## What's

The market is flooded with capital, and more investors are putting it into private companies. But you can't make the right


It seems like something every business owner would know: his or h after all, is a key factor in any 1 ness decision. If you're meeting tential investors, for example, you have to know your company's number-as well a the sums other companies in your industry are fetching-if you want to negotiate favorable deal. Even if you're not talking to investors or acquirers, a valuation can serve as a reality check on how your business is progressing. actions go unnoticed and unreported, owners of private companies almost always have a tough time determining the value of their investment. So for the fourth straight year, Inc. has partnered with Port
land, Oregon-based Business Valuation Resources, a leading provider of data about private company transactions, to create our most comprehensive busines valuation guide yet. The graphics, tables,
and work sheet on the pages that follow are based on 3,339 transactions between January 1, 2003, and September 29, 2006 in 156 different industries, and shed a rare spotlight on the world of private company transactions.
What does the data tell us? Companies in the life-sciences, energy, financial services, and technology boast high sale prices and robust sale multiples. The lower reaches, as in years past, are home to smaller businesses: retailers, plumbers, and the like Which leads us to publishing. We've won-
dered how our company, and industry, measure up. In year's past, Business Valua tion Resources lacked sufficient data on media companies. But this year, publishing and periodicals make an appeatance. Wére pleased to say theyre selling well in the prepleased to say they're selling well in the pre-
mium zone, with a median sale price of mium zone, with a median sate price of $\$ 30$ million. So now we know a little something more about our industry. In the pages that follow, you will learn more about yours. -Larry Kanter

marketplace for private companies. Here's how to read it:

 (in the white zone) sell at a premium to annual sales. Those that all below the line (in the blue
eflect the size the industry's



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sale prí
the lower left region.


SALES PRICE-TOThe size of thales RaThe size of the bubbles represent the ratio of sales
price of the business to the annual sales that the business generates.
$\underset{\substack{\text { (sale } \\ \text { Price: annual } \\ \text { Pales })}}{ }$


Discount zone ratios
(sale price eannual sales)
$-8: 10$
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$-2: 10$

## The most, and the least, valuable businesses in America

Buying a business is in at least one respect like buying a house - you can use the tables below to find the comparables. They'll tell you what businesses are selling for in 158 different industries. For each industry, the tables note the number of businesses sold in the survey period; the median annual revenue and sale price; and the industries three best valuation multiples. The line graphs on the right show each category's sale price range, from low to high; the circle in the middle marks the median price. That makes it easy to compare price ranges among various different industries.

