

**2017**  
Edition



Excerpt from:

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The BVR Business Valuation  
**Firm Economics &  
Best Practices Guide**

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**The BVR  
Business Valuation  
Firm Economics  
& Best Practices Guide**

2017 EDITION

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## **What It's Worth**

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Dear Business Valuation Leader:

Welcome to *The BVR Business Valuation Firm Economics & Best Practices Guide*, 2017 edition.

Over 170 firms responded to this edition of the survey. This is slightly fewer than the number responding to the last edition of this survey, largely because we have seen a fair amount of firm consolidation and because fewer solo practitioners participated.

The wealth of data here makes this survey the largest and most thorough analysis of business valuation firm best practices in financial management, marketing, human resources and compensation, and professional and ownership standards that you will find anywhere. Data on over 475 business valuation firm owners/partners and over 1,700 professional staff are included in the management and compensation sections.

The survey was conducted between June 2016 and July 2016. (*Note: Any headings in the columns refer to the data collected for this, the 2011, and 2009 editions of Business Valuation Firm Economics & Best Practices Guide but may pertain to the previous fiscal year, such as 2015 data for this edition of the guide.*) All responses to the survey are anonymous. Our sincere thanks to all who participated!

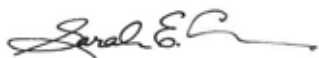
We know these results will provide interesting reading about our profession, but we also hope that they lead to practice-enhancing comparisons and assistance with your business planning. The data are sorted in ways that should enhance your ability to quickly compare your own practice and highlight successes and areas for improvement.

If you did not receive a survey form this year and would like to be a part of future surveys, please contact us, and we'll make sure you are included.

We have done our best to work through the responses we received and only include data that appear reasonable. Many respondents chose not to complete all parts of the survey or felt that certain questions were not applicable to their practices. For that reason, the sample size for each exhibit in the survey varies.

Again, thank you to the participants. We hope the data included in these pages lead to increased profits, growth, and enjoyment in the year to come. We look forward to hearing about ideas for improvement for the next edition!

Sincerely,



Sarah Andersen

Publisher

saraha@bvresources.com





# 1. Executive Summary

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- Owners of business valuation firms seemed to be more optimistic in the 2017 guide (“2016 survey”) than they were in the 2011/2012 guide (“2011 survey”). Six out of 10 firms grew in the last fiscal year, and three out of five firms expected to grow in 2016.
- Six in 10 firms raised their billing rates last year. Including firms that did not raise fees last year, the business valuation profession as a whole increased its rates 5.2% during the last year, a significant increase from 2.1% in the 2011 survey.
- The total business valuation revenues earned by firms participating in this year’s survey were \$450 million. Research shows that the business valuation industry is now a \$6.1 billion industry.
- Average base compensation for financial analysts at business valuation firms has increased since the 2011 survey. The average increase is highest at the entry-level positions—as much as 17%. For senior analysts, compensation grew by approximately 4% for the last five years.
- After the economic recession, the BV profession had a wealth of available talent. Five years later, the BV profession is beginning to experience some talent shortages. In the 2011 survey, 73% of firms reported no shortage of talent, but that has decreased to only 58% of firms not experiencing a staffing shortage in the 2016 survey.
- While 48% of firms claim they invest less than 2% in marketing-related activities, the average marketing budget in the BV profession was a respectable 3.7%. Direct contact with existing and prospective clients continues to be the most effective practice development technique by far.
- Of all the revenues reported in the 2016 survey, 48% were referred to BV practitioners from lawyers. Still, only 7% firms in the entire survey database depend on one client group only, proving that business valuation client development is a complicated activity. Business owners, CPA firms—“Big Four” and otherwise—and current client referrals were other major sources of engagements.
- Just over 24% of the firms brought in less than \$100,000 in business valuation revenues five years ago; only a fifth did in the 2016 survey. These small practices are often associated with CPA firms, where one BV partner does valuations “part-time,” sometimes at fees below market rates.
- Of the respondents to the 2016 survey, 81% of firms offering valuation services conducted an engagement intended for tax purposes, making it the most common “specialty.” This was followed by valuations conducted for general corporate work, as well as transactional and family/matrimonial engagements.
- Research resources have become more plentiful. More appraisal firms are using more reference databases and tools to support their valuation assumptions than ever before.

# Trustworthy business valuations start here.

## About Business Valuation Resources

Every informed stakeholder in business valuation, performance benchmarking, or risk assessment turns to Business Valuation Resources (BVR) for authoritative deal and market data, news and research, training, and expert opinion. Trust BVR for unimpeachable business valuation intelligence. BVR's data, publications, and analysis have won in the boardroom and the courtroom for over two decades.

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- Pratt's Stats
- Public Stats
- BIZCOMPS
- PitchBook Guideline Public Company Comps Tool
- Economic Outlook Update
- Factset Mergerstat/BVR Control Premium Study
- Stout Restricted Stock Study™
- Valuation Advisors Discount for Lack of Marketability Study
- ktMINE Royalty Rate Data & License Agreements
- First Research Industry, State & Province Profiles
- BizMiner Industry Financial Reports
- Mergerstat Review & Mergerstat Review Monthly
- Valuation Handbook Risk Premium Toolkit
- Valuation Handbook – U.S. Guide to Cost of Capital
- Valuation Handbook - U.S. Industry Cost of Capital
- Valuation Handbook – International Guide to Cost of Capital
- Valuation Handbook – International Industry Cost of Capital
- Butler Pinkerton Calculator – Total Cost of Equity and Public Company Specific Risk Calculator

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