IV. EV to EBITDA - Determinants

☐ The value of the operating assets of a firm can be written as:

$$EV_0 = \frac{FCFF_1}{WACC - g}$$

☐ Now the value of the firm can be rewritten as

$$EV = \frac{EBITDA\,(1-t) + Depr\,(t) - Cex - \Delta\,Working\,Capital}{WACC - g}$$

☐ Dividing both sides of the equation by EBITDA,

$$\frac{EV}{EBITDA} = \frac{(1-t)}{WACC - g} + \frac{Depr\,(t)/EBITDA}{WACC - g} - \frac{CEx/EBITDA}{WACC - g} - \frac{\Delta\,Working\,Capital/EBITDA}{WACC - g}$$

☐ The determinants of EV/EBITDA are:
  ◻ The cost of capital
  ◻ Expected growth rate
  ◻ Tax rate
  ◻ Reinvestment rate (or ROC)

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A Simple Example

□ Consider a firm with the following characteristics:

   □ Tax Rate = 36%

   □ Capital Expenditures/EBITDA = 30%

   □ Depreciation/EBITDA = 20%

   □ Cost of Capital = 10%

   □ The firm has no working capital requirements

   □ The firm is in stable growth and is expected to grow 5% a year forever.

□ In this case, the Value/EBITDA multiple for this firm can be estimated as follows:

$$\frac{Value}{EBITDA} = \frac{(1-.36)}{.10-.05} + \frac{(0.2)(.36)}{.10-.05} - \frac{0.3}{.10-.05} - \frac{0}{.10-.05} = 8.24$$

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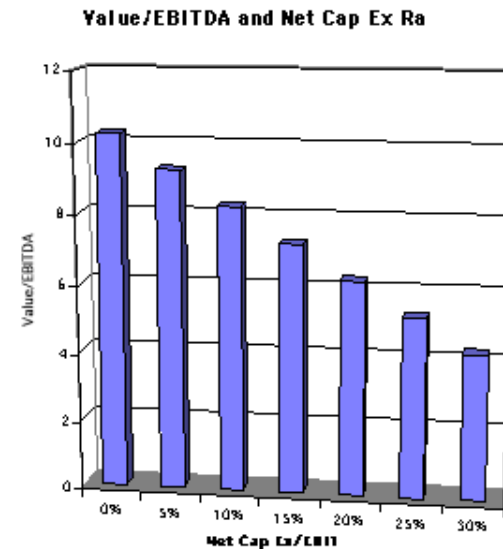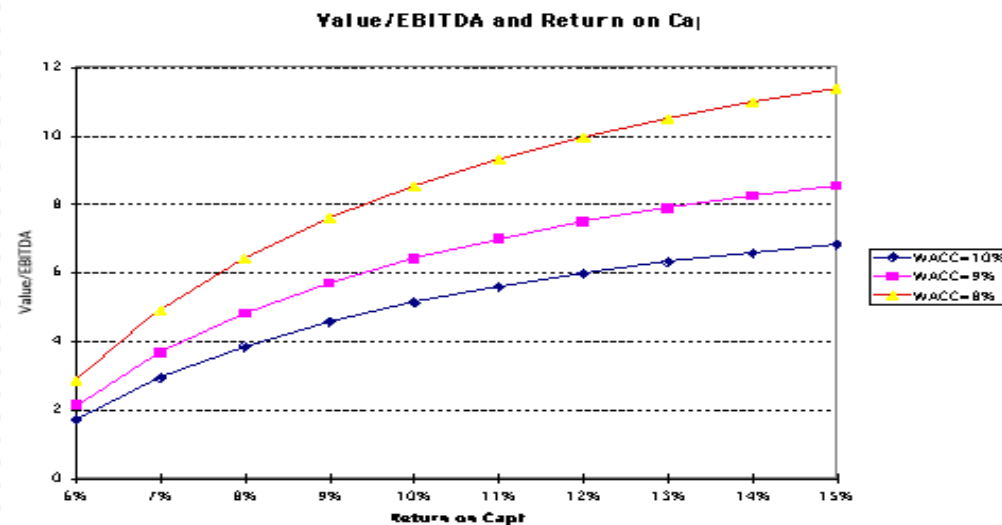# The Determinants of EV/EBITDA

Tax
Rates
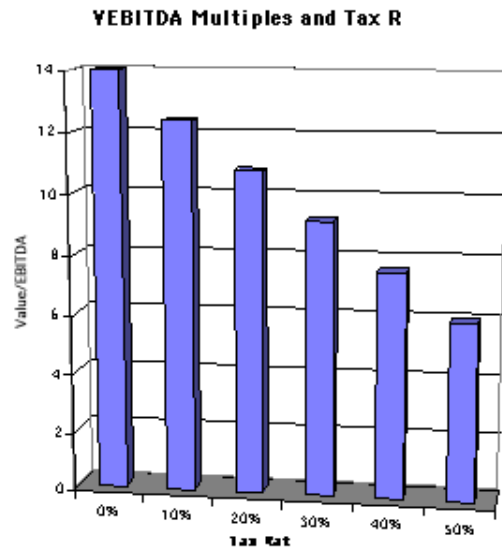
Reinvestment
Needs

Excess
Returns

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V. EV/Sales Ratio

- If pre-tax operating margins are used, the appropriate value estimate is that of the firm. In particular, if one makes the replaces the FCFF with the expanded version:

  - Free Cash Flow to the Firm = EBIT (1 - tax rate) (1 - Reinvestment Rate)

$$\frac{Value}{Sales_0} = \text{After-tax Oper. Margin} * \left[\frac{(1-RIR_{growth})(1+g)*\left(1 - \frac{(1+g)^n}{(1+WACC)^n}\right)}{WACC-g} + \frac{(1-RIR_{stable})(1+g)^n*(1+g_n)}{(WACC-g_n)(1+WACC)^n} \right]$$

g = Growth rate in after-tax operating income for the first n years

gn = Growth rate in after-tax operating income after n years forever (Stable growth rate)

RIR $_{Growth, Stable}$ = Reinvestment rate in high growth and stable periods

WACC = Weighted average cost of capital

The value of a brand name

□ One of the critiques of traditional valuation is that is fails to consider the value of brand names and other intangibles.

□ The approaches used by analysts to value brand names are often ad-hoc and may significantly overstate or understate their value.

□ One of the benefits of having a well-known and respected brand name is that firms can charge higher prices for the same products, leading to higher profit margins and hence to higher price-sales ratios and firm value. The larger the price premium that a firm can charge, the greater is the value of the brand name.

□ In general, the value of a brand name can be written as:

◻ Value of brand name $= \{(V/S)_b - (V/S)_g\} *$ Sales

◻ $(V/S)_b$ = Value of Firm/Sales ratio with the benefit of the brand name

◻ $(V/S)_g$ = Value of Firm/Sales ratio of the firm with the generic product

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Valuing Brand Name

	Coca Cola	*With Cott Margins*
Current Revenues =	$21,962.00	$21,962.00
Length of high-growth period	10	10
Reinvestment Rate =	50%	50%
Operating Margin (after-tax)	15.57%	5.28%
Sales/Capital (Turnover ratio)	1.34	1.34
Return on capital (after-tax)	20.84%	7.06%
Growth rate during period (g) =	10.42%	3.53%
Cost of Capital during period =	7.65%	7.65%
Stable Growth Period		
Growth rate in steady state =	4.00%	4.00%
Return on capital =	7.65%	7.65%
Reinvestment Rate =	52.28%	52.28%
Cost of Capital =	7.65%	7.65%
Value of Firm =	$79,611.25	$15,371.24

Value of brand name = $79,611 -$15,371 = $64,240 million

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The Determinants of Multiples...

