Investment Banking 3rd edition Rosenbaum Test Bank

SKU: 9781119706182-TEST-BANK

Comparable Companies Analysis

1) Using the information provided for Gasparro Corp., complete the questions regarding fully diluted shares outstanding

General Information	
Company Name	Gasparro Corp.
Ticker	JDG
Stock Exchange	Nasdaq
Fiscal Year Ending	Dec-31
Moody's Corporate Rating	Ba2
S&P Corporate Rating	BB
Predicted Beta	1.30
Marginal Tax Rate	*25.0%*

(shares in millions)

Assumptions	
Current Share Price	$50.00
Basic Shares Outstanding	98.50

Options/Warrants		
Tranche	Number of Shares	Exercise Price
Tranche 1	1.250	$10.00
Tranche 2	1.000	30.00
Tranche 3	0.500	40.00
Tranche 4	0.250	60.00

a. Calculate Gasparro Corp.'s in-the-money options/warrants

_____

b. Calculate proceeds from in-the-money options/warrants

_____

c. Calculate net new shares from the options/warrants

_____

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d. Calculate fully diluted shares outstanding

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2) Using the prior answers and information, as well as the balance sheet data below, calculate Gasparro's equity value and enterprise value

($ in millions, except per share data)

Assumptions	
Current Share Price	$50.00
52-week High Price	62.50
52-week Low Price	40.00
Dividend Per Share (MRQ)	0.25

Balance Sheet Data		
	2018A	9/30/2019
Cash and Cash Equivalents	$75.0	$100.0
Accounts Receivable	625.0	650.0
Inventories	730.0	750.0
Prepaids and Other Current Assets	225.0	250.0
Total Current Assets	**$1,655.0**	**$1,750.0**
Property, Plant and Equipment, net	1,970.0	2,000.0
Goodwill and Intangible Assets	775.0	800.0
Other Assets	425.0	450.0
Total Assets	**$4,825.0**	**$5,000.0**
Accounts Payable	275.0	300.0
Accrued Liabilities	450.0	475.0
Other Current Liabilities	125.0	150.0
Total Current Liabilities	**$850.0**	**$925.0**
Total Debt	1,875.0	1,850.0
Other Long-Term Liabilities	500.0	500.0
Total Liabilities	**$3,225.0**	**$3,275.0**
Noncontrolling Interest	-	-
Preferred Stock	-	-
Shareholders' Equity	1,600.0	1,725.0
Total Liabilities and Equity	**$4,825.0**	**$5,000.0**
Balance Check	*0.000*	*0.000*

a. Calculate equity value

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b. Calculate enterprise value

3) Using the information provided for Gasparro, complete the questions regarding non-recurring items

Non-recurring Items

$25.0 million pre-tax gain on the sale of a non-core business in Q4 2018
$30.0 million pre-tax inventory valuation charge in Q2 2019 related to product obsolescence
$15.0 million pre-tax restructuring charge in Q3 2019 related to severance costs

($ in millions, except per share data)

Reported Income Statement

	Fiscal Year Ending December 31,			Prior Stub	Current Stub	LTM
	2016A	2017A	2018A	9/30/2018	9/30/2019	9/30/2019
Sales	**$3,750.0**	**$4,150.0**	**$4,500.0**	**$3,375.0**	**$3,600.0**	**$4,725.0**
COGS (incl. D&A)	2,450.0	2,700.0	2,925.0	2,200.0	2,350.0	3,075.0
Gross Profit	**$1,300.0**	**$1,450.0**	**$1,575.0**	**$1,175.0**	**$1,250.0**	**$1,650.0**
SG&A	750.0	830.0	900.0	675.0	720.0	945.0
Other Expense / (Income)	-	-	-	-	-	-
EBIT	**$550.0**	**$620.0**	**$675.0**	**$500.0**	**$530.0**	**$705.0**
Interest Expense	110.0	105.0	102.0	75.0	73.0	100.0
Pre-tax Income	**$440.0**	**$515.0**	**$573.0**	**$425.0**	**$457.0**	**$605.0**
Income Taxes	110.0	128.8	143.3	106.3	114.3	151.3
Noncontrolling Interest	-	-	-	-	-	-
Preferred Dividends	-	-	-	-	-	-
Net Income	**$330.0**	**$386.3**	**$429.8**	**$318.8**	**$342.8**	**$453.8**
Effective Tax Rate	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*
Weighted Avg. Diluted Shares	100.0	100.0	100.0	100.0	100.0	100.0
Diluted EPS	**$3.30**	**$3.86**	**$4.30**	**$3.19**	**$3.43**	**$4.54**

