

Value Methodologies

Goodbody Stockbrokers apply a range of valuation methodologies in the production of Equity Research, within which the following are the main methods adopted:

1. Share-based multiples include

- Forward price/earnings (P/E) ratios, based on adjusted earnings,
- forward price/cash-earnings ratios,
- price to net asset value (NAV) per share; and
- dividend yields.

2. Enterprise-based valuation multiples include

- Forward earnings before depreciation, interest, tax, depreciation or amortisation (EBITDA) ratios,
- forward operating cash-flow ratios,
- enterprise value (EV)/sales ratios; and
- EV/invested capital ratios.

3. Cyclical consideration

In the case of average earnings multiples, consideration is given to the stage of the relevant industry cycle, as it may not be appropriate to apply average multiples towards the peak or trough of a cycle. In such cases, earnings multiples prevailing at the corresponding stages of previous cycles may be used.

4. Asset based valuations

In the case of asset-based valuations, reported tangible net assets generally provide a floor to a company's valuation. However, in many cases, company financial statements can understate the underlying economic value of a company's assets and a ratio such as return on invested capital to weighted average cost of capital (ROIC/WACC) may provide a more appropriate indicator of the book value multiple

5. Company comparisons

The ratings of similar companies (peer groups) may be taken into account as a proxy for the average ratings for particular industry sectors. Such ratings are commonly used in analysts' sum-of-the-parts (SOTP) valuations.

6. Cashflow based valuation

In discounted cash-flow (DCF) models a company's forecast future free cash-flows are discounted by its weighted WACC. However, due to the inherent uncertainties involved in forecasting long-term cash-flows, analysts tend to adopt a range of both WACC and terminal values within the DCF models, producing a range of alternative valuations.

7. Other valuation techniques

In some instances, other valuation metrics may be used. For instance, for airlines metrics per passenger and/or available seat kilometre flown may be used for inter-company and valuation purposes.