Equity Multiples

Cheat Box
ROE = $Net Income_1$/ Book $Equity_0$
Net Margin= Net Income/ Sales
Payout = Dividends/Net Income

Variants of Net Income (E)
1. $Net Income_1$= Net Margin (Sales)
2. $Net Income_1$= ROE(Book Equity)
3. $Net Income_1 = Net Income_0 (1+g)$

$$P = Dividends_1 / (k_e - g) = Net Income_1(1- Payout) / (k_e - g)$$

$P/ Div_1 = 1/ (k_e - g)$ or $Div_1/ P = 1/ (k_e - g)$	$P/ E_1 = (1- Payout) / (k_e - g)$	$P/ Book Equity = ROE (1- Payout)/ (k_e - g)$	$P/ Sales_1 = Net Margin(1- Payout)/ (k_e - g)$
Div Yield = $f(k_e, g)$	PE = $f(k_e, g, Payout)$	PBV= f (ROE, k_e, g, Payout)	PS= f (ROE, k_e, g, Payout, Net Margin)

$EV/ FCFF_1 = f(WACC.g)$	$EV/ EBIT_1 (1-t)= f(RIR,WACC.g)$	$EV/ EBIT_1 = f(t,RIR,WACC.g)$	$EV/ Sales_1 = f(ATOM,RIR,WACC.g)$	$EV/ IC = f(ROIC,RIR,WACC.g)$
$EV/ FCFF_1 = 1 / (WACC -g)$	$EV/ EBIT_1(1-t) = (1-RIR) / (WACC -g)$	$EV/ EBIT_1 = (1-t) (1-RIR)/ (WACC -g)$	$EV/ Sales_1 = (ATOM) (1- RIR)/ (WACC -g)$	$EV/ IC = (ROIC)(1-RIR)/ (WACC -g)$

Variants of EBIT (*1-t)
1. $EBIT_1(1-t)$ = ATOM (Sales)
2. $EBIT_1(1-t)$ = ROIC (IC)
3. $EBIT_1(1-t) = EBITDA_1(1-t) + t DA$

$$EV = FCFF_1 / (WACC -g) = EBIT_1(1-t)(1- RIR) / (WACC -g)$$

Cheat Box
IC = Book Equity + Debt - Cash
ATOM = EBIT (1-t)/ Sales
RIR = (Cap Ex - DA + Chg WC)/EBIT (1-t)
ROIC = $EBIT_1$ (1-t)/ IC

Enterprise Value Multiples

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Application Tests

- ☐ Given the firm that we are valuing, what is a "comparable" firm?
  - ❑ While traditional analysis is built on the premise that firms in the same sector are comparable firms, valuation theory would suggest that a comparable firm is one which is similar to the one being analyzed in terms of fundamentals.
  - ❑ There is no reason why a firm cannot be compared with another firm in a very different business, if the two firms have the same risk, growth and cash flow characteristics.
- ☐ Given the comparable firms, how do we adjust for differences across firms on the fundamentals?
  - ❑ It is impossible to find an exactly identical firm to the one you are valuing.
  - ❑ You need to control for differences across firms.

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1. The Sampling Choice

□ Ideally, you would like to find lots of publicly traded firms that look just like your firm, in terms of fundamentals, and compare the pricing of your firm to the pricing of these other publicly traded firms. Since, they are all just like your firm, there will be no need to control for differences.

□ In practice, it is very difficult (and perhaps impossible) to find firms that share the same risk, growth and cash flow characteristics of your firm. Even if you are able to find such firms, they will very few in number. The trade off then becomes:

Small sample of
firms that are
"just like" your
firm

Large sample
of firms that are
similar in some
dimensions but
different on
others

2. The "Control for Differences" Choices

1. <u>Direct comparisons</u>: If the comparable firms are "just like" your firm, you can compare multiples directly across the firms and conclude that your firm is expensive (cheap) if it trades at a multiple higher (lower) than the other firms.

2. <u>Story telling</u>: If there is a key dimension on which the firms vary, you can tell a story based upon your understanding of how value varies on that dimension.

   An example: This company trades at 12 times earnings, whereas the rest of the sector trades at 10 times earnings, but I think it is cheap because it has a much higher growth rate than the rest of the sector.

3. <u>Modified multiple</u>: You can modify the multiple to incorporate the dimension on which there are differences across firms.

4. <u>Statistical techniques</u>: If your firms vary on more than one dimension, you can try using multiple regressions (or variants thereof) to arrive at a "controlled" estimate for your firm.

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1. Just Story Telling
Trailing PE across Beverage Companies

Company Name	Trailing PE	Expected Growth	Standard Deviation
Coca-Cola Bottling	29.18	9.50%	20.58%
Molson Inc. Ltd. 'A'	43.65	15.50%	21.88%
Anheuser-Busch	24.31	11.00%	22.92%
Corby Distilleries Ltd.	16.24	7.50%	23.66%
Chalone Wine Group	21.76	14.00%	24.08%
Andres Wines Ltd. 'A'	8.96	3.50%	24.70%
Todhunter Int'l	8.94	3.00%	25.74%
Brown-Forman 'B'	10.07	11.50%	29.43%
Coors (Adolph) 'B'	23.02	10.00%	29.52%
PepsiCo, Inc.	33.00	10.50%	31.35%
Coca-Cola	44.33	19.00%	35.51%
Boston Beer 'A'	10.59	17.13%	39.58%
Whitman Corp.	25.19	11.50%	44.26%
Mondavi (Robert) 'A'	16.47	14.00%	45.84%
Coca-Cola Enterprises	37.14	27.00%	51.34%
Hansen Natural Corp	9.70	17.00%	62.45%

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A Question

□ You are reading an equity research report on this sector, and the analyst claims that Andres Wine and Hansen Natural are under valued because they have low PE ratios. Would you agree?

   a. Yes

   b. No

□ Why or why not?

2: Statistical Controls
Comparing PE ratios across Telecom companies

Company Name	PE	Growth
PT Indosat ADR	7.8	0.06
Telebras ADR	8.9	0.075
Telecom Corporation of New Zealand ADR	11.2	0.11
Telecom Argentina Stet - France Telecom SA ADR B	12.5	0.08
Hellenic Telecommunication Organization SA ADR	12.8	0.12
Telecomunicaciones de Chile ADR	16.6	0.08
Swisscom AG ADR	18.3	0.11
Asia Satellite Telecom Holdings ADR	19.6	0.16
Portugal Telecom SA ADR	20.8	0.13
Telefonos de Mexico ADR L	21.1	0.14
Matav RT ADR	21.5	0.22
Telstra ADR	21.7	0.12
Gilat Communications	22.7	0.31
Deutsche Telekom AG ADR	24.6	0.11
British Telecommunications PLC ADR	25.7	0.07
Tele Danmark AS ADR	27	0.09
Telekomunikasi Indonesia ADR	28.4	0.32
Cable & Wireless PLC ADR	29.8	0.14
APT Satellite Holdings ADR	31	0.33
Telefonica SA ADR	32.5	0.18
Royal KPN NV ADR	35.7	0.13
Telecom Italia SPA ADR	42.2	0.14
Nippon Telegraph & Telephone ADR	44.3	0.2
France Telecom SA ADR	45.2	0.19
Korea Telecom ADR	71.3	0.44

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PE, Growth and Risk

Dependent variable is: PE

R squared = 66.2%   R squared (adjusted) = 63.1%

Variable	Coefficient	SE	t-ratio	Probability
Constant	13.1151	3.471	3.78	0.0010
Growth rate	121.223	19.27	6.29	≤ 0.0001
Emerging Market	-13.8531	3.606	-3.84	0.0009

Emerging Market is a dummy: 1 if emerging market

0 if not

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Is Telebras under valued?

- Predicted PE = 13.12 + 121.22 (.075) - 13.85 (1) = 8.35

- At an actual price to earnings ratio of 8.9, Telebras is slightly overvalued.

- <u>Bottom line</u>: Just because a company trades at a low PE ratio does not make it cheap.