Cash Flow Statement Data

	Fiscal Year Ending December 31,			Prior Stub	Current Stub	LTM
	2016A	2017A	2018A	9/30/2018	9/30/2019	9/30/2019
Cash From Operations	400.0	450.0	500.0	360.0	380.0	520.0
Capital Expenditures	170.0	185.0	200.0	150.0	155.0	205.0
% sales	*4.5%*	*4.5%*	*4.4%*	*4.4%*	*4.3%*	*4.3%*
Free Cash Flow	**$230.0**	**$265.0**	**$300.0**	**$210.0**	**$225.0**	**$315.0**
% margin	*6.1%*	*6.4%*	*6.7%*	*6.2%*	*6.3%*	*6.7%*
FCF / Share	**$2.30**	**$2.65**	**$3.00**	**$2.10**	**$2.25**	**$3.15**
Depreciation & Amortization	155.0	165.0	175.0	125.0	125.0	175.0
% sales	*4.1%*	*4.0%*	*3.9%*	*3.7%*	*3.5%*	*3.7%*

a. Calculate adjusted LTM gross profit for Gasparro, assuming the $30.0 million inventory charge is added back to COGS

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b. Calculate adjusted LTM EBIT

_____

c. Calculate adjusted LTM EBITDA

_____

d. Calculate adjusted LTM net income

_____

4) Using the prior answers and information, complete the questions regarding Gasparro's LTM return on investment ratios

a. Calculate return on average invested capital

_____

b. Calculate return on average equity

_____

c. Calculate return on average assets

_____

d. Calculate implied annual dividend per share

_____

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5) Using the prior answers and information, complete the questions regarding Gasparro's LTM credit statistics

a. Calculate debt-to-total capitalization

_____

b. Calculate total debt-to-EBITDA

_____

c. Calculate net debt-to-EBITDA

_____

d. Calculate EBITDA-to-interest expense

_____

e. Calculate (EBITDA – capex)-to-interest expense

_____

f. Calculate EBIT-to-interest expense

_____

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6) Using the prior answers and information, calculate Gasparro's trading multiples

($ in millions, except per share data)

Trading Multiples				
	LTM 9/30/2019	NFY 2019E	NFY+1 2020E	NFY+2 2021E
EV / Sales	A)	1.4x	1.3x	1.2x
Metric		$5,000.0	$5,350.0	$5,625.0
EV / EBITDA		B)	6.6x	6.3x
Metric		$950.0	$1,025.0	$1,075.0
EV / EBIT		8.8x	C)	7.8x
Metric		$765.0	$825.0	$865.0
P/E		9.8x	9.1x	D)
Metric		$5.10	$5.50	$5.75
FCF Yield		*7.5%*	*8.3%*	E)
Metric		$375.0	$415.0	$455.0

a. Calculate Gasparro Corp.'s LTM enterprise value-to-sales

b. Calculate 2019E enterprise value-to-EBITDA

c. Calculate 2020E enterprise value-to-EBIT

d. Calculate 2021E P/E

e. Calculate 2021E FCF yield

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7) Using the prior answers and information, calculate Gasparro's growth rates

