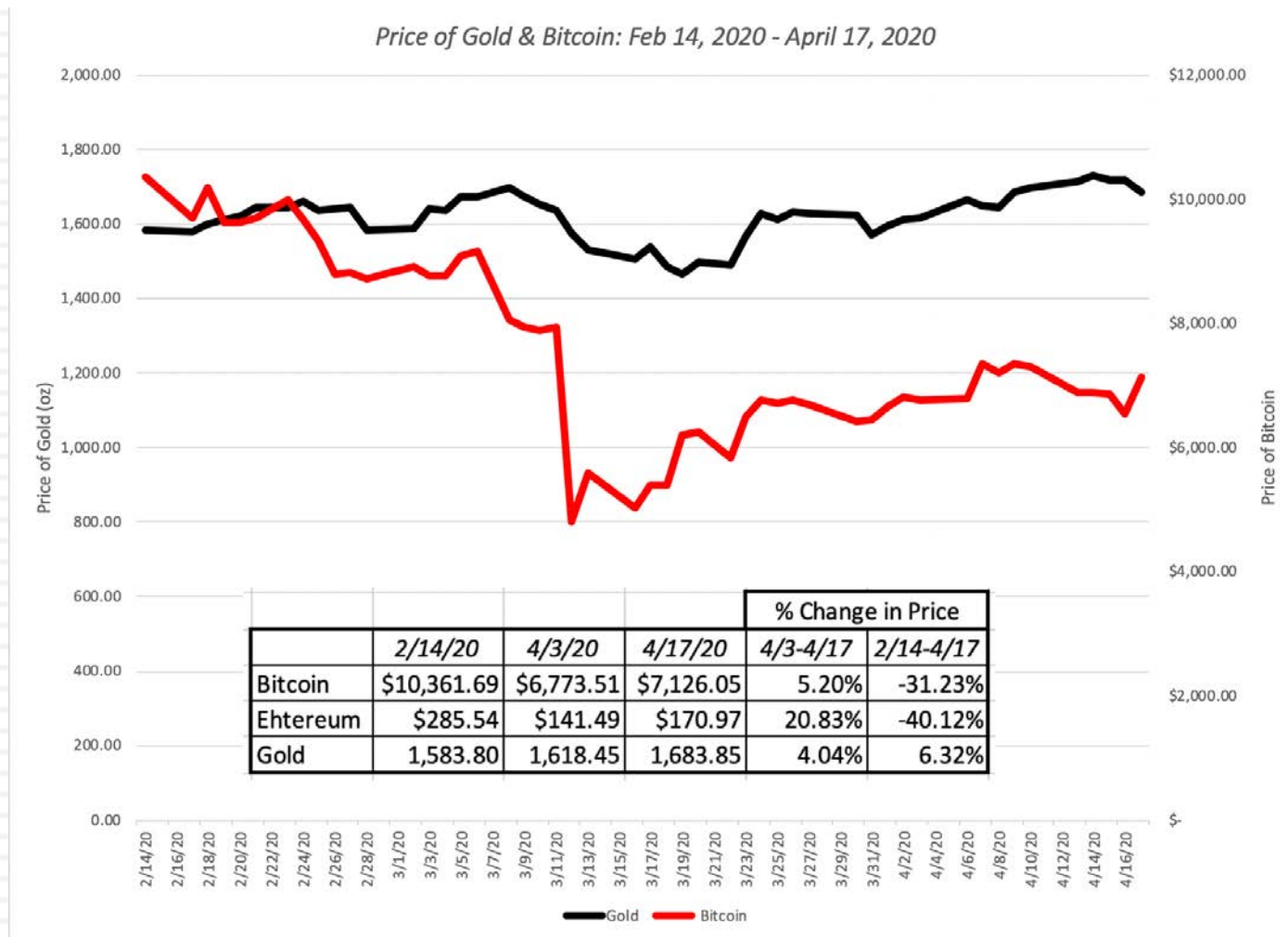
The markets: Treasuries

	Yields on US Treasuries			
Maturity	2/14/20	4/3/20	4/10/20	4/17/20
3 month	1.58%	0.10%	0.25%	0.12%
2 year	1.42%	0.23%	0.23%	0.20%
5 year	1.42%	0.39%	0.41%	0.36%
10 year	1.59%	0.62%	0.73%	0.65%
20 year	1.89%	1.05%	1.15%	1.08%
30 year	2.04%	1.24%	1.35%	1.27%
	Yield curve slope			
2 yr - 3 month	-0.16%	0.13%	-0.02%	0.08%
10 yr - 2 yr	0.17%	0.39%	0.50%	0.45%
30 yr - 10 yr	0.45%	0.62%	0.62%	0.62%