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3: An Eyeballing Exercise
PBV Ratios across European Banks in 2010

Name	PBV Ratio	Return on Equity	Standard Deviation
BAYERISCHE HYPO-UND VEREINSB	0.80	-1.66%	49.06%
COMMERZBANK AG	1.09	-6.72%	36.21%
DEUTSCHE BANK AG -REG	1.23	1.32%	35.79%
BANCA INTESA SPA	1.66	1.56%	34.14%
BNP PARIBAS	1.72	12.46%	31.03%
BANCO SANTANDER CENTRAL HISP	1.86	11.06%	28.36%
SANPAOLO IMI SPA	1.96	8.55%	26.64%
BANCO BILBAO VIZCAYA ARGENTA	1.98	11.17%	18.62%
SOCIETE GENERALE	2.04	9.71%	22.55%
ROYAL BANK OF SCOTLAND GROUP	2.09	20.22%	18.35%
HBOS PLC	2.15	22.45%	21.95%
BARCLAYS PLC	2.23	21.16%	20.73%
UNICREDITO ITALIANO SPA	2.30	14.86%	13.79%
KREDIETBANK SA LUXEMBOURGEOI	2.46	17.74%	12.38%
ERSTE BANK DER OESTER SPARK	2.53	10.28%	21.91%
STANDARD CHARTERED PLC	2.59	20.18%	19.93%
HSBC HOLDINGS PLC	2.94	18.50%	19.66%
LLOYDS TSB GROUP PLC	3.33	32.84%	18.66%
Average	2.05	12.54%	24.99%
Median	2.07	11.82%	21.93%

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The median test…

□ We are looking for stocks that trade at low price to book ratios, while generating high returns on equity, with low risk. But what is a low price to book ratio? Or a high return on equity? Or a low risk

□ One simple measure of what is par for the sector are the median values for each of the variables. A simplistic decision rule on under and over valued stocks would therefore be:

  ◻ Undervalued stocks: Trade at price to book ratios below the median for the sector,(2.07), generate returns on equity higher than the sector median (11.82%) and have standard deviations lower than the median (21.93%).

  ◻ Overvalued stocks: Trade at price to book ratios above the median for the sector and generate returns on equity lower than the sector median.

The Statistical Alternative

□ We are looking for stocks that trade at low price to book ratios, while generating high returns on equity. But what is a low price to book ratio? Or a high return on equity?

□ Taking the sample of 18 banks, we ran a regression of PBV against ROE and standard deviation in stock prices (as a proxy for risk).

$$PBV = 2.27 + 3.63\ ROE - 2.68\ Std\ dev$$

$$\quad\quad (5.56) \quad\quad (3.32) \quad\quad\quad (2.33)$$

R squared of regression = 79%

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And these predictions?

Name	PBV Ratio	Return on Equity	Standard Deviation	Predicted PBV	Under/Over (%)
BAYERISCHE HYPO-UND VEREINSB	0.80	-1.66%	49.06%	0.89	-10.60%
COMMERZBANK AG	1.09	-6.72%	36.21%	1.05	3.25%
DEUTSCHE BANK AG -REG	1.23	1.32%	35.79%	1.36	-9.26%
BANCA INTESA SPA	1.66	1.56%	34.14%	1.41	17.83%
BNP PARIBAS	1.72	12.46%	31.03%	1.89	-8.75%
BANCO SANTANDER CENTRAL HISP	1.86	11.06%	28.36%	1.91	-2.66%
SANPAOLO IMI SPA	1.96	8.55%	26.64%	1.86	5.23%
BANCO BILBAO VIZCAYA ARGENTA	1.98	11.17%	18.62%	2.17	-9.12%
SOCIETE GENERALE	2.04	9.71%	22.55%	2.02	1.37%
ROYAL BANK OF SCOTLAND GROUP	2.09	20.22%	18.35%	2.51	-16.65%
HBOS PLC	2.15	22.45%	21.95%	2.49	-13.71%
BARCLAYS PLC	2.23	21.16%	20.73%	2.48	-9.96%
UNICREDITO ITALIANO SPA	2.30	14.86%	13.79%	2.44	-5.72%
KREDIETBANK SA LUXEMBOURGEOI	2.46	17.74%	12.38%	2.58	-4.79%
ERSTE BANK DER OESTER SPARK	2.53	10.28%	21.91%	2.05	23.11%
STANDARD CHARTERED PLC	2.59	20.18%	19.93%	2.47	5.00%
HSBC HOLDINGS PLC	2.94	18.50%	19.66%	2.41	21.91%
LLOYDS TSB GROUP PLC	3.33	32.84%	18.66%	2.96	12.40%

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4: More Statistics and a Larger Sample
Price to Book versus ROE: Largest firms in the US: January 2010
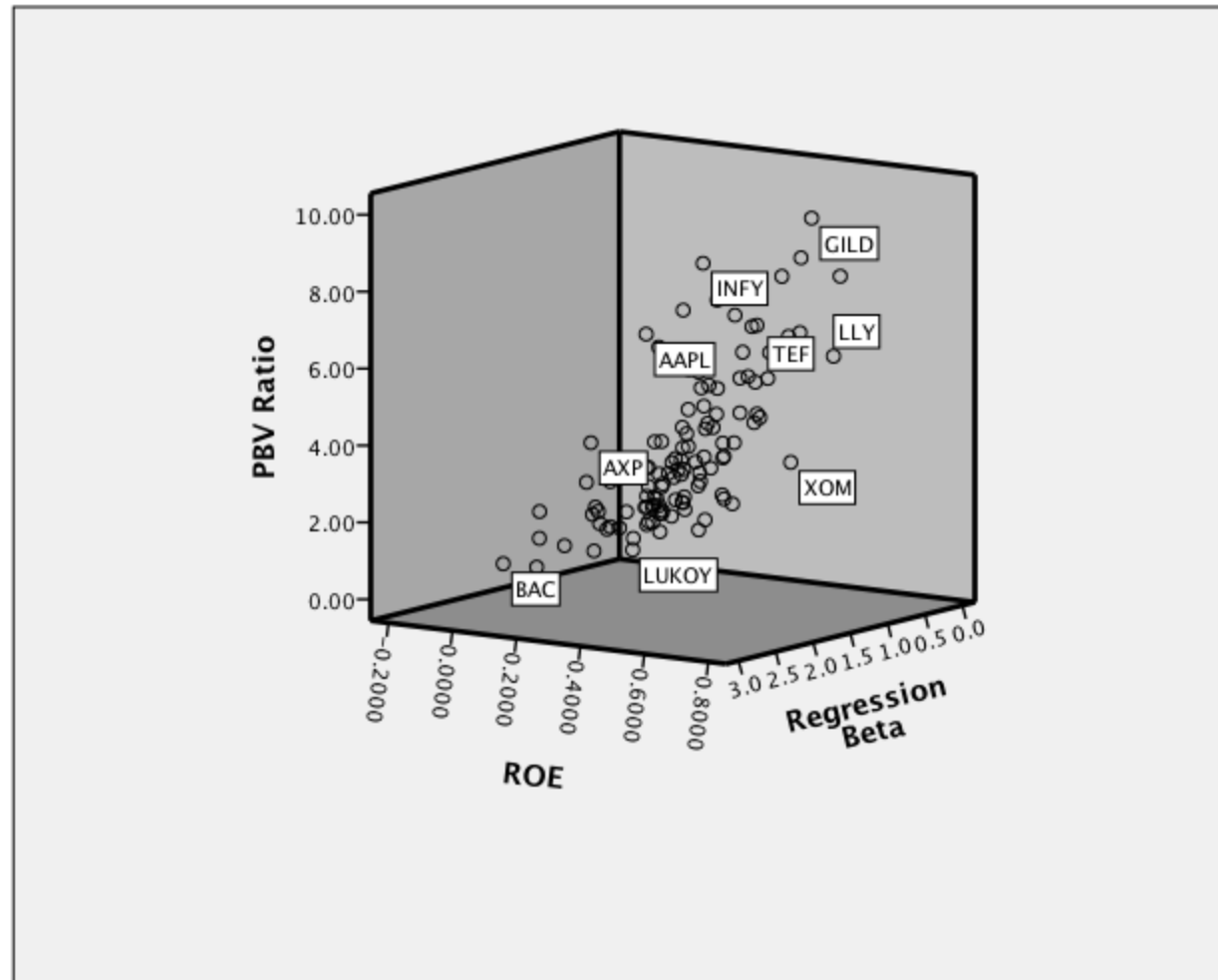
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Missing growth?

