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RELATIVE VALUATION OF HONDA MOTOR CO., LTD

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M.M. (CORPORATE FINANACE)

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ABSTRACT

This study performs a relative valuation of Honda Motor Co., Ltd. through a multi-faceted approach which includes forward P/E modeling, EV/EBITDA estimation, historical multiple band analysis, and peer benchmarking. While applying a normalized forward P/E of 15.7x on FY2024 EPS of ¥218.6 suggests a target price of ¥3,432, we establish a more conservative base-case valuation using 13.0x multiple on EPS of ¥174.88, leading to a revised target price of ¥2,273. This puts Honda's market price of ¥1,535 as of January 2025 at an estimated 48% upside. Further analyzing EV/EBITDA with a 6.3x multiple on FY2025 EBITDA of ¥2,698.7 billion supports an even higher valuation of ¥6,379 per share, with bullish scenarios estimating ¥7,423. The outstanding undervaluation is reinforced from the DCF-derived intrinsic value of ¥1,721.22. The analysis gravitates towards Honda's operational durability paired with strategic corporate-shift transformation alongside long-term upside potential yielding a strong BUY recommendation.

KEY WORDS: HONDA / RELATIVE VALUATION / FORWARD MULTIPLES / PEER COMPARISON / UNDERVALUATION

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