The markets: Commodities



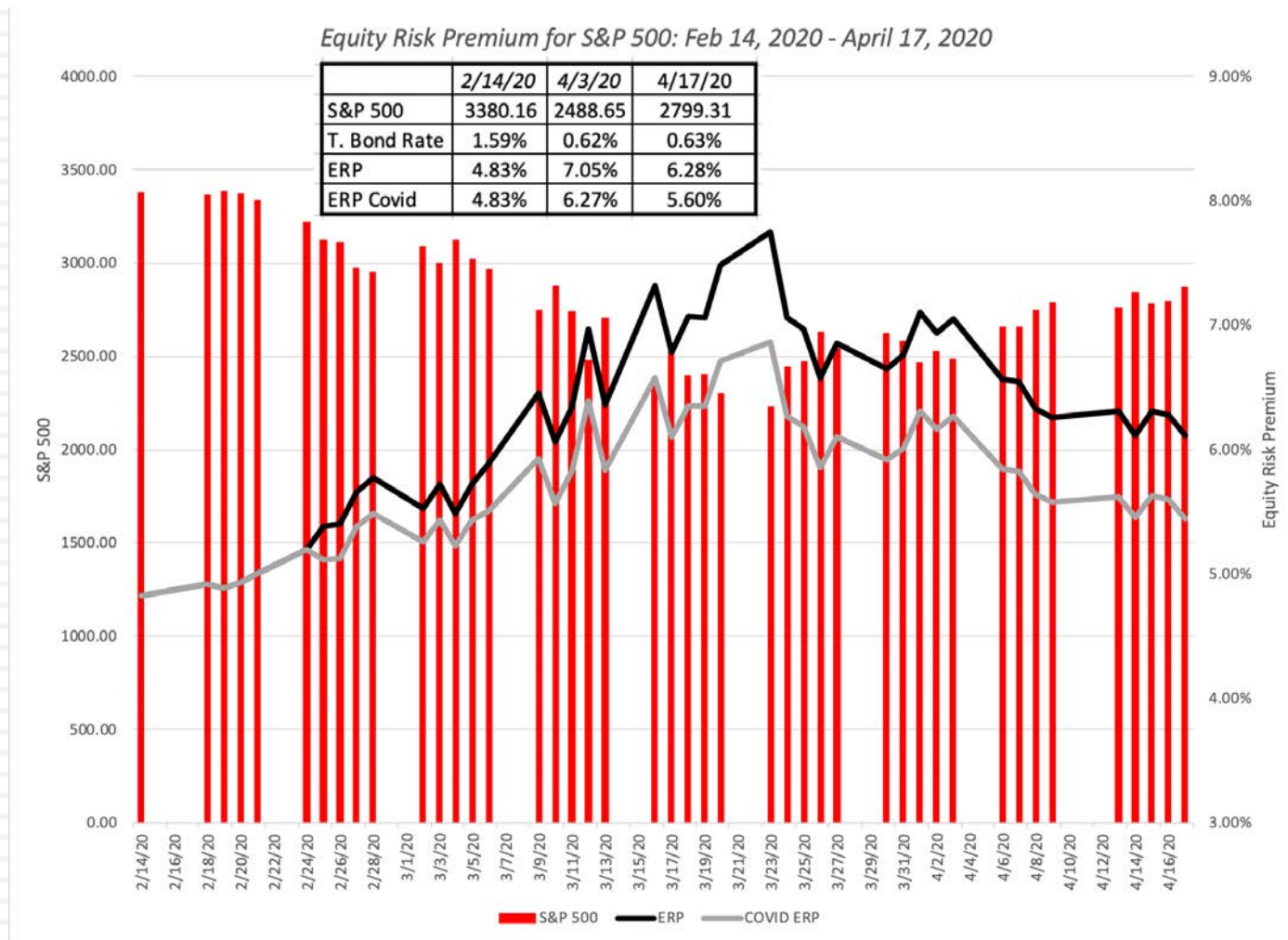
The markets last week: Gold & Bitcoin



The Price of Risk: Corporate Bonds

	Yields and Spreads on Corporates								Change from 2/14 - 4/17	
	Spread over 10-yr Treasury				Yield on Treasury				Spread	Yield
S&P Bond Rating	2/14/20	4/3/20	4/10/20	4/17/20	2/14/20	4/3/20	4/10/20	4/17/20		
AAA	0.69%	1.50%	1.20%	1.16%	2.28%	2.12%	1.93%	1.81%	0.47%	-0.47%
AA	0.72%	1.77%	1.40%	1.29%	2.31%	2.39%	2.13%	1.94%	0.57%	-0.37%
A	0.80%	2.29%	1.87%	1.70%	2.39%	2.91%	2.60%	2.35%	0.90%	-0.04%
BBB	1.33%	3.97%	3.36%	3.03%	2.92%	4.59%	4.09%	3.68%	1.70%	0.76%
BB	1.93%	6.76%	5.34%	4.81%	3.52%	7.38%	6.07%	5.46%	2.88%	1.94%
B	3.40%	10.14%	8.49%	7.93%	4.99%	10.76%	9.22%	8.58%	4.53%	3.59%
CCC or lower	9.65%	18.80%	17.08%	16.32%	11.24%	19.42%	17.81%	16.97%	6.67%	5.73%

