

8. Ametek, Inc. is a billion dollar manufacturer of electronic instruments and motors headquartered in Paoli, Pennsylvania. Use the following information on Ametek and five other similar companies to value Ametek, Inc. on December 31, 2001.

Ametek, Inc., 2001 (\$ millions)	
Net income	\$ 66.1
Number of common shares (millions)	32.82
Earnings before interest and tax	\$112.3
Tax rate	22%
Book value of equity	\$335.1
Book value interest-bearing debt	\$470.8

	Ametek	Emerson Electric	Franklin Electric	AO Smith	Woodward Governor	American Power Conv.
Comparison of Ametek with Comparable Companies:						
Growth Rates, Financial Risks, Size, Returns						
5-year growth rate in sales (%)	3.3	6.8	1.4	8.1	10.2	15.2
5-year growth rate in eps (%)	5.1	1.3	9.2	(5.4)	19.6	3.4
Interest coverage ratio (x)	4.8	8.0	38.0	3.0	12.3	*
Total liabilities to assets (x)	0.7	0.6	0.4	0.7	0.5	0.1
Total assets (\$ millions)	1,029	15,046	198	1,294	585	1,421
Indicators of Value						
Price/earnings (x)		23.2	16.1	32.0	12.4	25.0
MV firm/EBIT(1-Tax rate) (x)		23.3	16.2	34.7	13.2	25.0
MV equity/BV equity (x)		3.9	3.5	1.0	2.1	2.3
MV firm/BV firm (x)		2.7	3.3	1.0	1.8	2.3
Price/sales (x)		1.5	1.4	0.4	1.0	2.0
MV firm/sales (x)		1.9	1.4	0.8	1.1	2.0

*American Power Conversion has no interest-bearing debt outstanding.

MV = Market value; BV = Book value. Market value is estimated as book value of interest-bearing debt + market value of equity. Earnings are fiscal year earnings.