



Comps in CapIQ

Performing a relative valuation using Capital IQ

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Relative Valuation Method and Purpose:

Relative valuation (otherwise known as comparable analysis, compco, or peer valuation) is a form of equity valuation that looks at a company's competitors' stock prices to determine the implied stock price of the target company. Unlike intrinsic valuation, relative valuation is not based on the fundamentals of a company (i.e. management, future goals, revenue growth projections, etc.). Rather, the analysis starts by comparing the target company's key ratios and metrics to that of its competitors and finding its implied position within the industry. The share price of the company is then implied based on the share price of its competitors. This valuation method relies heavily on the concept that markets choose the value of stocks, so to determine the value it is necessary to look at the market's opinion of value. It is best to look at relative valuation in conjunction with other equity valuation methods. Feel free to use the table of contents below to skip to sections that are most necessary for you.

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To learn more about CapIQ, check out the other Cutler Center tutorials related to Capital IQ using this [link](#).

Part 2 - Quick Comps:

The screenshot displays the Capital IQ profile for AT&T Inc. (NYSE:T). The left-hand navigation menu includes sections like 'My Links', 'Most Used', 'Company Summary', 'Business Description', 'Financials/Valuation', 'Proprietary Data', 'Estimates', 'Peer Analysis', 'Charting', 'Fixed Income', 'Transactions', 'Business Relationships', 'Investors', 'News, Events & Filings', 'Research', 'Investments', and 'Report Builder'. The 'Peer Analysis' section is expanded, and the 'Quick Comps' link is highlighted in red. The main content area shows the company's website (www.att.com), employee count (214,840), and a detailed business description. Below this, there are sections for 'Primary Industry Classification', 'Primary Office Location', 'Current and Pending Investors', and 'Investment Arms'. A 'Stock Quote and Chart' section shows real-time data and a line chart. The 'Financial Information' section provides key metrics like Total Revenue, EBITDA, and EBIT. At the bottom, there is an 'Index Membership' section listing various industry and market indices.

After searching for AT&T, you should get to the page above. This is called the Tearsheet, and it contains basic information about the company and the stock. On the left-hand menu are your options. To access Quick Comps, click the quick comps link under the “Peer Analysis” section (highlighted in the image above).

Hitting the Quick Comps option will take you to the page below. Capital IQ will automatically generate a list of comparable companies for AT&T based on industry and other factors. This list might not be exhaustive. To add a company, simply click the “Add Companies” icon in the top left (circled in red). In the resulting menu, search for a company by name (using the “search” option) or ticker (using the “Tickers/IQ IDs” option). You can also bulk add from lists, indices, or excel. Let’s say we want to add T-Mobile. Search the company by name by selecting the “search” option. Then type out “T-Mobile” in the search bar. Numerous options are

The screenshot shows the search results for 'T-Mobile' in the Capital IQ Quick Comps tool. The search bar contains 'T-Mobile' and the search button is highlighted. The results list includes several entities, with 'T-Mobile US, Inc. (Public Company - NasdaqGS:TMUS)' selected. The 'Add Companies' icon is circled in red. The 'Selected Entities' section shows the chosen company. At the bottom, there are dropdown menus for 'Subject Company' (AT&T Inc. (NYSE:T)) and 'Benchmark' (No Benchmark Index), along with 'Add to Comps' and 'Cancel' buttons.

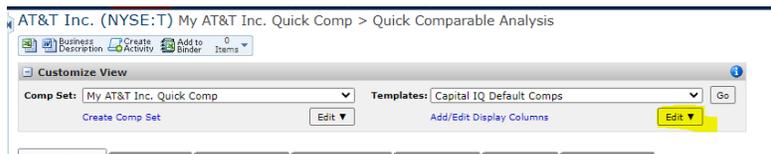
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available. Select the one you want and move it to the “Selected Entities” box by clicking the right arrow on the screen (highlighted in yellow on the picture). Then click “add to comps” to add it to your list.