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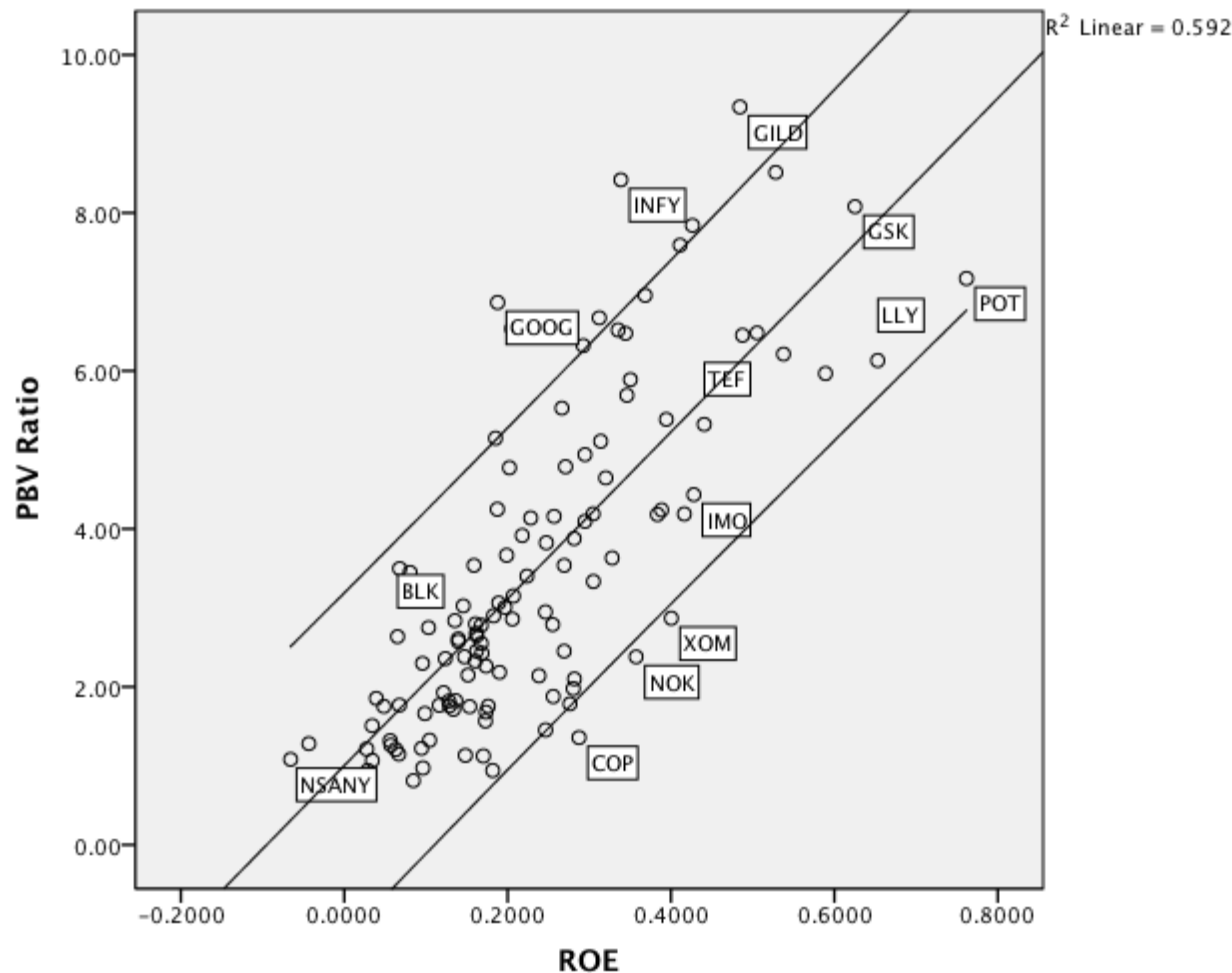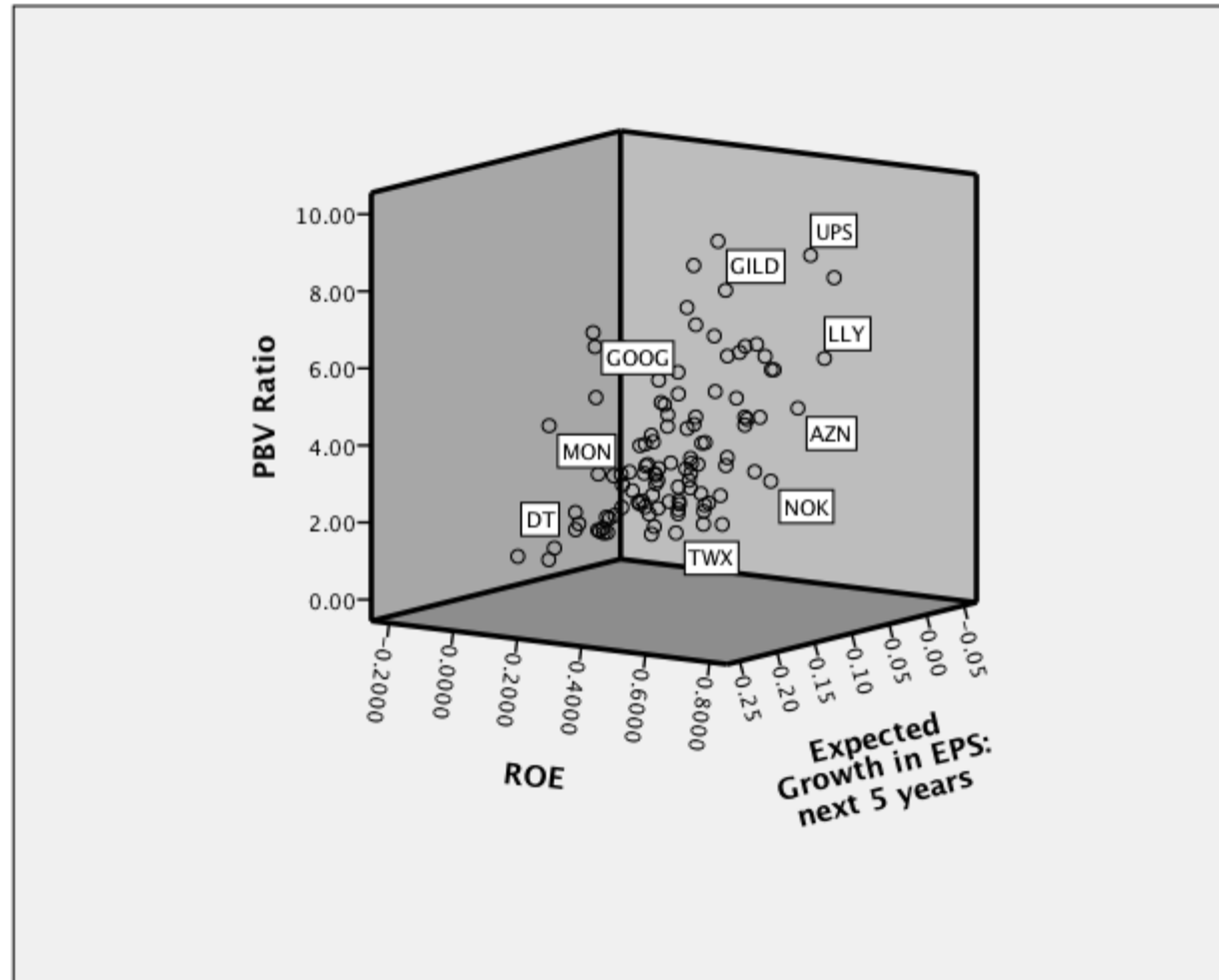
PBV, ROE and Risk: Large Cap US firms

