

Worth its weight: Strong economic growth and an improved investment will benefit the industry

IBISWorld Industry Report OD4797 Business Valuation Firms in the US

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About this Industry

Industry Definition

Companies in this industry estimate the value of an owner's interest in a business. Business valuation firms are used to determine how much an entity is willing to pay to buy a business or receive to sell a business. Business valuation can also be used for other legal and business purposes.

Main Activities

The primary activities of this industry are

Provision of market valuations
Provision of liquidation valuations
Provision of insurance valuations
Provision of residual valuations

The major products and services in this industry are

Comprehensive appraisals
Limited partnership appraisals
Preliminary value studies
Other

Similar Industries

53132 Real Estate Appraisal in the US

Operators in this industry estimate the fair market value of real estate.

54119 Conveyancing Services in the US

Operators in this industry offer conveyancing services, which is the transfer of property rights involving an attorney to represent the buyer, seller and mortgage holder.

54121c Accounting Services in the US

Operators in this industry include the offices of CPAs, which offer a range of financial services, including the preparation of financial statements and the auditing of accounting records.

54199 Credit Counselors, Surveyors & Appraisers in the US

Operators in this industry provide quantity surveyor services, also known as cost estimation; estate appraisal services (except real estate); and consumer credit counseling services.

Additional Resources

For additional information on this industry

www.aicpa.org
American Institute of CPAs
www.bvresources.com
Business Valuation Resources
www.go-iba.org
Institute of Business Appraisers
www.nacva.org
National Association of Certified Valuators and Analysts

Industry at a Glance

Business Valuation Firms in the US in 2015

Key Statistics Snapshot

Revenue

\$6.1bn

Annual Growth 10-15

0.6%

Annual Growth 15-20

1.1%

Profit

\$535.8m

Wages

\$2.5bn

Businesses

85,122

Market Share

There are no Major Players in this industry

p. 22

Revenue vs. employment growth

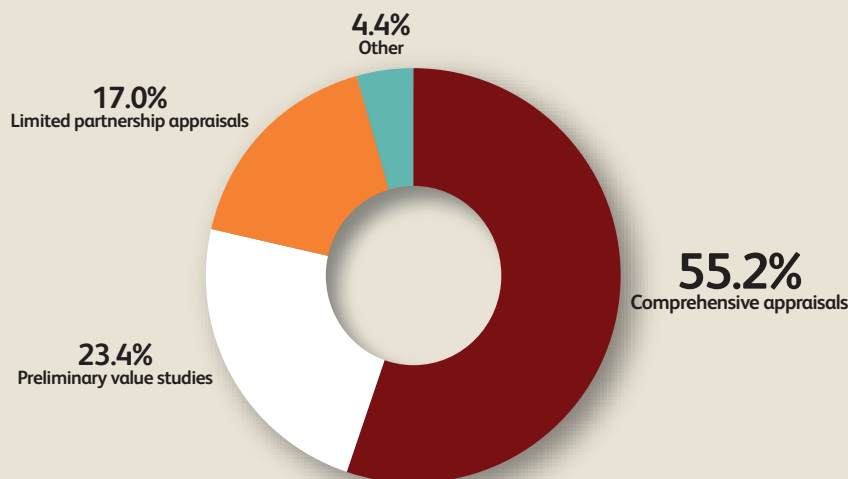


Initial public offerings



SOURCE: WWW.IBISWORLD.COM

Products and services segmentation (2015)



SOURCE: WWW.IBISWORLD.COM

Key External Drivers

Corporate profit
Initial public offerings
Business bankruptcies
Number of businesses
Investor uncertainty
Number of adults aged 65 and older
Access to credit

p. 4

Industry Structure

Life Cycle Stage	Mature	Regulation Level	Medium
Revenue Volatility	Low	Technology Change	Medium
Capital Intensity	Low	Barriers to Entry	Medium
Industry Assistance	Low	Industry Globalization	Low
Concentration Level	Low	Competition Level	High

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 28

Industry Performance

Executive Summary | Key External Drivers | Current Performance
Industry Outlook | Life Cycle Stage

Executive Summary

Business valuers, or appraisers, quantify the financial worth of companies of various sizes, from small proprietorships to large multinational corporations. According to the American Society of Appraisers, business valuation firms prepare transaction-based appraisals for mergers, acquisitions, initial public offerings (IPOs) and debt and equity financing; tax-based appraisals for estate planning, charitable contributions and granting of stock options; and litigation-based appraisals for bankruptcy, shareholder actions and breach of contract, among other reports.

businesses whose owners are reaching retirement. These events generally require industry services to determine the value of the businesses that are entering into sales agreements or issuing stock. However, higher investor uncertainty due to rising interest rates may delay M&A or IPO plans in 2015, limiting revenue growth to 0.6% over the year. Additionally, the number of bankruptcies since the recession, which usually necessitate a business valuation firm to help with restructuring, has decreased, causing industry revenue to only modestly increase at an estimated annualized rate of 0.6% to \$6.1 billion over the five years to 2015.

The industry benefits from an improving investment environment and rising corporate profit

Revenue is garnered based on the number of hours the appraiser worked or a flat fee for the appraisal report. Due to the abundance of independent appraisers, nonemployers are estimated to account for the majority of industry revenue and establishments.

Over the past five years, demand for business valuation services has grown in line with corporate profit and access to credit, which has boosted both merger and acquisition (M&A) activity and the number of IPOs. In addition, steady increases in the number of adults aged 65 and older has prompted sales of

In the coming years, industry operators will benefit from an improving investment environment and rising corporate profit. The growing number of baby boomers who are reaching retirement age and looking to sell their businesses will also increase demand for industry services. Despite the ongoing long-term trend of industry consolidation, competition from new business valuation software will keep pricing competition significant between industry operators. To mitigate the impact of lower fees on profit margins, firms are expected to become increasingly specialized. Over the five years to 2020, IBISWorld estimates revenue for the Business Valuation Firms industry will increase at an annualized rate of 1.1% to \$6.4 billion.

Key External Drivers

Corporate profit

Higher corporate profit increases the amount of cash businesses have on hand to acquire other companies. Merger and acquisition activity boosts demand for industry services, as the companies involved hire industry operators to appraise the values of prospective businesses. Corporate profit is expected

to grow in 2015, presenting a potential opportunity for the industry.

Initial public offerings

Business valuation services are needed to appraise a company before its initial public offering (IPO), or sale of stock. As the number of IPOs increases, demand for business valuation services rises. As

Industry Performance

Key External Drivers continued

business activity continues to increase, the number of IPOs is expected to grow in 2015.

Business bankruptcies

Business valuation firms provide appraisals for companies that are entering bankruptcy. As a result, an increase in the number of bankruptcies drives demand for industry services. As economic conditions continue to improve, the number of bankruptcies is anticipated to decrease in 2015.

Number of businesses

The number of businesses is calculated as the total number of businesses in the United States with one or more employees. Growth in the number of businesses increases the pool of potential clients for business valuation firms. As economic conditions continue to improve, the number of businesses is expected to increase in 2015.

Investor uncertainty

Investor uncertainty represents the expected annualized change of the S&P 500 over the next 30 days. Higher investor uncertainty hurts demand for business valuation services because investors are more risk averse when they

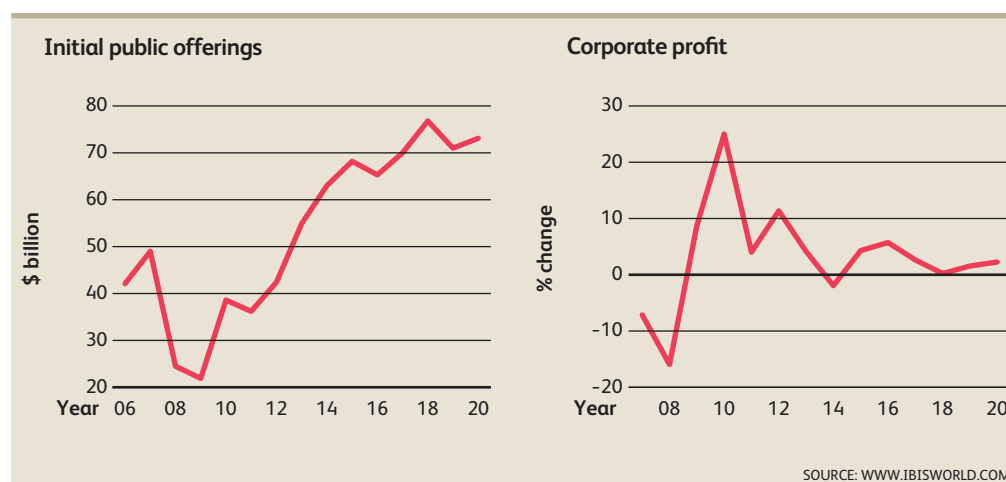
fear an economic downturn. As a result, companies are less likely to acquire or merge with competitors or move forward with initial public offerings. Investor uncertainty is expected to increase in 2015 due to rising interest rates, posing a potential threat to the industry.