Let’s say you want to delete a comp from your set. Simply check the check box next to the company, select the “options” drop-down menu (circled in blue on the image below), and select “delete.”

| Company Name | Day Close Price Latest | Shares Outstanding Latest | Market Capitalization Latest | LTM Net Debt | LTM Total Pref. Equity | LTM Minority Interest | Total Enterprise Value Latest | LTM Tangible Book Value/Share | LTM Filing Date, Income Statement | LTM Total Revenue | LTM EBITDA |
|---------------------------------------|------------------------|---------------------------|------------------------------|--------------|------------------------|-----------------------|-------------------------------|-------------------------------|-----------------------------------|-------------------|------------|
| Apple Inc. (NasdaqGS:AAPL) | 148.96 | 16,406.4 | 2,443,896.9 | (53,394.0) | - | - | 2,389,902.9 | 3.84 | Oct-29-2021 | 365,817.0 | 120,233.0 |
| Allice USA, Inc. (NYSE:ATUS) | 16.88 | 457.1 | 7,716.3 | 27,238.8 | - | (50.05) | 34,905.1 | (55.22) | Jul-28-2021 | 9,964.2 | 4,337.3 |
| Alphabet Inc. (NasdaqGS:GOOG.L) | 2,869.94 | 663.8 | 1,906,723.1 | (114,337.0) | - | - | 1,792,386.1 | 331.58 | Oct-27-2021 | 239,210.0 | 85,197.0 |
| Comcast Corporation (NasdaqGS:CMCSA) | 52.26 | 4,568.9 | 238,771.9 | 90,580.0 | - | 2,044.00 | 331,395.9 | (14.58) | Oct-26-2021 | 113,757.0 | 33,388.0 |
| The Walt Disney Company (NYSE:DIS) | 170.19 | 1,817.1 | 309,256.8 | 39,768.0 | - | 13,873.00 | 362,897.8 | (4.84) | Aug-12-2021 | 63,591.0 | 7,657.0 |
| Verizon Communications Inc. (NYSE:VZ) | 52.95 | 4,140.2 | 219,221.7 | 168,832.0 | - | 1,445.00 | 389,498.7 | (24.31) | Oct-26-2021 | 134,238.0 | 50,295.0 |
| Discovery, Inc. (NasdaqGS:DISC.A) | 24.42 | 689.9 | 15,939.4 | 11,998.0 | - | 1,770.00 | 29,707.4 | (18.55) | Aug-03-2021 | 11,301.0 | 3,787.0 |
| ViacomCBS Inc. (NasdaqGS:VIAC) | 37.25 | 646.5 | 24,184.7 | 13,802.0 | - | 748.00 | 38,734.7 | (16.61) | Aug-05-2021 | 26,687.0 | 5,002.0 |
| British Telecommunications plc | - | - | - | 26,199.2 | - | - | - | 1.31 | Aug-19-2021 | 29,167.8 | 8,163.3 |
| Fox Corporation (NasdaqGS:FOXA) | 41.06 | 572.5 | 22,787.0 | 2,566.0 | - | 263.00 | 25,616.0 | 7.52 | Aug-10-2021 | 12,909.0 | 3,087.0 |
| AT&T Inc. (NYSE:IT) | 25.37 | 7,139.9 | 181,138.2 | 180,839.0 | - | 17,532.00 | 379,509.2 | (18.09) | Oct-21-2021 | 173,597.0 | 49,431.0 |

To save changes you have made to the company list, select the “edit” drop-down menu at the top of the screen and click save. Next time you search for AT&T and go to quick comps, this saved comps set will appear as an option in the drop-down menu “comp set.”



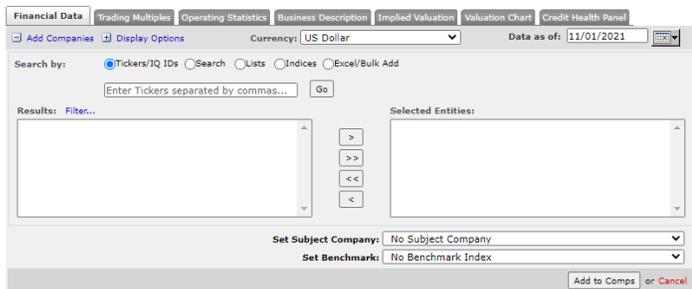
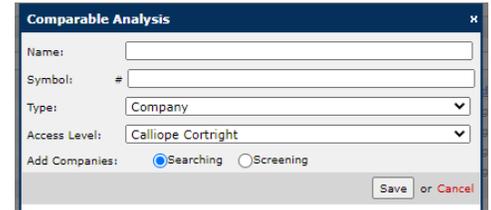
To understand how to interpret the options and output, see parts 4 and 5 of this tutorial.

