

CPI *Insights*

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CPI, for corporate performance index, is a summary score of financial excellence that rates a company against its industry peers on a percentile scale. It tends to confirm a company's TSR rank when the rank is right, challenges TSR when it is wrong, and explains the factors that are determining TSR in any case.

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CPI champs. When Will Smith's character asked why he was among a group of Men-in-Black candidates, the answer was, "we are the best of the best of the best, sir!" Here we present the corporate equivalent—our list of the best performing, most value-adding, highest-CPI-ranking firms in America, by industry, in order of sales.

Ticker	Name	Sub-Industry	Sales	CPI Score	Prior CPI Score	Δ	TSR Rank	CPI-3 Yr TSR Rank	MVA Margin MVA/Sales	% tile	EVA Margin EVA/Sales	% tile	3 Yr Trend EVA Mo	% tile	Mkt Impl EVA Mo	% tile
AAPL	APPLE INC	Technology Hardware	\$215091	100.0	88.0	12.0	93	7.0	216%	90	14.3%	100	1.48%	89	0.07%	19
XOM	EXXON MOBIL CORP	Integrated Oil & Gas	\$196866	100.0	0.0	100.0	100	0.0	83%	50	-4.9%	100	-3.46%	100	1.18%	0
HD	HOME DEPOT INC	Home Retail	\$93368	87.1	67.4	19.7	100	-12.9	163%	92	7.1%	100	1.12%	92	-0.02%	25
DOW	DOW CHEMICAL	Diversified Chemicals	\$46600	100.0	0.0	100.0	100	0.0	57%	60	2.6%	80	0.43%	100	0.03%	20
NKE	NIKE INC	Textiles Apparel& Luxury	\$33023	100.0	86.3	13.7	65	34.9	216%	93	6.9%	93	0.76%	89	0.77%	93
FB	FACEBOOK INC	Internet Software & Services	\$24670	100.0			94	5.9	1176%	100	25.0%	100	12.40%	100	9.15%	95
TSO	TESORO CORP	Oil & Gas Refin&Mkt	\$23629	100.0	49.6	50.4	88	12.3	16%	76	0.3%	94	0.42%	94	0.06%	18
DG	DOLLAR GENERAL CORP	Merchandise Stores	\$21011	100.0	90.8	9.2	79	20.9	79%	92	3.1%	100	0.32%	91	0.04%	42
BMJ	BRISTOL-MYERS SQUIBB CO	Pharmaceuticals	\$18471	74.9	58.8	16.1	49	26.3	367%	53	17.2%	94	3.05%	70	0.53%	25
NEE	NEXTERA ENERGY INC	Electric Utilities	\$16526	100.0	94.2	5.8	46	53.8	200%	96	7.1%	96	1.72%	100	0.03%	29
NUE	NUCOR CORP	Aluminum & Steel	\$15708	100.0	82.0	18.0	82	17.6	74%	95	0.7%	90	0.35%	90	0.54%	33