The Price of Risk: Equities



Equities: By Region

Sub Region	Number of firms	Mkt Cap (2/14)	Mkt Cap (4/3)	Mkt Cap (4/17)	Mkt Cap: 4/3- 4/17		Mkt Cap: 2/14 - 4/17	
					\$ Change	% Change	\$ Change	% Change
Africa	652	\$ 579,706	\$ 352,644	\$ 381,099	\$ 28,455	8.07%	\$ (198,607)	-34.26%
Australia & NZ	1,356	\$ 1,617,545	\$ 1,038,217	\$ 1,193,976	\$ 155,759	15.00%	\$ (423,569)	-26.19%
Canada	1,576	\$ 2,234,720	\$ 1,508,434	\$ 1,690,178	\$ 181,744	12.05%	\$ (544,542)	-24.37%
China	6,161	\$ 14,027,134	\$ 12,659,745	\$ 13,253,719	\$ 593,974	4.69%	\$ (773,415)	-5.51%
Eastern Europe & Russia	414	\$ 816,760	\$ 564,470	\$ 580,852	\$ 16,382	2.90%	\$ (235,908)	-28.88%
EU & Environs	4,770	\$ 13,667,991	\$ 9,893,062	\$ 10,757,788	\$ 864,727	8.74%	\$ (2,910,202)	-21.29%
India	1,941	\$ 2,201,867	\$ 1,410,184	\$ 1,602,062	\$ 191,879	13.61%	\$ (599,805)	-27.24%
Japan	3,811	\$ 6,041,538	\$ 4,742,114	\$ 5,232,948	\$ 490,834	10.35%	\$ (808,590)	-13.38%
Latin America & Caribbean	934	\$ 2,373,918	\$ 1,376,023	\$ 1,527,171	\$ 151,148	10.98%	\$ (846,747)	-35.67%
Middle East	1,150	\$ 3,073,924	\$ 2,719,466	\$ 2,665,047	\$ (54,419)	-2.00%	\$ (408,877)	-13.30%
Small Asia	7,694	\$ 5,061,281	\$ 3,772,641	\$ 4,175,157	\$ 402,516	10.67%	\$ (886,124)	-17.51%
UK	1,094	\$ 3,072,497	\$ 2,052,755	\$ 2,298,374	\$ 245,618	11.97%	\$ (774,123)	-25.20%
United States	4,928	\$ 35,642,353	\$ 25,634,234	\$ 29,784,527	\$4,150,293	16.19%	\$ (5,857,826)	-16.44%
Global	36,481	\$ 90,411,233	\$ 67,723,989	\$ 75,142,899	\$7,418,910	10.95%	\$ (15,268,334)	-16.89%

Equities: By Sector

Primary Sector	Number of firms	Mkt Cap (2/14)	Mkt Cap (4/3)	Mkt Cap (4/17)	Mkt Cap: 4/3- 4/17		Mkt Cap: 2/14 - 4/17	
					\$ Change	% Change	\$ Change	% Change
Communication Services	1,682	\$ 7,341,638	\$ 5,771,726	\$ 6,396,994	\$ 625,268	10.83%	\$ (944,644)	-12.87%
Consumer Discretionary	4,945	\$ 10,158,898	\$ 7,308,734	\$ 8,555,018	\$1,246,284	17.05%	\$ (1,603,880)	-15.79%
Consumer Staples	2,298	\$ 7,118,491	\$ 6,080,159	\$ 6,548,231	\$ 468,073	7.70%	\$ (570,260)	-8.01%
Energy	1,316	\$ 5,938,328	\$ 4,339,633	\$ 4,383,093	\$ 43,460	1.00%	\$ (1,555,234)	-26.19%
Financials	3,844	\$ 14,919,508	\$ 10,094,701	\$ 10,933,915	\$ 839,214	8.31%	\$ (3,985,593)	-26.71%
Global	36,481	\$ 90,411,233	\$ 67,723,989	\$ 75,142,899	\$7,418,910	10.95%	\$(15,268,334)	-16.89%
Health Care	3,411	\$ 8,968,840	\$ 7,582,188	\$ 8,581,301	\$ 999,113	13.18%	\$ (387,539)	-4.32%
Industrials	6,564	\$ 10,121,550	\$ 7,170,567	\$ 7,951,424	\$ 780,857	10.89%	\$ (2,170,126)	-21.44%
Information Technology	4,875	\$ 13,601,118	\$ 10,328,554	\$ 11,798,990	\$1,470,437	14.24%	\$ (1,802,128)	-13.25%
Materials	4,414	\$ 4,991,381	\$ 3,736,573	\$ 4,139,741	\$ 403,168	10.79%	\$ (851,640)	-17.06%
Real Estate	2,311	\$ 4,050,062	\$ 2,859,551	\$ 3,164,030	\$ 304,479	10.65%	\$ (886,032)	-21.88%
Utilities	817	\$ 3,200,581	\$ 2,450,935	\$ 2,689,435	\$ 238,500	9.73%	\$ (511,146)	-15.97%
All firms	36,481	\$ 90,411,233	\$ 67,723,989	\$ 75,142,899	\$7,418,910	10.95%	\$(15,268,334)	-16.89%