| Data based on transactions from 1/1/2003 to 9/30/2006 DIVISION/Type of Business (Number of transactions) | MedianAnnualRevenue(\$000's) | $\left.\begin{array}{c} \text { Median } \\ \text { Salien } \\ \text { Since } \\ \text { sioooss } \end{array}\right)$ | Medan valuation multiples |  |  | Sales Price RangesLow/Median/Hign (\$ thousands) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | ${ }_{\text {Sest }}^{\substack{\text { Seond }}}$ | ${ }_{\text {Third }}^{\text {Best }}$ |  |
| AGRICULTURE, FORESTRY AND FIISHING (49) | \$262 | \$175 | 0.56 | 0.56 | 0.66 |  |
| Animal Specialty Services (10) | 138 | 62 | 0.44) | 0.46 | 1.23 | -- \% \% \% \% |
| Landscape Counseling and Planning (9) | 723 | 315 | 1.13 | 1.13 | 0.49 | $\bigcirc$ |
| Lawn and Garden Services (21) | 250 | 165 | 0.53 | 0.53 | 1.54 | $\bigcirc$ |
| MINING (20) | 12,397 | 18,526 | 7.76 | 2.51 | 7.54 | Low |
| Oil and Gas Field Services (9) | 5,774 | 6,200 | 5.90 | 3.52/.2 | 1.98 | $\bigcirc$ |
| CONSTRUCTION (134) | 1,197 | 475 | 0.41 | 0.38 | 2.60 | - |
| Single-Family Housing Construction (11) | 4,200 | 825 | 1.45 | 5.83 | 0.33 | -- |
| Water, Sewer, and Utility Lines (7) | 11,087 | 6,555 | 6.33 | 6.38 | 0.63 | $\bigcirc$ |
| Plumbing, Heating and Air Conditioning (19) | 929 | 340 | 0.38 .a | 0.38 | 2.05 | $\bigcirc$ |
| Painting and Paper Hanging (6) | 906 | 400 | 0.39 | $1.24 / 1 /$ | 2.84 | $\bigcirc$ |
| Electrical Work (16) | 1,334 | 775 | 2.64 | 0.39 | 0.33 | $\square$ |
| Carpentry Work (11) | 623 | 385 | 2.33 | 3.54 | 3.59 | $\bigcirc$ |
| Roofing, Siding, and Sheet Metal Work (8) | 1,788 | 365 | 2.19 | 0.21 | 0.21 | $\bigcirc$ |
| Concrete Work (7) | 438 | 266 | $9.02 / 3$ | 9.02 | 0.66 | $\bigcirc$ - |
| Special Trade Contractors (19) | 1,039 | 675 | 2.60 | 3.85 | 3.81 | -0. |
| MANUFACTURING (707) | 4,255 | 5,000 | 3.26/h | 8.70 | 7.70 | $\bigcirc$ |
| Bread, Cake, and Related Products (6) | 1,051 | 335 | 3.21 | 3.21 | 0.67 | $\bigcirc$ |
| Wood Kitchen Cabinets (14) | 858 | 405 | 0.44 | 2.85 | 0.98 | $\bigcirc$ |
| Wood Products (6) | 1,243 | 722 | 0.63 | 0.55 | 2.22 | $\bigcirc$ |
| Periodicals (8) | 22,979 | 30,931 | 20.46 | 23.49 | 16.81 | - |
| Miscellaneous Publishing (9) | 20,349 | 27,500 | 11.62 | 1.85 | 1.850) | 0 |
| Commercial Printing, Lithography (31) | 650 | 435 | 2.77 | 7.60 | 5.14 | 0 |
| Commercial Printing (25) | 413 | 260 | 25901/ | 0.70 | 5.17 | $\bigcirc$ |
| Medicinals and Botanicals (5) | 44,158 | 123,063 | 4.89 | 49.80 | 1.65 | $\bigcirc$ |
| Pharmaceutical Preparations (35) | 10,624 | 25,410 | 17.99/IM | 5.42 | 16.04 | -0 |
| In Vitro and In Vivo Diagnostic Substances (6) | 38,049 | 73,012 | 8.33 | 8.32 | 7.56\% | 0 |
| Biological Products, Except Diagnostic (6) | 30,031 | 67,365 | 18.45 | 18.40 | 10.81 | $\bigcirc$ |
| Plastics Products (15) | 4,455 | 1,827 | 8.27 | 0.65 /d | 0.65 | $\bigcirc$ |
| Fabricated Metal Products (10) | 2,407 | 1,750 | 2.14 | 4.20 | 0.68 | $\bigcirc$ |
| Special Industry Machinery () | 7,929 | 11,190 | 4.83 | 3.85 | 7.30 W | $\bigcirc$ |
| Computer Storage Devices (6) | 4,946 | 33,876 | 13.25 | 11.99/1/ | 3.18 | $\bigcirc$ |
| Computer Peripheral Equipment (12) | 8,354 | 10,026 | 15.92 | 17.93 | 11.08 | $\bigcirc$ |
| Industrial Machinery (21) | 1,787 | 950 | $0.60 \%$ | 0.64 | 1.65 | $\bigcirc-$ |
| Electrical Industrial Apparatus (6) | 5,917 | 7,716 | 2.61 | 10.87 | 8.89 | $\bigcirc$ |
| Telephone and Telegraph Apparatus (10) | 15,268 | 13,325 | 1.21 | 26.78 | 26.61 | $\bigcirc$ |
| Communications Equipment (6) | 6,269 | 103,400 | 6.0Y/1. | 6.25 | 4.70 | - |
| Printed Circuit Boards (8) | 3,333 | 9,275 | 11.43 | 12.32 | 11.81 | $\bigcirc$ |
| Semiconductors and Related Devices ${ }^{29}$ | 7,751 | 33,590 | 94.93 | 58.58 | 52.82 | - |
| Electronic Connectors (10) | 11,510 | 7,600 | 1.21 | 1.28 | 10.81 | $\bigcirc$ |
| Electrical Equipment and Supplies () | 2,169 | 2,400 | 7.32 | 17.19 | 15.20 | -0 |
| Motor Vehicle Parts and Accessories (6) | 73,746 | 89,000 | 17.78 | 14.82 | 6.97 | -- |