V	VISA INC	Outsourced Services	\$15082	100.0	91.4	8.6	58	42.2	1012%	100	29.1%	97	4.43%	97	3.77%	100
CDW	CDW CORP	Technology Distributors	\$13908	100.0	68.0	32.0	100	0.0	38%	83	1.2%	92	0.38%	92	0.09%	83
MON	MONSANTO CO	Agricultural Chemicals	\$13502	100.0	100.0	0.0	69	30.8	264%	100	6.7%	100	-0.97%	75	1.01%	67
ROST	ROSS STORES INC	Apparel Retail	\$12607	100.0	91.8	8.2	89	11.0	196%	100	6.8%	93	0.59%	82	0.27%	86
RAI	REYNOLDS AMERICAN INC	Tobacco	\$12371	100.0	58.8	41.2	100	0.0	458%	67	13.6%	67	1.63%	100	0.71%	100
SHW	SHERWIN-WILLIAMS CO	Specialty Chemicals	\$11678	89.7	82.0	7.8	82	7.8	199%	75	7.3%	86	1.17%	84	0.30%	39
HSC	SCHEIN (HENRY) INC	Health Care Distributors	\$11302	100.0	83.3	16.7	100	0.0	83%	100	2.3%	86	0.20%	100	0.19%	100
AMAT	APPLIED MATERIALS INC	Semiconductor Equipment	\$10825	78.8	72.5	6.3	72	6.5	214%	83	7.2%	83	3.29%	73	1.30%	35
APD	AIR PRODUCTS & CHEMICALS INC	Commodity Chemicals	\$9524	100.0	51.3	48.7	100	0.0	206%	93	5.1%	73	0.70%	92	0.83%	73
ORLY	O'REILLY AUTOMOTIVE INC	Automotive Retail	\$8443	100.0	100.0	0.0	100	0.0	293%	100	9.5%	93	1.86%	100	0.43%	93
LVT	LEVEL 3 COMMUNICATIONS INC	Alternative Carriers	\$8193	49.8	54.5	-4.7	55	-5.6	100%	30	-3.6%	70	0.36%	63	1.02%	20
NFLX	NETFLIX INC	Internet & Catalog Retail	\$8176	100.0	75.8	24.2	100	0.0	587%	90	3.5%	67	0.60%	76	4.51%	100
WMB	WILLIAMS COS INC	Oil & Gas Store&Trans	\$7307	100.0	88.8	11.2	51	48.8	176%	86	0.5%	81	0.69%	61	0.94%	67
SCHW	SCHWAB (CHARLES) CORP	Capital Markets	\$7164	90.0	69.7	20.2	80	9.5	528%	97	9.0%	69	1.98%	69	3.79%	91
EOG	EOG RESOURCES INC	Oil & Gas E&P	\$6887	90.6	70.0	20.7	90	0.5	498%	80	-30.9%	85	-6.80%	75	7.84%	49
SEE	SEALED AIR CORP	Paper Packaging	\$6788	100.0	8.4	91.6	74	26.4	84%	90	1.6%	50	0.68%	78	0.28%	90
NVDA	NVIDIA CORP	Semiconductors	\$6138	91.5	67.6	23.9	100	-8.5	703%	94	14.0%	82	3.61%	83	5.14%	80
NVR	NVR INC	Homebuilders	\$5637	100.0	22.1	77.9	88	11.6	96%	92	5.4%	100	1.04%	89	0.10%	29
ADBE	ADOBE SYSTEMS INC	Software	\$5552	93.9	34.5	59.3	86	8.0	789%	92	9.5%	84	3.62%	91	6.14%	81