Number of adults aged 65 and older

Many of the business owners seeking the services of this industry are of retirement age. According to the Market Pulse survey report by the International Business Brokers Association and M&A Source, presented by Pepperdine University, retirement is consistently one of the largest drivers of small business sales. As a result, an increase in the number of individuals aged 65 and older will boost demand for business valuation firms. This portion of the population is expected to grow in 2015.

Access to credit

Access to credit increases the ability of companies to invest in strategies to grow their business. Companies can borrow capital to acquire new businesses or fund operations until their initial public offering. As lending standards slowly loosen, access to credit is expected to increase in 2015.

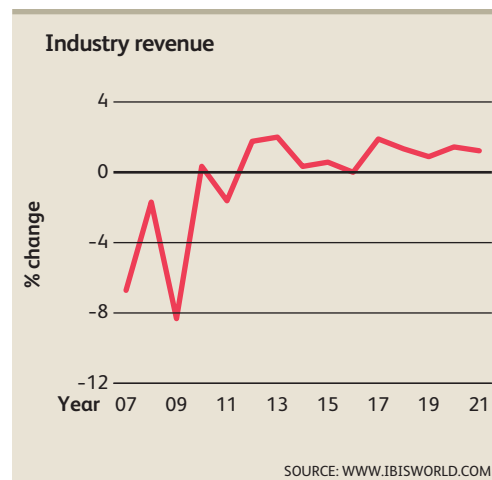


Industry Performance

Current Performance

Business valuation firms provide independent analysis of the financial worth of a company based on several factors. Companies of all sizes, from small proprietorships to large multinational corporations, require industry services for a variety of circumstances. According to the American Society of Appraisers, business valuations can generally be grouped into three categories: transaction-based, tax-based and litigation-based appraisals. Transaction-based business valuations are used for mergers, acquisitions, divestitures, buy-sell agreements, exchange ratios, leveraged buyouts, initial public offerings (IPOs), fairness and solvency opinions and debt and equity financing. Tax-based appraisals include gift and estate taxes, estate planning, charitable contributions, creation of family limited partnerships, ad valorem taxation and the granting of stock options. Litigation-based business valuations are used for divorce, condemnation, bankruptcy, shareholder actions, breach of contract and a variety of damage determinations.

Over the five years to 2015, revenue for the Business Valuation Firms industry is forecast to grow at an annualized rate of 0.6% to \$6.1 billion. Overall, investor uncertainty has significantly fallen since the recession, prompting companies to become less risk averse and move forward with mergers and acquisitions (M&A) and IPOs. Acquisitions are particularly attractive because many prospective businesses' valuations are still low due to decreased cash flow and erosion of asset values as a result of the economic downturn. Furthermore, corporate profit has grown strongly over the period, enabling businesses to acquire other companies with cash on hand. Access to credit has slowly increased as well, although tightened lending standards have still restricted funding to the private sector. However, recent increases in investor uncertainty due to rising interest



rates may delay M&A or IPO plans in 2015. Combined with a decrease in the number of bankruptcies, which usually necessitate a business valuation firm to help with restructuring, since the recession, revenue growth is expected to be limited to 0.6% in 2015.

In addition to improving M&A and IPO markets, increases in the sales of businesses by owners reaching retirement age has also driven demand for industry services since the recession. According to Market Pulse, a national quarterly survey conducted by the International Business Broker Association and M&A Source in partnership with Pepperdine University's Graziadio School of Business and Management, retirement is consistently one of the main reasons business owners seek to sell their company. In a 2014 Market Pulse survey, business advisors reported that 65.0% of new sellers and 41.0% of buyers were baby boomers. Baby boomers, consisting of individuals born after World War II between 1946 and 1964, are driving both sides of the transaction. More specifically, older baby boomers are selling their businesses as they reach retirement, while younger baby boomers are buying them. Over the past five years, the number of adults aged 65 and older has steadily increased, boosting demand for business valuation services.

Industry Performance

How valuation works

Business valuation firms (sometimes called business appraisers) determine the value of stock, buildings, equipment and intangible assets, including brand and intellectual property. In doing so, valuation firms quantify the financial worth of a business and the value of an owner's interest. This helps a company determine how much should be paid for a potential acquisition target or how much a company should seek when it attempts to divest operations. Business valuation firms are also often used to resolve disputes that arise from estate taxation, divorce litigation, business interests of

shareholders and a variety of other business and legal purposes.

To calculate the value of a company, an operator works out cash flow, working capital and assets, and liabilities are subtracted. More than a dozen factors are assessed to work out the value of a business, including a company's earnings track record, location and growth. Business appraisers are contracted directly by an owner, lawyer, auditor or consultant on behalf of an owner. Typically, operators in the industry charge an hourly rate for services or a flat fee for an appraisal report.

Competition limits profit growth

Over the past five years, the industry continued its long-term trend of consolidation. The majority of establishments do not employ any workers; rather, owners provide business appraisals independently. In addition to the limited operations of nonemployers, business valuation firms that qualify as employers are also small; more than 80.0% of establishments are estimated to employ between just one and four workers. Consequently, the majority of industry operators are local companies that provide services to other local businesses, including those run by individuals who are retiring. Over the five years to 2015, the number of enterprises is estimated to decrease at an annualized rate of 1.5% to 85,122 operators. Since most of these enterprises are owner-operators, industry employment is also forecast to fall at an average annual rate of 1.0% to 95,927 workers.

Due to the industry's low concentration, price competition has

Due to the industry's low concentration, price competition has limited profit margin growth

somewhat limited growth in profit margins. Furthermore, industry operators have faced an increasing amount of competition for preliminary value studies from business valuation software. Many small businesses use low-end business valuation software to help determine a ballpark estimate before a professional is contracted. This software directly competes with operators in the industry and has contributed to low growth in profit margins over the past five years. In 2015, IBISWorld estimates the average industry profit margin will account for 8.8% of industry revenue, up from its five-year low of 6.4% in 2010.

Industry Performance

Industry Outlook

Over the five years to 2020, IBISWorld estimates that revenue for the Business Valuation Firms industry will increase at an annualized rate of 1.1% to \$6.4 billion. The industry will benefit from rising corporate profit and an improving investment environment as a result of stronger economic growth. Business valuation firms will also be able to take advantage of increasing demand from the growing number of business owners that are looking to retire. During the next five years, more baby boomers will reach retirement age as the number of individuals aged 65

Industry operators are expected to benefit from an increase in demand from mom and pop stores

and older continues to grow. Many of those that own companies will ultimately look to cash out on their business ventures. As a result, industry operators are expected to benefit from an increase in demand from mom and pop stores.

Constrained profit in spite of industry growth

Industry revenue is expected to benefit from continued increases in corporate profit and access to credit, which is expected to boost business valuation services for mergers and acquisitions as well as initial public offerings (IPOs). Over the next five years, companies that previously delayed going public will move forward with IPOs as the stock market continues to trend upward. Similarly, higher profit margins and loosened lending standards will allow more companies to expand through mergers and acquisitions. The growing number of businesses will exacerbate these trends as economic confidence continues to strengthen, motivating entrepreneurs to establish new enterprises. Industry operators will benefit from the increasing number of businesses because it will boost the potential pool of clients for business valuation firms. As more baby boomers reach the age of retirement, more business owners will seek industry services to sell their companies.

In spite of this growth, industry operators will continue to experience pressure from substitutes, including business valuation software. Some individuals and small businesses use business valuation software as a less-

expensive alternative to preliminary value studies. Unfortunately for industry operators, this software is expected to become more prevalent during the next five years, posing a credible threat for professional services. Over the five years to 2020, the number of companies is forecast to decrease at an annualized rate of 1.0% to 81,004 operators.

In addition to business valuation software, accountants and investment banks are a significant source of competition for industry operators. Accounting firms provide business valuation services along with traditional accounting, auditing and tax services. Investment banks also provide business valuation services along with financial advisory services. Traditionally, the majority of investment banks' business valuations have focused on larger publicly traded companies; however, investment banks have recently started performing more business valuation services for medium-size companies.

Heightened competition is anticipated to hurt profit over the next five years. IBISWorld estimates that the average industry profit margin will decline to 7.0% of revenue in 2020. Declining profitability is expected to

Industry Performance

Constrained profit in spite of industry growth continued

cause a shift toward specialized services for growing markets, such as healthcare. As business valuation firms hire more specialized professionals and

as industry experts become independent appraisers, wages are anticipated to rise at an average annual rate of 0.4% to total \$2.5 billion.

Adapting to a changing climate

The majority of business valuation reports cost between \$3,000 and \$35,000, depending on the time taken and the amount of information included, and the majority of valuation firms charge an hourly rate for their services. Industry operators that focus on specialized or complex valuation services, where competition is lower, tend to experience less price-based competition. This is particularly true for clients in the healthcare industry and litigation industries, given the degree of regulation and comprehensive appraisal services necessary.

