
 Download This Paper (Delivery.cfm/2999675.pdf?abstractid=2999675&mirid=1)

Open PDF in Browser (Delivery.cfm/2999675.pdf?abstractid=2999675&mirid=1&type=2)

 Add Paper to My LibraryShare:    

EBITDA, EBITA or EBIT?

Columbia Business School Research Paper No. 17-71

47 Pages

Posted: 17 Jul 2017

Last revised: 21 Oct 2019

Doron Nissim (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=161870)

Columbia University - Columbia Business School


Date Written: June 01, 2024

Abstract

Over the last forty years there has been a strong positive trend in the magnitude of amortization charges due to both economic and accounting changes. Concurrent with this trend, managers and external users of financial statements increasingly discuss operating performance focusing on earnings metrics that exclude amortization but include depreciation. This study compares earnings before interest, taxes, and amortization (EBITA) with its two more common alternatives-EBIT and EBITDA. Throughout the sample period, EBITDA performed substantially better than both EBITA and EBIT in explaining market values using industry multiples, and EBITA performed better than EBIT. Consistent with the amortization trend, EBITA's advantage over EBIT has gradually increased over time. In terms of predicting stock returns, the three operating income measures performed well until the financial crisis, but not since then.

Keywords: JEL Classification: G12, G14, G30, M41 EBITDA, EBITA, EBIT, valuation, price multiples, industry multiples, comparable company analysis, stock return predictability, non-GAAP earnings, enterprise value, earnings management, earnings quality, operating income, depreciation, amortization, intangible assets

JEL Classification: G12, G14, G30, M41

[Suggested Citation](#) >[Show Contact Information](#) > Download This Paper (Delivery.cfm/2999675.pdf?abstractid=2999675&mirid=1)

Open PDF in Browser (Delivery.cfm/2999675.pdf?abstractid=2999675&mirid=1&type=2)

35 References

1. A Alford
The effect of the set of comparable firms on the accuracy of the price-earnings valuation method
Journal of Accounting Research , volume 30 , p. 94 - 108 Posted: 1992
2. D Archibugi , B Lundvall
The globalizing learning economy Posted: 2001
3. M Baker , R S Ruback
Estimating Industry Multiples. Unpublished manuscript Posted: 1999
4. J Bentley , T Christensen , K Gee , B Whipple
Disentangling Managers' and Analysts' Non-GAAP Reporting Incentives
Journal of Accounting Research , volume 56 , issue 4 Posted: 2018

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our [Cookie Policy](#) (<https://www.elsevier.com/legal/cookiepolicy>)

Load more

[Cookie Settings](#)[Accept all cookies](#)

Do you have a job opening that you would like to promote on SSRN?

Place Job Opening (<https://www.ssrn.com/index.cfm/en/Announcements-Jobs/>)

Paper statistics

| | |
|----------------|--------|
| DOWNLOADS | 5,489 |
| ABSTRACT VIEWS | 15,805 |
| RANK | 3,092 |

3 Citations

35 References

PlumX Metrics



https://plu.mx/ssrn/a/?ssrn_id=2999875
Related eJournals

Columbia Business School Research Paper Series (https://papers.ssrn.com/sol3/ELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1856578)

Follow ⓘ

Financial Accounting eJournal (https://papers.ssrn.com/sol3/ELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1508710)

Follow ⓘ

View more >

Feedback 🗨

Submit a Paper > (<https://hq.ssrn.com/submission.cfm>)

SSRN Quick Links



SSRN Rankings



About SSRN



(<https://www.facebook.com/SSRNcommunity/>)

([https://www.linkedin.com/company/493409?](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A1)

(<https://twitter.com/SSRN>)

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our [Cookie Policy](https://www.elsevier.com/legal/cookie-policy) (<https://www.elsevier.com/legal/cookie-policy>)

(<http://www.elsevier.com/>)

Cookie Settings

Accept all cookies

Privacy Policy (<https://www.elsevier.com/legal/privacy-policy>)

All content on this site: Copyright © 2023 Elsevier Inc., its licensors, and contributors. All rights are reserved, including those for text and data mining, AI training, and similar technologies. For all open access content, the Creative Commons licensing terms apply.

We use cookies to help provide and enhance our service and tailor content.

To learn more, visit [Cookie Settings](#).



(<http://www.relx.com/>)

(<https://papers.ssrn.com/sol3/updateInformationLog.cfm?process=true>)

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our [Cookie Policy](https://www.elsevier.com/legal/cookiepolicy) (<https://www.elsevier.com/legal/cookiepolicy>)

[Cookie Settings](#)

Accept all cookies