

How to Use the Valuation Multiple Table

1. Determine industry code of the business from the owner or matching the first 3 or 4 digits from business activity code shown on the business tax return
2. To get the minimum likely business value, multiply the current annual sales by the Minimum Multiple value for that industry
3. To get the maximum likely business value, multiply the current annual sales by the Maximum Multiple value for that industry
4. The value for the business is likely to fall within the range of the value using the Minimum Multiple and the value using the Maximum Multiple

The Dangers of Using Average Multiples to Value a Business

1. As the table shows, the range of transaction prices for private businesses is very wide in every industry
2. Using average or median valuation multiples as a shorthand tool for valuing a business when the ranges of values are so wide is almost certain to generate a misleading valuation
3. There are many reasons why the values of seemingly similar businesses can vary so widely, including:
 - a) different levels of profitability adjusted for owner compensation and owner discretionary expenses
 - b) whether real estate is included or not
 - c) extent of seller financing
 - d) degree of seller distress
 - e) different economic condition

BOTTOM LINE: There is no average business – recommend a professional valuation from Axiom Valuation Solutions

About Axiom Valuation Solutions

Axiom Valuation Solutions provides expert and cost-effective business valuation services nationwide under the direction of Dr. Stanley J. Feldman. A sampling of Dr. Feldman's credentials includes:

- Associate Professor of Finance, Bentley College, Waltham, MA
- Member of FASB Valuation Resources Group
- Principal author of **What Every Business Owner Should Know About Valuing Their Business** (McGraw-Hill)

Business Values by Industry:

Minimum and Maximum Price to Sales Ratios for 40 U.S. Industries

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The Range of Actual Company Sales Transactions by Industry from BIZCOMPS		Deal Price to Annual Company Sales Ratios		Example: How Deal Price Could Vary for a Company with \$2 million in Sales	
Business Code	Industry Description	Minimum Multiple	Maximum Multiple	Minimum Deal Price	Maximum Deal Price
233, 235	Construction	0.053	0.812	\$ 106,000	\$1,624,000
323	Printing and Related Support Activities	0.138	2.200	\$ 276,000	\$4,400,000
325	Chemical Manufacturing	0.201	1.248	\$ 402,000	\$2,496,000
326	Plastics Product Manufacturing	0.080	1.622	\$ 160,000	\$3,244,000
327	Nonmetallic Minerals	0.230	1.362	\$ 460,000	\$2,724,000
332	Fabricated Metals	0.085	3.462	\$ 170,000	\$6,924,000
333	Machine Manufacturing	0.126	2.029	\$ 252,000	\$4,058,000
334	Computer and Equipment Manufacturing	0.055	1.285	\$ 110,000	\$2,570,000
335	Electrical Equipment Manufacturing	0.099	1.188	\$ 198,000	\$2,376,000
336	Transportation Equipment Manufacturing	0.159	1.387	\$ 318,000	\$2,774,000
337	Furniture and Related Product Manufacturing	0.053	1.038	\$ 106,000	\$2,076,000
339	Miscellaneous Medical Equipment	0.040	1.729	\$ 80,000	\$3,458,000
4211	Motor Vehicle, Parts & Supplies Wholesalers	0.073	0.665	\$ 146,000	\$1,330,000
4213	Lumber & Other Construction Materials Whlslrs	0.064	0.845	\$ 128,000	\$1,690,000
4214	Professional & Commercial Equip. & Supplies Whlslrs	0.034	1.179	\$ 68,000	\$2,358,000
4216	Electrical Goods Wholesalers	0.017	1.218	\$ 34,000	\$2,436,000
4217	Hardware, Plumbing & Heating Equip. Supplies Whlslrs	0.155	0.714	\$ 310,000	\$1,428,000
4218	Machinery, Equipment, &Supplies Wholesalers	0.051	0.916	\$ 102,000	\$1,832,000
4219	Sporting & Recreational Goods & Supplies Wholesalers	0.072	1.380	\$ 144,000	\$2,760,000
4221	Paper & Paper Product Wholesalers	0.095	1.541	\$ 190,000	\$3,082,000
4224	Grocery & Related Product Wholesalers	0.043	2.217	\$ 86,000	\$4,434,000
4227	Petroleum and Petroleum Product Wholesalers	0.119	2.135	\$ 238,000	\$4,270,000
441	Motor Vehicle Dealers	0.026	1.657	\$ 52,000	\$3,314,000
442	Furniture and Floor Covering Stores	0.083	1.318	\$ 166,000	\$2,636,000
443	Electronics and Photography Stores	0.032	0.761	\$ 64,000	\$1,522,000
444	Building Materials Stores	0.027	0.860	\$ 54,000	\$1,720,000
445	Food and Beverage Stores	0.028	1.415	\$ 56,000	\$2,830,000
446	Health and Personals Stores	0.079	1.115	\$ 158,000	\$2,230,000
447	Gasoline Stations	0.023	0.925	\$ 46,000	\$1,850,000
448	Clothing and Shoe Stores	0.054	1.481	\$ 108,000	\$2,962,000
451	Sporting Goods Stores	0.031	0.939	\$ 62,000	\$1,878,000
484	Truck Transport	0.140	1.120	\$ 280,000	\$2,240,000
485	Other Transit Businesses	0.196	1.409	\$ 392,000	\$2,818,000
511	Publishing Industry	0.180	1.883	\$ 360,000	\$3,766,000
522	Credit Intermediary	0.336	1.542	\$ 672,000	\$3,084,000
524	Insurance Carriers	0.087	1.964	\$ 174,000	\$3,928,000
531	Real Estate	0.092	1.265	\$ 184,000	\$2,530,000
532	Rental and Leasing Businesses	0.042	1.620	\$ 84,000	\$3,240,000
541	Professional Services	0.044	4.444	\$ 88,000	\$8,888,000
561	Business and Administrative Services	0.020	2.688	\$ 40,000	\$5,376,000

Source: BIZCOMPS U.S. Transactions from 1991 to 2003; Industries reporting 10 or more sale transactions.