EBITDAC: The Acronym That Means Two Completely Different Things

One label, one COVID-era joke, and a niche accounting adjustment most people have never seen

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ABSTRACT

Most people who have encountered "EBITDAC" in the last few years assume it means one thing: the pandemic-era "EBITDA before coronavirus," a much-mocked attempt to add back profits that COVID supposedly cost a business. That is indeed the dominant usage. But the question here points to a different, far rarer construct: EBITDA before capitalized development costs. In this sense, EBITDAC re-expenses development, software, or content costs that a company has parked on its balance sheet, aiming for a more cash-oriented picture of performance. The mechanism is simple in principle but bespoke in practice. It is non-standard, non-GAAP, defined differently by the handful of companies that use the label, and usually folded into the more familiar "adjusted EBITDA." The implications: read the footnotes, distrust the acronym alone, and treat any EBITDAC figure as a definition you must verify rather than a metric you can trust on sight.

Keywords: EBITDAC; EBITDA; capitalized development costs; non-GAAP; adjusted EBITDA; software capitalization; financial metrics; accounting judgment

1. Introduction

If you have seen "EBITDAC" recently, you almost certainly met it in its pandemic incarnation. The acronym became financial shorthand, and a punchline, when companies began adding back the profits they claimed coronavirus had cost them. That "EBITDA before coronavirus" is a separate construct from the one this question asks about, and it dominates the conversation: mainstream legal, advisory, and rating-agency commentary uses EBITDAC almost exclusively in the coronavirus sense. So the first thing to get straight is which EBITDAC you are talking about. The right way to think about this is that you are dealing with an acronym collision, where the same letters describe two unrelated adjustments, and the rarer one ("before capitalization") is what we will actually unpack.

The deeper issue outlasts both versions of the acronym: as more company value migrates into intangibles like software and content libraries, the question of *when a cash outlay becomes a cost* only grows more consequential. Capitalizing development spend shifts those outlays off the income statement and onto the balance sheet, where they are amortized over later periods. That timing choice can swing reported profitability without changing the cash that left the building. Over the next several years, expect more scrutiny of these capitalization decisions wherever EBITDA anchors a valuation, a loan covenant, or an earnout. The leverage point moves from the headline metric to the footnote that defines it. Bespoke, branded EBITDA variants like EBITDAC are a symptom of a broader pressure: a single number is being asked to carry more interpretive weight than it can bear, and sophisticated readers increasingly insist on knowing exactly what was added back, removed, or reversed before they trust it.

2. The Big Idea and How It Works

Think of capitalizing development costs like buying a delivery van. You spend the cash now, but instead of recording the whole hit this year, you spread the cost across the years the van will serve you. EBITDA, in the meantime, looks healthier because the spending sits on the balance sheet rather than the income statement. EBITDAC in the "before capitalization" sense does the reverse: it puts that spending back into the current period, as if it had all been expensed now. If capitalization mutes the expense, EBITDAC turns the subtitles back on. Old world: capitalized costs quietly lift reported EBITDA. New world, per this adjustment: re-expense them to see what the period's development spend actually was.

Start with EBITDA, which is earnings before interest, taxes, depreciation, and amortization. It strips out financing, tax, and those non-cash charges to approximate operating profitability. The EBITDAC adjustment then targets one specific item: costs the company chose to capitalize rather than expense, typically software or content development. Because EBITDA already excludes amortization, the full cost of capitalized development effectively disappears from the metric in the year the cash was actually spent.

The adjustment works in two steps.

- **Identify the capitalized amount.** Find the development or content spending that was moved to the balance sheet during the period rather than expensed. This is typically disclosed in the cash flow statement or in the notes to the financial statements.
- **Re-expense it.** Treat that amount as if it had hit the income statement this period, producing a lower, arguably more cash-reflective earnings figure.

The stated rationale runs as follows. When a company capitalizes development spending, the cash leaves now but the expense is deferred and amortized later, which raises reported EBITDA in the current period without improving near-term cash. Proponents argue that re-expensing those costs reflects the period's actual development spend. It is worth flagging that this is the rationale its advocates give, not a settled fact: capitalization is itself a legitimate accounting treatment, not inherently a distortion.

The mechanics, crucially, are not standardized, and the named companies that use the term do not agree on direction. One company defines EBITDAC as EBITDA *less* capitalized software development costs. Another defines it as EBITDA *including the reversal* of capitalized development expenditure. These are genuinely different recipes that can produce materially different numbers, and neither necessarily addresses how to treat the amortization of costs capitalized in prior periods. The practical lesson: the term tells you almost nothing until you read the specific definition attached to it.

3. Implications and Tensions

The clearest consequence is interpretive, not operational. EBITDAC is non-GAAP and non-standardized; its meaning and calculation are bespoke and depend entirely on who defines it. That puts the burden on the reader.

Where you actually see it. In practice, the same adjustment is far more commonly performed under the generic labels "adjusted EBITDA" or "normalized EBITDA" rather than the branded "EBITDAC." Capitalized-development add-backs and reversals overwhelmingly appear inside those familiar headings, which means the branded acronym is the exception, not the norm.

In deal-making. The treatment of capitalized development costs is a genuine, deal-specific negotiating point with no settled directional preference. It is tempting to assume buyers always prefer the cash-neutral view, but the reality cuts both ways: buyers sometimes argue *against* removing capitalized development from EBITDA precisely because the cash was actually spent and the business may need to keep spending it. Treat it as a negotiated item, not a market trend.

