BVC

VALUATION

09

The Industry Multiples Guide

What businesses actually sell for across the most-acquired categories — the bands, what moves them, and how to use comps without fooling yourself.

FREE BUYER'S GUIDE

From the makers of the free AI valuation toolkit at businessvaluationcalculator.com

What's Inside

CHAPTER 1

How to Use Multiples (Without Getting Burned)

A multiple is compressed market history: what buyers actually paid per dollar of SDE for businesses like this one. Used well, it anchors your valuation in evidence. Used badly — a point estimate applied to an unverified SDE — it is false precision that overpays with confidence.

Bands always ranges — a point multiple is a red flag	**SDE first** verify the earnings before multiplying anything	**Size matters** the same business at 2x the SDE earns a higher multiple

Three rules govern everything in this guide. One: the multiple applies to VERIFIED SDE — your recast, not the broker's. Two: where a business lands within its band is driven by quality factors (recurring revenue, owner dependency, concentration, trend). Three: bands drift with interest rates and buyer demand, so treat printed numbers as a starting grid, then pull current comps.

WATCH OUT

The units trap

An SDE multiple applied to EBITDA (or revenue!) misprices a deal instantly by 20-50%. Every multiple in this guide is an SDE multiple unless explicitly labeled. When someone quotes you 'a 4x,' your first question is always: four times WHAT?

CHAPTER 2

Service Trades

Category	SDE band	Prime movers
HVAC	2.5x – 4.5x	Service agreements %, techs on staff, fleet age
Plumbing	2.5x – 4.0x	Service vs. new-construction mix, license depth
Electrical	2.5x – 4.0x	Commercial contracts, license holders on staff
Landscaping / lawn care	2.0x – 3.5x	Commercial maintenance contracts, route density
Pest control	3.0x – 5.0x	Recurring contracts — the recurring king of trades
Cleaning (commercial)	2.5x – 3.5x	Contract length, customer concentration
Auto repair	2.0x – 3.5x	Bay capacity, reviews, fleet accounts

The pattern across every trade: contracts beat calls. A dollar of maintenance-agreement revenue is worth visibly more than a dollar of break-fix revenue, because it survives the ownership transition by default. When you see a trade business at the top of its band, recurring contract revenue is almost always why.

REAL NUMBERS

Worked example

Two HVAC firms, both $400K SDE. Firm A: 60% service agreements, GM runs operations — call it 4.0x = $1.6M. Firm B: 90% new-install project work, owner sells every job — 2.7x = $1.08M. Same earnings, $520K apart. The multiple is pricing transferability, not profit.

CHAPTER 3

Retail, Food & Franchise

Category	SDE band	Prime movers
Full-service restaurants	1.5x – 2.5x	Lease terms, chef dependency, concept age
QSR / fast casual (indep.)	2.0x – 3.0x	Drive-thru, delivery mix, labor model
Franchise resales (food)	2.0x – 3.0x	Brand strength, remodel obligations, territory
Liquor stores	2.5x – 3.5x	License scarcity, location, inventory turns
Convenience stores	2.0x – 3.5x	Fuel vs. inside sales mix, lease vs. RE owned
Laundromats	3.5x – 5.0x	Equipment age, lease length, unattended model
Boutique retail	1.5x – 2.5x	E-commerce mix, inventory quality, foot traffic

RED FLAG

The restaurant discount is earned

Restaurants price low for structural reasons: thin margins, high failure rates, lease dependency, and concepts that age. If a restaurant CIM shows a 4x ask, either it is really a real-estate deal, a strong franchise, or a multi-unit platform — or it is simply mispriced. The band exists for reasons that do not care about the seller's feelings.

Laundromats sit at the opposite pole: semi-passive, recurring, cash-flowing with 20-year equipment life at the good end. But the band's width is the equipment: a store needing $200K of machine replacement in year two is a 3.5x pretending to be a 5x. Always price the equipment age into the multiple.

