RightExit.

A RIGHTEXIT GUIDE FOR FIRM OWNERS

We demystify accounting firm valuations — so you know what your firm is really worth.

A plain-English walk through how firms like yours are valued, what moves the number, and where you have room to grow it.

WHY VALUATION FEELS MURKY

Recurring relationships, staff dependence, and owner involvement make firm valuations tricky.

Intangible value

Client trust and reputation don't show up on a balance sheet.

Human capital

Much of the firm's know-how lives with people, not systems.

Client dependence

A few large or owner-tied clients concentrate the risk.

Owner reliance

When the firm runs on you, buyers price in the transition risk.

THE TOOLKIT

There are several ways to value an accounting firm.

Multiple of revenue

A quick benchmark on annual fees. Common for smaller firms.

Multiple of SDE

Seller's discretionary earnings — for owner-operated firms.

Multiple of EBITDA

Adjusted earnings — the standard as firms grow larger.

Discounted cash flow

Values contracted, predictable future earnings.

Asset-based

Rare for firms — used mainly in a wind-down.

WHICH LENS FITS YOUR FIRM

Each method answers a different question — the right one depends on your firm.

Multiple of revenue	A legacy method of valuing traditional firms, still used for a “book-of-business” sale or a legacy (paper-based or audit-heavy) firm.
Multiple of SDE	Best for owner-operated firms where the owner is central. Adds the owner's pay and perks back into earnings.
Multiple of EBITDA	The standard for larger firms with a management team in place and earnings that stand on their own.
Discounted cash flow	Applied when future earnings are contracted and predictable enough to project with confidence.
Asset-based	Almost never used in accounting, but relevant for a firm's asset-heavy clients on a flat or declining revenue trend.

THE METHOD BUYERS TRUST MOST

A multiple of adjusted earnings is the gold standard — SDE for smaller firms, EBITDA for larger.

WHY EARNINGS, NOT REVENUE ALONE

Adjusted earnings give buyers a clear picture of your firm's true, ongoing profitability.

TWO WAYS TO MEASURE EARNINGS

SDE or EBITDA? It comes down to how the firm is run.

SDE

Seller's Discretionary Earnings

Best for smaller, owner-operated firms. It adds the owner's salary, benefits, and perks back into profit — showing the full financial benefit to a single working owner.

Fits: firms where the owner is the engine.

EBITDA

Earnings Before Interest, Taxes, Depreciation & Amortization

The standard for larger firms with a management team. It measures profit after paying market-rate wages to everyone, including leadership — earnings that stand on their own.

Fits: firms that run without the owner day to day.

THE MATH, IN THREE STEPS

How to find your adjusted earnings

STEP 1

Start with net income

Begin from the bottom line on your books.

→

STEP 2

Add back one-time & personal costs

Remove non-recurring and discretionary expenses.

→

STEP 3

Normalize owner compensation

Adjust pay to a market rate for the role.

