CALCULATING EBITDA

Start with your agency's net profit, then adjust for non-operational, non-cash, or owner-specific items to arrive at EBITDA, the metric most commonly used in agency valuation.

Step 1: Start with Net Profit
Total Revenue – Total Expenses = Net Profit
(This is your agency's unadjusted profit from operations.)

Step 2: Add Back Non-Cash or Non-Recurring Items

- Add: Interest
- Add: Taxes
- Add: Depreciation
- Add: Amortization
- Add: One-Time Expenses (e.g., legal settlement, event costs)
- Subtract: One-Time Income (e.g., PPP forgiveness, asset sale)

Step 3: Adjust for Discretionary or Owner-Specific Items

- Add: Discretionary Expenses (e.g., personal travel, owner vehicle)
- Add or Subtract: Owner Compensation (adjust to market rate)

Step 4: Final EBITDA

This is your normalized, comparable number used for valuation.
EBITDA = Adjusted Net Profit after all relevant add-backs and adjustments.