RHI	ROBERT HALF INTL INC	Human Resource Svcs	\$5290	84.1	92.5	-8.4	68	15.7	90%	90	5.1%	85	0.78%	74	0.03%	30
SIRI	SIRIUS XM HOLDINGS INC	Broadcasting,Cable&Satellite	\$4910	100.0	94.0	6.0	76	24.4	364%	89	7.9%	78	3.07%	91	1.29%	85
HAS	HASBRO INC	Leisure Products	\$4855	88.6	12.7	76.0	83	5.6	163%	100	7.6%	88	1.39%	79	0.21%	56
ULTA	ULTA SALON COSMETCS & FRAG	Specialty Stores	\$4322	100.0	93.4	6.6	100	0.0	344%	96	6.4%	93	1.41%	96	1.31%	100
SFM	SPROUTS FARMERS MARKET	Food & Staples Retailing	\$3991	100.0			2	97.7	58%	95	2.2%	100	0.51%	100	0.03%	45
FAST	FASTENAL CO	Wholesale Distributors	\$3937	100.0	100.0	0.0	37	63.3	300%	100	8.3%	100	0.24%	72	0.94%	90
LEG	LEGGETT & PLATT INC	Household Durables	\$3791	100.0	76.0	24.0	71	28.8	130%	86	5.1%	82	1.11%	100	0.22%	64
ROP	ROPER TECHNOLOGIES INC	Industrial Conglomerates	\$3723	100.0	100.0	0.0	65	34.9	340%	100	5.0%	57	0.31%	86	1.78%	71
VMC	VULCAN MATERIALS CO	Construction Materials	\$3577	100.0	58.8	41.2	26	74.1	344%	100	1.2%	67	3.11%	100	2.22%	100
CHD	CHURCH & DWIGHT INC	Household & Personal	\$3471	91.7	83.3	8.4	76	16.1	274%	92	8.1%	77	0.68%	80	0.71%	96
AYI	ACUITY BRANDS INC	Electrical Equipment	\$3291	100.0	70.2	29.8	100	0.0	279%	96	6.3%	88	1.83%	86	1.51%	81
TDG	TRANSDIGM GROUP INC	Aerospace & Defense	\$3171	92.6	95.4	-2.8	91	1.8	460%	97	15.3%	100	3.39%	97	0.57%	63
EFX	EQUIFAX INC	Research & Consulting Svcs	\$3010	100.0	91.4	8.6	100	0.0	371%	89	7.7%	84	1.22%	100	1.33%	74
ODFL	OLD DOMINION FREIGHT	Freight Transportation	\$2980	93.3	90.9	2.4	88	5.8	179%	88	5.6%	86	0.75%	91	0.62%	74
MNST	MONSTER BEVERAGE CORP	Food & Beverage	\$2936	100.0	95.9	4.1	86	13.8	782%	100	19.6%	100	3.61%	100	2.81%	100
EW	EDWARDS LIFESCIENCES CORP	Health Care Equipment	\$2867	93.4	94.0	-0.5	96	-2.6	537%	78	15.5%	97	3.17%	94	1.82%	51
AOS	SMITH (A O) CORP	Building Products	\$2627	91.5	92.7	-1.2	58	33.7	263%	93	7.8%	93	1.56%	79	1.26%	93
PSA	PUBLIC STORAGE	Real Estate	\$2591	100.0	96.0	4.0	64	36.0	1223%	100	22.2%	97	4.44%	91	7.57%	92
WOOF	VCA INC	Health Care Facilities	\$2408	100.0	46.6	53.4	100	0.0	152%	95	3.7%	85	0.94%	93	0.40%	80

