Comparable Company Analysis

Accounting & Finance

Choosing peers, and adjusting for what makes them different.

Running a comparables analysis.

1. **Select the peer set**
   Similar business model, size, growth and geography.
2. **Normalise the financials**
   Strip out one-offs so the multiples are consistent.
3. **Calculate the multiples**
   Using consistent definitions across every peer.
4. **Examine the spread**
   Understand why the high and low peers sit where they do.
5. **Apply to the target**
   Usually the median, adjusted for genuine differences.

The median resists outliers better than the mean. With small peer sets, one extreme company distorts the average badly.