

Felix Multiples Challenge

You work within ECM and your team is advising a private online gaming company, Epic Games, ahead of its IPO.

The CEO of Epic Games contacts your team as they want to gain a better understanding of how the market is likely to value the company.

The CEO is particularly interested in the following:

1. Industry multiples:

As a gaming company, Epic Games is a consumer facing technology business. How do valuation multiples (EV/EBITDA and EV/Sales) for consumer sectors compare with those of the technology sectors, and why?

2. Peer multiples:

The closest peers identified by your team are: Electronic Arts (EA), Take-Two (TTWO), Roblox (RBLX) and Unity Software (U). However, your team have cautioned that this is an active sector for M&A and that acquisitions (or disposals) could distort your multiples analysis.

What are the current EV/EBITDA and EV/Sales multiples for the peer companies? Which of these are the closest comps to Epic Games, and why?

3. Company valuation:

What is an appropriate EV/EBITDA multiple for Epic Games, and what is the implied enterprise value?

Your MD asks you to respond to the CEO's questions using Felix data and the management information and forecasts provided in the Excel file provided.