

The Questions to Ask When Deciding Appropriate Multiples for a Stock

- 1) Does the business have a sustainable competitive advantage (Buffett's moat)? Yes No
- 2) Does the business benefit from any network effects? Yes No
- 3) Are the businesses revenue and earnings visible and predictable?
Yes No
- 4) Are customers locked in? Are there high switching costs? Yes No
- 5) Are gross margins high? Yes No
- 6) Is a material part of sales concentrated in a few powerful customers?
Yes No
- 7) Is the business dependant on one or more major partners? Yes No
- 8) Is the business growing organically or is heavy marketing spending required for growth? Organic Marketing Driven
- 9) How fast and how much is the business expected to grow?

Additional Notes:

NOTE:

This checklist was developed by Greg Speicher and based on a blog post by Bill Gurley.

10 Essential Questions to ask when deciding what multiple to pay for a stock by Greg Speicher can be seen at <http://gregspeicher.com/?p=2649>

All Revenue Is Not Created Equal: The Keys to the 10X Revenue Club by Bill Gurley can be seen at <http://abovethecrowd.com/2011/05/24/all-revenue-is-not-created-equal-the-keys-to-the-10x-revenue-club/>