Bringing it all together... Largest US stocks in January 2010

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.819[a]	.670	.661	1.19253

a. Predictors: (Constant), ROE, Expected Growth in EPS: next 5 years, Regression Beta

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.406	.424		.958	.340
	Regression Beta	–.065	.253	–.015	–.256	.799
	Expected Growth in EPS: next 5 years	9.340	2.366	.228	3.947	.000
	ROE	10.546	.771	.777	13.672	.000

a. Dependent Variable: PBV Ratio

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Updated PBV Ratios – Largest Market Cap US companies Updated to January 2020
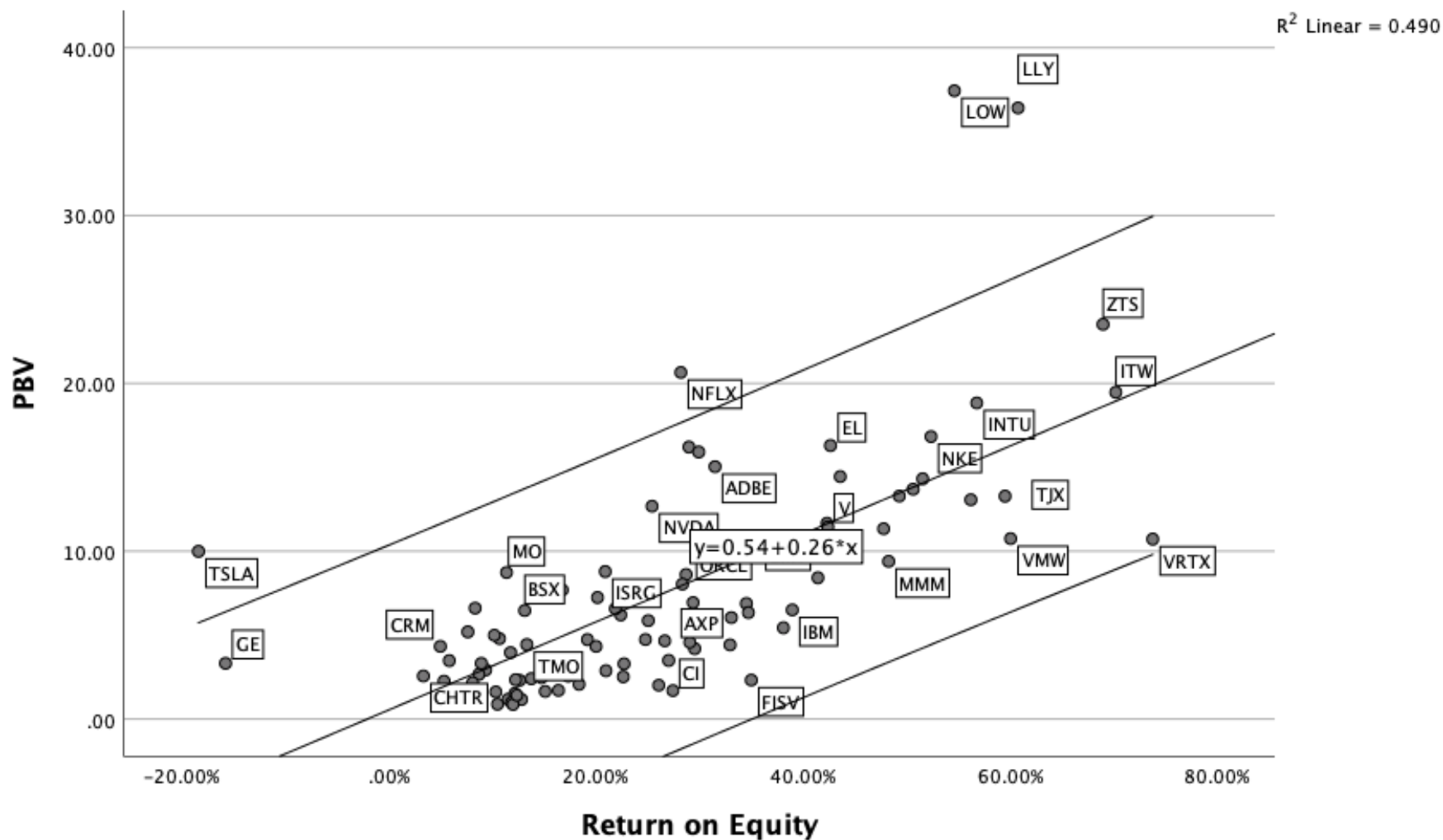
Example 5: Overlooked fundamentals?
EV/EBITDA Multiple for Trucking Companies

| Company Name	Value	EBITDA	Value/EBITDA
KLLM Trans. Svcs.	$ 114.32	$ 48.81	2.34
Ryder System	$ 5,158.04	$ 1,838.26	2.81
Rollins Truck Leasing	$ 1,368.35	$ 447.67	3.06
Cannon Express Inc.	$ 83.57	$ 27.05	3.09
Hunt (J.B.)	$ 982.67	$ 310.22	3.17
Yellow Corp.	$ 931.47	$ 292.82	3.18
Roadway Express	$ 554.96	$ 169.38	3.28
Marten Transport Ltd.	$ 116.93	$ 35.62	3.28
Kenan Transport Co.	$ 67.66	$ 19.44	3.48
M.S. Carriers	$ 344.93	$ 97.85	3.53
Old Dominion Freight	$ 170.42	$ 45.13	3.78
Trimac Ltd	$ 661.18	$ 174.28	3.79
Matlack Systems	$ 112.42	$ 28.94	3.88
XTRA Corp.	$ 1,708.57	$ 427.30	4.00
Covenant Transport Inc	$ 259.16	$ 64.35	4.03
Builders Transport	$ 221.09	$ 51.44	4.30
Werner Enterprises	$ 844.39	$ 196.15	4.30
Landstar Sys.	$ 422.79	$ 95.20	4.44
AMERCO	$ 1,632.30	$ 345.78	4.72
USA Truck	$ 141.77	$ 29.93	4.74
Frozen Food Express	$ 164.17	$ 34.10	4.81
Arnold Inds.	$ 472.27	$ 96.88	4.87
Greyhound Lines Inc.	$ 437.71	$ 89.61	4.88
USFreightways	$ 983.86	$ 198.91	4.95
Golden Eagle Group Inc.	$ 12.50	$ 2.33	5.37
Arkansas Best	$ 578.78	$ 107.15	5.40
Airlease Ltd.	$ 73.64	$ 13.48	5.46
Celadon Group	$ 182.30	$ 32.72	5.57
Amer. Freightways	$ 716.15	$ 120.94	5.92
Transfinancial Holdings	$ 56.92	$ 8.79	6.47
Vitran Corp. 'A'	$ 140.68	$ 21.51	6.54
Interpool Inc.	$ 1,002.20	$ 151.18	6.63
Intrenet Inc.	$ 70.23	$ 10.38	6.77
Swift Transportation	$ 835.58	$ 121.34	6.89
Landair Services	$ 212.95	$ 30.38	7.01
CNF Transportation	$ 2,700.69	$ 366.99	7.36
Budget Group Inc	$ 1,247.30	$ 166.71	7.48
Caliber System	$ 2,514.99	$ 333.13	7.55
Knight Transportation Inc	$ 269.01	$ 28.20	9.54
Heartland Express	$ 727.50	$ 64.62	11.26
Greyhound CDA Transn Corp	$ 83.25	$ 6.99	11.91
Mark VII	$ 160.45	$ 12.96	12.38
Coach USA Inc	$ 678.38	$ 51.76	13.11
US 1 Inds Inc.	$ 5.60	$ (0.17)	NA
Average			**5.61**

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A Test on EBITDA

- Ryder System looks very cheap on a Value/EBITDA multiple basis, relative to the rest of the sector. What explanation (other than misvaluation) might there be for this difference?

