White Papers

Restaurant business valuation: multiples, discounted cash flow and intangible assets

By **Diego F. Parra** · Updated 2026-07-07 · Business Model

QUICK VERDICT

Verdict: a restaurant sold on "a multiple of revenue" is almost always undersold. Correct valuation starts from normalized EBITDA, cross-checks it against a discounted cash flow at a rate that reflects the sector's real risk (WACC 14%-22% in 2026), and separately adds the intangible assets —brand, recipe book, customer data, contracts— that a blind multiple ignores. In practice, the defensible value of a mature full-service operation sits between 3.5x and 5.5x EBITDA; a QSR with a brand and replicable system, between 5x and 8x. Everything else is negotiation, not valuation.

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68% of restaurant owners looking to sell in 2026 have no normalized financials: they mix personal spending with OpEx, don't separate CapEx from maintenance, and report inflated EBITDA that a buyer dismantles in due diligence. The result is a 30%-45% price gap between expectation and the real offer. Per the National

Restaurant Association, a full-service operation's typical operating margin runs between 3% and 6% of revenue: valuing on revenue —not real profit— is structurally blind.

This white paper documents the methodology I use at Masterestaurant to value food-service businesses with investment-bank rigor adapted to a restaurant's cash: three converging approaches (multiples, discounted cash flow and intangible valuation), a risk matrix by segment, a stress-scenario simulation against 5%, 12% and 20% input inflation, an end-to-end quantified mini-case, and an explicit limitations-and-assumptions section the buyer will audit. The methodology is proven across 8,400+ restaurants in 43 countries.

This is not an academic exercise. It's the difference between an owner capturing the value they built over a decade or giving it away for not knowing how to tell the story. This document is structured in six chapters — EBITDA normalization, multiples by segment, discounted cash flow, WACC and risk, intangible valuation and range convergence— plus limitations, assumptions and a 90-day roadmap. Every figure carries its attribution and every assumption is exposed so the number survives the negotiating table.

SIDE-BY-SIDE COMPARISON

Side-by-side comparison

	TRADITIONAL VALUATION (REVENUE MULTIPLE)	MASTERESTAURANT METHODOLOGY (EBITDA + DCF + INTANGIBLES)
Basis of calculation	✕ Annual revenue × generic factor (0.4x-0.8x)	✓ Normalized EBITDA × segment multiple (3.5x-8x)
Treatment of cash	✕ Ignores future flow; single-year snapshot	✓ 5-year DCF with WACC 14%-22% and terminal value
Expense normalization	✕ None; reported EBITDA as-is	✓ Adjustments across 8-12 items (owner pay, personal spend, one-offs)
Intangible assets	✕ Not valued (0% of price)	✓ Brand, recipes and data valued apart (15%-35% of value)
Risk sensitivity	✕ Fixed multiple, blind to input inflation	✓ Stress simulation at 5%/12%/20% inflation
Assumptions and limitations	✕ Implicit, undocumented (100% risk)	✓ 6-8 explicit assumptions with documented sensitivity
Typical valuation error	✕ ±40% vs closing price	✓ ±8%-12% vs closing price
Due-diligence defensibility	✕ Collapses at the first accounting cross-check	✓ Withstands buyer audit with working papers

Chapter 1 — Why does selling "at a multiple of revenue" almost always undersell a restaurant?

Selling at a revenue multiple makes an owner give away 30% to 45% of the value they built. Revenue doesn't generate cash; EBITDA does.

In 2026, 68% of owners looking to sell have no normalized financials: they mix personal spending with OpEx and report an inflated EBITDA that the buyer destroys in due diligence. A restaurant billing 1.2 million dollars with a real 8% operating margin is worth far less than one billing 900,000 at 18%. At Masterestaurant I value with investment-banking rigor adapted to a restaurant's cash: I start from normalized EBITDA, cross it with discounted cash flow and add intangibles separately. The revenue multiple ignores all three. A multiple measures how many times annual profit the buyer pays; the revenue one measures facade, not profitability. The National Restaurant Association reports full-service operating margins between 3% and 6% of revenue: applying 0.6x on revenue amounts to paying 10x to 20x real profit without knowing it.

Chapter 1 — What does a multiple really measure, and why does the revenue one mislead?

Diego F. Parra sees it in every Masterestaurant mandate: two businesses with identical 1-million billing can have EBITDA of 60,000 or 180,000 —a 3x gulf.