All data as of December 1, 2016

The CPI Champs were selected by picking the stocks in the Russell 3000 universe that had the highest CPI scores in their industries. This is not a list of the absolute best companies, but best relative to their industries. One indication: among the larger companies, EVA Margins range from 29.1% for VISA and 25.0% for Facebook to -4.9% for Exxon Mobil and 0.3% for Tesoro, both of which are faring relatively well considering the disastrous conditions in the oil patch.

We also restricted the list to companies with revenues over \$500 million to highlight better known and more substantial firms. This means the winners don't all score 100 on CPI. Home Depot, for example, appearing third on the tally sheet, snags the top slot among home improvement and furnishings retailers with a CPI of only 87. Tile Shop has a higher score, but with only \$319 million in sales it was left out.

As expected, the list features many acknowledged leaders and household names, such as Apple, Dow Chemical, Nike, Netflix, and Monster Beverage. This is the best of the best, after all. But many lesser known firms qualify as well. The best bank in America, appearing fourth from the bottom of the list below, is the Bank of the Ozarks, with revenues of only \$615 million, but a truly sterling set of EVA statistics.

Ticker	Name	Sub-Industry	Sales	CPI Score	Prior CPI Score	Δ	TSR Rank	CPI - 3 Yr TSR Rank	MVA Margin /Sales	% tile	EVA Margin EVA /Sales	% tile	3 Yr Trend EVA Mo	% tile	Mkt Impl EVA Mo	% tile
The CPI Champs (Continued)																
ILMN	ILLUMINA INC	Life Sciences Tools & Svcs	\$2371	100.0	100.0	0.0	19	81.1	747%	96	16.0%	96	4.08%	86	3.01%	81
VVC	VECTREN CORP	Multi-Utilities	\$2353	100.0	19.8	80.2	63	36.8	103%	69	3.2%	75	1.08%	100	0.10%	50
ATR	APTARGROUP INC	Metal & Glass Containers	\$2339	100.0	100.0	0.0	49	51.4	145%	100	4.3%	100	0.30%	86	0.35%	86
MIDD	MIDDLEBY CORP	Industrial Machinery	\$2206	92.2	90.8	1.4	91	1.5	292%	90	5.7%	84	1.06%	86	1.38%	84
CNX	CONSOL ENERGY INC	Coal & Consumable Fuels	\$2167	100.0	17.0	83.0	37	63.3	0%	50	-29.7%	0	2.29%	100	3.67%	100
RDC	ROWAN COMPANIES PLC	Oil & Gas Drilling	\$1885	100.0	6.9	93.1	60	39.6	-191%	46	-7.2%	85	0.58%	100	-0.81%	31
ALSN	ALLISON TRANSMISSION HLDGS	Con, Ag Machinery & Trucks	\$1850	100.0			60	39.6	228%	100	3.9%	79	1.59%	93	1.14%	96
SBAC	SBA COMMUNICATIONS CORP	Integrated Telecom	\$1624	87.1	72.5	14.6	13	73.9	855%	100	-2.7%	25	1.95%	83	3.98%	100
DW	DREW INDUSTRIES INC	Auto & Suppliers	\$1610	100.0	75.3	24.7	100	0.0	126%	88	4.3%	91	1.43%	90	0.63%	88
MTN	VAIL RESORTS INC	Hotels Resorts & Cruise lines	\$1605	100.0	42.2	57.8	95	4.9	322%	89	5.3%	89	2.58%	88	1.50%	87
ROL	ROLLINS INC	Facilities Services	\$1550	100.0	91.1	8.9	92	8.1	415%	100	8.1%	100	0.78%	87	1.48%	100
CINF	CINCINNATI FINANCIAL CORP	Insurance	\$1521	92.1	85.4	6.7	78	14.3	372%	96	15.3%	80	1.32%	71	0.78%	81
LAMR	LAMAR ADVERTISING CO -CLA	Advertising	\$1470	100.0	83.3	16.7	100	0.0	375%	100	6.5%	83	3.32%	100	1.00%	83
ALGT	ALLEGIANTE TRAVEL CO	Airlines	\$1338	100.0	86.3	13.7	10	89.9	173%	100	15.4%	100	4.04%	100	-0.85%	0