Equities: Most & least damaged Industries

	Worst Performing Industries (2/14 - 4/17)						
				Mkt Cap: 4/3- 4/17		Mkt Cap: 2/14 - 4/17	
Industry	Mkt Cap (2/14)	Mkt Cap (4/3)	Mkt Cap (4/17)	\$ Change	% Change	\$ Change	% Change
Oil/Gas (Production and Exploration)	\$ 692,554	\$ 386,341	\$ 404,834	\$ 18,493	4.79%	\$ (287,719)	-41.54%
Homebuilding	\$ 247,004	\$ 126,947	\$ 154,145	\$ 27,198	21.43%	\$ (92,859)	-37.59%
Air Transport	\$ 559,439	\$ 306,560	\$ 350,468	\$ 43,908	14.32%	\$ (208,971)	-37.35%
Broadcasting	\$ 164,761	\$ 93,291	\$ 107,844	\$ 14,553	15.60%	\$ (56,917)	-34.55%
Oilfield Svcs/Equip.	\$ 741,428	\$ 445,056	\$ 488,541	\$ 43,485	9.77%	\$ (252,887)	-34.11%
Food Wholesalers	\$ 93,056	\$ 52,910	\$ 61,559	\$ 8,649	16.35%	\$ (31,497)	-33.85%
Oil/Gas Distribution	\$ 653,462	\$ 386,630	\$ 437,227	\$ 50,597	13.09%	\$ (216,235)	-33.09%
Hotel/Gaming	\$ 717,777	\$ 394,003	\$ 490,025	\$ 96,022	24.37%	\$ (227,752)	-31.73%
Aerospace/Defense	\$ 1,217,331	\$ 683,209	\$ 832,292	\$ 149,082	21.82%	\$ (385,039)	-31.63%
Reinsurance	\$ 180,550	\$ 109,101	\$ 123,655	\$ 14,554	13.34%	\$ (56,895)	-31.51%
	Best Performing Industries (2/14 - 4/17)						
				Mkt Cap: 4/3- 4/17		Mkt Cap: 2/14 - 4/17	
Industry	Mkt Cap (2/14)	Mkt Cap (4/3)	Mkt Cap (4/17)	\$ Change	% Change	\$ Change	% Change
Retail (Online)	\$ 2,455,790	\$ 2,081,460	\$ 2,483,956	\$ 402,496	19.34%	\$ 28,166	1.15%
Drugs (Biotechnology)	\$ 1,409,166	\$ 1,242,047	\$ 1,422,584	\$ 180,537	14.54%	\$ 13,417	0.95%
Precious Metals	\$ 418,906	\$ 350,674	\$ 417,290	\$ 66,616	19.00%	\$ (1,616)	-0.39%
Software (Internet)	\$ 226,911	\$ 173,926	\$ 224,558	\$ 50,632	29.11%	\$ (2,353)	-1.04%
Healthcare Information and Technology	\$ 772,828	\$ 656,136	\$ 759,471	\$ 103,335	15.75%	\$ (13,357)	-1.73%
Drugs (Pharmaceutical)	\$ 3,623,939	\$ 3,190,552	\$ 3,497,146	\$ 306,594	9.61%	\$ (126,793)	-3.50%
Food Processing	\$ 1,792,176	\$ 1,617,124	\$ 1,718,626	\$ 101,502	6.28%	\$ (73,550)	-4.10%
Retail (General)	\$ 1,054,814	\$ 903,932	\$ 1,004,714	\$ 100,781	11.15%	\$ (50,100)	-4.75%
Healthcare Products	\$ 1,829,639	\$ 1,500,672	\$ 1,723,383	\$ 222,710	14.84%	\$ (106,257)	-5.81%
Household Products	\$ 1,453,345	\$ 1,260,149	\$ 1,358,804	\$ 98,655	7.83%	\$ (94,541)	-6.51%

