


# EVA, MVA and TSR

Olivier Levyne

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# Economic Value Added (EVA)

- Measure of financial performance, as an alternative to the more traditional earnings per share
- Source:  Stern Stewart & Co. global consulting firm

$$EVA = \textit{Capital Employed} \cdot (\textit{RoCE} - \textit{WACC})$$

$$EVA = CE \cdot RoCE - CE \cdot WACC$$

$$EVA = NOPAT - CE \cdot \left[ k \frac{E}{CE} + i(1 - \tau) \frac{D}{CE} \right]$$

$$EVA = NOPAT - k \cdot E - i(1 - \tau)D$$

$$EVA = \textit{Net income} - k \cdot E$$

# Market Value Added (MVA)

*CE = Capital employed at the beginning of the period*

*MVA = Market value of CE – Book Value of CE*

*MVA = Market cap + Market value of debt – Book Value of CE*

*If Market value of debt = Book value of debt:*

*MVA = Market cap – Book value of equity*

*Market value of CE = Book Value of CE +  $\sum_{t=0}^n \frac{EVA_t}{(1 + K)^t}$*

*MVA =  $\sum_{t=0}^n \frac{EVA_t}{(1 + K)^t}$*

# Total Shareholder Return (TSR)

## Top Industry Value Creators

By five-year average TSR, 2016-2020

Rank	Industry	No. of Companies	Total Market Cap (B\$)	Five-Year TSR (%)
1	Mining	68	1,392.2	26.7
2	Technology	101	11,113.8	24.4
3	Medical technology	72	2,007.7	21.2
4	Financial infrastructure providers	55	2,452.2	20.1
5	Green energy and environment	92	873.9	19.8
6	Machinery	69	1,671.6	17.6
7	Media and publishing	71	4,610.5	16.0
8	Health care services	56	1,217.8	15.3
9	Building materials	54	536.0	14.0
10	Retail	100	5,370.9	13.7
11	Fashion and luxury	48	1,839.9	13.7
12	Chemicals	75	1,888.6	12.6
13	Services	58	758.9	11.7
14	Metals	62	464.5	10.8
15	Forest products and packaging	62	390.9	10.3
16	Large-cap pharma	35	3,572.2	10.3
17	Consumer nondurables	90	4,766.8	10.0
18	Consumer durables	76	654.2	9.6
19	Mid-cap pharma	52	572.8	9.5
20	Power and gas utilities	87	1,941.1	9.5
21	Aerospace and defense	81	1,204.3	8.6
22	Transportation and logistics	87	1,465.0	7.4
23	Real estate	58	893.4	6.9

- Return of a shareholder who has
  - Purchased the stock at the beginning of the period
  - Received dividends that are supposed to be reinvested in the purchase of new shares
  - Sold the stock at the end of the period based on the last listed price

•  $TSR = IRR$

- Rankings provided by **BCG**

THE BOSTON CONSULTING GROUP

## Top 50 Large-Cap Value Creators

By five-year average TSR, 2016-2020

2021 Rank	Company	Industry	Market Cap (B\$)	Five-Year TSR (%)
1	Shopify	Retail	138.9	113.0
2	Advanced Micro Dev..	Technology	110.4	99.9
3	Square	Financial infrastructur..	98.1	75.5
4	NVIDIA	Technology	323.2	74.5
5	Tesla	Automotive OEMs	668.9	71.2
6	Wuliangye Yibin	Consumer nondurables	173.5	63.7
7	China Tourism Grou..	Travel and tourism	84.5	58.4
8	Kweichow Moutai	Consumer nondurables	384.4	58.1
9	Vale	Mining	86.4	51.0
10	Foshan Haitian Flav..	Consumer nondurables	99.5	48.9
11	Lam Research	Technology	68.0	45.3
12	PayPal	Financial infrastructur..	274.4	45.3
13	ServiceNow	Technology	107.4	44.8
14	Jiangsu Hengrui Me..	Large-cap pharma	90.6	44.0
15	Apple	Technology	2,256.0	40.3
16	Adobe	Technology	239.9	39.7