

Estimating a Multiple

1. Assign a Multiple between .1 and 3.0 to each criterion in the table below.
2. Multiply the Multiple by the Weight to calculate the Value
3. Add the Value column and divide by 56 (the sum of the Multiple column) to determine the Weighted Multiple.

The Weighted Multiple will be a number between .1 and 3. (See [Using Multiples to Estimate the Value of a Business.](#))

Value Analysis Table				
Criteria:		Multiple	Weight	Value
Historical Profits		3.0	10	30.0
.1 - 1.0	Loss or break-even, less than 3 years history			
1.1 - 2.0	Profitable, but below industry norm			
2.1 - 3.0	Industry norm or above, 3 or more years history			
Income Risk		2.7	9	24.3
.1 - 1.0	Continuity at risk, flat or declining, or below industry norm			
1.1 - 2.0	Steady income, 3 or more years history			
2.1 - 3.0	Recurring revenue, continuity assured			
Terms of Sale		2.5	8	20.0
.1 - 1.0	All cash required			
1.1 - 2.0	Normal market terms available			
2.1 - 3.0	Exceptional terms available			
Type of Business		2.0	7	14.0
.1 - 1.0	Service business with few assets			
1.1 - 2.0	Significant equipment or inventory			
2.1 - 3.0	High cost of entry, equipment/inventory a major part of value			
Growth		2.0	6	12.0
.1 - 1.0	Declining, likely to decline further			
1.1 - 2.0	Flat or inflationary level			
2.1 - 3.0	Rapid growth likely to continue			
Location & Facilities		2.0	5	10.0
.1 - 1.0	Poor			
1.1 - 2.0	Acceptable			
2.1 - 3.0	Above average			
Marketing Ability		2.8	4	11.2
.1 - 1.0	Limited buyers or special skills required			
1.1 - 2.0	Normal market - needed skills available			
2.1 - 3.0	Large market of qualified buyers			
Stability & Skill of Employees		2.5	3	7.5

.1 - 1.0	High turnover and/or unskilled employees			
1.1 - 2.0	Low to industry norm turnover and well trained			
2.1 - 3.0	Long term, well trained and motivated employees			
Competition		2.0	2	4.0
.1 - 1.0	Highly competitive and/or unstable market			
1.1 - 2.0	Normal competitive conditions			
2.1 - 3.0	Few competitors and/or high startup costs			
Diversification of Products, Services & geographic markets		2.5	1	2.5
.1 - 1.0	Limited product lines, services and/or size of markets			
1.1 - 2.0	Diversification of products, services and/or markets			
2.1 - 3.0	National and/or international market diversification			
Depth of Management		2.0	1	2.0
.1 - 1.0	Owner/manager - no other levels of management			
1.1 - 2.0	More than one level of supervision			
2.1 - 3.0	Multi-layers of professional staff & line management			
Totals			56	137.5
Weighted Multiple				2.46