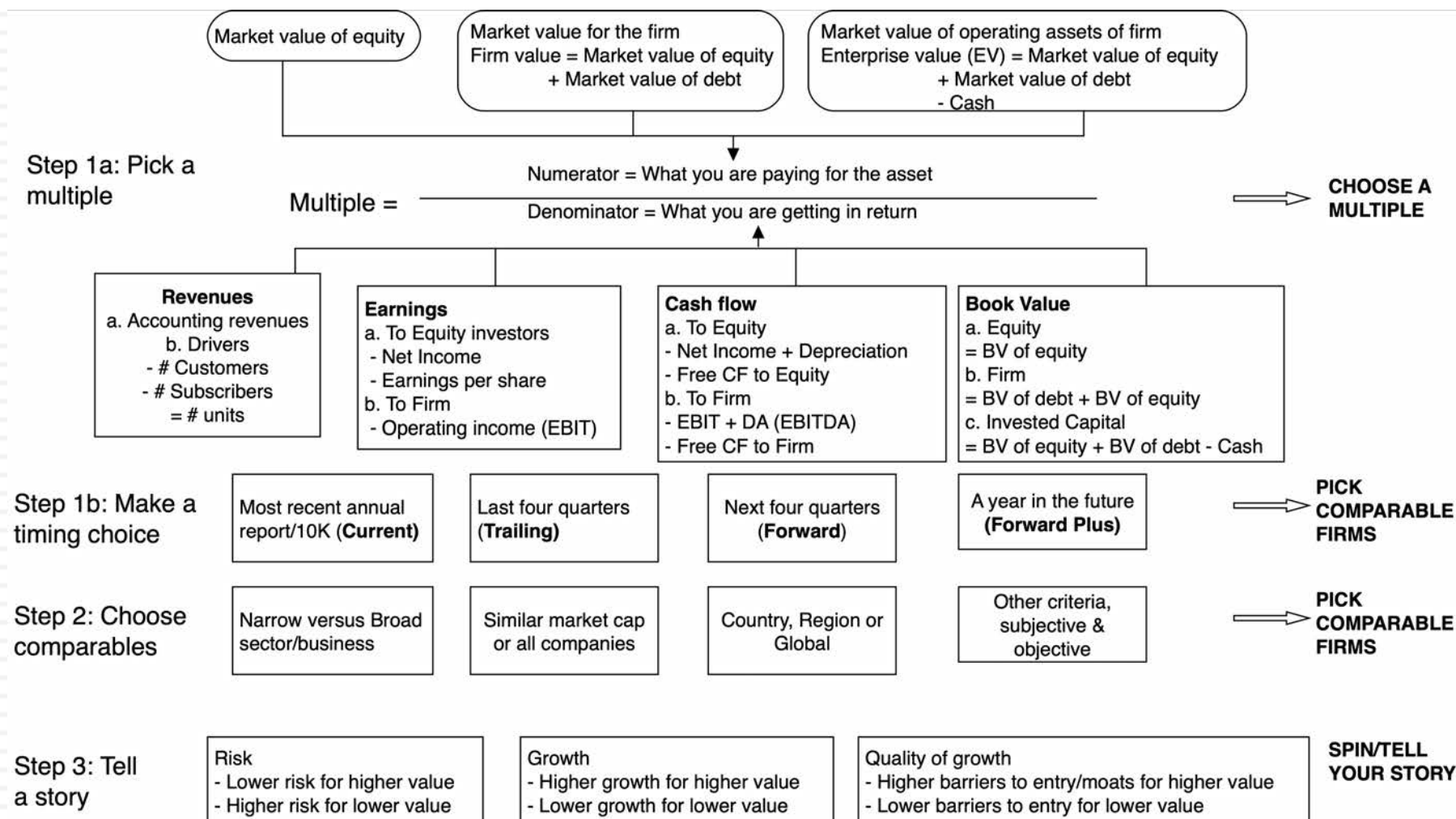
Equities: Net Debt Ratios

Net Debt to EBITDA	Number of firms	Mkt Cap (2/14)	Mkt Cap (4/3)	Mkt Cap (4/17)	Mkt Cap: 4/3- 4/17		Mkt Cap: 2/14 - 4/17	
					\$ Change	% Change	\$ Change	% Change
Bottom decile	2,549	\$ 2,438,332	\$ 2,001,936	\$ 2,180,230	\$ 178,294	8.91%	\$ (258,102)	-10.59%
2nd decile	2,550	\$ 5,077,547	\$ 4,147,232	\$ 4,602,779	\$ 455,548	10.98%	\$ (474,768)	-9.35%
3rd decile	2,550	\$ 8,075,126	\$ 6,468,172	\$ 7,272,203	\$ 804,031	12.43%	\$ (802,922)	-9.94%
4th decile	2,549	\$ 8,668,340	\$ 7,068,705	\$ 7,520,089	\$ 451,383	6.39%	\$ (1,148,252)	-13.25%
5th decile	2,550	\$ 13,089,926	\$ 10,206,289	\$ 11,465,333	\$ 1,259,044	12.34%	\$ (1,624,593)	-12.41%
6th decile	2,550	\$ 12,069,805	\$ 9,099,941	\$ 10,091,424	\$ 991,483	10.90%	\$ (1,978,382)	-16.39%
7th decile	2,549	\$ 10,285,530	\$ 7,492,767	\$ 8,351,601	\$ 858,833	11.46%	\$ (1,933,929)	-18.80%
8th decile	2,550	\$ 8,192,083	\$ 5,881,602	\$ 6,639,747	\$ 758,145	12.89%	\$ (1,552,336)	-18.95%
9th decile	2,550	\$ 6,872,631	\$ 4,676,233	\$ 5,291,833	\$ 615,600	13.16%	\$ (1,580,798)	-23.00%
Top decile	2,550	\$ 2,620,044	\$ 1,721,135	\$ 1,907,582	\$ 186,447	10.83%	\$ (712,462)	-27.19%
EBITDA negative	10,984	\$ 13,021,868	\$ 8,959,977	\$ 9,820,078	\$ 860,101	9.60%	\$ (3,201,790)	-24.59%

A Pricing Market?

