**Canadice Lake Technologies, Inc.[[1]](#footnote-1)**

**Problem Set – The Market Approach [[2]](#footnote-2)**

The following questions may be answered utilizing data provided for [Canadice Lake Technologies – Narrative & Financials](http://richardhaskell.net/resources/Canadice%2BLake%2BTech%2B-%2BNarrative%2Band%2BFinancials.pdf) after making operating income adjustments based on information included in the narrative and by applying data collected for the firm to which you have been assigned. Be sure to provide an Excel workbook with separate worksheets for each firm in fulfillment of the assignment.  You will also submit an MS Word document or PDF representing your answers to the problem set as specified below.

**The Market Approach**

1. **Provide values for each of the following Enterprise Multiples for Canadice Lake Technologies and the firm to which you’ve been assigned:**
	1. **Revenue Multiple**
	2. **Gross Multiple**
	3. **EBIT Multiple**
	4. **EBITDA Multiple**
	5. **SDE Multiple**
2. **How would you explain the use of an Enterprise Multiple to a client with limited knowledge of finance and no meaningful exposure to valuation analytics?**
3. **How are Enterprise Multiples used as valuation models?** *Give a qualitative description/response as well as abstract and quantitative examples*
4. **When an Enterprise Multiple is used as a valuation model for which the multiple becomes the basis for the valuation model (no explicit period considered), what are the structural weaknesses of the method?**
5. **Given the potential problems indicated, how is it that the use of Enterprise Multiples is pervasive throughout the valuation industry? There’s more than one reason for this and you should include no less than three in your response**
6. **Estimate a market value for Canadice Lake Technologies given each of the models in question 1 above using expected results from 2022.** *Be sure consider the adjusted inputs to CLT’s cash flow calculated in the last problem set as you answer this*.
1. This problem and solution set is intended to present an abbreviated discussion of the included finance concepts and is not intended to be a full or complete representation of them or the underlying foundations from which they are built. [↑](#footnote-ref-1)
2. This problem set was developed by Richard Haskell, PhD (rhaskell@westminstercollege.edu), Gore School of Business, Westminster College, Salt Lake City, Utah (2021) and Michael von Ballmoos (michael.vonballmoos@gmail.com) [↑](#footnote-ref-2)