

# Where EBITDA Works and Where It Gets Complicated

A practical breakdown of how EBITDA holds up across common lower middle market deal types.

## Professional Services



- e.g. CPA firms, consultancies, staffing agencies, law firms.
- Works well. Asset-light, low capex, D&A is noise.



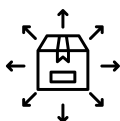
## SaaS / Software



- e.g. Vertical SaaS, B2B workflow tools, subscription platforms.
- Works well. Low tangible asset base, recurring revenue.



## Distribution



- e.g. HVAC supply, foodservice, auto parts, building materials.
- Generally works. Watch working capital carefully.



## Healthcare Services



- e.g. Dental groups, physical therapy, med spas, vet clinics.
- Workable, but normalize owner comp and AR carefully.



## Manufacturing



- e.g. Machine shops, plastics, food production, packaging.
- Gets complicated. Capex is real and recurring.



## Trucking / Logistics



- e.g. Freight carriers, last-mile delivery, cold-chain, 3PL.
- Use with caution. Maintenance capex is not optional.



## Retail w/ Heavy Lease



- e.g. Restaurant groups, gyms, c-stores, franchisees.
- EBITDAR (adding rent back) becomes the conversation.



## Capital-Intensive



- e.g. Sawmills, heavy equipment operators, drilling & well services.
- EBITDA alone is inadequate. Free cash flow is the real metric.



The more capital-intensive the business, the more you need to look past EBITDA to understand what the business actually requires to operate and grow. That doesn't make EBITDA wrong. It means you have more work to do after you calculate it.