CPRT	COPART INC	Diversified Support Services	\$1268	91.5	90.3	1.1	55	36.1	437%	96	14.8%	96	1.92%	96	0.99%	79
PINC	PREMIER INC	Health Care Services	\$1205	100.0			14	85.9	275%	93	12.9%	97	9.92%	100	0.34%	72
MSA	MSA SAFETY INC	Office Services & Supplies	\$1167	88.4	100.0	-11.6	64	24.9	157%	92	4.8%	77	0.31%	54	0.40%	92
RHP	RYMAN HOSPITALITY PPTYS INC	Real Estate Mgmt&Dev	\$1152	91.1	56.3	34.8	68	22.7	240%	65	7.8%	90	3.39%	79	1.11%	40
MSCI	MSCI INC	Publishing	\$1131	100.0	88.8	11.2	100	0.0	633%	100	16.0%	85	2.95%	100	1.95%	92
EPAM	EPAM SYSTEMS INC	IT Consulting & Other Svcs	\$1107	100.0			80	19.9	252%	96	4.8%	76	1.10%	96	1.32%	96
INCY	INCYTE CORP	Biotechnology	\$1023	92.5	91.1	1.4	89	3.6	1830%	61	18.6%	89	11.79%	80	12.78%	35
ALGN	ALIGN TECHNOLOGY INC	Health Care Supplies	\$1017	100.0	100.0	0.0	83	16.6	644%	91	13.5%	86	2.84%	90	3.27%	68
CMP	COMPASS MINERALS INTL INC	Diversified Metals & Mining	\$984	100.0	86.3	13.7	53	47.5	205%	80	3.7%	100	0.04%	80	1.18%	40
SJI	SOUTH JERSEY INDUSTRIES INC	Gas Utilities	\$964	100.0	12.0	88.0	5	95.3	137%	82	1.4%	9	2.03%	100	0.45%	91
NP	NEENAH PAPER INC	Paper & Forest Products	\$951	100.0	28.3	71.7	100	0.0	85%	73	1.1%	82	0.26%	91	0.48%	73
IPGP	IPG PHOTONICS CORP	Electronic Mfg Svcs	\$950	100.0	100.0	0.0	58	41.6	378%	100	18.7%	100	3.63%	100	1.28%	81
NIHD	NIL HOLDINGS INC	Wireless Telecom	\$923	100.0	11.6	88.4	0	100.0	-375%	14	-38.8%	14	3.54%	100	2.33%	86
LABL	MULTI-COLOR CORP	Commercial Printing	\$902	100.0	100.0	0.0	100	0.0	89%	86	1.9%	86	0.48%	100	0.28%	86
COHR	COHERENT INC	Electronic Eq&Components	\$857	89.5	42.1	47.4	92	-2.2	248%	81	3.8%	77	1.40%	90	1.87%	84
WTR	AQUA AMERICA INC	Water Utilities	\$820	36.5	100.0	-63.5	5	31.6	466%	80	2.0%	50	-0.84%	20	2.16%	80
DNKN	DUNKIN' BRANDS GROUP INC	Restaurants	\$817	100.0			29	70.5	629%	98	18.2%	100	3.09%	97	0.82%	81
TTI	TETRA TECHNOLOGIES INC/DE	Oil & Gas Eq&Svcs	\$779	100.0	24.4	75.6	14	86.2	9%	53	1.7%	94	1.87%	97	-0.22%	3
CACC	CREDIT ACCEPTANCE CORP	Diversified Financial Svcs	\$750	90.4	68.0	22.4	93	-2.1	389%	100	32.8%	95	3.08%	88	-0.74%	26
MTG	MGIC INVESTMENT CORP/WI	Thriffs & Mortgage Finance	\$736	90.3			5	85.5	85%	39	32.4%	100	62.89%	100	-3.65%	0
UBNT	UBIQUITI NETWORKS INC	Communications Equipment	\$720	100.0			59	40.9	580%	98	24.6%	98	5.39%	86	2.33%	78
WWE	WORLD WRESTLING ENTMT INC	Movies & Entertainment	\$700	100.0	0.0	100.0	33	66.9	158%	87	2.8%	67	2.11%	75	0.75%	73
ORA	ORMAT TECHNOLOGIES INC	Power Producers & Traders	\$667	100.0	100.0	0.0	100	0.0	214%	100	6.0%	82	4.24%	100	0.42%	45
LOCK	LIFELOCK INC	Specialized Consumer Svcs	\$650	100.0			54	46.2	280%	100	6.1%	75	2.03%	91	1.28%	88
CBOE	CBOE HOLDINGS INC	Non-Spread Financials	\$638	92.4			67	25.5	831%	95	28.5%	93	1.52%	75	3.84%	90
OZRK	BANK OF THE OZARKS INC	Commercial Banks	\$615	94.0	96.0	-2.0	71	23.2	487%	98	22.2%	100	9.32%	99	1.00%	70
HL	HECLA MINING CO	Precious Metals & Minerals	\$597	100.0	17.0	83.0	100	0.0	156%	80	-14.7%	75	0.06%	95	3.34%	60
AGX	ARGAN INC	Construction & Engineering	\$523	91.4	100.0	-8.6			141%	100	9.1%	100	1.81%	100	0.01%	87
VEEV	VEEVA SYSTEMS INC	Health Care Technology	\$508	100.0			90	10.3	1170%	100	15.4%	100	6.40%	100	8.33%	9

