VICO ADVISORY

UNDERSTANDING EBITDA MULTIPLES: HOW TO GET THE BEST DEAL

By Dónal O'Sullivan

What Is EBITDA

EBITDA = Earnings Before Interest, Taxes, Depreciation, and Amortisation

It strips away non-operational costs to reveal core profitability, making it easier to compare businesses.

Used by:

- Investors
- Acquirers
- Lenders
- Business owners preparing for funding or exit

Why Is It Important

- Standardised metric for benchmarking
- Proxy for cash generation (esp. in capital-light businesses)
- Foundational for valuation: often expressed as EV/EBITDA multiple

What Investors Really Look At

Investor Type	Focus Areas
Angels & VCs	Team, market, early traction
Private Equity	EBITDA, cash flow, leverage
Corporate Acquirers	Strategic fit, synergies, Pro-Forma EBITDA
Lenders	Debt/EBITDA ratio & liquidity

Smart Adjustments To EBITDA (a.k.a. "Add-Backs")

To get the real value of your company, calculate Adjusted EBITDA:

- Non-Recurring Items (e.g. one-time legal fees, restructuring costs)
- Non-Cash Items (e.g. depreciation, stock-based compensation)
- Non-Core Operations (e.g. gains/losses from discontinued ops)
- Pro-Forma Adjustments (e.g. synergy savings, normalised salaries)

Tip: Document and justify every adjustment–buyers will scrutinise them.

What Happens If EBITDA Is Misrepresented

- In a recent deal, early revenue recognition led to understated liabilities and a major financial restatement.
- The buyer had to inject additional funds, and the seller's earn-out was significantly reduced.

Lesson: Misrepresenting EBITDA–intentionally or not–can undermine trust, trigger regulatory scrutiny, and cost millions.

Sector EBITDA Multiples (Indicative Ranges)

Sector	EV/EBITDA Range
Engineering Services	6× – 10×
Testing/Inspection/ Certification	9× – 15×
HealthTech / Health IT	10× – 14×
Financial Services Tech	8× – 12×
IT Managed Services	8× – 15×

Higher multiples = scale, recurring revenue, tech-enabled growth

Thinking Of Selling? Start Here

- Be professional from the first interaction
- Engage a Corporate Finance Advisor early
- Control your narrative–disclose strategically
- Get a term sheet before sharing full data
- Prepare for due diligence like it's an audit

> **The companies that achieve the best exits don't leave things to chance. They treat valuation like an engineering problem, and solve it strategically.**

Let's Talk

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