Industry operators are expected to increasingly operate in niche areas or market their services to better suit specific industries, such as healthcare

Firms that specialize in niche services will be able to generate higher returns

and litigation. Ultimately, business valuation firms that specialize in niche services will be able to generate higher returns than more generalized operators in the industry. Business valuation firms are also expected to increase marketing toward repeat clients, including law firms that represent multiple clients. Although this will pose an opportunity for industry operators, it might hamper profit margins as repeat customers will have more leverage over pricing.

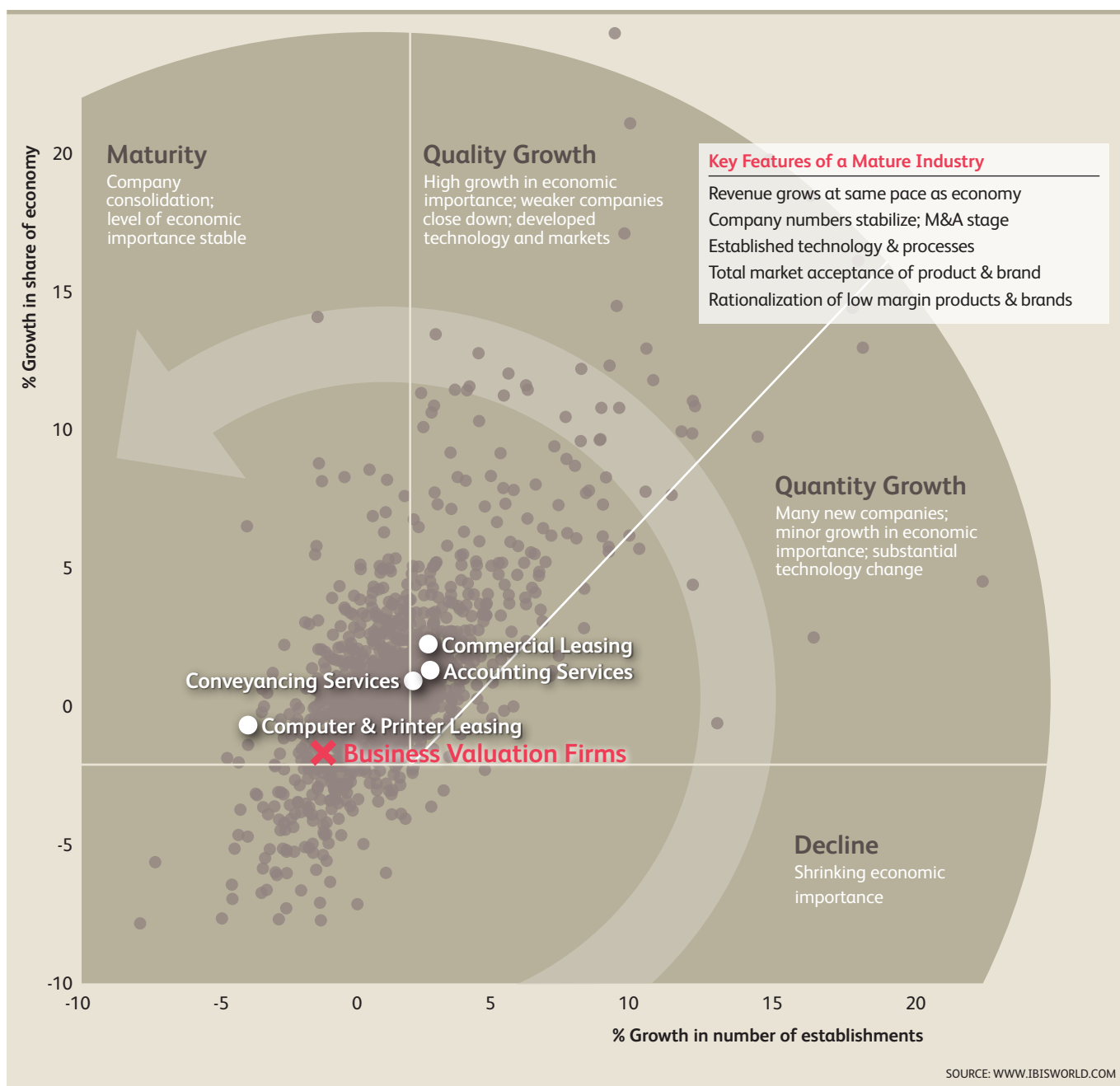
Industry Performance

Life Cycle Stage

The industry is growing slower than the overall economy

Heightened competition is restricting profit growth

The industry's products, technologies and markets are well-established



Industry Performance

Industry Life Cycle

This industry
is **Mature**

The Business Valuation Firms industry is in the mature phase of its industry life cycle. Over the 10 years to 2020, IBISWorld estimates that industry value added (IVA), or the industry's contribution to the overall economy, will increase at an average annual rate of 0.2%, compared to annualized GDP growth of 2.5% during the same period. While IVA is growing slower than the overall economy, industry consolidation and well-established service and market segments indicate the industry's maturity.

Over the past five years, the number of firms and independent appraisers operating in this industry has steadily decreased. Industry operators are experiencing more competition for preliminary value studies from software publishers offering business valuation

software. Both of these factors have constrained industry profit margins over the past five years and are expected to continue doing so over the next five years.

While business valuation firms are anticipated to become increasingly specialized to maintain margins, the industry's services are well-established and enjoy wholehearted market acceptance. Although technological advances are introducing more competition to business valuation firms, no innovations are expected to revolutionize the industry. Rather, technological investment will focus on improving efficiencies to reduce costs and monitoring operational, market and financial risks that might affect the sale or performance of companies.

Products & Markets

Supply Chain | Products & Services | Demand Determinants
Major Markets | International Trade | Business Locations

Supply Chain

KEY BUYING INDUSTRIES

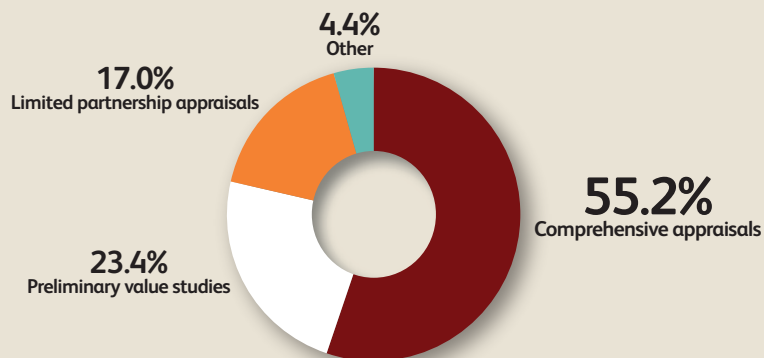
31-33	Manufacturing in the US Manufacturing companies that are looking to acquire or divest operations use this industry for capital asset and financial valuations.
54	Professional, Scientific and Technical Services in the US Professional service firms that are looking to acquire or divest operations use this industry for financial valuations.
54111	Law Firms in the US The Law Firms industry uses business valuation firms for litigation support.

KEY SELLING INDUSTRIES

53112	Commercial Leasing in the US The Commercial Leasing industry supplies office space to firms in the Credit Counselors, Surveyors and Appraisers industry.
53242	Computer & Printer Leasing in the US The Business Valuation Firms industry purchases office equipment from computer and printer leasing companies.

Products & Services

Products and services segmentation (2015)



Total \$6.1bn

SOURCE: WWW.IBISWORLD.COM

The Business Valuation Firms industry is composed of companies that quantify the financial worth of a business. These companies, also known as business appraisers, determine the value of a business based on the value of its capital assets, property valuation and financial valuations. Business valuation is most commonly used for buying and selling businesses; however, litigation, estate planning, reorganization and investment

are other common reasons for using business valuation services.

The most common methods for business valuation are asset valuation, capitalization of income valuation, owner benefit valuation and market valuation. Asset valuation is typically used for companies that are asset-intensive such as retail businesses and manufacturing companies. Asset-based valuation takes into account the fair market value of

Products & Markets

Products & Services continued

equipment and machinery, leasehold improvements, the owner's discretionary cash and inventory. Capitalization of income valuation is focused upon intangible assets and is typically used for service-based firms. This method of valuation takes into account a business' degree of risk, profitability, location, competition, barriers to entry, technology, period of operation, the industry's future potential and customer base, among other factors. The owner benefit valuation analyzes the business' discretionary cash flow while the market valuation approach uses an industry average sales figure to estimate what a comparable company in the industry sold for.

Comprehensive appraisals

Comprehensive appraisals are the most the common service offering provided by industry operators and typically cost between \$7,500 and \$35,000. Comprehensive appraisal services account for 55.2% of the industry's revenue. Comprehensive appraisals are used for litigation purposes such as

buyouts, family law, business torts and contract disputes.

Preliminary value studies

Preliminary value studies also cost between \$3,000 and \$10,000 and are typically provided to give clients a starting value for their business. These are most often used for business buyers or sellers and generate an estimated 23.4% of the industry's revenue.