→

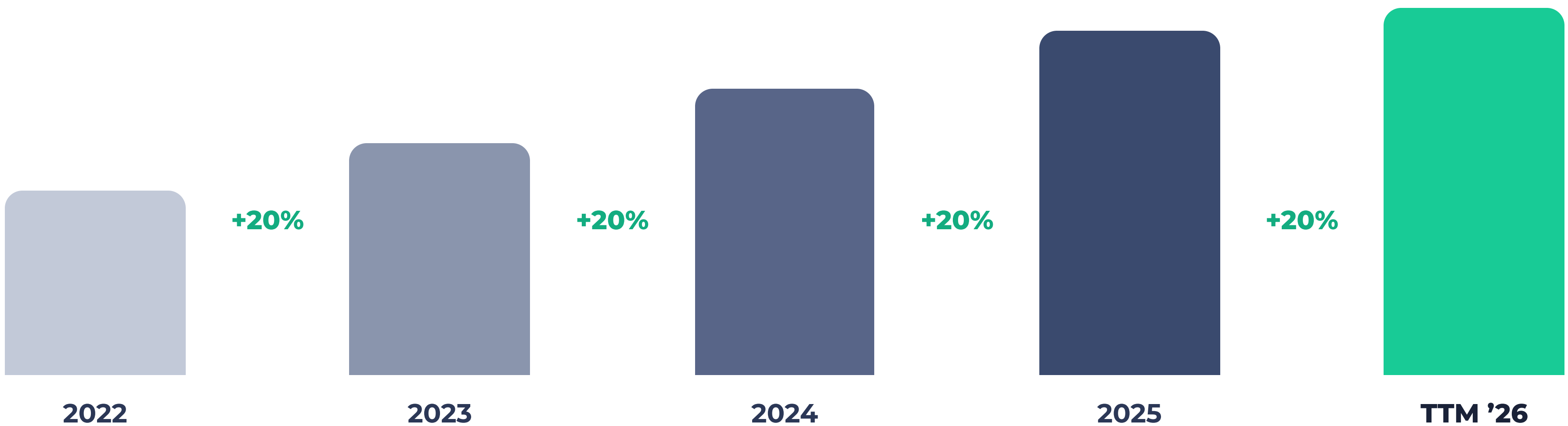
RESULT

Adjusted earnings

Your SDE or EBITDA — the basis for value.

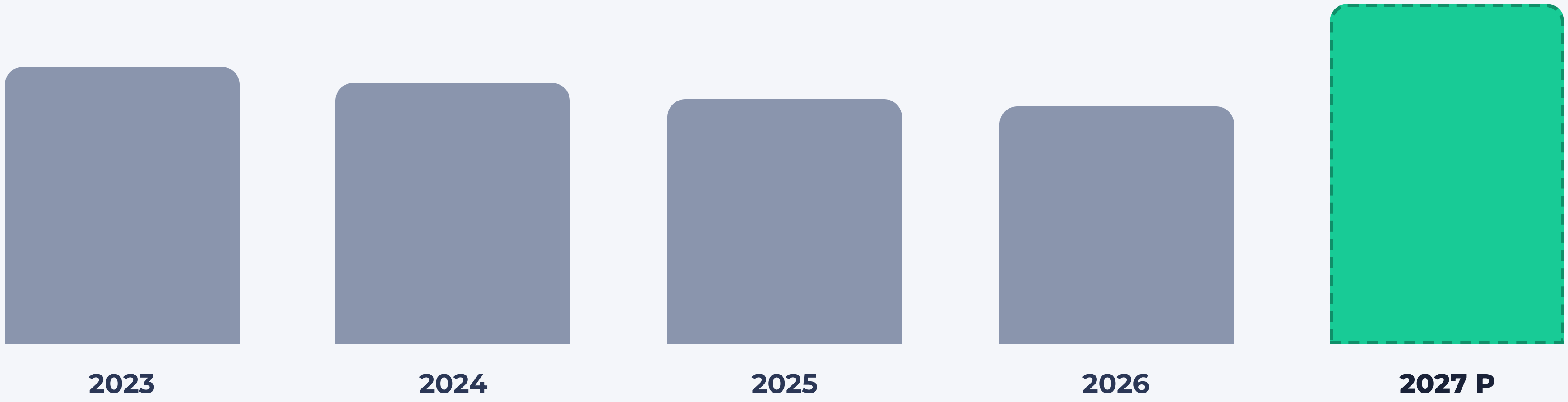
STEADY GROWTH

Growing at a steady pace? Your valuation uses adjusted earnings from the trailing twelve months.



WHEN THE FUTURE IS ALREADY BOOKED

Flat or down, but revenue is contracted or booked? We may value on projected earnings.



NEXT: THE MULTIPLIER

With adjusted earnings in hand, it's time to choose the right multiple.

SIZE MATTERS

The bigger the firm, the bigger the multiple.

