SDE and adjusted EBITDA recast workbook

Reconcile reported net income to the cash flow available to one working owner, then deduct the full cost of replacing that owner’s work.

How to use this file

1. Use one consistent accounting basis for every period. Tie net income to the financial statements.
2. Enter expense add-backs as positive amounts only when originally expensed. Enter nonoperating income as a positive deduction. Use zero for a reviewed line with no adjustment.
3. Attach payroll records, invoices and a short explanation to each proposed adjustment. Enter the market cost of every role the departing owner performs, including payroll burden.

Shop or transaction _____

Prepared by _____

Period and cutoff date _____

> Educational planning template. Verify your figures and assumptions with your transaction advisors.

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Record comparable periods or offers in the three columns.

Measure	Prior year	Latest year	Trailing 12 months
Reported net income Tie to the selected P&L.			
Interest expense Exclude principal repayments.			
Income tax expense Include entity income taxes recorded above net income.			
Depreciation Include the period’s booked expense.			
Amortization Avoid counting an amount included in depreciation.			
One owner’s compensation Enter pay and benefits actually charged in the P&L.			
Documented personal expenses Attach evidence and remove overlap with owner benefits.			
Accepted nonrecurring costs Include only documented costs that will cease.			

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Record comparable periods or offers in the three columns.

Measure	Prior year	Latest year	Trailing 12 months
Nonoperating income Deduct unusual income already included in net income.			
Seller’s discretionary earnings Net income plus accepted expenses less nonoperating income.			
Market replacement compensation Include all continuing management and field roles plus burden.			
Adjusted EBITDA SDE less the cost of replacing the departing owner.			