Limited partnership appraisals

Limited partnership appraisals generate an estimated 17.0% of the industry's revenue. Limited partnership appraisals cost between \$3,000 and \$10,000 and are based on the value of real property assets. These appraisal services are typically purchased for a family partnership for estate taxation purposes. The value of the business is based on the business' assets, while the property assets are based on information provided by a real estate appraiser. Business valuation firms will then estimate the value of the limited partnership's holding in the business.

Demand Determinants

One of the primary determinants of demand for the Business Valuation Firms industry is the level of merger and acquisition (M&A) activity in the United States. Enhanced M&A activity increases the demand for business valuation services since both buyers and sellers must determine the estimated value of a business. Closely related to this is the number of business sales. With fewer businesses being put up for sale, demand for business valuation services typically declines.

Demand for business valuation services also depends on corporate profit levels. Greater corporate profit levels will boost the amount of cash that businesses have available to acquire other companies, creating greater demand for

business valuation services. On the other hand, decreased corporate profit levels result in fewer businesses sales because companies typically save a greater share of their revenue and delay acquisitions when operating on thinner margins. Corporate profit has increased significantly since the recession.

Trends in business sales are also affected by the number of privately held companies owned by baby boomers. According to Market Pulse, a national quarterly survey conducted by the International Business Broker Association and M&A Source in partnership with Pepperdine University's Graziadio School of Business and Management, retirement is consistently

Products & Markets

Demand Determinants continued

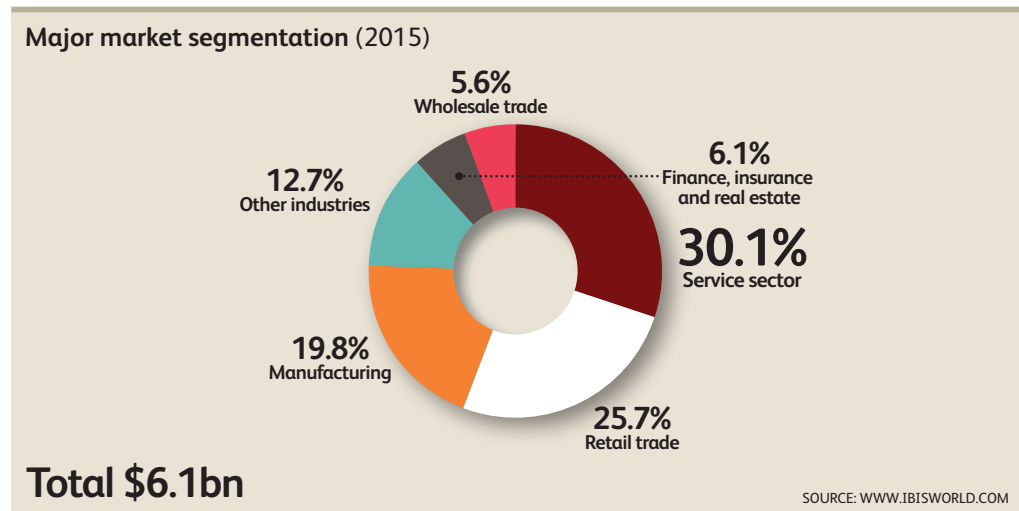
one of the main reasons business owners seek to sell their company. A significant number of businesses will be put up for sale in coming years, as adults in the baby boomer generation retire. This will create more demand for industry firms to assess the value of businesses for sale.

Demand for business valuation services also depends on litigation activity particularly as it relates to family law, business partnerships, forced buyouts and contract disputes. Furthermore, given that business

valuation is also used during divorce proceedings, the number of divorces in the United States also affects demand for industry services.

The number of business bankruptcies is another important demand determinant for the industry. Business valuation firms are commonly used for restructuring activities, which create a slightly countercyclical demand for industry services. The number of business bankruptcies has decreased since the recession.

Major Markets



Business valuations are important for companies that are considering acquiring or divesting the assets or operations of another business. Consequently, companies across all industries use the services provided by the Business Valuation Firms industry.

Service sector

Companies from the service sector generate the majority of revenue for the Business Valuation Firms industry, accounting for a respective 30.1% of industry revenue. Companies within this sector include law firms, healthcare institutions, restaurants and hotels, as

well as companies that provide household services. The service sector is the largest and fastest-growing sector of the economy. In particular, the number of business valuations involving law practices has grown over the past five years. Law firm appraisals are commonly used for business sales, mergers or spin-offs or in the event of a legal controversy. Given the low levels of tangible assets, the majority of valuations are done using market and income-based appraisal methods. Healthcare institution valuations are used for medical practice acquisitions by hospitals and healthcare institutions, physicians buying-in to

Products & Markets

Major Markets continued

medical practices, valuations of joint ventures, shareholder dispute and other legal reasons.

Retail and wholesale trade

Companies engaged in retail trade make up the second largest group of clients for business valuation firms. Business valuation firms commonly use asset valuation for retail businesses given that these businesses are asset intensive. Therefore, business valuation firms take into account the fair market value of machinery and equipment, leasehold improvements, discretionary cash and inventory. Similarly, wholesale companies generally have a variety of tangible assets, including inventory. Wholesale companies generate an estimated 5.6% of the industry's revenue. Wholesale companies are typically broken into merchant wholesale companies and wholesale electronic markets.

Manufacturing

Like the retail and wholesale trade markets, business valuations for manufacturing companies also typically

utilize asset valuation. Manufacturing companies often have valuable machinery, equipment and raw materials that impact valuations. Business valuations for manufacturing companies generate an estimated 19.8% of the industry's revenue.

Finance, insurance and real estate

Finance, insurance and real estate companies account for an estimated 6.1% of the industry's revenue. Valuation methods differ for financial institutions since they are highly leveraged and highly regulated. Furthermore, there are a large number of banks with a high share of them being publicly traded. Typically valuation methods use price/earnings multiples, or price/book multiples, although analysts will take other factors into consideration.

Other industries

Other industries include companies engaged in agriculture, forestry and fishing, mining or construction-related industries. These companies are estimated to account for 12.7% of the industry's revenue.

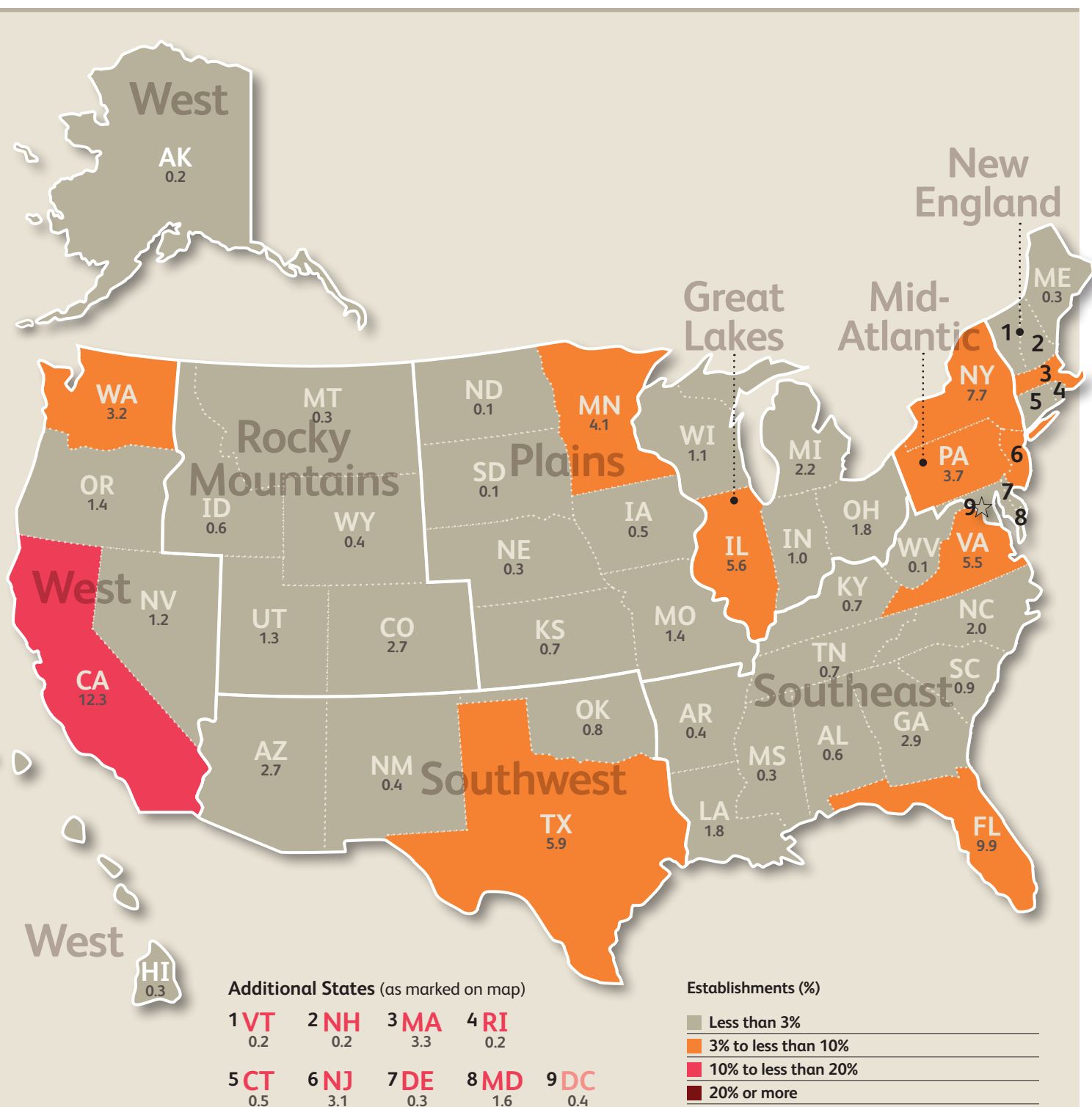
International Trade

The vast majority of services provided by the Business Valuation Firms industry are provided by firms that confine their operations to the domestic market.