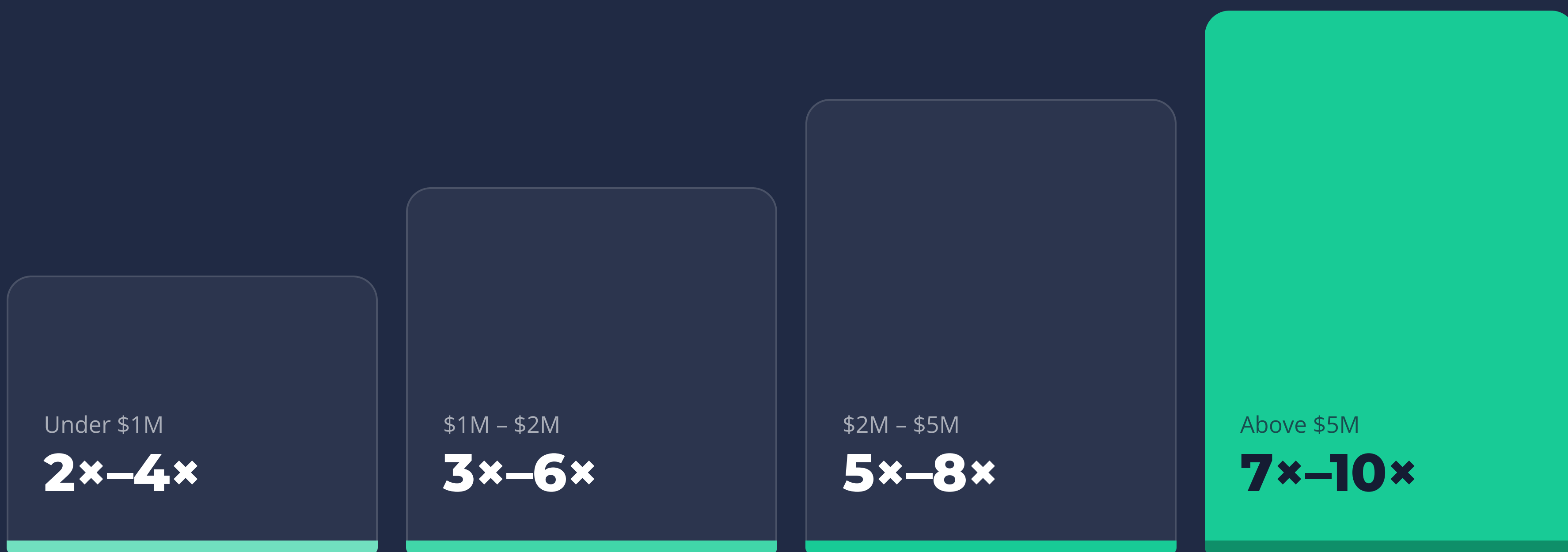
Larger firms carry less risk — more staff depth, less owner dependence, more durable earnings — so buyers pay a higher multiple for every dollar of profit.

A quick cross-check

For many smaller firms, a revenue multiple of roughly **1.0×–1.4× annual fees** lands close to the earnings-based figure — a useful sanity check on the number.

THE MULTIPLE LADDER

Where firms land, by size of adjusted earnings



Illustrative ranges applied to adjusted EBITDA / SDE. Your firm's placement within a band depends on the value drivers that follow.

So how do you know where you land within a range?

Two firms can look identical on paper — yet their unique traits make one worth far more.

THE VALUE DRIVERS

Ten factors move your multiple up or down.

Recurring revenue	Client concentration	Management depth	Brand & reputation	Niche & specialty
Business development	Transition plan	Client roster	Competitive edge	Growth potential

01

VALUE DRIVER

Recurring vs. one-time revenue

How your firm earns — and how predictable it is — is one of the biggest levers on value. Firms built on recurring work (monthly accounting, payroll, advisory retainers, tax under ongoing relationships) sell at the higher end. Firms weighted toward one-time or seasonal projects sell lower.