Growth Rates	Sales	EBITDA	FCF	EPS
Historical				
1-year ('17-'18)	**A)**	*5.1%*	*13.2%*	*6.4%*
2-year CAGR ('16-'18)	*9.5%*	**B)**	*14.2%*	*11.6%*
Estimated				
1-year ('18-'19E)	*11.1%*	*15.2%*	**C)**	*24.1%*
2-year CAGR ('18-'20E)	*9.0%*	*11.5%*	*17.6%*	**D)**

a. Calculate Gasparro's historical one-year sales growth

_____

b. Calculate historical two-year EBITDA compounded annual growth rate

_____

c. Calculate estimated one-year FCF growth

_____

d. Calculate estimated two-year EPS CAGR

_____

8) Using the information provided for ValueCo's peers, complete the questions regarding LTM profitability margins

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($ in millions, except per share data)

	LTM Financial Statistics					LTM Profitability Margins			
Company	Sales	Gross Profit	EBITDA	EBIT	Net Income	Gross Profit (%)	EBITDA (%)	EBIT (%)	Net Income (%)
BuyerCo	$6,559.6	$2,328.7	$1,443.1	$1,279.1	$852.5	A)	22%	20%	13%
Sherman Co.	5,894.6	1,945.2	1,047.0	752.2	507.2	33%	B)	13%	9%
Pearl Corp.	4,284.5	1,585.3	838.7	624.5	393.4	37%	20%	C)	9%
Gasparro Corp.									
Kumra Inc.	3,186.7	922.4	665.3	505.9	306.4	29%	21%	16%	D)
Mean						**32%**	**E)**	**16%**	**10%**
Median						**36%**	**20%**	**F)**	**10%**

a. Calculate BuyerCo's gross profit margin

_____

b. Calculate Sherman Co.'s EBITDA margin

_____

c. Calculate Pearl Corp.'s EBIT margin

_____

d. Calculate Kumra Inc.'s net income margin

_____

e. Calculate the mean EBITDA margin

_____

f. Calculate the median EBIT margin

_____

9) Using the information below, calculate the LTM leverage and coverage ratios for ValueCo's peers

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($ in millions, except per share data)

LTM Financial Data

Company	Debt	Shareholders' Equity	Cash	Int. Exp.	Capex	EBITDA	EBIT
BuyerCo	$2,200.0	$2,480.0	$400.0	$142.4	$196.8	$1,443.1	$1,279.1
Sherman Co	3,150.0	2,359.0	649.0	76.0	235.8	1,047.0	752.2
Pearl Corp.	1,500.0	2,559.6	868.1	100.0	128.5	838.7	624.5
Kumra Inc.	891.2	2,687.6	481.3	60.3	143.4	665.3	505.9

	LTM Leverage Ratios			LTM Coverage Ratios		
Company	Debt / Tot. Cap. (%)	Debt / EBITDA (x)	Net Debt / EBITDA (x)	EBITDA / Int. Exp. (x)	EBITDA - Cpx/ Int. (x)	EBIT / Int. Exp. (x)
BuyerCo	A)	1.5x	1.2x	10.1x	8.8x	9.0x
Sherman Co.	57%	B)	2.4x	13.8x	10.7x	9.9x
Pearl Corp.	37%	1.8x	C)	8.4x	7.1x	6.2x
Gasparro Corp.						
Kumra Inc.	25%	1.3x	0.6x	D)	E)	F)
Mean	**44%**	**G)**	**1.4x**	**10.5x**	**8.4x**	**8.2x**
Median	**47%**	**1.8x**	**1.2x**	**H)**	**8.7x**	**8.4x**

a. Calculate BuyerCo's debt-to-total capitalization

_____

b. Calculate Sherman Co.'s debt-to-EBITDA ratio

_____

c. Calculate Pearl Corp.'s net debt-to-EBITDA ratio

_____

d. Calculate Kumra Inc.'s EBITDA-to-interest expense ratio

_____

e. Calculate Kumra Inc.'s (EBITDA – Capex)-to-interest expense ratio

_____

f. Calculate Kumra Inc.'s EBIT-to-interest expense ratio

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g. Calculate the mean debt-to-EBITDA leverage ratio

h. Calculate the median EBITDA-to-interest expense ratio

10) Using the information below, calculate the LTM valuation multiples for ValueCo's peers

($ in millions, except per share data)