- What general lessons would you draw from this on the EV/EBITDA multiples for infrastructure companies as their infrastructure ages?

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Example 6: Pricing across time
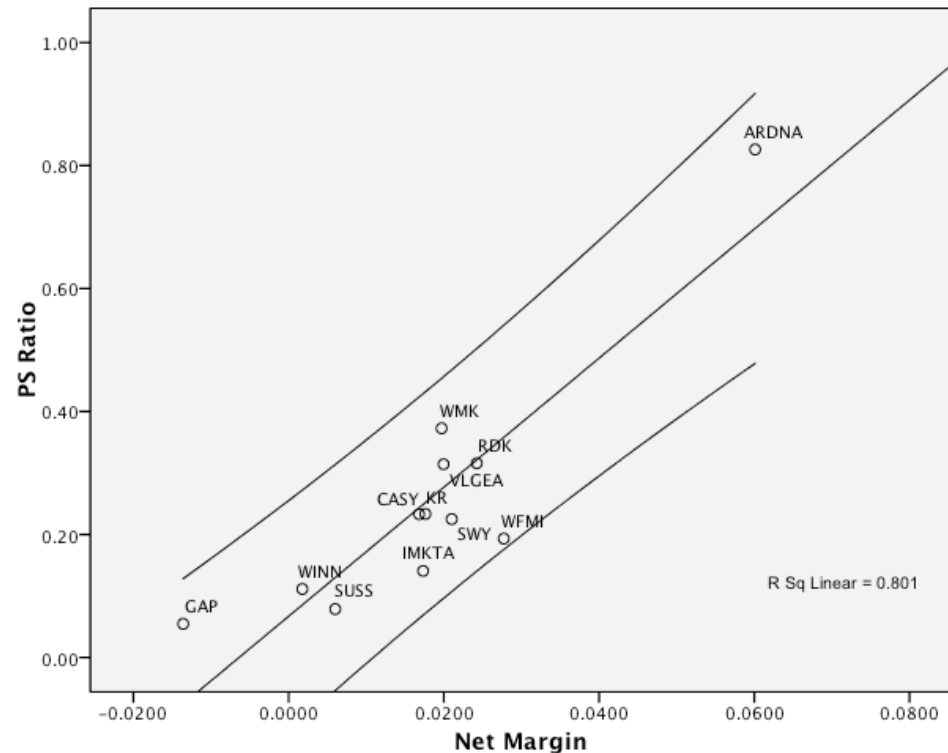# Price to Sales Multiples: Grocery Stores - US in January 2007
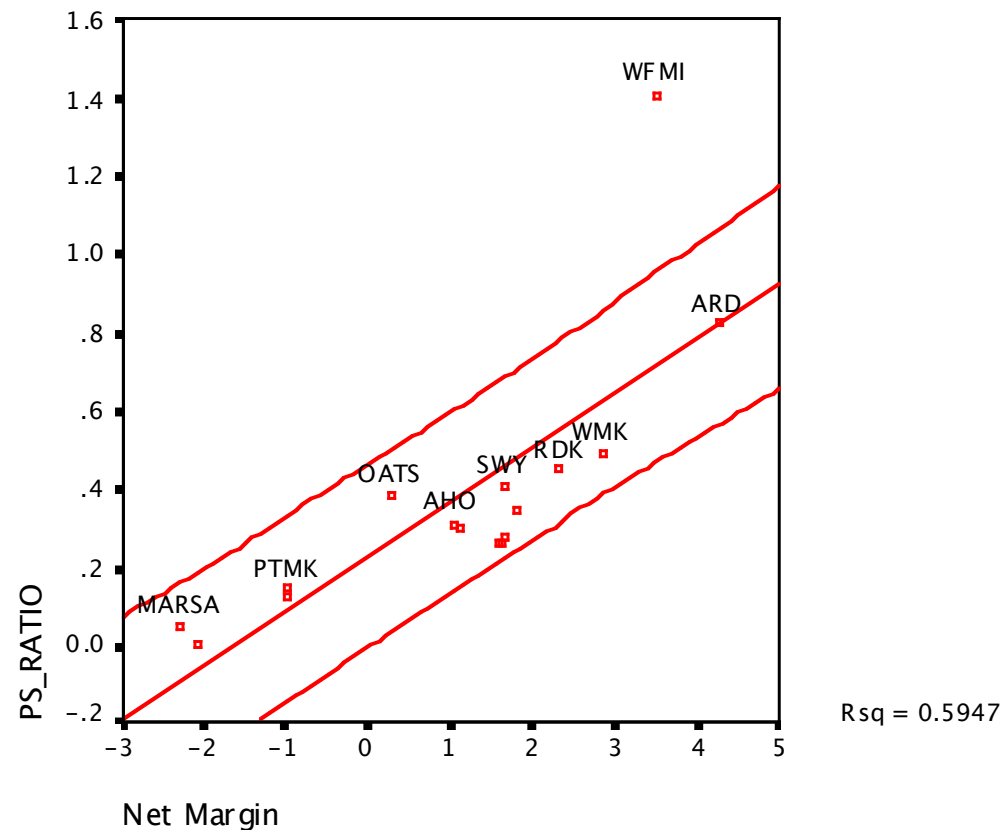
Whole Foods: In 2007: Net Margin was 3.41% and Price/ Sales ratio was 1.41
Predicted Price to Sales = 0.07 + 10.49 (0.0341) = 0.43

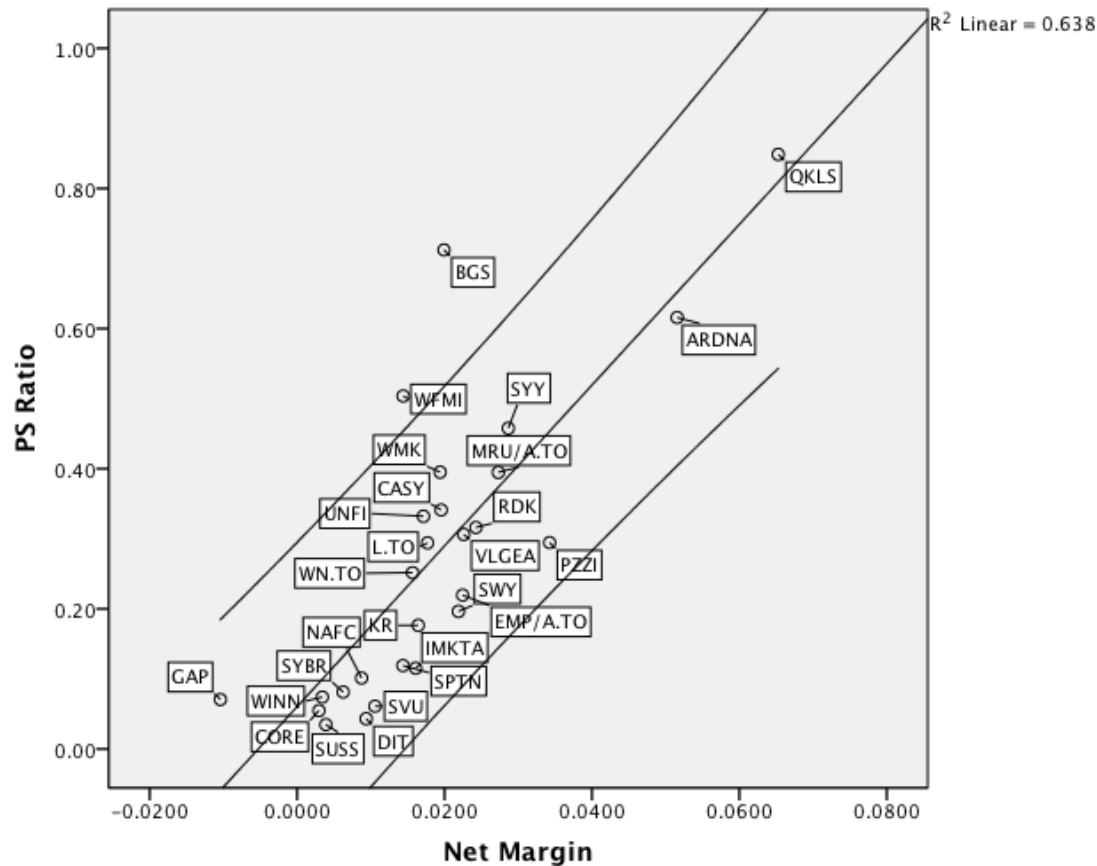# What a difference two years can make: Grocery Stores - US in January 2009

<u>Whole Foods</u>: In 2009, Net Margin had dropped to 2.77% and Price to Sales ratio was down to 0.31.