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| Data based on transactions from 1/1/2003 to 9/30/2006 DIVISION/Type of Business (Number of transactions) | $\begin{gathered} \text { Melian } \\ \text { Menuan } \\ \text { Revenue } \\ \text { soovos } \end{gathered}$ |  | media valuation muliples |  |  | Sales Price Ranges |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | ${ }_{\substack{\text { Second } \\ \text { Best }}}^{\text {ent }}$ |  |  |
| Laboratory Analytical Instruments 9) | 3,334 | 7,500 | 4.93 | 2.31 | 2.44 |  |
| Optical Instruments and Lenses (6) | 13,579 | 11,52 | 2.28 | 4.17 | 0.70 | -0. \% \% \% |
| Surgical and Medical Instruments (14) | 8,460 | 23,899 | 12.64 | 9.5W | 11.41 | -- |
| Orthopedic, Prosthetic, and Surgical Appliances (10) | 14,290 | 16,207 | 11.10 | 3.76 | 13.85 | - 0 |
| Electromedical Equipment 9 ) | 12,328 | 14,752 | 4.07 | 3.76 | 5.01 | $\bigcirc$ |
| Sporting and Athletic Goods (6) | 13,284 | 8,703 | 4.15 | 3.90 | 0.97 | $\bigcirc$ |
| Signs and Advertising Specialties ${ }^{(25)}$ | 560 | 350 | 2.56 | 2.15) | 5.20 | $\bigcirc$ |
| Manufacturing Industries (18) | 1,171 | ,315 | 3.34 | . 78 | 2.62 | $0-$ |
| TRANSPORTATION, COMMUNICATIONS, ELECTRIC, GAS, AND SANITARY SERVICES (161) | 4,153 | 2,691 | 2.57 | $1.48$ | 5.41 | 0 |
| Local Passenger Transportation () | 460 | 270 | 2.32 | 3.28 | 2.25 | $\bigcirc$ |
| Local Trucking Without Storage () | 676 | 455 | 2.58/ | 0.55 | 0.58 | $\bigcirc-$ |
| Trucking, Except Local (7) | 2,558 | 896 | 2.69 | 0.51 | 0.40 | -- |
| Local Trucking With Storage (6) | 3,587 | 1,55 | 3.31/ | 5.60 | 0.35 | $\bigcirc$ |
| Airports, Flying Fields, and Services (7) | 5,378 | 2,766 | 10.92 | 11.96 | 14.30 | $\bigcirc$ |
| Travel Agencies (8) | 5,120 | 3,267 | 7.65 | 7.65 | 7.96 | -0 |
| Radiotelephone Communication (13) | 4,153 | 1,086 | 4.44 | 3.06 | 1.64 | 0 |
| Telephone Communications, Except Radio (29) | 6,225 | 3,568 | 1.64 | 6.74 | 9.62 | $\bigcirc$ |
| Cable and Other Pay Television Services (8) | 4,448 | 7,270 | 4.50) | 1.12 | 9.73 | $\bigcirc$ |
| Communications Services (13) | 10,693 | 15,500 | 10.75 | 9.64 | 11.09 | $\bigcirc$ |
| Refuse Systems (8) | 980 | 413 | 1.89 | 3.85 | 2.16 | -0 |
| WHOLESALE TRADE (194) | 1,417 | 555 | 4.96 | 2.96 | 4.97 | $\bigcirc$ |
| Motor Vehicle Supplies and New Parts (7) | 1,631 | 880 | 1.45 | 4.2412 | 5.82 | $\bigcirc$ |
| Computers, Peripherals, and Software (9) | 8,456 | 2,580 | 13.77 | 11.02 | 2.4 | 0 |
| Medical and Hospital Equipment (11) | 739 | 309 | 2.69 | 0.51 | 0.51 | -- |
| Metals Service Centers and Offices (5) | 121,801 | 111,000 | 2.79 | 5.440 | 3.88 | $\bigcirc$ |
| Electrical Apparatus and Equipment (8) | 4,687 | 8,881 | 0.84 | 2.66 | 8.28 | $\bigcirc$ |
| Electronic Parts and Equipment (9) | 6,894 | 2,000 | 3.42 | 1.11 | 9.05 | $\bigcirc$ |
| Industrial Supplies 9) | 4,331 | 1,620 | 4.26 | 1.45 | 7.65 | $\bigcirc$ |
| Sporting and Recreation Goods (6) | 1,069 | 424 | 3.65 | 0.35 | 4.72 | $\bigcirc$ |
| Durable Goods (6) | 1,652 | 518 | 1.60 | 1.50 | 1.58 | $\bigcirc$ |
| Stationery and Office Supplies (6) | 504 | 238 | 2100 | 0.35 | 0.35 | -0 |
| Groceries and Related Products (8) | 1,244 | 508 | 1.12 | 1.950 | 1.74 | $\bigcirc-$ |
| Chemicals and Allied Products (6) | 500 | 222 | 0.38 | 1.28 | 2.12 | $\bigcirc$ |
| Petroleum Products ()) | 3,547 | 1,151 | 15.00/ | 21.63 | 0.28 | $\bigcirc$ |
| Nondurable Goods 9 ) | 1,467 | 425 | 4.49 | 0.85 | 0.24 | -0 |
| RETALL TRADE (334) | 458 | 168 | 2.58 | 0.76 | 0.39 |  |
| Lumber and Other Building Materials (12) | 2,491 | 580 | 4.16 | 13.30 | 0.40 | $\bigcirc$ |
| Hardware Stores ${ }^{\text {9 }}$ ) | 76 | 360 | 339 | 1.49 | 0.57 | $\bigcirc$ |
| Retail Nurseries and Garden Stores (9) | 550 | 205 | 230 | 0.44 | 0.98 | $\bigcirc$ |
| Grocery Stores 39 | 773 | 235 | 0.28 | 0.28 | 5.69/ | $\bigcirc$ |
| Retail Bakeries (16) | 235 | 82 | 0.51 | 2.49 | 0.36 | $\bigcirc$ |
| Miscellaneous Food Stores (10) | 1,065 | 330 | 1.16. | 22.75 | 2.82 | $\bigcirc$ |
| Auto and Home Supply Stores (6) | 2,445 | 925 | 1.63 | 1.245 | 4.34 | -0 |
| Gasoline Service Stations (13) | 1,800 | 341 | 2.53 | 5.83 | 1.03 | $\bigcirc$ |
| Boat Dealers () | 4,245 | 670 | 1.39 | - | 0.35 | $\bigcirc$ |
| Women's Clothing Stores (14) | 544 | 191 | 2.57 | 0.45/ | 0.45 | $\bigcirc$ |
| Miscellaneous Apparel and Accessory Stores (6) | 429 | 186 | 0.43 | 0.76 | 2.73 | $\bigcirc$ |
| Furniture Stores (10) | 836 | 264 | 2.68 | 4.00\% | 0.37 | $\bigcirc$ |
| Miscellaneous Home furrishings (2) | 561 | 185 | 0.82 | 0.36 | 2.16 | $\bigcirc$ |
| Radio, Television, and Electronic Stores (6) | 443 | 95 | $0.30 / 5$ | 0.40 | 1.25 | $\bigcirc$ |
| Computer and Software Stores (21) | 822 | 150 | 0.58 | 3.102. | 0.28 | 0 |