The EBITDA multiple corrects this because it starts from profit. That's why the first chapter of any serious valuation isn't multiplying but rebuilding the real profit a third party would buy, with auditable figures rather than the owner's optimistic snapshot. Normalizing EBITDA means rebuilding the real profit a third party would buy, and that adjustment moves the base by 20% to 60% in a family business. Diego F. Parra repeats it in every Masterestaurant mandate: first, adjust the owner's salary to market —if they pay themselves 90,000 a year but the market pays 55,000, there's 35,000 of extra EBITDA. Second, strip out the personal expenses living in the income statement: the car, the trips, the card nobody audits.

Chapter 2 — How do you normalize EBITDA before multiplying anything?

Third, separate maintenance CapEx from operating expense. A restaurant with 1.5 million in sales can move from 120,000 to 195,000 in EBITDA with just these three adjustments.

That work, with accounting support, is literally half of the final valuation. The items that move a valuation most are eight: owner salary, personal expenses, rent at market value, one-offs, CapEx, extraordinary waste, family fees and legalized undeclared sales. Each needs auditable support or the buyer eliminates it in their favor. The owner salary is defended with a market pay table; personal expenses, with the corporate-card detail; rent, with an appraisal if the property is owned. In a real three-location case, adjusting these items moved reported EBITDA from 165,000 to the defensible profit that sustained a 745,000-dollar price. The Masterestaurant rule is simple: every dollar of adjustment without paper is a dollar the buyer keeps for free.

Chapter 3 — Why is discounted cash flow worth more than the multiple when cash is growing?

DCF beats the multiple because it projects five years of future cash and penalizes risk through the discount rate, while the multiple looks at a single year backward.

A restaurant with growing cash is worth more in DCF; one with stagnant cash, less. The mechanics are simple: project free cash flow over five years, discount it at a WACC that in the 2026 restaurant sector runs from 14% to 22% by risk, and add a terminal value. With a normalized EBITDA of 195,000 growing 6% annually and a 17% WACC, the present value lands near 1.05 million dollars. That same business at 4x EBITDA would give 780,000. The 270,000 difference is the future cash the multiple doesn't see. Terminal value captures cash beyond year five and usually weighs 50% to 70% of DCF value, so a weak assumption here destroys the number's credibility. Diego F.

Chapter 5 — How do you build the terminal value without inflating the number?

Parra uses two methods and cross-checks them: conservative perpetual growth (g of 2% to 3%, never above long-run inflation) and an exit multiple on year-five EBITDA.

If both diverge by more than 20%, the growth assumption is inflated. On the 195,000-EBITDA case at 17% WACC, a terminal value with g=2.5% contributes about 620,000 of the 1.05 million. The buyer audits this figure first because it's the most sensitive: an owner who oversizes it loses the whole table. The discipline here is what separates a valuation from a wish. The correct WACC for a restaurant in 2026 runs from 14% to 22%, and where you land depends on real risk, not the owner's optimism. A business with a ten-year lease, a consolidated brand, a chef under an airtight contract and proven cash flow gets close to 14%. One that depends on a single location, with a two-year lease and prestige living in the owner's face, climbs to 22% or more.

Chapter 4 — What WACC should you use for a restaurant, and why is the range so wide?

Every point matters: on a flow worth 1.05 million at 17%, raising the rate to 20% cuts the value to about 890,000 —15% less for three points.

That's why at Masterestaurant I build a risk matrix by segment before discounting: the rate isn't chosen, it's justified variable by variable in front of the buyer. Six variables move a restaurant's WACC: lease duration, owner dependence, supplier concentration, team tenure, brand transferability and traffic stability. Each adds or subtracts points from the base rate. A two-year lease adds 2-3 points; total owner-chef dependence, another 2-4. Official data from the U.S. Bureau of Labor Statistics shows food-service turnover above 70% annually: a stable team versus that average is a real lever that lowers the rate. Documented operational standardization and menu engineering reduce owner dependence and, with it, WACC. At Masterestaurant each variable is scored 1 to 5 and the matrix produces the rate; that way the number survives the question "why 17% and not 20%?".

Chapter 5 — How much are intangibles really worth, and how do you defend them?

Intangibles can represent 15% to 35% of a restaurant's total value, and they're the ground where the owner wins or loses the negotiation.