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Part 3 - Creating Comps:

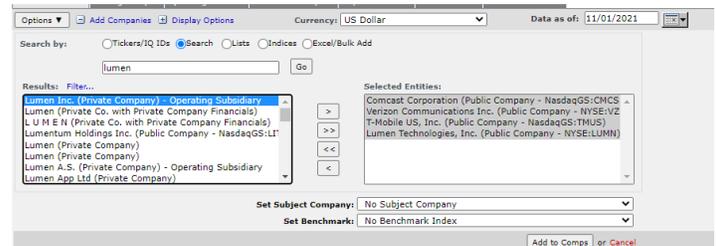
Instead of using Quick Comps, many analysts will create their own set of comparable companies for their analysis. To do this on Capital IQ, hover over the “Screening” option on the top menu bar. Under the “Comparable Analysis” header, choose the option "Create - Companies.”

This pop-up should then appear. Name your comp list whatever you would like (i.e. “CompList AT&T”), and add a symbol if you want (not required). Leave the “type” drop-down menu at “company” (the default), and leave the “add companies” option as search. The access level drop-down is just for sharing purposes.



After saving your set name, you will be taken to this screen. Similar to adding comps in part 2, you can search companies here using the ticker or the name (using the “search” option) to add them to the Comps list. You can also bulk add from lists, indices, and Excel. Search a company, highlight the option in the “Results” box, use the “>” on the screen to move it to the “Selected Entities” box, and click “Add to Comps” when you have completed your list. To add all of the companies in the “Results” box to the “Selected Entities” box, click the “>>.” To take a company (or all the companies) out of the “Selected Entities” box, click the “<” (or the “<<” for all the entities).

In this example, I added some simple comparable companies using the search bar and the “>” key. After hitting “add to comps,” Capital IQ will create a set of these companies.



In order to analyze these companies against your target

company, you also need to set AT&T as your target company. To do this, first, add AT&T the same way as you would add any other company. When AT&T is in the “Selected Entities” box, change the “Set Subject Company” drop-down from “No Subject Company” to “AT&T Corp.” Then click “Add to Comps.”

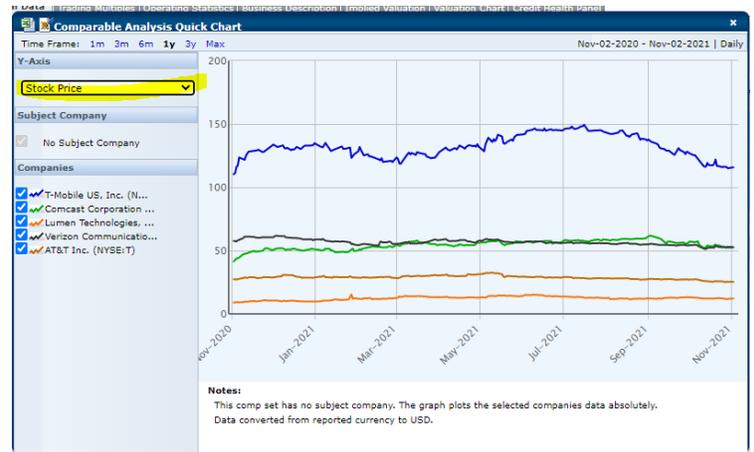


Part 4 - Navigating the Options:

In CapiQ, there are many options for how to view the information related to your comps.

The Options Drop-Down

In the top left corner of the screen is the Options drop-down. Using this drop-down menu, you can delete a selected company or chart the stock price over time by price, revenue, EPS, or EBITDA. To chart the companies, simply select as many companies as you want to chart, select "Options," and select "Chart Selected Companies." You can then choose what to chart from the drop-down menu in the top left corner of the pop-up window (highlighted).



Add Companies and Display Options

Directly to the right of the Options drop down is the "Add Companies" and the "Display Options" links. Using the "Add Companies" link, you can add companies using the procedure described in the last part. Using the "Display Options" link, you can edit the view and change the period in which you are analyzing.

