

## SMALL BUSINESS - BUSINESS VALUATION MULTIPLERS p. 1 of 2

Estimated as of 8/30/2021

**Disclaimer** - Use these at your own risk. They are based on our experience doing 100's of business valuations and brokering over 70 businesses over 20 years. But, they at best represent rules of thumb and are not a valid valuation methods. See Page 2 for more information

Industry	SDE Low	SDE High	EBITDA Low	EBITDA High	REVENUE Low	REVENUE High
<b>Main Street Businesses</b> in general	1	3			0.2	0.5
<b>Lower Middle Market</b> in general			2.5	7	0.2	1
<b>Liquor Stores</b> Includes inventory	2.5	5			0.5	0.9
<b>Restaurants &amp; Bars</b> Franchises can sell for more, Covid issues impact	1	3	2	5	0.2	0.5
<b>Other retail</b> Includes inventory except for convenience stores with high inventory turn	1	4			0.2	0.5
<b>Auto Repair</b> Very location dependent, multi-bay has higher value	1.5	3			0.25	0.5
<b>Accounting Firms</b> Usually includes an earn-out	2.5	3.2			0.8	1.2
<b>Other Service Firms</b> (depends on size and level of reoccurring revenues)	1.5	3			0.35	1
<b>Plumbing, HVAC,</b> Often applies for many trades and construction contractors	2	3	3	5	0.3	0.7
<b>Suppliers / Wholesalers</b> Most must have a value add (high service, repair, customization, etc.)	2	5	3	7	0.3	0.8

See page 2 for more industries and more details on using these business valuation multipliers

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Industry	SDE	SDE	EBITDA	EBITDA	REVENUE	REVENUE
	Low	High	Low	High	Low	High
<b>Technology Firms</b>	2	3.3	3	7	0.3	1
Technology support, software writing; SaaS with strong following may be higher						
<b>Light Manufacturing</b>	2	3.5	3	7	0.25	1
(includes assembly, machine shops, disassembly such as salvage and recycle)						
<b>Government Contractors</b>	1	3	2	7	0.2	1
Big variations based on conditions, certifications, status, length of contracts						

Certainly businesses can sell outside this range. Particularly if they have unusual assets

### Market Method: Cash Flow X Multiplier = Indication of Value

#### Cash Flows Used:

SDE = Sellers Discretionary Earnings

EBITDA = Earnings Before Interest, Taxes, Depreciation, and Amortization

Revenues = Revenues

For More: <https://theartofbusinessvaluation.com/five-major-cash-flows-used-in-business-valuation/>

In most cases SDE or EBITDA will provide a more useful indication of value.

Estimating future cash flows can be quite complex.

Please note the typical small business sells for a multiplier 2.2. Most businesses sell closer to the middle of the range provided not at the top value shown. Strength of cash flow transferability, quality of employees and systems, customer relations, location, equipment, inventory, and many other factors should be considered.

**DO NOT MAKE MAJOR DECISIONS WORKING FROM A RULE OF THUMB SUCH AS THIS. OBTAIN A PROPER BUSINESS VALUATION FROM A QUALIFIED VALUATOR.**

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