I'm talking about the brand with regional recall, the protocolized recipe book and a base of 40,000 customers with consumption data. The buyer wants exactly that and wants to pay for it as if it were air. The defense is documenting it: a registered trademark with a recall survey, standardized recipes with per-plate costing that guarantee food cost under 32%, and a CRM proving frequency and average ticket. On a base value of 1 million, those well-supported intangibles add between 150,000 and 350,000 dollars. Without documentation, they're worth zero. The difference is purely accounting and operating evidence. The brand is valued by relief-from-royalty and customer data by its contribution to recurring cash; both demand measurable support or the buyer discards them.

Chapter 8 — What method puts a price on the brand and on customer data?

Relief-from-royalty estimates what a third party would pay to license the brand: a 2%-4% of revenue, capitalized, gives a defensible range.

Data is valued at the present value of the recurring spend it generates: a base of 40,000 customers with measured repeat purchase and known average ticket produces an attributable flow. Statista and Circana confirm foodservice repeat purchase concentrates in a small core of high-frequency customers; quantifying that core

with the CRM is what turns "I have many customers" into an asset with a number. The Masterestaurant rule: without a repeat-purchase metric, data is worth a mailing list, not an asset. Stress-scenario simulation protects the owner from accepting an offer based on a world that already changed. A restaurant with 30% food cost and a 13% EBITDA margin does not absorb 5% input inflation the same way it absorbs 20%. In the 5% scenario, if the owner passes price through, the margin barely drops to 12% and the valuation holds.

Chapter 6 — How do you stress-test the valuation against input inflation of 5%, 12% and 20%?

At 12%, food cost jumps to 33.6% and EBITDA falls to 9% without repricing —the DCF value drops from 1.05 million to around 820,000.

At 20% without action, the business can lose profitability and be worth 40% less. That's why I run all three scenarios with and without price pass-through: the buyer will run them in due diligence, and the owner who arrives with the simulation already done negotiates from evidence. The three approaches —multiples, discounted cash flow and intangible valuation— converge on a range, not a magic number, and that band is what you defend before the buyer. In a typical Masterestaurant mandate, the normalized EBITDA multiple marks a floor, the DCF marks the center and documented intangibles mark the ceiling. For a restaurant with 195,000 in normalized EBITDA: 4x gives 780,000 as a conservative floor, the DCF at 17% gives 1.05 million as the center, and adding 250,000 of intangibles the ceiling reaches 1.3 million.

Chapter 10 — How do the three approaches converge into a defensible value range?

The defensible range is 950,000 to 1.2 million. The owner who negotiates knowing why each end exists captures a decade of work;

the one who only knows their revenue figure gives it away on the first counteroffer. Every valuation is only as good as its assumptions, and declaring them raises the price because it lowers the buyer's perceived risk. The six assumptions Masterestaurant always exposes: projected sales growth, Prime Cost evolution, discount rate (WACC), terminal growth rate (g), brand transferability and lease stability. Each has its sensitivity: three points of WACC move the value by about 15%; half a point of g, about 8%. Limitations go in writing too: the valuation excludes hidden liabilities, ongoing litigation and regulatory changes after the cutoff. A number without assumptions is a number that breaks. That's why the Masterestaurant deliverable isn't a figure but a range with its logic —the only format that survives a serious negotiating table.

Chapter 11 — What 90-day roadmap leaves a restaurant ready to be worth more?

In 90 days an owner can raise their defensible valuation by 20% to 40% by ordering what the buyer audits first. Days 1-30:

instrument the cash and rebuild 24 months of normalized income statement with support per item. Days 31-60: register the brand, protocolize the recipe book with food cost under 32% and clean the CRM to prove repeat purchase and ticket. Days 61-90: sign the risk matrix, run the DCF with its three stress scenarios and document the six assumptions. Applied AI accelerates every block: models that rebuild the P&L, detect mixed-in personal spending and project scenarios in minutes. Diego F. Parra applies it at Masterestaurant across thousands of accounts. The goal isn't to dress up the number, but to prove the real value before sitting down to negotiate. The revenue multiple looks back a single year; DCF projects five years of cash and penalizes risk through the discount rate.

Chapter 12 — The differences that move the closing price

A restaurant with growing cash is worth more under DCF than under a multiple, and the reverse when cash stalls. The gap isn't cosmetic: on a normalized EBITDA of 195,000 dollars, a 4x multiple gives 780,000 and the DCF at 17% gives 1.05 million. Those 270,000 dollars are future cash the multiple simply doesn't see. EBITDA normalization changes the result before you multiply anything: in a family business, adjusting the owner's market salary and separating personal spending can move base EBITDA by 20% to 60%. Done right, that adjustment is half the valuation. A restaurant with 1.5 million in sales can move from 120,000 to 195,000 in EBITDA —63% more— with just three documented adjustments. Without that work, the buyer normalizes in their favor and the owner loses half the difference. Intangibles are where the owner wins or loses the negotiation.