Furthermore, given the service-based nature of the industry's offerings, there is no measurable international trade within the industry.

Products & Markets

Business Locations 2015



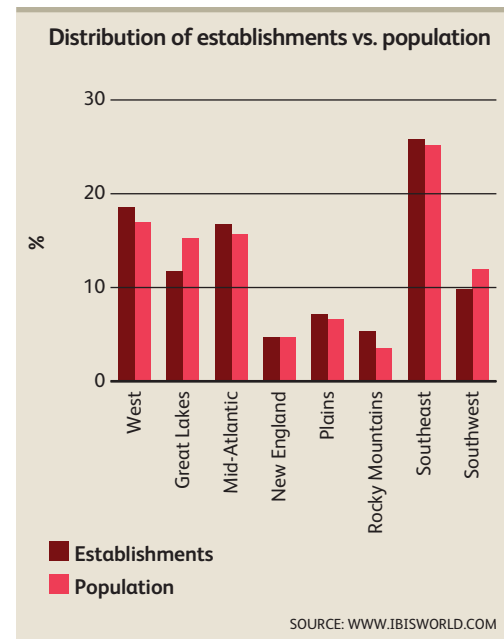
Products & Markets

Business Locations

The geographic distribution of the Business Valuation Firms industry largely reflects the distribution of the population and the number of businesses within each region. Small-to-medium sized businesses form the majority of the industry's client base. Therefore, industry operators tend to locate nearby their client base given that business appraisers typically perform on-site inspections prior to valuation.

The Southeast is a hub of industry activity, with 26.0% of the industry's total establishments located in the region. This is largely due to the region's share of the population, given that the Southeast houses 25.4% of the nation's population. Florida is the most popular destination in the region, accounting for 9.9% of industry establishments. The high share of baby boomers residing in this region is expected to generate future demand for business valuation services as these individuals retire and sell their businesses.

The West has an estimated 18.6% of industry establishments, with California accounting for 12.3% of the total. California has the highest share of business valuation firms in the nation. The West region is a prominent destination for industry operators given the plethora of technology-based companies in the Silicon Valley, which has drawn business valuation companies to the region. Tech-based companies are



a growth segment for the industry; consequently, the region has expanded its share of establishments over the past five years.

The Mid-Atlantic is another popular destination for industry operators. An estimated 16.7% of operators are located within the region. New York is the most popular state within the region, with 7.7% of business valuation firms. The Mid-Atlantic is a prominent business center, particularly for law firms, accountants and financial service companies, which are major clients for industry operators.

Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks
Basis of Competition | Barriers to Entry | Industry Globalization

Market Share Concentration

Level
Concentration in
this industry is **Low**

The Business Valuation Firms industry has a low level of market share concentration. In 2014, the top three companies are expected to generate just under 5.0% of revenue. The industry is highly fragmented; about 98.0% of firms operating in the industry are non-employers. Moreover, business valuation firms that qualify as employers are also small; more than 80.0% of establishments are estimated to employ only one and four workers. The majority of industry operators serve clients within a local or regional

scope. Market share concentration has, however, increased slightly over the past five years. The largest operators are acquiring smaller competitors to expand their service offerings and customer base. One of the largest companies in the industry, CBIZ Valuation Group, increased its market share in part due to acquisitions. For example, in 2010, CBIZ acquired Goldstein Lewin & Company as well as Kirland, Russ, Murphy & Tapp (KRMT), both of which provide business valuation services.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Access to a highly skilled workforce

Clients will likely engage a business valuation firm based on its analysts having a high degree of knowledge concerning business valuations.

Access to a multiskilled and flexible workforce

Business valuation firms with specialized knowledge relating to a client's industry will enjoy a competitive advantage.

Having a good reputation

A reputation for accuracy and reliability is advantageous in this industry, particularly as many firms are relatively small operators that lack extensive marketing capacity.

Access to niche markets

Firms can be more successful if they have specialized skills or services and can serve a niche market.

Cost Structure Benchmarks

The cost structures of operators in the Business Valuation Firms industry can vary based on a variety of factors, including the size of the practice and the type of clients served. For example, a greater portion of revenue is consumed by wages for large operators. However, large firms tend to have higher profit margins than small operators because they have the capacity to take on large, high-margin projects.

Profit

In 2014, the average industry profit margin, measured as earnings before interest and taxes, is projected to reach 8.8% of revenue, up from 6.4% in 2010. Given the low level of market share concentration and high number of industry operators, companies

engage in price-based competition to win clients. This was particularly the case after the recession, when reduced corporate profit and declining business sales decreased demand for business valuation firms. Moreover, industry operators have faced increased competition for preliminary value studies from business valuation software, another factor that has contributed to greater price-based competition and limited growth in profit margins.

Wages

Wages constitute the largest expense for industry operators. In 2015, wages are estimated to consume 40.7% of revenue for business valuation firms. This reflects the industry's high labor intensity, with most

Competitive Landscape

Cost Structure Benchmarks continued

services requiring significant input of employee skill and knowledge. Typically, business appraisers require professional certification. (For more information, please refer to Regulation and Policy section). However, due to a decline in industry employment, wages have decreased as a share of revenue over the past five years from 43.2% of revenue in 2010.

Purchases

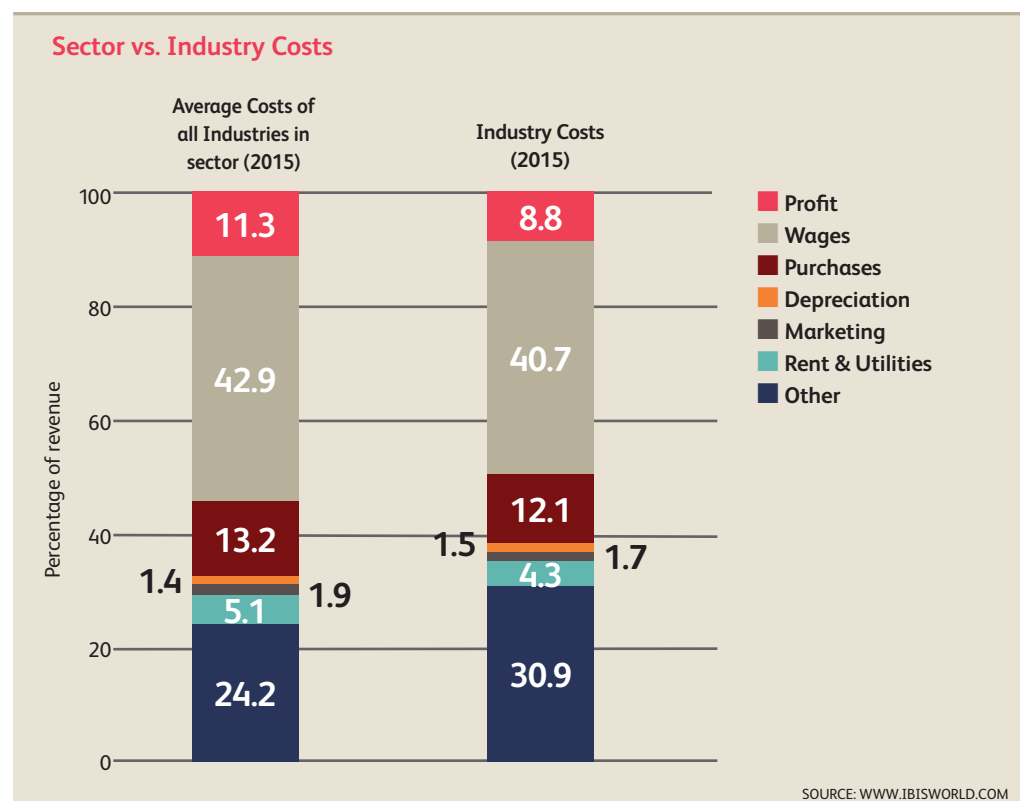
Purchases are a relatively low expense for business valuation firms, accounting for 6.9% of industry revenue. One of the primary purchase costs for business valuation firms are subscriptions to information databases. Historically, valuation practitioners spend \$10,000 to \$20,000 per year on a library including subscriptions. However, data suppliers are increasingly charging lower subscription rates and low-use fees, a trend that has decreased

purchase costs for business valuation firms.

