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Only ebitda? No thanks.

The Financial Times charges a premium for online access to its Lex column, and this is what separates run-of-the-mill subscribers from the zealots who live and breathe financial news. Lex provides brief analysis of current topics, such as Tesco's unsuccessful tinkering with its sales strategy. Lex had some fun last week with ebitda. If you don't know what ebitda is, you aren't one of the aforementioned zealots. Ebitda is earnings before interest, tax, depreciation and amortization, and Lex warned that it's dangerous when used alone to gauge profitability, in part because it can be manipulated. This is where Czech journalists should prick up their ears. Ebitda is often used by Czech companies to pull the wool over their eyes. A solid ebitda figure, no matter how calculated, can often hide fundamental economic problems. A good policy to follow is if a company provides only ebitda and no net profit figure, refuse to publish it.

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