

Relevance of Normalized EBITDA

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is a financial indicator that measures a company's operating result before considering financial expenses, tax burden, and depreciation and amortization. It is commonly used as an approximation of its ability to generate operating results, although this indicator does not appear as such in the Annual Accounts (Profit and Loss Statement) established by the General Chart of Accounts (PGC).

However, this indicator may be distorted by non-recurring items; for this reason, **normalized EBITDA** is used as a complementary financial tool, with the aim of reflecting the real and recurring capacity of the business to generate profits, through the elimination or adjustment of extraordinary, non-recurring, or non-operating items.

Unlike EBITDA, normalized EBITDA is particularly useful within financial analysis to estimate the company's real value and to carry out comparisons with other companies in the market, as it constitutes a reference metric for the **application of EBITDA multiples**, used as market price indicators in sector comparables, which are common in transactions or M&A operations. In this way, the result is not affected by biases that may be generated by extraordinary or unusual items.

The adjustments applied to EBITDA respond exclusively to non-recurring items, extraordinary items, or items that do not correspond to the company's operating activities, with the aim of obtaining a metric that is representative of the **real** capacity of the business to generate results.

It should be noted that these adjustments are not subject to an established accounting regulation. For this reason, the calculation of normalized EBITDA requires professional judgment for the prior definition and selection of the items, given their significant relevance in the final valuation of the company.

Within our financial consulting department, we consider this to be a key aspect when making decisions that may directly affect our clients (whether they are on the sell-side or the buy-side), as well as to ensure maximum transparency in **M&A** operations, among others. Normalized EBITDA allows us to eliminate non-recurring elements in order to provide a more objective and consistent view of operating results, facilitating a better understanding of the company's real financial situation.

Consulting Department

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