Chapter 13 — The differences that move the closing price — in practice

A brand with regional recall, a protocolized recipe book with food cost under 32% and a base of 40,000 customers with consumption data can represent 15% to 35% of total value —and that's exactly what the buyer tries to take for free. The defense is purely documentary: registered trademark, costed recipes and a CRM proving frequency and ticket. On a base value of 1 million, those well-supported intangibles add 150,000 to 350,000 dollars.

POINT BY POINT

Comparative analysis: traditional vs Masterestaurant methodology

ACCURACY VS CLOSING PRICE

A · TRADITIONAL VALUATION (REVENUE MULTIPLE)

The revenue multiple errs ±40%: it overvalues high billers and penalizes the small but profitable. A location billing 1.2 million at 8% margin is valued like one at 18%, and both numbers are unreal.

B · MASTERESTAURANT EBITDA + DCF + intangibles lands within ±8%-12% of the real price, with papers to back it. The triangulated range predicts the close because it starts from profit, not the revenue facade.

Verdict: The triangulated methodology wins: it predicts the close instead of negotiating blind. On a 1-million business, the gap between ±40% and ±10% is 300,000 dollars of eliminated uncertainty.

CAPTURING INTANGIBLES

A · TRADITIONAL VALUATION (REVENUE MULTIPLE)

The revenue multiple gives them away at zero: brand and recipes never enter the number. The decade spent building recall and standardizing recipes evaporates in the formula.

B · MASTERESTAURANT They're valued apart and add 15% to 35% of the value of a strong brand. Registered trademark, recipes costed under 32% food cost and a CRM with frequency and ticket are proven, transferable assets.

Verdict: Ignoring intangibles leaves up to a third of the price on the table. On 1 million of base value, that's 150,000 to 350,000 dollars riding purely on documentation.

DUE-DILIGENCE RESISTANCE

A · TRADITIONAL VALUATION (REVENUE MULTIPLE)

The traditional number collapses at the buyer's first accounting cross-check. Without working papers, every question opens a crack and every crack lowers the price.

B · MASTERESTAURANT Every adjustment has documented support; the range withstands audit. The 6-8 explicit assumptions and their sensitivity turn the negotiation into a technical, not emotional, discussion.

Verdict: At the negotiating table, whoever has papers sets the price. Transparent assumptions lower perceived risk and raise the offer the buyer dares to sign.

SIDE-BY-SIDE COMPARISON

Revenue multiple (the shortcut that destroys value) TRADITIONAL

- ✕ Takes a single year of revenue and multiplies it by a market factor heard in a WhatsApp group.
- ✕ Doesn't distinguish a profitable location from one that bills a lot but bleeds cash: same multiple, unreal value.
- ✕ Ignores debt, pending CapEx and lease contracts that a buyer discounts immediately.
- ✕ Gives away the intangibles: the brand and recipe book built over a decade are sold at zero.
- ✕ Exposes no assumptions: when the buyer asks "where does this number come from?", there's no answer.
- ✕ Collapses in due diligence because there are no working papers to support the number.

EBITDA + DCF + intangibles (defensible value) MASTERESTAURANT

- ✓ Starts from normalized EBITDA: owner pay, personal spending and non-recurring items are adjusted.
- ✓ Cross-checks three approaches —multiples, discounted flow and intangible valuation— and triangulates a range, not a magic number.
- ✓ Discounts future flow at a rate reflecting the segment's real risk (WACC 14%-22% in 2026).
- ✓ Values the brand, recipes, customer data and contracts as separate, transferable assets.
- ✓ Documents 6-8 explicit assumptions and their sensitivity: the buyer sees exactly what moves the number.
- ✓ Withstands the buyer's audit: every adjustment has its support and documented logic.

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THE NUMBERS THAT MATTER

Figures that define restaurant valuation in 2026

3.5
X-5.5X
EBITDA multiple of a mature full-service operation

5
X-8X
EBITDA multiple of a QSR with a replicable brand

22%
Maximum WACC applied to a single-unit operator

35%
Weight of intangibles in the value of a strong brand

42%
Typical gap between expectation and offer unnormalized

90
DAYS

Roadmap to make the business valuable

REAL CASE

“He came in with an offer of 0.6x revenue: 480,000 dollars for a business billing 800,000. We normalized EBITDA —the owner paid himself 90,000 a year and charged two cars to the restaurant— and it landed at 165,000 real. At 4.2x plus the value of the brand and 38,000-customer data, we defended 810,000. It closed at 745,000. Normalization was worth 265,000 dollars in an afternoon of paperwork.”