- In my earlier posts, I argued that just because uncertainty has increased, there is no excuse for abandoning valuation first principles or process and argued that you can still value companies, albeit with a much wider range of outcomes.
- One common counter that I got to this argument was that valuation was pointless, when the uncertainty was so great and while most did not bother presenting alternatives, my guess is that many will fall back on pricing metrics to decide whether and what to buy or sell.
- Put simply, they will use a PE ratio or an enterprise value multiple of EBITDA or sales to decide what stocks to buy or sell, acting under the delusion that this will allow them to escape having to make assumptions in the future.

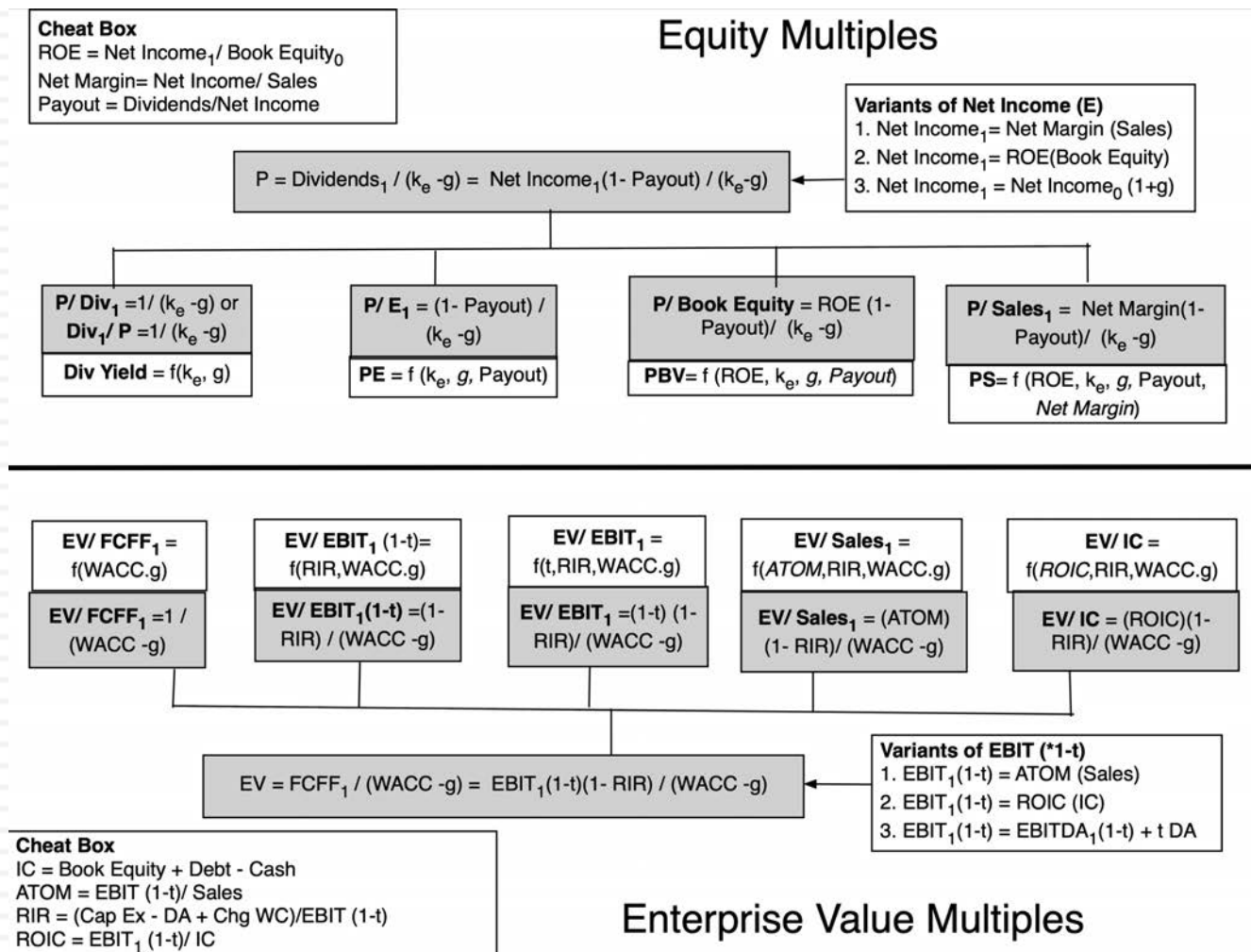
Deconstructing Pricing



Consistency Rules

- Equity/Firm: The first is that if the numerator is an equity value, the denominator should be an equity value as well, while if the numerator is a firm or enterprise value, the denominator has to be an operating value. Thus, PE (market cap, an equity value, is divided by earnings per share, an equity value) and EV to EBITDA (EV is a market value of operating assets and EBITDA is a measure of operating cash flow) are consistent, but Price to EBITDA is an inconsistent abomination and Price to Sales is almost as badly constructed.
- Timing: The second is that multiples are constructed for comparisons across companies, not as stand alone measures. It follows therefore that you should be consistent in how you measure your scaling variable (revenues, book value, earnings) across companies. Thus, if you choose to use trailing earnings for your company to compute PE, you have to use trailing earnings for all your companies.