LTM Financial Data

Company	Sales	EBITDA	EBIT	EPS
BuyerCo	$6,559.6	$1,443.1	$1,279.1	$6.09
Sherman Co.	5,894.6	1,047.0	752.2	3.62
Pearl Corp.	4,284.5	838.7	624.5	5.21
Kumra Inc.	3,186.7	665.3	505.9	3.33

	Current			Enterprise Value /			Price /
Company	Share Price	Equity Value	Enterprise Value	LTM Sales	LTM EBITDA	LTM EBIT	LTM EPS
BuyerCo	$70.00	$9,800.0	$11,600.0	A)	8.0x	9.1x	11.5x
Sherman Co.	40.00	5,600.0	8,101.0	1.4x	B)	10.8x	11.0x
Pearl Corp.	68.50	5,171.8	5,803.7	1.4x	6.9x	C)	13.1x
Gasparro Corp.							
Kumra Inc.	52.50	4,851.6	5,344.6	1.7x	8.0x	10.6x	D)
Mean				**1.5x**	**E)**	**9.8x**	**12.4x**
Median				**1.4x**	**7.7x**	**9.4x**	**F)**

a. Calculate BuyerCo's enterprise value-to-sales multiple

b. Calculate Sherman Co.'s enterprise value-to-EBITDA multiple

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c. Calculate Pearl Corp.'s enterprise value-to-EBIT multiple

d. Calculate Kumra Inc.'s P/E multiple

e. Calculate the mean enterprise value-to-EBITDA multiple

f. Calculate the median P/E ratio

11) Using the information below, calculate ValueCo's implied valuation ranges using the company's LTM EBITDA

($ in millions, except per share data)

EBITDA	Financial Metric	Multiple Range			Implied Enterprise Value		Less: Net Debt	Implied Equity Value		Fully Diluted Shares	Implied Share Price	
LTM	$700	7.0x	–	8.0x	A)	– A)	(1,500)	B)	– B)	80	C)	– C)

a. Calculate ValueCo's implied enterprise value range

b. Calculate ValueCo's implied equity value range

c. Calculate ValueCo's implied share price range

12) Using the information below, calculate ValueCo's implied valuation ranges using the company's LTM net income

($ in millions, except per share data)

Net Income	Financial Metric	Multiple Range			Implied Equity Value			Fully Diluted Shares	Implied Share Price		
LTM	$300	11.0x	–	13.0x	A)	–	A)	80	B)	–	B)

a. Calculate ValueCo's implied equity value range

_____

b. Calculate ValueCo's implied share price range

_____

13) Which of the following is the correct order of steps to complete comparable companies analysis?

I. Locate the Necessary Financial Information
II. Select the Universe of Comparable Companies
III. Spread Key Statistics, Ratios, and Trading Multiples
IV. Determine Valuation
V. Benchmark the Comparable Companies

A. II, I, III, V, IV
B. I, II, III, IV, V
C. II, I, III, IV, V
D. III, I, IV, V, IV

14) All of the following are business characteristics that can be used to select comparable companies EXCEPT

A. Products and Services
B. Distribution Channels
C. Return on Investment
D. Sector

15) All of the following are financial characteristics that can be used to select comparable companies EXCEPT

A. Credit Profile
B. Growth Profile
C. Profitability
D. Geography

16) Which of the following are key business characteristics to examine when screening for comparable companies?

I. Sector
II. Return on investment
III. End markets
IV. Distribution channels
V. Return on assets

A. I and III
B. II and IV
C. I, III, and IV
D. I, II, III, IV, and V

17) Which of the following are key financial characteristics to examine when screening for comparable companies?

I. Customers
II. Profitability
III. Growth profile
IV. Credit profile
V. End markets

A. II and III
B. II, III, and IV
C. I, II, and IV
D. II, III, and V

18) End markets refer to the

A. Market into which a company sells its products and services

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B. Medium through which a company sells its products and services to the end user
C. End users of a product or service
D. Stores that distribute a company's product or service

19) Distribution channels refer to the

A. Market into which a company sells its products and services
B. Medium through which a company sells its products and services to the end user
C. End users of a product or service
D. Stores that distribute a company's product or service

20) Which of the following is NOT a financial statistic to measure the profitability of a company?