Other costs

The majority of industry operators lease their premises rather than buy them, raising rent costs. Utility expenses include electricity, gas, internet, telephone and other bills. As a result, rent and utilities costs are estimated to consume 4.3% of revenue for industry operators. Depreciation costs related to computer systems and other capital equipment upkeep is expected to account for 1.5% of industry revenue. Similarly, marketing efforts are estimated to consume 1.7% of industry revenue.

Other costs for the industry are particularly high for operators due to the industry's reliance on the outsourcing of a number of tasks that fall outside of its scope. These costs include professional services such as accounting, legal, human resources, insurance and general administration.



Competitive Landscape

Basis of Competition

Level & Trend
Competition in
this industry is
High and the trend
is **Increasing**

The Business Valuation Firms industry has a high level of competition. There are a large number of companies competing in the industry with a low level of market share concentration. Competition within the industry stems from both internal competition and external competition, including business valuation software and accountants and investment banks that also perform business valuation services.

Internal competition

The majority of companies in this industry are non-employers or small firms competing with little market share. The number of companies offering business valuation services has increased markedly over the past decade, which has contributed to rising price-based competition within the industry.

Price is one of the primary bases of competition within the industry, a trend that became more pronounced during the recession. The majority of business valuation reports cost between \$3,000 and \$35,000, depending on the time taken and the amount of information included. The majority of valuation firms charge an hourly rate for their services. Industry operators that focus on specialized or complex valuation services where competition is lower, tend to experience less price-based competition. This is particularly true for clients in the healthcare industry and litigation industries given the degree of regulation and comprehensive appraisal services necessary.

Business valuation firms also compete based on their degree of specialized

knowledge within client industries. Business valuation firms commonly subscribe to business and industry database collections and employ analysts with a high degree of specialized knowledge to offer a greater degree of specialized knowledge to access niche industries.

A firm's reputation is another important basis of competition for industry operators. Reputation for service quality can be key for winning new clients. Key factors include demonstrable past successes and word of mouth recommendation from other clients.

External competition

External competition largely stems from accountants, investment banks and business valuation software. Accountants are a source of significant external competition given that accounting firms may provide business valuation services in addition to providing an array of traditional accounting, auditing and tax services. Investment banks may provide business valuation in addition to their financial advisory services.

Traditionally, the majority of these business valuations have focused on larger publicly traded companies; however, recently investment banks have begun performing more business valuation services for medium-sized companies. Business valuation software has also become more common over the past five years. This has presented increased external competition for business valuation firms particularly for clients that require an inexpensive preliminary appraisal.

Competitive Landscape

Barriers to Entry

Level & Trend
Barriers to Entry
in this industry
are **Medium** and
Decreasing

The Business Valuation Firms industry has moderate barriers to entry. The primary barriers to entry for the industry are industry certification and licenses. The high level of competition and degree of investment are other barriers to entry. Although major companies in the industry exert little market power, there are a large number of industry operators competing with little market share, making the Business Valuation Firms industry highly competitive.

Similar to most professional service companies, business valuation is a knowledge-based service; therefore, industry operators need to have a high level of technical expertise. There are several industry-specific professional certifications available including: Accredited in Business Valuation, Accredited Senior Appraiser, Certified Valuation Analyst or Accredited Valuation Analyst. Furthermore, all US states require appraisal licensure for valuation work performed for federally insured institutions, and 35 states and territories require licensure for all valuation work. Historically, formal

Barriers to Entry checklist	Level
Competition	High
Concentration	Low
Life Cycle Stage	Mature
Capital Intensity	Low
Technology Change	Medium
Regulation & Policy	Medium
Industry Assistance	Low

SOURCE: WWW.IBISWORLD.COM

business valuation classes took between 18 to 24 months to complete. However, it has recently become less costly and time consuming to obtain training and certification, a trend that has reduced barriers to entry for the industry.

Another barrier to entry is the level of investment needed to enter the industry. Historically, valuation practitioners spent between \$10,000 and \$20,000 per year for a library, including subscription costs. However, data suppliers are increasingly charging lower subscription rates and low-use fees. This trend has also decreased barriers to entry for business valuation firms.

Industry Globalization

Level & Trend
Globalization in
this industry is
Low and the trend
is **Increasing**

The industry has a low level of globalization. The majority of industry operators compete domestically, within a limited geographic scope. However,

larger companies in the industry are increasingly expanding their scope of operations to provide business valuation work for international companies.

Major Companies

There are no Major Players in this industry | Other Companies

Other Companies

Duff & Phelps Corporation

Estimated market share: 2.8 %

Headquartered in New York City, Duff & Phelps is a leading global valuation and corporate finance firm that provides valuation, financial restructuring, dispute consulting, alternative asset advisory and taxation services. The company has more than 1,000 employees that work out of 25 offices around the world, including offices in Amsterdam, Beijing, Boston, London, Paris, Houston and Los Angeles. While Duff & Phelps has continued to expand its global operations, the company generates the majority of its revenue in North America, followed by Europe and Asia. Duff & Phelps serves about 2,800 clients annually.

Duff & Phelps operates in three segments: financial advisory, alternative asset advisory and investment banking, which generate about 58.0%, 12.0% and 30.0% of revenue, respectively. The company primarily participates in this industry through its financial advisory segment, which includes valuation advisory services, tax services and dispute and legal management consulting. Duff & Phelps also operates in the industry through its alternative asset advisory segment, which includes portfolio valuation, complex asset solutions and transaction advisory services. The company provides services to publicly traded and privately held companies, government entities and investment organizations such as private equity firms and hedge funds. Duff & Phelps has also established relationships with law, accounting and investment banking firms that refer a significant amount of business.

Duff & Phelps has grown its US operations over the past five years, primarily through acquisitions. In 2010, the company acquired June Consulting Group and Dynamic Credit Partners' US consulting business. Continuing this strategy, Duff & Phelps acquired Pagemill

Partners and Growth Capital Partners in 2011 and CETERIS, iEnvision Technology and Harvester Forensics in 2012. On December 30, 2012, the company entered into a merger agreement with a holding corporation formed by affiliates of the Carlyle Group, Stone Point Capital, Pictet & Cie, and the Edmond de Rothschild Group. Duff & Phelps completed the transition from a public to private entity in 2013. In February 2015, the company announced plans to acquire American Appraisal; the deal is expected to close in the first quarter. Not including revenue from American Appraisal, IBISWorld estimates that the company will earn \$170.8 million in US industry-relevant revenue in 2015.

CBIZ Valuation Group LLC

Estimated market share: 1.0 %

Headquartered in Cleveland, CBIZ Inc. is a professional services firm that helps clients better manage their finances and employees to grow their core business. The company operates in three segments: financial services, employee services and national practices. CBIZ provides custom solutions to businesses as well as individuals, governmental entities and nonprofit enterprises throughout the United States and parts of Canada. On August 30, 2013, the company sold CBIZ Medical Management Professionals, previously another operating segment, to Zotec Partners LLC. CBIZ generated \$692.0 million in revenue in 2013.

CBIZ participates in this industry through its financial services segment, which comprises the company's accounting, tax compliance, financial advisory, valuation, litigation support, risk advisory and real estate advisory services. CBIZ provides valuation services, including fairness opinions, business plans, litigation support, purchase price allocations and derivative valuations, through CBIZ Valuation Group LLC. The company earns revenue

Major Companies

Other Companies continued

from fees based on a time and expense model, a predetermined fixed fee or a percentage of savings. CBIZ Valuation Group LLC has three primary practices: real estate valuation, financial valuation and capital assets valuation. Capital assets valuation is further segmented into machinery and equipment valuation and property valuation.

CBIZ has grown organically and through acquisitions. In 2010, CBIZ completed two industry-relevant acquisitions: Goldstein Lewin & Company and Kirland, Russ, Murphy & Tapp (KRMT). Both Goldstein Lewin and KRMT provide a variety of financial services, including business valuation. In 2013, CBIZ acquired Knight Field Fabry, a provider of traditional accounting, tax, litigation support and valuation services. Through organic growth and acquisitions, IBISWorld estimates that CBIZ Valuation Group will earn \$62.5 million in 2015.

American Appraisal

Estimated market share: 0.9 %

Headquartered in Milwaukee, American Appraisal provides valuation and related advisory services for companies across many industries, including aerospace and defense, energy and resources, finance and insurance,

healthcare, manufacturing, real estate and telecommunications. The company is a leading independent, employee-owned global valuation firm, meaning it is not affiliated with auditors, tax consultants or rating agencies.

American Appraisal has 900 employees and operations in 24 countries throughout North and South America, Europe, Middle East and Asia-Pacific.