CHAPTER 4

Digital & Professional

Category	SDE band	Prime movers
E-commerce (brand/DTC)	2.5x – 4.0x	Owned audience, channel mix, SKU concentration
Amazon FBA	2.0x – 3.5x	Account health, single-platform risk, IP/reviews
SaaS (small)	3.0x – 5.0x SDE	Churn, growth rate, founder-in-the-code risk
Marketing agencies	2.0x – 3.5x	Retainer %, client concentration, team depth
Accounting/tax firms	2.5x – 3.5x	Recurring engagements, staff credentials
IT services / MSPs	3.0x – 4.5x	Managed contracts (MRR), stack modernity
Insurance agencies	4.0x – 6.0x	Renewal book quality, carrier relationships

Digital and professional categories price on revenue durability more nakedly than any other group. MSPs and insurance agencies top the chart because their revenue renews by contract. Agencies and FBA businesses price lower because a client roster or a platform account can evaporate. Ask of every deal in this group: what exactly forces the revenue to repeat?

PRO TIP

Small SaaS quirk

Sub-$2M SaaS often trades on SDE multiples like other small businesses, not the ARR multiples of venture-land. A '4x' small SaaS listing usually means 4x SDE. Confirm the basis before you celebrate a bargain or scoff at an ask.

CHAPTER 5

Healthcare & Manufacturing

Category	SDE band	Prime movers
Dental practices	2.5x – 4.0x	Hygiene recall %, insurance mix, associate docs
Veterinary practices	3.5x – 5.5x	Consolidator demand, multi-doctor, specialty mix
Medical practices	2.0x – 4.0x	Payor mix, provider dependency, ancillaries
Home health / care	2.5x – 4.0x	Licensure, referral sources, caregiver retention
Light manufacturing	3.0x – 5.0x	Proprietary product, backlog, customer concentration
Contract manufacturing	2.5x – 4.0x	Contract length, tooling ownership, key accounts
Distribution/wholesale	2.5x – 4.0x	Exclusive lines, inventory quality, logistics moat

REAL NUMBERS

The consolidator premium

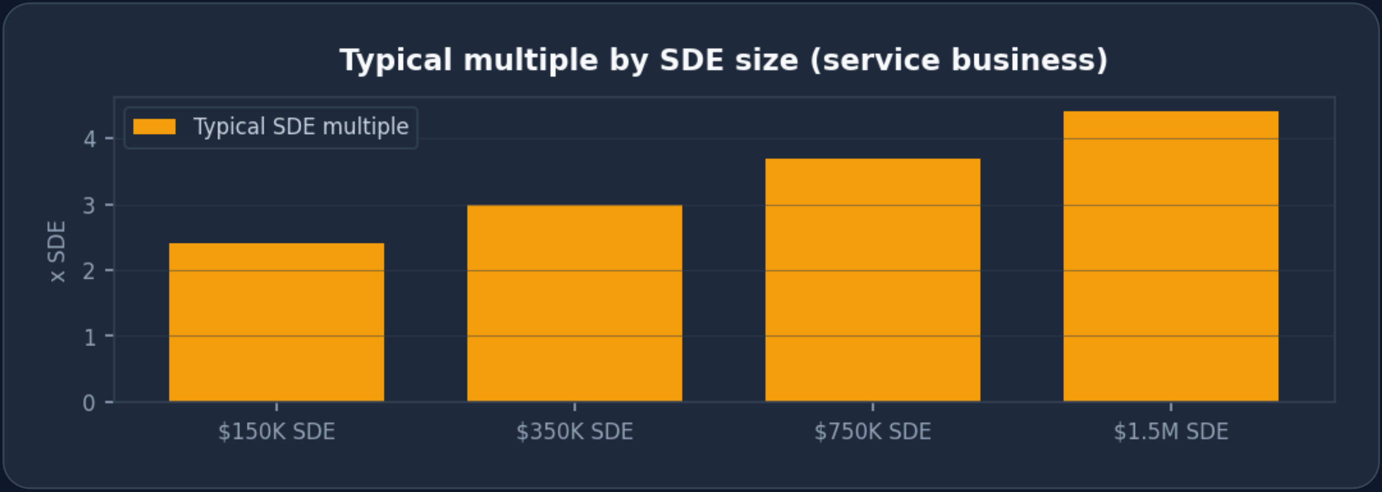
Vet and dental practices in metro areas often price above their 'natural' band because PE-backed consolidators are bidding. If you are an individual buyer in a consolidator category, your edge is deals too small or too rural for their pipeline — where the band snaps back to normal.