The most, and the least, valuable businesses in America, continued


Equity Price divided b
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Net Sales Gales /III Gross EBiT

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| Data besed of tanasations fom 1/1/200310993020206 |  | Sales Price <br> (\$ 000 | median valuatow mutiples |  |  | Sales Price Ranges |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| DUVISIONTIpe of Susiness Mumberof tranactions) |  |  |  | ${ }_{\text {Secend }}^{\text {Sest }}$ | ${ }_{\text {che }}^{\substack{\text { nired } \\ \text { Best }}}$ |  |  |
| Offices and Clinics of Medical Doctors (10) | 2,936 | 2,375 | 6.01 | 3.34 | 3.26 | - $\square^{\circ}$ |  |
| Offices and Clinics of Dentisist (87) | 1,351 | 800 | 1.38 | 0.62/d | 0.62 |  | \% \% \% |
| Nursing and Personal Care (e) | 302 | 165 | 6.02 | 1.53 | 4.56\| | $\bigcirc$ |  |
| Schools and Educational Services (12) | 465 | 345 | 6.96 | 6.96 | 4.19 | $\bigcirc$ |  |
| Child Day Care Services (3) | 323 | 143 | 0.48 | 3.15/l/ | 0.52 | 0 |  |
| Engineering Services (11) | 6,640 | 2,960 | 3.65 | 2.61 | 2.76 | $\bigcirc$ |  |
| Accounting, Auditing and Bookkeeping (1) | 203 | 220 | 1.08 | 1.08 | 1.10 | 0 |  |
| Commercial Physical Research (7) | 8,137 | 22,000 | 10.74 | 14.00 | 10.88 | -0 |  |
| Commercial Nonphysical Research (0) | 5,461 | 4,682 | 11.49 | 11.49 | 2.67 | 0 |  |
| Testing Laboratories (8) | 3,654 | 2,800 | 1.91 | 1.07 | 1.01 | 0 |  |
| Management Consulting Services (43) | 8,422 | 9,384 | 2.61 | 9.14 | 10.03 | $\bigcirc$ |  |
| Business Consulting Services (4) | 9,348 | 10,022 | 5.mll | 0.84 | 9.05 | -- |  |

## Calculate your company's value

$\square$ Use this work sheet to get a rough estimate of what your business might fetch in today's market. First, find your industry in the preceeding tables and note the three best valuation multiples. Enter those figures into the appropriate boxes in the "Multiple Value" column below. Next, insert the appropriate financial information in the corre sponding boxes in the middle column. (This may require some help from your CFO). In all three cases, multiply the Bear in mind that this is will be an extremely rough estimate. Still, itll provide you with a starting point.


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