— Diego F. Parra, on the sale of a three-location full-service group

HOW TO APPLY IT IN YOUR RESTAURANT

How to value your food-service business step by step

1. **Normalize EBITDA before touching any multiple**
Rebuild the income statement of the last 24 months and adjust: owner's market salary, personal expenses charged to the business, non-recurring items (construction, litigation, extraordinary waste) and rent at market value if the property is owned. This normalized EBITDA is the real basis; without it, everything else is smoke. Document every adjustment with its accounting support: the buyer will demand papers, not anecdotes.

2. **Apply the right multiple by segment and maturity**
There's no universal multiple. A mature full-service operation runs between 3.5x and 5.5x EBITDA; a QSR with a brand and replicable system, between 5x and 8x; a dark kitchen with no owned brand, barely 2x-3x. Adjust up for low risk concentration, long contracts and transferable data; down for owner dependence. The multiple is a range, not a point: justify it with the segment's risk matrix.

3. **Cross-check with a five-year discounted cash flow**
Project free cash flow over five years with explicit assumptions on ticket, traffic and Prime Cost. Discount it at a rate (WACC) of 14% to 22% depending on segment risk and add a conservative terminal value. If the multiple and the DCF diverge by more than 25%, review your assumptions: something doesn't add up. Also run three input-inflation stress scenarios (5%/12%/20%) to armor the number against due diligence.

4 **Value intangibles separately and document them**

Quantify brand (by replacement cost or relief-from-royalty), protocolized recipes, customer database with repeat-purchase metrics and transferable contracts. Document each asset with its support. This is the block the buyer will try to take for free, and where you win or lose 15% to 35% of the value. Close by listing your assumptions and limitations: transparency raises the price because it lowers the buyer's perceived risk.

FAQ

Frequently asked questions about restaurant valuation

Why shouldn't I value my restaurant with a revenue multiple?

Because a revenue multiple ignores whether the business generates or burns cash: two locations with the same billing can have opposite EBITDA. Correct valuation starts from normalized EBITDA, not gross revenue. A revenue multiple typically errs ±40% versus the closing price.

What EBITDA multiple is my restaurant worth in 2026?

It depends on segment and maturity. A mature full-service operation runs between 3.5x and 5.5x normalized EBITDA; a QSR with a replicable brand, between 5x and 8x; a dark kitchen with no owned brand, barely 2x-3x. Owner dependence and contract transferability adjust the range.

How are a restaurant's intangible assets valued?

Brand, recipes, customer base and contracts are valued separately from EBITDA: by replacement cost, relief-from-royalty or the value of transferable data. In a strong brand they represent 15% to 35% of total value. They're the asset the buyer tries to take for free if you don't document them.

How much does normalizing EBITDA raise the valuation?

In a family business, adjusting the owner's market salary, separating personal expenses and cleaning up non-recurring items can move base EBITDA by 20% to 60%. That adjustment, done with support, is usually half the difference between underselling and capturing the real value.

What are the limitations of a restaurant valuation?

Every valuation depends on assumptions: growth, WACC, terminal value and intangible transferability. A three-point change in WACC moves the value by about 15%. That's why Masterestaurant delivers a range with explicit assumptions, not a single number: the single number is the one that breaks in due diligence.

DATA & SOURCES

Sector data 2026 (official sources)

Verifiable industry benchmarks from official, non-commercial sources (government, industry associations, market research) - not competitors.

Metric	Benchmark 2026	Source
Prime cost	**55–65% de las ventas**	Nation's Restaurant News
Emprendimiento hispano	**los latinos crean negocios a un ritmo superior al promedio de EE.UU.**	Forbes
Capital para foodtech LatAm	**restaurantes y foodtech siguen atrayendo capital de riesgo regional**	Bloomberg Línea
Margen neto por concepto	**full-service 3–5% · casual 5–7% · fine 6–10%**	Statista
Operación fuera del local	**~75% del tráfico**	National Restaurant Association
Digitalización del foodservice	**palanca clave de rentabilidad**	McKinsey (insights)