Currency and Date as of

You can also change the date and the currency of the analysis using the fields to the right of the "Display" options link.

Add/Edit Display Columns

Company Comparable Analysis CompSet AT&T (IQ1196066660)

Business Description Create Activity Add to Binder Items

Customize View

Comp Set: CompSet AT&T (Company) Templates: Capital IQ Default Comps

Create Comp Set Edit Add/Edit Display Columns Edit

Financial Data Trading Multiples Operating Statistics Business Description Simplified Valuation Valuation Chart Credit Health Panel

Options Add Companies Display Options Currency: US Dollar Data as of: 11/02/2021

AT&T Corp. | Integrated Telecommunication Services (Primary) | Industrials | Information Technology

| Company Name | Day Close Price Latest | Shares Outstanding Latest | Market Capitalization Latest | LTM Net Debt | LTM Total Pref. Equity | LTM Minority Interest | Total Enterprise Value Latest | LTM Tangible Book Value/Share | LTM Filing Date, Income Statement | LTM Total Revenue | LTM EBITDA |
|---------------------------------------|------------------------|---------------------------|------------------------------|--------------|------------------------|-----------------------|-------------------------------|-------------------------------|-----------------------------------|-------------------|------------|
| T-Mobile US, Inc. (NasdaqGS:TMUS) | 115.80 | 1,248.0 | 144,514.5 | 103,379.0 | - | - | 247,423.5 | (33.14) | Nov-02-2021 | 79,674.0 | 24,953.0 |
| Comcast Corporation (NasdaqGS:CMCSA) | 52.64 | 4,568.9 | 238,771.9 | 90,580.0 | - | 2,044.00 | 331,395.9 | (14.58) | Oct-28-2021 | 113,757.0 | 33,388.0 |
| Lumen Technologies, Inc. (NYSE:LUMN) | 12.23 | 1,105.2 | 13,517.0 | 30,623.0 | - | - | 44,140.0 | (13.41) | Aug-04-2021 | 20,245.0 | 8,523.0 |
| Verizon Communications Inc. (NYSE:VZ) | 52.57 | 4,140.2 | 217,648.4 | 168,832.0 | - | 1,445.00 | 387,925.4 | (24.31) | Oct-26-2021 | 134,238.0 | 50,295.0 |
| AT&T Corp. | - | - | - | 64,976.0 | - | 333.00 | - | (6.24) | Feb-22-2012 | 127,434.0 | 29,010.0 |

Displaying 5 Companies.

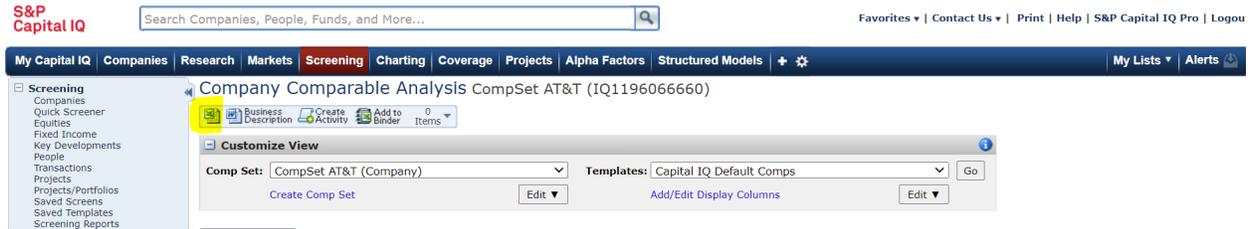
| Summary Statistics | Day Close Price Latest | Shares Outstanding Latest | Market Capitalization Latest | LTM Net Debt | LTM Total Pref. Equity | LTM Minority Interest | Total Enterprise Value Latest | LTM Tangible Book Value/Share | LTM Filing Date, Income Statement | LTM Total Revenue | LTM EBITDA |
|--------------------|------------------------|---------------------------|------------------------------|--------------|------------------------|-----------------------|-------------------------------|-------------------------------|-----------------------------------|-------------------|------------|
| High | 115.80 | 4,568.9 | 238,771.9 | 168,832.0 | - | 2,044.00 | 387,925.4 | (13.41) | - | 134,238.0 | 50,295.0 |
| Low | 12.23 | 1,105.2 | 13,517.0 | 30,623.0 | - | 1,445.00 | 44,140.0 | (33.14) | - | 20,245.0 | 8,523.0 |
| Mean | 58.31 | 2,765.6 | 153,613.0 | 98,353.5 | - | 1,744.50 | 252,721.2 | (21.36) | - | 86,976.5 | 29,289.8 |
| Median | 52.61 | 2,694.1 | 181,081.5 | 96,979.5 | - | 1,744.50 | 285,409.7 | (19.44) | - | 96,715.5 | 29,170.5 |