Manufacturing's wide band is proprietary vs. commodity: a shop with its own product line and backlog prices like a moat; a job shop quoting against three competitors on every order prices like a service business with expensive machines. The equipment list matters less than what forces customers to return.

CHAPTER 6

Size Changes Everything

The same business at different sizes earns different multiples. Larger SDE means professional management is affordable, lenders are friendlier, and more buyer types compete — including the EBITDA-multiple buyers who pay more:



This size ladder is also the acquisition-entrepreneur thesis in one chart: buy at 2.8x, grow SDE from $300K to $800K, and you exit not just with bigger earnings but at a bigger multiple on those earnings. The growth is additive; the multiple expansion is the kicker.

PRO TIP

Buy just below the step

Businesses at $250-400K SDE often price on the small-business grid but sit one good year from the $500K+ tier where multiples step up. That threshold is where value creation compounds fastest per dollar of growth.

CHAPTER 7

Reading Comps Like an Analyst

Where do the numbers come from, and how much should you trust each source?

Source	What it is	Trust notes
BizBuySell reports	Quarterly listing/sale data	Broad; skews to smaller main street deals
DealStats / BIZCOMPS	Transaction databases	The standard — your BVC analysis draws on comparable data
IBBA Market Pulse	Broker survey	Good directional read on demand by size
Broker chatter	'These go for 3x'	Verify — brokers quote the band top from memory
Asking prices	Listings, not sales	Asks routinely exceed sold prices meaningfully

RED FLAG

Asking-price gravity

Never build a comp set from listings. Asking prices are marketing; sold prices are data. Comp sets built on asks inflate your anchor before negotiation even begins — which is precisely why brokers cite them.

Sample-size honesty: for a niche business in a small metro, there may be six good comps nationally in three years. That is fine — bands plus quality adjustments carry you. Treat any 'exact' comp-based number, including your own, with a ±15% humility band.

CHAPTER 8

The Multiple Adjustment Worksheet

From band to number, in six steps. Start at your industry band's midpoint and adjust:

1. **Start: industry band midpoint**
   e.g., HVAC 2.5-4.5x, start at 3.5x.
2. **Recurring revenue**
   Over 50% contract/recurring: +0.3 to +0.5. Under 20%: -0.3 to -0.5.
3. **Owner dependency**
   Manager runs daily ops: +0.3. Owner IS sales/licenses/relationships: -0.5.
4. **Customer concentration**
   Top customer >20%: -0.3 to -0.5. No customer >10%: +0.2.
5. **Trend & books**
   3 years growth on clean, tax-return-verified books: +0.3. Declining or messy: -0.3 to -0.6.
6. **Size & assets**
   SDE > $500K: +0.3. Heavy near-term capex needs: subtract the capex from value directly instead.

REAL NUMBERS

Sanity checks, always

Cross-check your SDE-multiple answer against a revenue multiple for the industry and rough DCF (SDE less a manager salary, 20-25% discount rate). Three methods within 15% of each other: trust it. One method wildly off: find out why before you offer — the discrepancy is usually information.

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Ready to Analyze a Real Deal?

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- ✓ Forecast Analyzer + Excel Model
- ✓ Buyer Readiness Assessment

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