Predicted Price to Sales = 0.07 + 10.49 (.0277) = 0.36
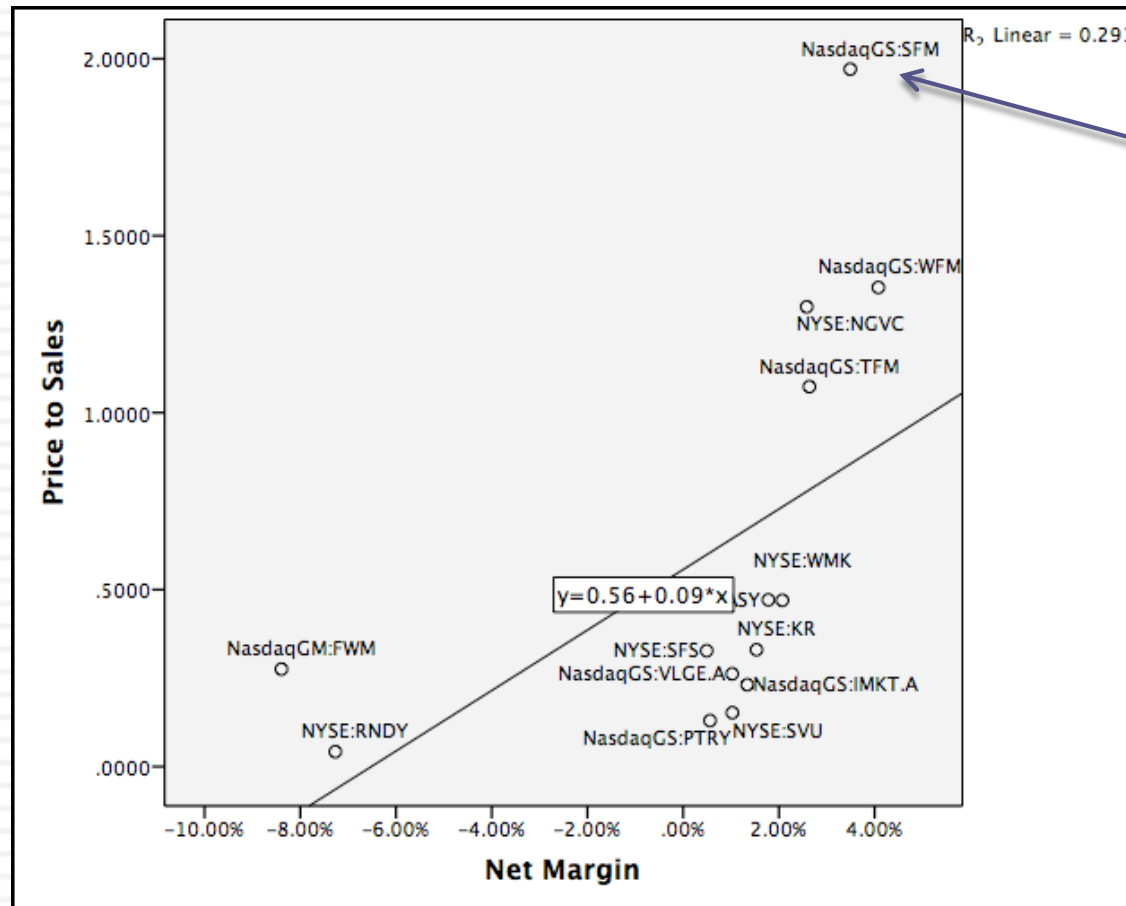
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Steady State? In 2010..

Whole Foods: In 2010, Net Margin had dropped to 1.44% and Price to Sales ratio increased to 0.50. Predicted Price to Sales = 0.06 + 11.43 (.0144) = 0.22

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There is a new kid in town: January 2015

There is a new star in town (Sprouts)
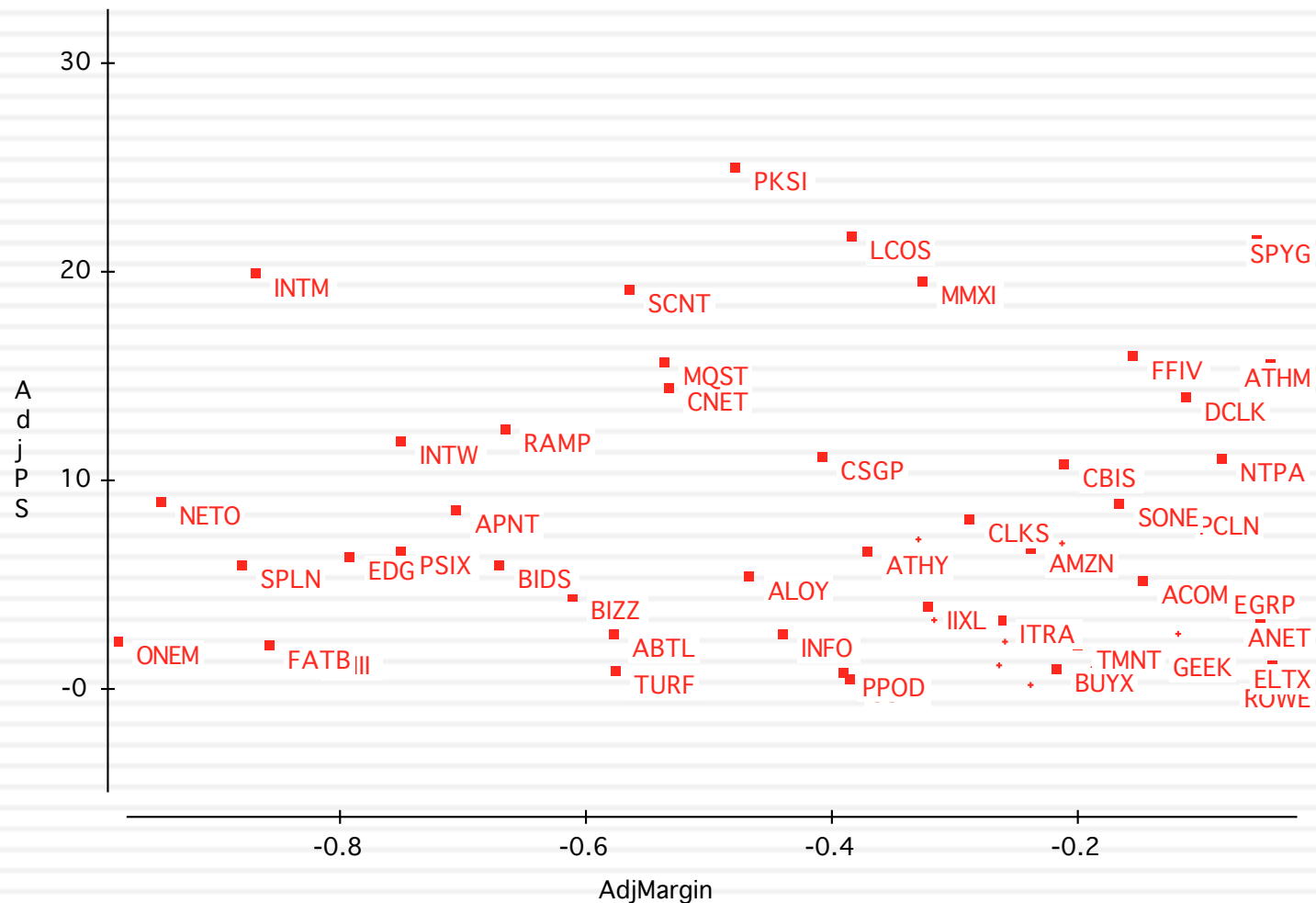
PS = 0.557 + 0.085 Net Margin
Whole Foods = 0.557 + 8.50 (0.0408) = 0.90
At 1.35 times sales, Whole Foods is overvalued (again)

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Example 7: Desperation Time
Nothing's working!!! Internet Stocks in early 2000..

