

How to Find Your Valuation Figures

What does EBITDA mean?

EBITDA stands for “Earnings Before Interest, Taxes, Depreciation and Amortization”. Most buyers looking to acquire a business will start with the EBITDA rather than net earnings when comparing your business with industry standards and other businesses.

How do you Locate Your Numbers?

To find your ‘EBITDA’:

1. Print out, or view on a screen your **last full years financials**. For every business, the layout is slightly different and you need to pick out the relevant numbers.
2. **Find out your EBIT** – earnings before Interest and Taxes first. This will commonly be called your ‘Operating Profit’ but you can also calculate it by using this formula:

$$EBIT = Sales\ Turnover - Cost\ of\ Sales - Operating\ Expenses$$

3. **Add back the cost of Depreciation and Amortisation** – these are often not on a Profit and Loss, but in your notes to the accounts (depending on the way your financials are reported). Only take the annual figures, not the ones if they are on the balance sheet as they are accumulated. The formula is:

$$EBITDA = EBIT + Depreciation + Amortisation$$

Which gives you your EBITDA, so either you can use our website to calculate this for you, or you can just put the number straight into the EBITDA field.

And then, just to make sure that you are reporting the full value of your business – we need to take into account any **surplus cash or investments** and **bank loans** that are included in the accounts to ensure your valuation takes into account the full financial picture of your business.

Example Accounts

P & L – Example Business Ltd

INCOME	31 st March 2013	
Gross Sales	26,176,594	
Less Direct Costs	<u>328,728</u>	
Net Sales	25,847,866	
Other Income	<u>501,944</u>	
	<u>26,349,810</u>	
EXPENDITURE		
Consumption of Materials	15,553,213	
Staff Costs	905,267	
Expenses	7,072,035	
Advertising and Marketing	290,832	
Financial Expenses	<u>97,321</u>	
	<u>23,918,668</u>	
Profit before taxation and exceptional items	2,431,142	
Exceptional Items	108,543	
Profit before taxation	2,322,599	Your EBIT

Notes to the accounts (normally number 3):

Total depreciation (in the chosen year)	(16,976)	Your 'D'
Total amortisation (in the chosen year)	(67,344)	Your 'A'

Balance Sheet – Example Business Ltd

ASSETS		
Bank	124,000	Surplus Cash
CURRENT ASSETS		
Accounts Receivable	113,450	
Accounts Payable	(72,020)	
FIXED ASSETS		
Fixed Assets	176,030	
Intangibles	456,013	
LIABILITIES		
Accruals	120,240	
Bank Loan	320,000	Borrowing
NIC Payable	<u>19,032</u>	