A. Gross profit
B. EBITDA margin
C. EBIT margin
D. Equity value

21) Which of the following is NOT a source for locating financial information for comparable companies?

A. 10-K
B. 13-D
C. Investor Presentations
D. Equity Research

22) Which of the following is the correct calculation for fully diluted shares outstanding when used in trading comps?

A. "Out-of-the money" options and warrants + "in-the-money" convertible securities
B. Basic shares outstanding + "in-the-money" options and warrants + "in-the-money" convertible securities
C. "In-the-money" options and warrants + "in-the-money" convertible securities
D. Basic shares outstanding + "out-of-the money" options and warrants

23) Which methodology is used to determine additional shares from "in-the-money" options and warrants when determining fully diluted shares?

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A. Treasury Stock Method
B. "If-Converted Method"
C. Net Share Settlement Method
D. "In-the-Money" Method

24) Calculate the company's equity and enterprise value, respectively, using the information below

($ in millions, except per share data; shares in millions)

Assumptions	
Current Share Price	$20.00
Fully Diluted Shares	50.0
Total Debt	250.0
Preferred Stock	35.0
Noncontrolling Interest	15.0
Cash and Cash Equivalents	50.0

A. $1,000.0 million; $1,250.0 million
B. $1,000.0 million; $1,350.0 million
C. $1,700.0 million; $1,915.0 million
D. $1,700.0 million; $1,350.0 million

25) Calculate fully diluted shares using the information below

($ in millions, except per share data; shares in millions)

Assumptions	
Current Share Price	$25.00
Basic Shares Outstanding	200.0
Exercisable Options	20.0
Weighted Average Exercise Price	$10.00

A. 150.4 million
B. 200.5 million
C. 212.0 million
D. 220.0 million

26) Calculate fully diluted shares using the information below

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($ in millions, except per share data; shares in millions)	
Assumptions	
Current Share Price	$40.00
Basic Shares Outstanding	300.0
Exercisable Options	10.0
Weighted Average Exercise Price	$26.00

A. 295.4 million
B. 300.0 million
C. 303.5 million
D. 310.0 million

27) If a company has an enterprise value of $1,000 million and equity value of $1,150 million, what is the company's net debt?

A. $250 million
B. ($250) million
C. $150 million
D. ($150) million

28) What is the most conservative (most dilutive scenario) way to treat options and warrants when calculating fully diluted shares outstanding?

A. Use all outstanding "in-the-money" options and warrants
B. Use all exercisable "in-the-money" options and warrants
C. Ignore all "in-the-money" options and warrants
D. Ignore all outstanding "in-the-money" options and warrants

29) Which type of "in-the-money" options may be excluded from the calculation of fully-diluted shares outstanding in comparable companies analysis?

A. Exercisable
B. Net share settled
C. Outstanding, but not exercisable
D. If-Converted

30) Calculate fully diluted outstanding shares using the information below

($ in millions, except per share data; shares in millions)

Assumptions	
Company	
Current Share Price	$45.00
Basic Shares Outstanding	250.0
Convertible	
Amount Outstanding	$300.0
Conversion Price	$30.00

A. 200.5 million
B. 253.8 million
C. 260.0 million
D. 265.5 million

31) Calculate fully diluted shares using the information below

($ in millions, except per share data; shares in millions)

Assumptions	
Current Share Price	$30.00
Basic Shares Outstanding	350.0
Exercisable Options	10.0
Weighted Average Exercise Price	$15.00
Convertible Amount Outstanding	$250.0
Convertible Conversion Price	$20.00

A. 325.0 million
B. 355.3 million
C. 363.5 million
D. 367.5 million

Use the information below to answer the next two questions

($ in millions, except per share data; shares in millions)

Assumptions	
Current Share Price	$30.00
Conversion Price	22.50
Convert Amount Outstanding	$225.0

32) Using the if-converted method, calculate net new shares

A. 2.5
B. 5.0
C. 10.0
D. 12.5

33) Using the net share settlement method, calculate net new shares

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A. 2.5
B. 5.0
C. 10.0
D. 12.5

34) What is the formula for calculating enterprise value?

