

# EBIT vs EBITDA

## Earnings Before Interest and Taxes

## Earnings Before Interest, Taxes, Depreciation, and Amortization

Represents a company's operating profit, excluding interest and taxes.

### Definition

Measures a company's operating performance, excluding interest, taxes, depreciation, and amortization.

$EBIT = \text{Net Income} + \text{Interest} + \text{Taxes}.$

### Formula

$EBITDA = \text{Net Income} + \text{Interest} + \text{Taxes} + \text{Depreciation} + \text{Amortization}.$

Measures a company's profitability based on its core operations without the impact of financing decisions or tax considerations.

### Focus

Provides a broader view of a company's profitability by excluding non-cash expenses (depreciation and amortization).

Investors and analysts use EBIT to assess operational efficiency and performance.

### Use

Often used to evaluate a company's cash-generating ability and overall operational performance.

Reflects profit generated from core operations but includes non-cash expenses.

### Cash Flow vs. Profitability

Emphasizes cash-generating ability by excluding both non-cash expenses and financial costs.

Used to assess operating profitability, considering financial structure.

### Financial Structure

Provides a clearer view of operating performance by excluding all financial and non-cash elements.

Commonly used in capital-intensive industries.

### Industries

Popular in industries with heavy asset use and significant depreciation.

More sensitive to changes in depreciation, amortization, and non-operating items.

### Sensitivity

Less sensitive to changes in non-operating factors due to its exclusion of certain expenses.