- **Lifts your multiple:** high share of recurring revenue.
- **Pulls it down:** mostly one-time or seasonal work.

02

VALUE DRIVER

Client concentration

If any single client makes up more than about 10% of revenue, buyers see risk — losing them would materially dent earnings. High concentration pulls you toward the lower end of the range, even when everything else looks strong.

- **Lifts your multiple:** no client over ~10% of revenue.
- **Pulls it down:** one or few clients dominate the book.

03

VALUE DRIVER

Management & staff depth

Can the firm run without you? A capable management team and tenured staff who stay through the transition raise value. Buyers pay more for a firm that isn't dependent on the owner — and where succession is already thought through.

- **Lifts your multiple:** strong second-line leadership.
- **Pulls it down:** the owner does everything.

04

VALUE DRIVER

Brand & reputation

A recognizable name, a steady referral engine, and a positive reputation in your market attract more buyers and higher offers. Reviews, referral sources, and community standing all signal a book of business that will hold together after you step back.

- **Lifts your multiple:** strong reputation & referrals.
- **Pulls it down:** little brand beyond the owner.

05

VALUE DRIVER

Niche & specialization

Generalist firms that serve everyone are worth less than firms with a clear specialty — a specific industry (dental, construction, SaaS, nonprofits) or a focused service line. Specialists are more referable, more defensible, and more sought after by buyers.

- **Lifts your multiple:** a defensible niche or specialty.
- **Pulls it down:** an undifferentiated generalist.

06

VALUE DRIVER

Business development

A repeatable way to win new clients — inbound and outbound — adds real value. If growth depends only on word-of-mouth and the owner's personal network, that risk leaves with you. A documented pipeline shows buyers the firm can keep growing after the sale.

- **Lifts your multiple:** a documented, repeatable pipeline.
- **Pulls it down:** growth rides on the owner's relationships.

07

VALUE DRIVER

Transition plan

Buyers want sellers who believe in the firm's future. Wanting to be fully out in 90 days signals risk; a willingness to stay through a thoughtful transition protects client relationships and lifts value. The right handoff is a transition into the firm's next chapter, not an exit door.

- **Lifts your multiple:** a flexible, involved transition.
- **Pulls it down:** an abrupt, 90-day exit.

08

VALUE DRIVER

Client roster & retention

Loyal, long-tenured clients — and high net revenue retention — are highly desirable. A stable book within a clear niche, with clients who expand their engagements over time, commands higher multiples. Churn and shrinking scopes do the opposite.

- **Lifts your multiple:** high retention, growing accounts.
- **Pulls it down:** churn and shrinking engagements.

09

VALUE DRIVER

Competitive advantages & technology

Clear strengths — specialized expertise, a modern tech stack, standardized workflows, proprietary processes — make earnings more durable and transferable. Buyers pay up for a firm that runs well without heroics, because it will keep running well under new ownership.

- **Lifts your multiple:** modern stack, documented processes.
- **Pulls it down:** manual, undocumented, owner-in-the-details.

10

VALUE DRIVER

Growth potential

Firms with a clear path to grow — scalable services, untapped client segments, an advisory expansion plan — earn premiums. Buyers pay for future upside, not just today's earnings. Show where the next chapter of growth comes from and the multiple follows.

Lifts your multiple: a clear, credible growth runway.

Pulls it down: flat and capacity-constrained.

Together, these traits move the multiple up or down within the range — based on how they shape your firm's marketability and risk.

ONE HONEST CAVEAT

Valuation is part science, part judgment. What's valuable to one buyer can differ for the next.

RightExit.

LET'S TALK

Curious what your firm is really worth?

Whether you're planning your own exit or guiding a client through theirs, we help you understand value and navigate the sale — the right buyer, at the right time, for the right price. We're glad to serve as the M&A advisory extension of your firm.

Schedule a call

Scan the code to schedule an evaluation with one of our exit advisors.

Daniel Talbott, CBI, CEPA

daniel@rightexit.com

www.rightexit.com