American Appraisal offers a variety of business valuation services. The company's financial reporting segment includes valuation services for business combinations, impairment testing, equity-based compensation and International Financial Reporting Standards (IFRS) adoption and compliance. American Appraisal's tax valuation segment includes purchase price allocation, corporate tax valuation and stock valuation services. The company's property insurance appraisal and valuation segment includes building insurance appraisal and inspection and equipment insurance appraisal and inventory. American Appraisal also offers fixed asset management, transaction consulting and advisory services. IBISWorld estimates that American Appraisal will generate \$51.8 million in US industry-related revenue in 2015.

Operating Conditions

Capital Intensity | Technology & Systems | Revenue Volatility
Regulation & Policy | Industry Assistance

Capital Intensity

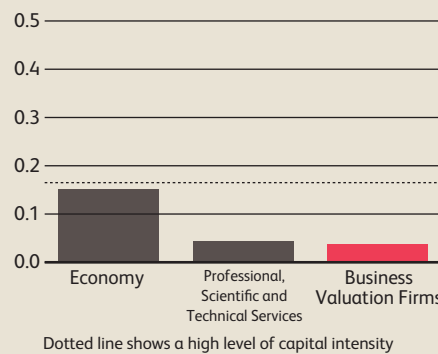
Level

The level of capital intensity is **Low**

The Business Valuation Firms industry has a low level of capital intensity. IBISWorld estimates that industry operators will spend \$0.04 in capital investment for every \$1.00 spent on wages. Business valuation activities are labor intensive, and wages are the largest expenses in this industry, accounting for 40.7% of revenue for the average industry operator. Industry participants have increased investment in technology as they attempt to improve efficiency and lower processing and administration costs. One factor that has positively affected these areas is the increased development of online services.

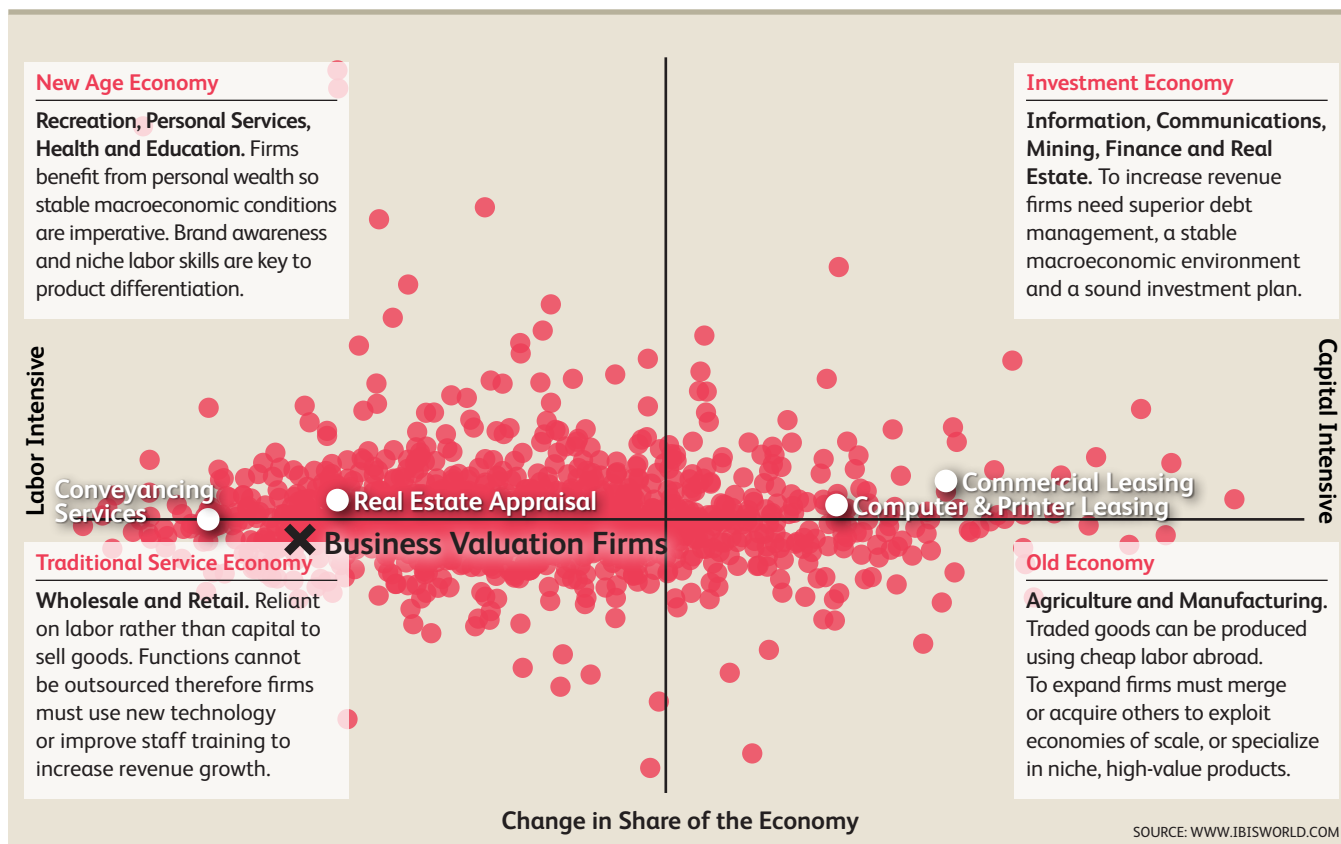
Capital intensity

Capital units per labor unit



SOURCE: WWW.IBISWORLD.COM

Tools of the Trade: Growth Strategies for Success



Operating Conditions

Technology & Systems

Level

The level of Technology Change is **Medium**

The use of telecommunications services, information technologies and electronic distribution technologies is at a medium level for the industry. Computer based statistical modeling has become the industry norm. The industry's technology is used to improve the efficiency and effectiveness of business valuations and monitor operational, market and financial risks that might affect the sale or performance of companies. These technologies reduce processing costs but

increase labor costs due to the high-skill level needed to operate these technologies. The introduction of new computer software, providing more streamlined back-office administration, has enabled industry firms to significantly reduce administration costs. Technology and new software have also increased competition in the industry by enabling non-employers to more easily comply with accounting and legal standards when conducting business valuations.

Revenue Volatility

Level

The level of Volatility is **Low**

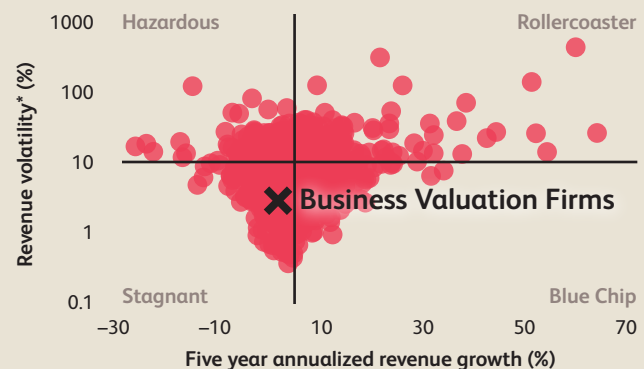
Demand for industry services closely follows overall economic growth, which influences volumes in the merger and acquisition (M&A) and initial public offering (IPO) markets. Since companies require business valuation services when they are looking to acquire or merge with a competitor or issue stock, demand for industry services and therefore revenue tends to rise along with economic growth. However, during

economic downturns, business bankruptcies tend to increase, providing a source of countercyclical demand for industry services to help with restructuring. These factors have caused the Business Valuation Firms industry to experience low volatility over the past five years. Over the next five years, industry volatility is expected to continue this trend as the economy slowly improves and demand normalizes further.

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment.

When a firm makes poor investment decisions it may face underutilized capacity if demand suddenly falls, or capacity constraints if it rises quickly.

Volatility vs Growth



* Axis is in logarithmic scale

SOURCE: WWW.IBISWORLD.COM

Operating Conditions

Regulation & Policy

Level & Trend
The level of Regulation is **Medium** and the trend is **Steady**

The Business Valuation Firms industry is regulated by federal legislation passed by the Appraisal Subcommittee (ASC) in Congress. All US states require appraisal licensure for valuation work performed for federally regulated institutions, and 35 states and territories require licensure for all valuation work. In addition, industry professionals must comply with fiduciary, ethical and professional standards set by professional associations to maintain professional accreditation. Furthermore, industry professionals must take into account federal tax, legal ownership, securities and accounting laws when valuing a business. These factors make changes in financial reporting guidelines important for industry operators. One of the leading associations in the industry is the National Association of Certified Valuators and Analysts (NACVA), which offers credentials to business valuation practitioners. Overall, industry regulation is considered medium due to the level of professional certification sought by most industry professionals and the complexity and constantly changing legislation they must comply with in valuing businesses.