Determinants of Multiples



The Timing Effect: Pricing in a Crisis

Market Crises and Pricing			
	Phase 1: The Shock	Phase 2: The Adjustment	Phase 3: The New Normal
Market Reaction	Market price drops, as crisis leads investors to reprice risk and reassess future cash flows.	Market stays volatile, as investors use information to revisit & adjust expectations	Market volatility subsides as investors get more comfortable with their expectations.
Scaling Variable	Operating numbers reflect pre-crisis state & analysts/firms are too uncertain to offer guidance	Earnings reports contain first indications of crisis effects & analysts/firms offer forecasts of future operating results.	Companies report actual numbers for the crisis period
Pricing Effects	Stocks will <i>look cheaper on a trailing basis</i> , as market prices drop. Without guidance, forward multiples cannot be computed.	Investors start to <i>focus on forward multiples</i> , which will be much higher from trailing values. With losses, revenues will displace earnings as the scaling variable.	Trailing multiples will reflect updated operating results and <i>will be much higher than pre-crisis or normalized values</i> , making stocks look expensive.
Good Practice	Shift to multiples of forward earnings (but be willing to make the estimates yourself).	Use forward multiples, or if you don't trust the forward estimates, to revenue multiples	Shift to really forward (normalized) multiples or stay with trailing multiples.

Regional Pricing: The COVID effect

Sub Region	Market Capitalization		Trailing Net Income		Trailing PE		Enterprise Value		Trailing Revenues		EV/Sales	
	1/1/20	4/17/20	LTM thru 1/1/20	LTM thru 4/17/20	1/1/20	4/17/20	1/1/20	4/17/20	LTM thru 1/1/20	LTM thru 4/17/20	1/1/20	4/17/20
Africa	\$ 602,927	\$ 381,099	\$ 35,530	\$ 38,724	16.97	9.84	\$ 598,016	\$ 386,863	\$ 385,783	\$ 429,492	1.55	0.90
Australia & NZ	\$ 1,587,941	\$ 1,193,976	\$ 76,536	\$ 70,092	20.75	17.03	\$ 2,052,175	\$ 1,770,472	\$ 683,728	\$ 732,201	3.00	2.42
Canada	\$ 2,167,437	\$ 1,690,178	\$ 94,098	\$ 110,956	23.03	15.23	\$ 1,930,814	\$ 1,695,978	\$ 1,242,344	\$ 1,353,786	1.55	1.25
China	\$ 13,922,636	\$ 13,253,719	\$ 772,575	\$ 828,606	18.02	16.00	\$ 15,945,308	\$ 15,957,070	\$ 9,302,106	\$ 9,967,255	1.71	1.60
Eastern Europe & Russia	\$ 826,177	\$ 580,852	\$ 111,656	\$ 131,695	7.40	4.41	\$ 916,769	\$ 707,384	\$ 819,619	\$ 913,013	1.12	0.77
EU & Environs	\$ 13,542,156	\$ 10,757,788	\$ 715,323	\$ 744,298	18.93	14.45	\$ 16,890,750	\$ 14,809,760	\$ 10,766,716	\$ 11,241,700	1.57	1.32
India	\$ 2,168,366	\$ 1,602,062	\$ 51,119	\$ 53,477	42.42	29.96	\$ 2,947,357	\$ 2,351,699	\$ 821,927	\$ 1,292,910	3.59	1.82
Japan	\$ 6,156,869	\$ 5,232,948	\$ 414,961	\$ 358,188	14.84	14.61	\$ 6,256,725	\$ 5,693,556	\$ 7,446,882	\$ 7,673,662	0.84	0.74
Latin America & Caribbean	\$ 2,422,143	\$ 1,527,171	\$ 134,160	\$ 134,678	18.05	11.34	\$ 3,860,250	\$ 2,671,959	\$ 1,578,743	\$ 1,628,911	2.45	1.64
Middle East	\$ 3,211,880	\$ 2,665,047	\$ 189,723	\$ 166,013	16.93	16.05	\$ 3,176,350	\$ 2,763,122	\$ 939,171	\$ 939,350	3.38	2.94
Small Asia	\$ 5,195,524	\$ 4,175,157	\$ 328,180	\$ 273,916	15.83	15.24	\$ 5,360,207	\$ 4,728,309	\$ 4,990,894	\$ 5,069,035	1.07	0.93
UK	\$ 3,131,108	\$ 2,298,374	\$ 140,987	\$ 136,642	22.21	16.82	\$ 2,943,496	\$ 2,464,666	\$ 2,086,704	\$ 2,387,791	1.41	1.03
United States	\$ 34,066,742	\$ 29,784,527	\$ 1,326,457	\$ 1,330,281	25.68	22.39	\$ 43,454,615	\$ 41,102,137	\$ 15,594,487	\$ 16,315,385	2.79	2.52
Global	\$ 89,001,908	\$ 75,142,899	\$ 4,391,305	\$ 4,377,566	20.27	17.17	\$ 106,332,834	\$ 97,102,977	\$ 56,659,105	\$ 59,944,491	1.88	1.62