A. Equity value + total debt
B. Equity value + total debt + preferred stock + noncontrolling interest – cash
C. Equity value + total debt – preferred stock – noncontrolling interest – cash
D. Equity value + total debt + preferred stock + noncontrolling interest + cash

35) All else being constant, how does enterprise value change if a company raises equity and uses the entire amount to repay debt?

A. Stays constant
B. Increases
C. Decreases
D. Not enough information to answer the question

36) Show the necessary adjustments and pro forma amounts if a company issues $200.0 million of equity and uses the proceeds to repay debt (excluding fees and expenses).

($ in millions)

Capital Structure				
	Actual 2018	**Adjustments +**	**-**	**Pro forma 2018**
Equity Value	$1,200.0			
Plus: Total Debt	750.0			
Plus: Preferred Stock	100.0			
Plus: Minority Interest	50.0			
Less: Cash and Cash Equivalents	(100.0)			
Enterprise Value	**$2,000.0**			

37) Which company below has a higher gross profit margin?

($ in millions)

Company A	
Revenue	$400.0
COGS	250.0

Company B	
Revenue	$1,000.0
COGS	550.0

A. Company A
B. Company B
C. Same margin for both companies
D. Not enough information to answer the question

38) Using the information below, calculate the CAGRs for the 2016 – 2018 and 2018 – 2020 periods

	Fiscal Year Ending December 31,						
	2016A	2017A	2018A	CAGR ('16 - '18)	2019E	2020E	CAGR ('18 - '20)
Diluted EPS	$1.35	$1.60	$1.80		$2.00	$2.20	
% growth		*18.5%*	*12.5%*		*11.1%*	*10.0%*	

A. 15.5% and 10.6%
B. (13.4%) and (9.3%)
C. 13.4% and 9.3%
D. 13.0% and 9.0%

39) Which of the following is NOT a metric used to measure a company's growth?

A. Long-term EPS growth rate
B. Historical EPS CAGRs
C. EBITDA margins
D. y/y sales growth rates

40) Calculate the company's return on invested capital (ROIC)?

($ in millions)

Assumptions	
EBIT	$150.0
Net Debt	275.0
Shareholders' Equity	475.0
Accounts Payable	35.0
Accounts Receivable	50.0

A. 19.1%
B. 20.0%
C. 24.7%
D. 30.0%

41) Calculate the company's return on equity (ROE)?

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($ in millions)

Assumptions	
EBIT	$150.0
Net Income	85.0
Net Debt	300.0
Shareholders' Equity	315.0

A. 10.0%
B. 10.4%
C. 27.0%
D. 29.1%

42) Calculate the company's return on assets (ROA)?

($ in millions)

Assumptions	
EBIT	$200.0
Net Income	150.0
Net Debt	250.0
Shareholders' Equity	450.0
Total Assets	625.0

A. 19.4%
B. 22.4%
C. 24.0%
D. 25.2%

43) Calculate the company's debt-to-total capitalization

($ in millions)

Assumptions	
Debt	$200.0
Preferred Stock	195.0
Noncontrolling Interest	50.0
Equity	675.0
Cash	100.0

A. 17.9%
B. 19.7%
C. 20.5%
D. 23.0%

44) When calculating an interest coverage ratio, which of the following is NOT used in the numerator?

A. Net income
B. EBIT
C. EBITDA
D. (EBITDA – capex)

45) Ratings of Aaa, Aa1, and Aa2 belong to which ratings agency?

A. S&P
B. Moody's
C. Fitch
D. SEC

46) Which of the following ratings is investment grade?

A. Ba1
B. BB+
C. BB-
D. BBB-

47) What is the Moody's equivalent of B+?