The Appraisal Foundation

In response to the savings and loans crisis in the 1980s and early 1990s in which 747 out of the 3,234 savings and loan associations failed, Congress passed the Financial Institutions Reform, Recovery and Enforcement Act of 1989. It authorized the ASC to provide oversight to the Appraisal Foundation, a group spearheaded by eight major appraisal organizations. The foundation oversees the Appraisal Practices Board, Appraisal Standards Board and Appraiser Qualifications Board. Much of its rules

pertain to real estate valuation and other non-business assets, but the ASB does publish the Uniform Standards of Professional Appraisal Practice, which provides quality control to business valuation appraisal analysis and reports in the United States.

Business Valuation Practitioners

There are several industry-specific professional certifications for the industry that professionals seek out to distinguish themselves to industry firms and clients. There is the Accredited in Business Valuation (ABV) examination of the American Institute of Certified Public Accountants; the Accredited Senior Appraiser (ASA) designation of the American Society of Appraisers; the Certified Business Appraiser designation of the Institute of Business Appraisers; or Certified Valuation Analyst (CVA) or Accredited Valuation Analyst (AVA) of the National Association of Certified Valuation Analysts. While none of these certifications are required to work in the industry, many industry professionals hold one or more of these designations to stay on top of industry trends and processes.

Appraisers

The American Society of Appraisers is an international organization of appraisal professionals. ASA members represent several disciplines, including business valuation. It provides educational resources for business appraisers that value businesses, business ownership interests and securities for businesses of all sizes. They also provide educational resources for the valuation of specific intangible business assets such as patents, trademarks, employment agreements, copyrights and goodwill.

Operating Conditions

Industry Assistance

Level & Trend

The level of Industry Assistance is **Low** and the trend is **Steady**

This industry does not receive any formal assistance from the government. The industry self-regulates itself with associations that provide industry-specific standards and guidelines, along with professional certification exams and training for industry professionals. They also lobby for the business valuation industry to the Appraisal Subcommittee (ASC) in Congress and agree upon accepted standards and guidelines that industry

professionals are often required to follow to remain accredited. The National Association of Certified Valuators and Analysts (NACVA) is the most relevant industry association. The association supports the profession through certification and continuing education. Refer to the Regulation and Policy section of this report for a more detailed list of industry regulation, associations and professional certifications.

Key Statistics

Industry Data

	Revenue (\$m)	Industry Value Added (\$m)	Establishments	Enterprises	Employment	Exports	Imports	Wages (\$m)	Domestic Demand	Corporate profit (\$b)
2006	7,004.3	3,974.9	111,911	111,795	122,990	--	--	3,358.7	N/A	1,646.5
2007	6,534.1	3,855.4	100,483	100,373	110,795	--	--	3,286.9	N/A	1,529.0
2008	6,423.3	3,658.3	97,578	97,405	107,549	--	--	3,035.2	N/A	1,285.1
2009	5,888.8	3,080.3	93,645	93,480	103,517	--	--	2,556.1	N/A	1,397.0
2010	5,908.7	3,020.0	91,861	91,717	100,791	--	--	2,553.2	N/A	1,746.4
2011	5,813.0	2,946.0	89,809	89,756	96,694	--	--	2,457.8	N/A	1,816.6
2012	5,915.4	3,041.2	89,661	89,486	97,410	--	--	2,485.1	N/A	2,022.8
2013	6,033.7	3,128.6	88,154	87,764	97,158	--	--	2,495.0	N/A	2,106.9
2014	6,053.9	3,105.3	87,429	86,970	96,893	--	--	2,492.0	N/A	2,066.1
2015	6,088.7	3,106.5	85,677	85,122	95,927	--	--	2,476.4	N/A	2,154.9
2016	6,088.7	3,051.9	84,924	84,319	95,501	--	--	2,467.7	N/A	2,278.3
2017	6,204.0	3,075.3	83,795	83,014	95,534	--	--	2,482.4	N/A	2,338.4
2018	6,286.8	3,051.4	83,548	82,674	96,012	--	--	2,502.2	N/A	2,343.8
2019	6,342.7	3,061.6	82,236	81,235	95,520	--	--	2,498.7	N/A	2,380.1
2020	6,434.1	3,067.6	82,095	81,004	96,124	--	--	2,522.1	N/A	2,434.0

Annual Change

	Revenue (%)	Industry Value Added (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Corporate profit (%)
2007	-6.7	-3.0	-10.2	-10.2	-9.9	N/A	N/A	-2.1	N/A	-7.1
2008	-1.7	-5.1	-2.9	-3.0	-2.9	N/A	N/A	-7.7	N/A	-16.0
2009	-8.3	-15.8	-4.0	-4.0	-3.7	N/A	N/A	-15.8	N/A	8.7
2010	0.3	-2.0	-1.9	-1.9	-2.6	N/A	N/A	-0.1	N/A	25.0
2011	-1.6	-2.5	-2.2	-2.1	-4.1	N/A	N/A	-3.7	N/A	4.0
2012	1.8	3.2	-0.2	-0.3	0.7	N/A	N/A	1.1	N/A	11.4
2013	2.0	2.9	-1.7	-1.9	-0.3	N/A	N/A	0.4	N/A	4.2
2014	0.3	-0.7	-0.8	-0.9	-0.3	N/A	N/A	-0.1	N/A	-1.9
2015	0.6	0.0	-2.0	-2.1	-1.0	N/A	N/A	-0.6	N/A	4.3
2016	0.0	-1.8	-0.9	-0.9	-0.4	N/A	N/A	-0.4	N/A	5.7
2017	1.9	0.8	-1.3	-1.5	0.0	N/A	N/A	0.6	N/A	2.6
2018	1.3	-0.8	-0.3	-0.4	0.5	N/A	N/A	0.8	N/A	0.2
2019	0.9	0.3	-1.6	-1.7	-0.5	N/A	N/A	-0.1	N/A	1.5
2020	1.4	0.2	-0.2	-0.3	0.6	N/A	N/A	0.9	N/A	2.3

Key Ratios

	IVA/Revenue (%)	Imports/Demand (%)	Exports/Revenue (%)	Revenue per Employee (\$'000)	Wages/Revenue (%)	Employees per Est.	Average Wage (\$)	Share of the Economy (%)
2006	56.75	N/A	N/A	56.95	47.95	1.10	27,308.72	0.03
2007	59.00	N/A	N/A	58.97	50.30	1.10	29,666.50	0.03
2008	56.95	N/A	N/A	59.72	47.25	1.10	28,221.55	0.02
2009	52.31	N/A	N/A	56.89	43.41	1.11	24,692.56	0.02
2010	51.11	N/A	N/A	58.62	43.21	1.10	25,331.63	0.02
2011	50.68	N/A	N/A	60.12	42.28	1.08	25,418.33	0.02
2012	51.41	N/A	N/A	60.73	42.01	1.09	25,511.75	0.02
2013	51.85	N/A	N/A	62.10	41.35	1.10	25,679.82	0.02
2014	51.29	N/A	N/A	62.48	41.16	1.11	25,719.09	0.02
2015	51.02	N/A	N/A	63.47	40.67	1.12	25,815.46	0.02
2016	50.12	N/A	N/A	63.76	40.53	1.12	25,839.52	0.02
2017	49.57	N/A	N/A	64.94	40.01	1.14	25,984.47	0.02
2018	48.54	N/A	N/A	65.48	39.80	1.15	26,061.33	0.02
2019	48.27	N/A	N/A	66.40	39.39	1.16	26,158.92	0.02
2020	47.68	N/A	N/A	66.94	39.20	1.17	26,237.98	0.02

Figures are inflation-adjusted 2015 dollars.

SOURCE: WWW.IBISWORLD.COM

Jargon & Glossary

Industry Jargon

ESTATE PLANNING the process of arranging for the disposal of an estate.

INTANGIBLE ASSET identifiable non-monetary assets that cannot be physically measured but are identifiable as an asset, including trade secrets and brand name.

INVESTOR UNCERTAINTY (THE FEAR INDEX) the expected annualized change of the S&P 500 over the next 30 days.

IBISWorld Glossary

BARRIERS TO ENTRY High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than \$0.333 of capital to \$1 of labor; medium is \$0.125 to \$0.333 of capital to \$1 of labor; low is less than \$0.125 of capital for every \$1 of labor.

CONSTANT PRICES The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

DOMESTIC DEMAND Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS Total value of industry goods and services sold by US companies to customers abroad.

IMPORTS Total value of industry goods and services brought in from foreign countries to be sold in the United States.

INDUSTRY CONCENTRATION An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70 % of industry revenue. Medium is 40 % to 70 % of industry revenue. Low is less than 40 %.

INDUSTRY REVENUE The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA) The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5 %, medium is 5 % to 20 %, and high is more than 20 %. Imports/domestic demand: low is less than 5 %, medium is 5 % to 35 %, and high is more than 35 %.

LIFE CYCLE All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

VOLATILITY The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than $\pm 20\%$; high volatility is $\pm 10\%$ to $\pm 20\%$; moderate volatility is $\pm 3\%$ to $\pm 10\%$; and low volatility is less than $\pm 3\%$.

WAGES The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.

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Benchmark your performance against the competition

Make speedy market-ready, profit-maximizing decisions



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