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PS Ratios and Margins are not highly correlated

□ Regressing PS ratios against current margins yields the following

PS = 81.36 - 7.54(Net Margin)   R2 = 0.04

(0.49)

□ This is not surprising. These firms are priced based upon expected margins, rather than current margins.

Solution 1: Use proxies for survival and growth: Amazon in early 2000

- Hypothesizing that firms with higher revenue growth and higher cash balances should have a greater chance of surviving and becoming profitable, we ran the following regression: (The level of revenues was used to control for size)

PS = 30.61 - 2.77 ln(Rev) + 6.42 (Rev Growth) + 5.11 (Cash/Rev)

$\quad\quad\quad\quad\quad$ (0.66) $\quad\quad\quad$ (2.63) $\quad\quad\quad\quad$ (3.49)
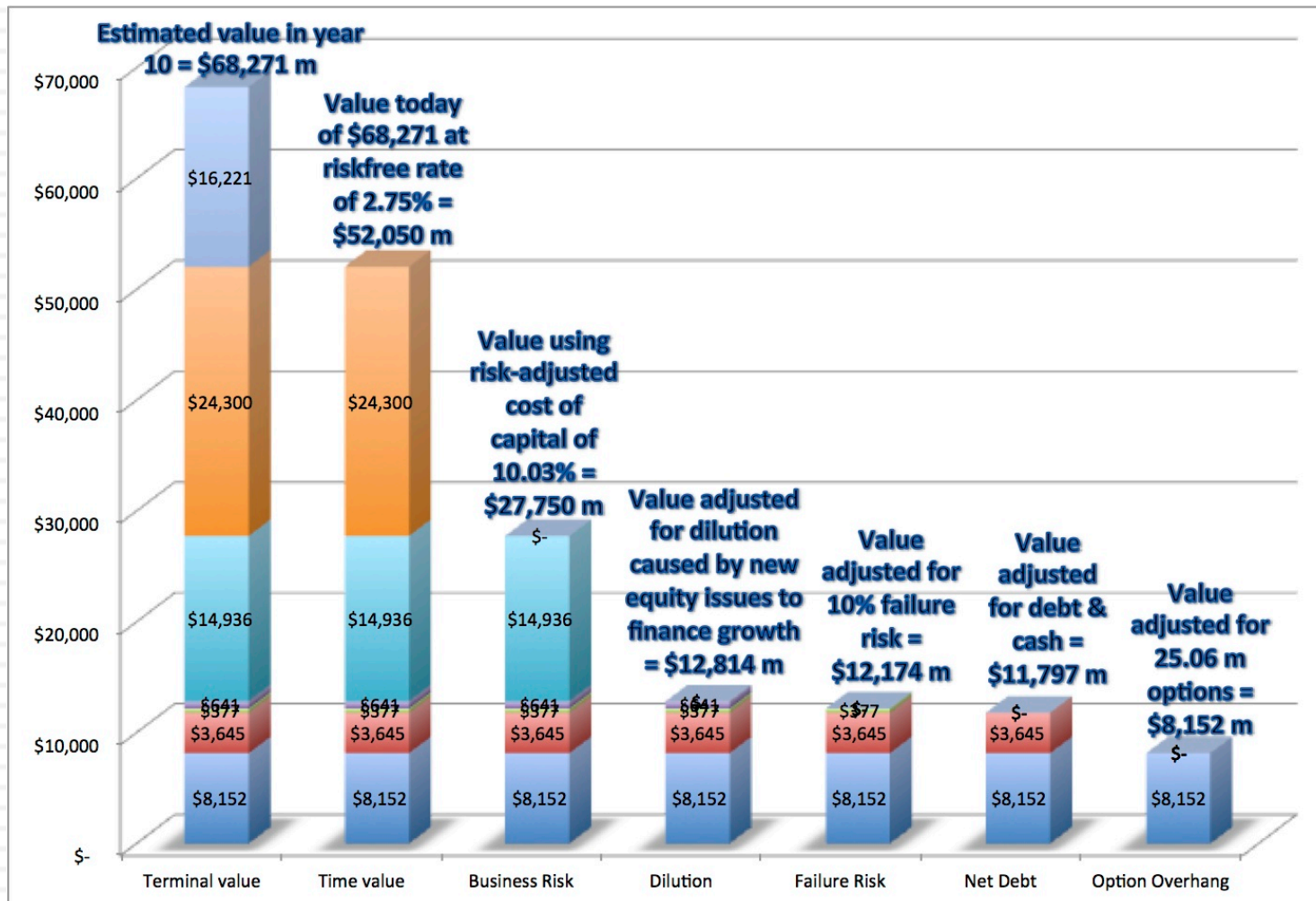
R squared = 31.8%

- Predicted PS = 30.61 - 2.77(7.1039) + 6.42(1.9946) + 5.11 (.3069) = 30.42

- Actual PS = 25.63

$\quad$ Stock is undervalued, relative to other internet stocks.

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Solution 2: Use forward multiples
Watch out for bumps in the road (Tesla)

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Solution 3: Let the market tell you what matters.. Social media in October 2013

Company	Market Cap	Enterprise value	Revenues	EBITDA	Net Income	Number of users (millions)	EV/User	EV/Revenue	EV/EBITDA	PE
Facebook	$173,540.00	$160,090.00	$7,870.00	$3,930.00	$1,490.00	1230.00	$130.15	20.34	40.74	116.47
Linkedin	$23,530.00	$19,980.00	$1,530.00	$182.00	$27.00	277.00	$72.13	13.06	109.78	871.48
Pandora	$7,320.00	$7,150.00	$655.00	-$18.00	-$29.00	73.40	$97.41	10.92	NA	NA
Groupon	$6,690.00	$5,880.00	$2,440.00	$125.00	-$95.00	43.00	$136.74	2.41	47.04	NA
Netflix	$25,900.00	$25,380.00	$4,370.00	$277.00	$112.00	44.00	$576.82	5.81	91.62	231.25
Yelp	$6,200.00	$5,790.00	$233.00	$2.40	-$10.00	120.00	$48.25	24.85	2412.50	NA
Open Table	$1,720.00	$1,500.00	$190.00	$63.00	$33.00	14.00	$107.14	7.89	23.81	52.12
Zynga	$4,200.00	$2,930.00	$873.00	$74.00	-$37.00	27.00	$108.52	3.36	39.59	NA
Zillow	$3,070.00	$2,860.00	$197.00	-$13.00	-$12.45	*34.50*	$82.90	14.52	NA	NA
Trulia	$1,140.00	$1,120.00	$144.00	-$6.00	-$18.00	*54.40*	$20.59	7.78	NA	NA
Tripadvisor	$13,510.00	$12,860.00	$945.00	$311.00	$205.00	*260.00*	$49.46	13.61	41.35	65.90
						Average	$130.01	11.32	350.80	267.44
						Median	$97.41	10.92	44.20	116.47

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Read the tea leaves: See what the market cares about

	Market Cap	Enterprise value	Revenues	EBITDA	Net Income	Number of users (millions)
Market Cap	1.					
Enterprise value	0.9998	1.				
Revenues	0.8933	0.8966	1.			
EBITDA	0.9709	0.9701	0.8869	1.		
Net Income	0.8978	0.8971	0.8466	0.9716	1.	
Number of users (millions)	0.9812	0.9789	0.8053	0.9354	0.8453	1.

Twitter had 240 million users at the time of its IPO. What price would you attach to the company?

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