A concrete, near-term example: the handful of software and media companies that do use the EBITDAC label disclose it differently from one another, so an analyst comparing two of them cannot assume the figures are computed the same way. They must reconcile each definition by hand before any comparison is meaningful.

A medium-term, directional example: if intangible-heavy business models keep proliferating, expect the underlying adjustment to remain common while the specific "EBITDAC" branding stays rare. The substance travels; the label largely does not. For anyone valuing a software or content business, that means the skill that matters is parsing how capitalized development is handled in the EBITDA bridge, regardless of what the resulting line is called.

Inflation vs. legitimate matching. Proponents frame capitalization as artificially lifting EBITDA that the adjustment then corrects. Standard accounting logic treats it as a legitimate timing choice meant to match costs against the future benefits they generate. Reasonable people disagree because the answer depends on whether the spending genuinely meets the criteria for capitalization, which is a judgment call.

Standard vs. bespoke. Because there is no agreed calculation, two companies can both report "EBITDAC" and mean incompatible things. That is less a risk than a built-in feature of a non-standard metric.

Branded vs. generic. If the same adjustment lives more comfortably under "adjusted EBITDA," it is fair to ask whether the EBITDAC label adds clarity or just noise. Given the acronym's collision with the coronavirus meaning, the branded version arguably invites confusion more than it resolves it.

4. Hooks, Takeaways, and For the Nerds

A handful of lines that travel well in conversation:

- "When someone says EBITDAC, my first question is always: do you mean coronavirus or capitalization? Because those are two totally different animals."
- "The funny thing is the capitalization version is rare as a label, but the adjustment behind it is everywhere, just hiding inside 'adjusted EBITDA.'"
- "I've seen two companies use 'EBITDAC' and compute it in opposite directions, so the acronym tells you nothing until you read the footnote."
- "Whether capitalizing development costs 'inflates' EBITDA or just matches costs to benefits is genuinely a judgment call, not a settled fact."

If you remember three things. EBITDAC usually means "EBITDA before coronavirus," so disambiguate before assuming the capitalization sense; In the capitalization sense, it re-expenses capitalized development or content costs for a more cash-oriented view, but it is non-GAAP, bespoke, and defined differently by each user; Watch for the same adjustment under "adjusted" or "normalized EBITDA," where it lives far more often than under the EBITDAC label.

For the nerds. The unresolved technical wrinkle is amortization, and a quick example makes it legible. Suppose a company capitalizes $50 million of software development this year and amortizes $30 million of prior-year capitalized costs. A strict "re-expense the current-period capitalization" approach subtracts the full $50 million from EBITDA. But because EBITDA already excludes amortization, that prior $30 million is still being charged again as it amortizes, so you arguably double-count: old spend gets hit twice, even as new spend is treated as fully expensed. A "net" approach might instead subtract only $20 million. Neither is obviously correct, and the choice can swing valuations meaningfully in capital-intensive software businesses. The company disclosures using the EBITDAC label do not clearly resolve this, which is part of why the metric resists standardization.

There is also a definitional asymmetry worth noting. Defining EBITDAC as EBITDA *less* capitalized costs versus EBITDA *including the reversal* of capitalized expenditure can land in different places depending on

what each company already included in its EBITDA base and how amortization flows through. Until a standard-setter or a critical mass of filers converges on one mechanic, EBITDAC-before-capitalization stays exactly what it looks like: a useful idea wearing an unhelpfully ambiguous name.

WHERE SOURCES DISAGREE

Whether the user's exact phrase "capitalized content development costs" is a recognized standard term
One reading treats EBITDAC-before-capitalization as a genuine, if niche, term of art adapted by content-heavy sectors. Another reading finds no standardized definition naming "content development" anywhere in the sources, suggesting it is an ad-hoc, company- or sector-specific description
Unresolved: the available sources contain no authoritative or widely cited definition tying EBITDAC specifically to content development costs

The correct calculation mechanics
One company's disclosure defines the metric as EBITDA *less* capitalized development costs; another defines it as EBITDA *including the reversal* of capitalized development expenditure, and neither addresses whether amortization of prior-period capitalized assets should also be reversed. These two treatments can yield materially different numbers
Unresolved: the sources describe incompatible methods and no source establishes a consensus calculation

Whether capitalization "inflates" EBITDA or legitimately matches costs to benefits
One reading, advanced by proponents of the metric, treats capitalization as artificially lifting EBITDA that the adjustment then corrects. Standard accounting logic, by contrast, treats capitalization as a legitimate timing choice intended to match costs with future economic benefits, where the appropriateness depends on whether recognition criteria are met
Unresolved: the sources reflect a genuine accounting-judgment dispute rather than a settled answer

How widely the metric and the underlying practice are used, and whether lenders or investors accept it
One reading points to real company filings and advisory commentary as evidence the metric is in active use. Another reading notes that at most a couple of companies use the EBITDAC label, that the adjustment is usually folded into "adjusted/normalized EBITDA," and that the only rating-agency signal in the evidence is an explicit *rejection* of the COVID variant
Unresolved: the sources offer only scattered examples and no data on frequency of use or formal acceptance in covenants or valuation

Whether acquirers favor or resist the adjustment
One reading frames a cash-neutral view as more relevant to acquirers and investors. Another, drawn from corporate-finance commentary, notes that buyers often argue *against* removing capitalized development from EBITDA precisely because the cash was actually spent
Unresolved: the sources describe this as a deal-specific negotiation rather than a settled directional preference