



Adjusted EBITDA¹ Valuation Multiples

	<i><3.0x</i>	<i>3.0x – 5.0x</i>	<i>6.0x or Higher</i>
MANAGEMENT	<ul style="list-style-type: none"> • Heavily owner dependent 	<ul style="list-style-type: none"> • One or two senior management in addition to owner 	<ul style="list-style-type: none"> • Well-rounded management, little owner involvement
FINANCIALS	<ul style="list-style-type: none"> • Poor accounting systems • No CPA involvement • No professional accounting staff 	<ul style="list-style-type: none"> • Limited accounting systems • Compiled/professionally reviewed financials • Controller on staff 	<ul style="list-style-type: none"> • Sophisticated accounting systems • Audited financials • Full-time CPA or CFO
END MARKETS	<ul style="list-style-type: none"> • Completely discretionary • Small, shrinking market • Heavy government pressures or regulatory constraints • Considered a boom or bust business 	<ul style="list-style-type: none"> • Customers need or should have solution • Low market growth • Government pressures promoting solution • Cyclical business or correlated to GDP 	<ul style="list-style-type: none"> • Solution is non-discretionary • Large market, rapid growth • Steady business, grew through recession • Little government involvement
CUSTOMERS	<ul style="list-style-type: none"> • Top 3 customers >90% of revenue • Service agreement with purchase orders • Small, local customers • Owner manages customers • Project-based, lumpy revenue 	<ul style="list-style-type: none"> • Top 10 customers <50% of revenue • Annual contracts • Middle market or regional customers • Dedicated salesman • One-time and recurring revenues 	<ul style="list-style-type: none"> • No customer is over 5% of revenue • Multi-year contracts • Blue chip multi-national customers • Full sales/service team • Small, recurring purchases
SUPPLIERS	<ul style="list-style-type: none"> • Top 3 Suppliers >90% of purchases • No contracts • Core operations outsourced to supplier • Can sell directly to customer base • Heavily reliant on proprietary products 	<ul style="list-style-type: none"> • Top 10 Suppliers <50% of purchases • Annual contracts • Difficult but able to switch • Occasional or hybrid supplier competition • Some reliance on proprietary products 	<ul style="list-style-type: none"> • No supplier is over 5% of purchases • Multi-year agreements with exclusivity • Easy to switch • Exclusivity or non-compete agreements • Not reliant on proprietary products
COMPETITION	<ul style="list-style-type: none"> • Highly commoditized products, low margins • Many competitors, no differentiation • Low entry barriers 	<ul style="list-style-type: none"> • Limited alternatives, average margins • Balanced industry market shares • Significant entry investment 	<ul style="list-style-type: none"> • Proprietary products, high margins • Market leader, few competitors • Hard to recreate significant capabilities

These are only a few variables and do not constitute a complete valuation. A **professional valuation** is strongly recommended to determine an accurate sale price. Industry specific factors also affect valuation multiples, which can be derived from a variety of factors such as EBITDA, EBIT, SDE, and Annual Sales.

¹ Adjusted EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization where the EBITDA is adjusted for unusual expenses and compensation, then normalized to align with market based benefits and compensation required to operate the business.