

From Enterprise Value to Equity Value

Investment Banking & M&A | Foundation | 45-60 minutes (estimate) | Balance sheet and EV / EBITDA

Learning outcomes

Turn a valuation multiple into an equity purchase-price range. Calculate the result, reconcile it and communicate its limitations.

Method

Enterprise value values the defined operations; the equity bridge applies the transaction's definitions of cash, debt and debt-like items. Not every balance-sheet liability is automatically debt-like. Prevent double counting where a liability already sits in a working-capital adjustment.

Smaller worked example

In a separate transaction, EV \$10m plus eligible cash \$1m less debt \$3m gives equity value \$8m before other agreed adjustments.

Business context and rules

Fictional Elm Industries, valuation at 30 September 2026; all model amounts USD thousands. EBITDA 2,000; valuation range 5x-7x. Eligible unrestricted cash 500; restricted cash 200 is excluded. Bank debt 3,000; seller transaction bonus 150 is debt-like. Lease liabilities 400 are included as debt-like under this case's agreed convention and matching multiple basis. Trade AP 700 remains in normal working capital and is not debt-like. Working-capital shortfall versus the agreed target is 100 and reduces equity value. No other adjustments or transaction fees. These definitions are supplied assumptions, not market benchmarks.

Original synthetic inputs

Input	Value	Unit
Reference EBITDA	2000	USD thousands
Low EV / EBITDA multiple	5	multiple
High EV / EBITDA multiple	7	multiple
Eligible cash	500	USD thousands
Excluded restricted cash	200	USD thousands
Bank debt	3000	USD thousands
Seller transaction bonus	150	USD thousands
Agreed debt-like lease liability	400	USD thousands
Normal trade AP (no bridge adjustment)	700	USD thousands
Working-capital shortfall	100	USD thousands

Required deliverables

Deliver the EV-to-equity range, an inclusion / exclusion register for every balance-sheet item and three diligence questions about eligibility, double counting or EBITDA comparability.

Use formulas for derived amounts and preserve source data. Put narrative deliverables in the workbook response area; expand it as needed. Compare amounts within 0.01 of the stated unit and percentages within 0.1 percentage point. No unsupported balancing plugs.