What Actually Moves Your Multiple

The six things a buyer checks before they'll name a number

1

Growth trend

Usually the first thing a buyer looks at. Consistent upward movement signals momentum and lowers perceived risk.

2

Gross margin

Shows how healthy the underlying model is and how much room there is to scale without the business straining.

3

Recurring revenue

Contracted and repeat income lowers the buyer's risk, and lower risk is what gets rewarded with a higher multiple.

4

Client retention

How many clients you keep year on year tells a buyer how durable next year's revenue actually is.

5

Client concentration

How exposed you are if your largest client walked. The more spread out your book, the less this discounts you.

6

Cost of growth

Whether growth is adding profit or just adding cost. Buyers price the difference between the two very differently.

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