



Understanding EBITDA vs. Adjusted EBITDA: What Business Owners Need to Know



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As a business owner, understanding your company's financial health is crucial for making informed decisions, attracting investors, and planning for growth. Two key financial metrics—**EBITDA** and **Adjusted EBITDA**—are widely used to assess profitability. But what's the difference between them, and why should you care?

What is EBITDA?

EBITDA stands for **Earnings Before Interest, Taxes, Depreciation, and Amortization**. This metric helps evaluate a company's operational profitability by removing non-operating expenses. EBITDA provides a clearer picture of a company's ability to generate revenue from its core business operations.

Key Benefits of EBITDA:

- Focuses on operational performance by eliminating financial and accounting variables.
- Helps compare businesses across industries by removing financing decisions from the equation.
- Provides investors with a quick snapshot of profitability.

What is Adjusted EBITDA?

While EBITDA provides a standardized measure of profitability, it does not account for **one-time, non-recurring, or discretionary expenses** that can impact a company's true earning potential. **Adjusted EBITDA** modifies the standard EBITDA calculation by adding back or removing these irregular expenses to provide a more accurate reflection of a company's ongoing financial performance.

Adjustments May Include:

- One-time legal or settlement costs
- Restructuring expenses
- Owner-specific discretionary expenses (such as personal travel or excessive compensation)
- Gains or losses from asset sales

Why Business Owners Should Understand the Difference

Knowing the difference between EBITDA and Adjusted EBITDA is essential because:

- **Accurate Valuation:** Adjusted EBITDA provides a more realistic picture of profitability, which is crucial for business valuations.
- **Investor & Lender Confidence:** Investors and lenders prefer Adjusted EBITDA as it reflects true earnings potential.

- **Strategic Decision-Making:** Business owners can make better financial and operational decisions when they understand their company's true earning power.

How We Can Help

Calculating EBITDA and Adjusted EBITDA correctly requires expertise in financial analysis. As experienced business advisors, we can:

- Help you determine your EBITDA and Adjusted EBITDA.
- Identify non-recurring expenses to adjust your profitability accurately.
- Provide strategic insights based on these financial metrics to help grow your business.

Find Out Your Adjusted EBITDA Today

Understanding your Adjusted EBITDA is the first step toward smarter financial decisions. Use our **free EBITDA Calculator** to assess your company's profitability today!