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Valuations revisited

I'm just now reading The Gorilla Game and I made a rather primitive Excel model to test the valuation model they offer (Discounted Cash Flow). The results fit the results produced by the market both for Gorilas and for run of the mill companies.

Bond rate and growth affect both Price/Sales and Price/Earnings as expected. BUT, Net margin only affects Price/Sales. A company with high net margin can support very high Price/Sales ratios. In the examples below, a 30% growth rates supports 58.58 to 1 Price/Sales ratio.

Bond rate	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Growth	30.00%	20.00%	10.00%	30.00%	20.00%	10.00%	30.00%	20.00%	10.00%
Net margin	30.00%	30.00%	30.00%	20.00%	20.00%	20.00%	10.00%	10.00%	10.00%
Price/Sales	58.58	19.51	7.18	39.05	13.01	4.79	19.53	6.50	2.39
Price/Earn	195.26	65.03	23.94	195.26	65.03	23.94	195.26	65.03	23.94

Denny