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To change the columns that are displayed in the comps model, click the “Add/Edit Display Columns” link at the top of the screen under the “Templates” drop-down menu. On the resulting screen, you can add a variety of data points from a list of financial categories. Click on a financial category in the “Financial Category” box to see the data points. Once a data point is selected, you can specify how you want the data to be displayed using the dropdown menus to the right of the “Data Points” box. These will change depending on the datapoint used. You can then choose which tab to add it to using the “Add to” drop-down and click “Add.” To remove data points, look to the bottom half of the screen. Use the “Delete” and “Reorder” buttons on various tabs to edit these data points. Click “View” in the bottom right corner to return to your comps list. You can also click “Save” to set this list of data points as your default view or as a saved view. Saved views are accessible through the “Templates” drop-down menu on the Comp Set screen.

Part 5 - Interpreting the Output:



Once you have created your comps set and customized your options, the easiest way to analyze the information is to download the information as an excel document using the button at the top of the screen highlighted in yellow above. It may take a second to load. The downloaded Excel file will contain each of the tabs on the CapIQ Screen, so you can see this information on either platform. We will go through each of the tabs in detail below:

Financial Data

This tab contains information such as the latest day close price and shares outstanding for your target company and all of your comparable companies. You may notice that some information is missing for the target company (AT&T). For this reason, it is often beneficial to use excel to look into this information because you can fill in the missing information. Capital IQ also calculates the maximum value (in the row “high”), minimum value (in the row “low”), mean value, and median value for each column based on the comps data. This helps to see how your target company compares to its peers. For example, AT&T’s last-twelve-months net debt (highlighted in yellow), is below the mean (\$98,137.8 million) and median (\$97,102.0 million) net debt figures for the comparable companies, meaning that AT&T has relatively low debt.

| LTM Net Debt | |
|--------------|-----------|
| | 103,624.0 |
| | 90,580.0 |
| | 29,515.0 |
| | 168,832.0 |
| | 64,976.0 |
| LTM Net Debt | |
| | 168,832.0 |
| | 29,515.0 |
| | 98,137.8 |
| | 97,102.0 |

Trading Multiples

Similar to the Financial Data tab, the trading multiples tab shows financial multiples for the comparable companies and the target company. The benefit to using multiples rather than dollar values is that it accounts for the scale of the company. Just like the last tab, CapIQ also calculates the high, low, mean, and median values for the comparable companies to enable comparisons to your target company. Remember, you can change which variables are displayed using the “Add/Edit Display Columns” link (see part 4).

Operating Statistics

This tab shows the margins and other operating statistics for the comparable companies and target companies. It also computes the high, low, mean, and median for the comparable companies (like the other tabs).

Business Description

This tab displays a business description and general information about each of the comparable companies and the target company. This helps the user to understand differences in the value proposition or business model of the companies that might lead to differences in financial information.

Implied Valuation and Valuation Chart

These tabs, if the information is all available, will provide an implied valuation and valuation chart for the target company based on its peers. In general, this functionality is not as useful because information is often missing, and qualitative information from your research should also be considered in a comps model. In general, CapIQ Comps provides a great starting point for making a Comps model, but the information needs to be thought through and revised in order to come up with a trustworthy implied valuation.

Credit Health Panel

This tab contains information on the operational credit health, solvency, and liquidity of each of the comparable companies and the target company. It also contains information on the credit rating, probability of default, and industry classification. This will help you get a better understanding of the companies and their differences, especially in debt and capital structure.