A. B1
B. B2
C. Ba1
D. Baa1

48) Calculate LTM 9/30/2019 sales given the information below

($ in millions)

Sales Data	
YTD 9/30/2019 Sales	$1,600.0
YTD 9/30/2018 Sales	1,450.0
YTD 9/30/2017 Sales	1,375.0
2018 Sales	2,250.0
2017 Sales	2,000.0

A. $1,900.7 million
B. $2,000.5 million
C. $2,100.0 million
D. $2,400.0 million

49) Calculate LTM 12/31/2018 sales given the information below

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($ in millions)

Sales Data	
YTD 6/30/2019 Sales	$2,500.0
YTD 6/30/2018 Sales	2,350.0
YTD 6/30/2017 Sales	2,150.0
2018 Sales	4,250.0
2017 Sales	4,000.0

A. $2,500.0 million
B. $4,250.0 million
C. $4,000.0 million
D. $4,500.0 million

50) Calendarize the 4/30/2018 sales figure so it can be used alongside companies reporting on a calendar year basis

($ in millions)

Sales Data	
FY 4/30/2019E Sales	$1,650.0
FY 4/30/2018A Sales	1,500.0
FY 4/30/2017A Sales	1,350.0

A. $1,050.5 million
B. $1,550.0 million
C. $1,600.0 million
D. $1,655.5 million

51) Calculate adjusted net income, EBITDA, and EPS, respectively, assuming $50 million of D&A, and adjusting for the $10.0 million restructuring charge as well as an inventory write-down of $5 million

($ in millions, except per share data)

Income Statement	Reported 2018
Sales	**$1,000.0**
Cost of Goods Sold	625.0
Gross Profit	**$375.0**
Selling, General & Administrative	230.0
Restructuring Charges	10.0
Operating Income (EBIT)	**$135.0**
Interest Expense	35.0
Pre-tax Income	**$100.0**
Income Taxes @ 25%	25.0
Net Income	**$75.0**
Weighted Average Diluted Shares	30.0
Diluted Earnings Per Share	$2.50

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A. $75.0 million, $185.0 million, $2.88
B. $86.3 million, $200.0 million, $2.88
C. $88.8 million, $200.0 million, $2.50
D. $88.8 million, $100.0 million, $2.50

52) The P/E ratio is equivalent to

A. Equity value/net income
B. Enterprise value/net income
C. Enterprise value/EBITDA
D. Share price/free cash flow

53) Which of the following is not an appropriate valuation multiple?

A. Enterprise value/EBITDA
B. Enterprise value/EBIT
C. Enterprise value/net income
D. Enterprise value/sales

54) Which of the following is not an appropriate valuation multiple?

A. Equity value/EBITDA
B. Enterprise value/EBITDAR
C. Equity value/book value
D. Enterprise value/resources

55) If a company has noncontrolling interest, which statement contains the data needed to calculate enterprise value?

A. Income statement
B. Balance sheet
C. Cash flow statement
D. Management discussion & analysis

56) The two most generic and widely used valuation multiples are

I. Enterprise value/EBITDA
II. EBITDA/interest expense
III. Total debt/EBITDA
IV. P/E

A. I and III
B. I and IV
C. II and III
D. II and IV

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57) What is the premise behind comparable companies analysis?

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58) Two companies are very similar in terms of business characteristics, but they are currently trading at substantially different multiples. What discrepancies in financial characteristics could explain this situation?

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59) All else being equal, which company would be expected to trade at a higher multiple—a heavily leveraged company or one with moderate to low leverage? Why?

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_____

60) Why are comparable companies sometimes tiered into different groups?

_____

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_____

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61) Match the SEC forms with their formal name

10-K	Proxy statement
10-Q	Annual report
8-K	Current report
DEF14A	Quarterly report

62) Match the valuation multiples with the sector that employs them

Enterprise value/reserves	Retail
Enterprise value/EBITDAR	Financial Institutions
Enterprise value/subscriber	Metals & mining
Price/Book	Media

63) What are some of the benefits of using comparable companies analysis?

64) What are some of the considerations when using comparable companies analysis?

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