



The Art of Firm Valuation

The Market Approach

By David Solomon
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David Solomon Chairman

ABOUT SOLOMON CAPITAL GROUP



FIRST CLASS BUSINES ADVISORY FIRM

Solomon Capital Group is a leading cross-border advisory firm. With a track record of serving over 600 corporations, financial institutions, and government entities, we are highly active in Tel Aviv, Dubai, London, and Abu Dhabi. Our expertise spans premium investment banking advisory, strategic business consulting, and top-tier financial services, delivering tailored solutions to drive growth.

We develop innovative, sustainable solutions to meet our clients' evolving needs and drive long-term success.

About David Solomon

With over 25 years of experience, David Solomon is a recognized leader in corporate finance. He previously served as Managing Partner at Cukierman & Co. Consulting Ltd. and is the founder and CEO of B-PLAN, 4HIGHTECH Investment Bank, and Micromedic Technologies (listed on the Tel Aviv Stock Exchange). His expertise spans investment banking, strategic advisory, and corporate growth.

Services offered



Investment Banking

We specialize in cross-border Pre-IPD, IPD, and M&A advisory, providing strategic guidance for successful market entry and transactions.



Business Advsoy

We offer comprehensive solutions tailored to your needs, including business plans, firm valuations, and market analysis



Business Development

With a strong presence in the Gulf countries, we deliver end-to-end solutions tailored to your business needs, ensuring strategic growth and success.



David Solomon Chairman



Basic Financials Terms



GROSS PROFIT =
Revenue (Sales) - Cost
of Goods Sold (COGS)



OPORATIONAL PROFIT
= Gross Profit - R&D -
Marketing - G&A



NET PROFIT =
Operational Profit -
Finance - Tax = Net
Profit



EQUITY VALUE = Equity
Value = Enterprise
Value (EV) - Net Debts



EBITDA = Operational
Profit + Depreciation &
Amortization





Valuation Multiples

Valuation Multiples are financial ratios that help estimate a company's value. Common Multiples Used:

- 1 Price-to-Earnings (P/E) Ratio** = Equity Value / Net Profit
- 2 EV/EBITDA Ratio** = Enterprise Value / EBITDA
- 3 EV/Sales Ratio** = Enterprise Value / Sales





Peer Group Analysis

Firm valuation based on the various valuation Multiples

1

Identify publicly traded companies with similar business models growth rate and profitability .

2

Calculate average [or median] multiples from the peer group.

3

Adjust for company-specific factors such as growth potential and risk profit.

The Company	Market Cap	EV	Revenues 2023	PE ttm	EV/EBIT DA ttm	Price/ Sales	Price/ Book	ROA ttm	Profit 2023
Yamaha	3,700	3,200	3,030	20.0	9.0	0.6	1.1	4%	5%
ABC	687	750	666	14.0	9.0	1.1	2.3	10%	11%
GTD	286	252	217	19.0	9.0	1.3	2.0	6%	10%
HUR	41,700	58,000	1250	42.0	24.0	na	17.0	10%	13%
RTU	1,650	1,420	1540	na	na	na	3.3	na	-3%
QET	7,700	6,700	1,270	43.0	21.0	6.1	3.1	7%	19%
Peer Group				27.6	14.4	2.3	5.1	7%	12%



Firm Valuation

Firm valuation based on the various valuation Multiples

- 1 **Net Profit-Based Approach** = Net Profit × P/E Ratio
- 2 **EBITDA-Based Approach** = EBITDA × EBITDA Ratio – Net Debts
- 3 **Sales-Based Approach** = Sales × Sales Ratio - Net Debts





Firm Valuation

SAMPLE

1

Stage 1 : Pear Group Analysis

The Company	Market Cap	EV	Revenues 2023	PE ttm	EV/EBIT DA ttm	Price/ Sales	Price/ Book	ROA ttm	Profit 2023
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2

Stage 2 : The Applicable Multiplies

PE = 20X

EV/EBITDA = 16X

EV/Sales = 3x

3

Stage 3 : ABC Financial results

Net Profit = \$5m

EBITDA = \$6m

Revenues = \$ 33m

Net Debts = \$1m

4

Stage 4 : ABC Fair Market Value

Based on PE = \$100m

Based on EBITDA = \$95m

Based on Sales = \$99m

ABC Inc Fair Market Value Is \$98m



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