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Rules of Thumb for Business Values Partial List

Please use with caution specific circumstances such as profitability ranges change how these are applied. Also there are many more not listed here.

Business Category	Method	Multiple Low	Multiple High	Includes FF&E	Includes Real Estate	Includes Inventory	Includes Accts Rec	Includes Working Cap	Includes WIP	Earn Out
Accounting Firms	Annual Revenue	100%	125%	yes	no	no	no	no	no	maybe
Advertising Agencies	Annual Revenue	50%	75%	yes	no	no	no	no	no	maybe
Auto Dealers (New Cars)	Annual Revenue	0	10%	yes	no	no	no	no	no	no
Book Stores	Annual Revenue	15%	15%	yes	no	no	no	no	no	no
Cell phone companies	per subscriber	changes	changes	yes	no	yes	?	?	n/a	no
Coffee Shops (Gourmet)	Annual Revenue	40%	40%	yes	no	no	no	no	no	no
Collection Agencies	Monthly Revenue	3 X	5 X	yes	no	yes	yes	no	yes	no
Collection Agencies	Monthly Revenue	6 X	10 X	yes	no	yes	yes	no	yes	no
Construction	EBIT	4 X	6 X	yes	no	yes	no	no	Nego	maybe
Contractor HVAC	DCF	2 X		yes	no	no	no	no	yes	no
Day Care Centers	Annual Revenue	45%	50%	yes	no	yes	no	no	no	no
Day Care Centers	Adjusted Cash Flow	1 X	3 X	yes	no	yes	no	no	no	no
Day Care Center (franchise maybe higher)	Per enrolled Child	\$1,000	\$2,000	yes	no	yes	no	no	no	no
Dental Practices	Annual Revenue	60%	65%	yes	no	yes	no	no	no	no
Dental Practices	Annual Revenue	60%	90%	yes	no	yes	no	no	no	no
Dry Cleaners	Annual Revenue	70%	80%	yes	no	no	no	no	no	no
Dry Cleaners	Annual Revenue	70%	100%	yes	no	no	no	no	no	no
Dry Cleaners	Adjusted Cash Flow	2 X	3 X	yes	no	no	no	no	no	no
Employment Agency	Adjusted Cash Flow	1 X	2 X	yes	no	no	no	no	no	no
Employment Agency	EBIT	2 X	5 X	yes	no	no	no	no	no	no
Employment Agency	Annual Revenue	50%	50%	yes	no	no	no	no	no	no
Engineering / Architectural Services	Annual Revenue	40%	45%	yes	no	no	no	no	no	no
Engineering / Architectural Services	Annual Revenue	40%	40%	no	no	no	no	no	no	no
Fitness Centers	Per member									
Flower Shops	Annual Revenue	30%	35%	yes	no	no	no	no	no	no
Food Shops (Gourmet)	Annual Revenue	30%	30%	yes	no	no	no	no	no	no
Funeral Homes	Annual Revenue	200%	200%	no	no	no	no	no	no	no
Gas Stations (w/o C-Store)	Annual Revenue	15%	20%	yes	no	no	no	no	no	no
Gift/Card Shops	Annual Revenue	35%	35%	yes	no	yes	no	no	no	no
Golf Course no food/alcohol/proshop	Annual Revenue	300%	300%	no	maybe	no	no	no	no	no
Grocery Store (Supermarket)	Annual Revenue	15%	15%	yes	no	no	no	no	no	no
Hardware Stores	Annual Revenue	45%	45%	yes	no	no	no	no	no	no
Hardware Stores	DCF	3 X		yes	no	no	no	no	no	no
Home Health	Adjusted Cash Flow	3 X	5 X	yes	no	yes	no	no	no	no
Home Health	DCF	4 X		yes	no	no	no	no	no	no
Insurance Agencies	Annual Commission	125%	150%	yes	no	no	no	no	no	no
Internet Service Provider	Per account	\$200	\$400	yes	no	no	no	no	no	no
Janitorial Service	DCF	1.5 X		yes	no	no	no	no	no	no
Jewelry Store	DCF	5 X		yes	no	no	no	no	no	no
Landscape Businesses	Annual Revenue	45%	45%	yes	no	yes	no	no	no	no

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Landscape Businesses	Annual Revenue	30%	50%	yes	no	yes	no	no	no	no
Landscape Businesses	Adjusted Cash Flow	1 X	2 X	yes	no	yes	no	no	no	no
Law Practices	Annual Revenue	90%	100%	yes	no	no	no	no	no	no
Law Practices	Annual Revenue	40%	100%	yes	no	no	no	no	no	maybe
Law Practices	Excess Earnings	2 X	4 X	yes	no	no	no	no	no	no
Liquor Stores	Annual Revenue	40%	45%	yes	no	no	no	no	no	no
Low Power TV stations (LPTV)	Coverage population	\$0.40	\$0.60	yes	no	no	no	no	no	no
Manufacturing operations	DCF	3 X	5 X	yes	no	yes	no	no	yes	no
Medical Practice - small	Annual Revenue	20%	60%	yes	no	yes	no	no	no	no
Medical Practice - Large	Annual Revenue	40%	80%	yes	no	yes	no	no	no	no
Newspaper - weekly	Annual Revenue		100%	yes	no	yes	no	no	no	no
Pest Control	Annual Revenue	70%	120%	yes	no	yes	no	no	no	no
Pest Control	Adjusted Cash Flow	3 X	4 X	yes	no	yes	no	no	no	no
Property Management	Monthly Revenue	5 X	8 X	yes	no	yes	no	no	no	no
Publisher	Annual Revenue	70%	70%	yes	no	yes	no	no	yes	no
Publisher	EBIT	3 X	6 X	yes	no	yes	no	no	no	no
Real Estate Brokerage	Annual Commission	25%	50%	yes	no	no	no	no	no	no
Real Estate Brokerage	Per Agent/Broker	\$10,000		yes	no	no	no	no	no	no
Real Estate Brokerage	Adjusted Cash Flow	1 X	3 X	yes	no	no	no	no	no	no
Restaurant/café/coffe shop	Annual Revenue	30%	55%	yes	no	no	no	no	no	no
Restaurants (Full-Serve)	Annual Revenue	30%	35%	yes	no	no	no	no	no	no
Restaurants (Ltd-Serve)	Annual Revenue	30%	40%	yes	no	no	no	no	no	no
Restaurants	DCF	2 X	4 X	yes	no	no	no	no	no	no
Retail	sales per square ft									
Retail	Annual Revenue	30%	35%	yes	no	no	no	no	no	no
Retail	DCF	2 X	4 X	yes	no	yes	no	no	no	no
Sporting Goods Stores	Annual Revenue	25%	25%	yes	no	no	no	no	no	no
Taverns/Bars	Annual Revenue	40%	40%	yes	no	no	no	no	no	no
Travel Agencies	Annual net Commission	35%	40%	yes	no	no	no	no	no	no
Travel Agencies	Gross Commissions	3%	8%	yes	no	no	no	no	no	no
Wholesale distributors	DCF	2 X		yes	no	no	no	no	no	no

Some limited abbreviated definitions - more complete definitions maybe needed to use the above successfully

ACF	Adjusted Cash Flow - sometimes called Discretionary Cash Flow
DCF	Discretionary Cash Flow - sometimes called Owners Discretionary Cash Flow
EBIT	Earnings or net income Before Interest and Taxes
EBITDA	Earnings Before Interest Taxes Depreciation and Amortization
FF&E	Furniture Fixtures & Equipment
WIP	Work in Process