Sector Pricing: A COVID update

Primary Sector	Market Capitalization		Trailing Net Income		Trailing PE		Enterprise Value		Trailing Revenues		EV/Sales	
	1/1/20	4/17/20	LTM thru 1/1/20	LTM thru 4/17/20	1/1/20	4/17/20	1/1/20	4/17/20	LTM thru 1/1/20	LTM thru 4/17/20	1/1/20	4/17/20
Communication Services	\$ 7,061,144	\$ 6,396,994	\$ 272,240	\$ 268,340	25.94	23.84	\$ 8,394,815	\$ 8,204,313	\$ 3,075,462	\$ 3,275,528	2.73	2.50
Consumer Discretionary	\$ 10,001,063	\$ 8,555,018	\$ 400,379	\$ 422,756	24.98	20.24	\$ 11,670,561	\$ 10,923,729	\$ 8,521,352	\$ 8,837,248	1.37	1.24
Consumer Staples	\$ 7,119,228	\$ 6,548,231	\$ 253,891	\$ 252,124	28.04	25.97	\$ 8,249,126	\$ 7,914,722	\$ 5,338,559	\$ 5,590,613	1.55	1.42
Energy	\$ 6,451,348	\$ 4,383,093	\$ 432,428	\$ 324,381	14.92	13.51	\$ 7,947,389	\$ 6,218,676	\$ 6,101,367	\$ 6,159,010	1.30	1.01
Financials	\$ 15,098,560	\$ 10,933,915	\$ 1,176,914	\$ 1,389,056	12.83	7.87	\$ 17,472,728	\$ 14,789,327	\$ 7,181,276	\$ 8,270,695	2.43	1.79
Global	\$ 89,001,908	\$ 75,142,899	\$ 4,391,305	\$ 4,377,566	20.27	17.17	\$ 106,332,834	\$ 97,102,977	\$ 56,659,105	\$ 59,944,491	1.88	1.62
Health Care	\$ 8,632,427	\$ 8,581,301	\$ 187,642	\$ 218,959	46.00	39.19	\$ 9,283,692	\$ 9,527,167	\$ 3,427,878	\$ 3,884,560	2.71	2.45
Industrials	\$ 10,017,689	\$ 7,951,424	\$ 492,859	\$ 450,654	20.33	17.64	\$ 12,471,645	\$ 11,013,498	\$ 9,882,375	\$ 10,347,296	1.26	1.06
Information Technology	\$ 12,471,842	\$ 11,798,990	\$ 436,974	\$ 404,289	28.54	29.18	\$ 12,549,738	\$ 12,140,677	\$ 4,716,370	\$ 4,860,140	2.66	2.50
Materials	\$ 5,122,449	\$ 4,139,741	\$ 328,775	\$ 220,595	15.58	18.77	\$ 6,455,495	\$ 5,541,436	\$ 4,727,861	\$ 4,787,420	1.37	1.16
Real Estate	\$ 3,953,469	\$ 3,164,030	\$ 271,496	\$ 255,331	14.56	12.39	\$ 6,549,674	\$ 5,752,049	\$ 1,445,509	\$ 1,618,764	4.53	3.55
Utilities	\$ 3,071,852	\$ 2,689,435	\$ 137,701	\$ 171,080	22.31	15.72	\$ 5,287,148	\$ 5,076,670	\$ 2,241,086	\$ 2,313,215	2.36	2.19
All firms	\$ 89,001,908	\$ 75,142,899	\$ 4,391,305	\$ 4,377,566	20.27	17.17	\$ 106,332,834	\$ 97,102,977	\$ 56,659,105	\$ 59,944,491	1.88	1.62

Pricing: A Wrap

- As companies start to report their first quarter earnings, you are starting to get a glimpse of the damage created by the crisis and my guess is that you will start to see more analysts and companies start to forecast forward numbers.
 - ▣ For those companies where forward earnings are positive, you can switch to forward PE ratios, but expect these numbers to be much, much higher than historical norms.
 - ▣ For those companies that have negative forward earnings, you will see revenue multiples or creative variations on future earnings.
- Later this year, as companies report numbers for the second and third quarters of 2020, the trailing operating numbers will finally catch up with the crisis, and you may be able to shift back to trailing multiples.
- Put simply, if you are abandoning or refusing to do intrinsic valuation, because you feel uncomfortable with having to make assumptions, the same uncertainty is going to pervade your pricing as well.