The revenues of the industry winners range from massive to comparatively miniscule, which may come as a surprise. One might imagine that larger companies would dominate, given inherent scale advantages. Or one might believe that smaller, nimbler, disruptive companies would have the edge. Our research refutes both suppositions. Across the full Russell 3000 universe, the correlation coefficient between CPI and the natural log of sales is +5%, equivalent to an R-

squared of .25%. This means there is only the very slightest tendency for larger firms to generate higher CPI scores. It is fairer to say that there is no bias either way, which means, as far as CPI is concerned, there is no compelling reason for a board to limit a peer group comparison to companies of comparable size, as many do. There is instead every opportunity to broaden peer groups across the size spectrum and gain statistical significance in making comparisons.

Many of the CPI Champs had to achieve major improvements to reach the top. Oil refiner and marketer Tesoro (\$26B sales) added 50 CPI points over the past three years to do it (the table shows its current CPI score is 100, and 3 years back—labelled Prior CPI Score—it was 49.6). Tech distributor CDW added 32 CPI points, Air Products, 49, Netflix, 24, Hasbro, 76, and Sealed Air, a whopping 92. These firms are to be congratulated for their dramatic ascents. But they also should realize how precarious sits the crown. Upstarts, turnarounds, technology disruptions, and plain mistakes frequently intervene and make it tough to stay on top. Sealed Air, for example, displaced former industry leader Packaging Corporation of America, which tumbled from a CPI score of 100 to 55 over the past three years.

The table above also lists the gap between the champs' CPI scores and their 3-year TSR ranks (9th column from left). The spread is often quite large. World Wrestling Entertainment, for example, with \$700 million in sales, produced just a 33rd percentile TSR among entertainment companies despite scoring a perfect 100 on CPI. In fact, the list is riddled with Dangerfields, as we call them—firms that ascended to the top of their businesses, usually in the making over many years, but that have not created value as fast as some or even many of their peers *in recent years*. Out of the 92 industry winners, 41 of them, or 45%, are colored blue, are outliers with CPI scores well above their 3 year TSR ranks. Once again, unlike CPI, TSR has far more to do with the timing of when the market recognizes or forecasts that value will be created than the actual creation of value. That is especially a problem when identifying truly excellent companies.

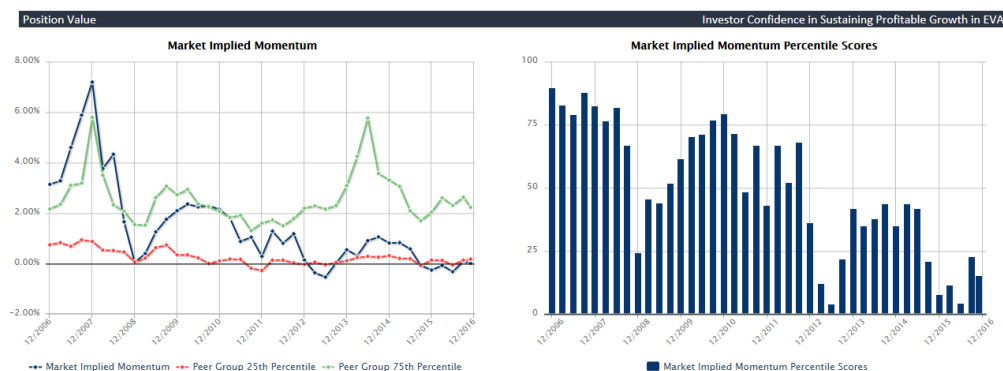
Apple is at the very top of our prestigious list, and the largest company on it. It's worthwhile to take a close look at it if only because the raw values are so staggering. Apple's sales are running at a four-quarter rate of \$215 billion, EVA profits, net of the cost of capital, are \$30.7 billion— that's EVA, not sales—and the company trades for a market-to-book wealth premium, or MVA, of over \$450 billion. Phew. Apple has certainly climbed a very, very tall mountain and made a great number of people very wealthy in the process. And its 3-year TSR is ranked 93rd percentile, so in this case TSR and EVA agree—Apple's been a great company.

AAPL	USA	CPI Score: 90
Sales	Sales Growth	3-Year Trend Growth
\$ 215,091	-8.0%	9.4%
EVA ?	EVA Margin ?	3-Yr Trend EVA Mo ?
\$ 30,708	14.3% (100)	1.48% (88)
MVA ?	MVA Margin ?	Mkt-Imp Mo ?
\$ 454,323	211% (90)	0.02% (15)

The EVA stats tell a similar story. Apple's EVA is 14.3% of sales, the highest profit margin in its business, and impressive by any standard. Its MVA is \$2.11 per \$1 of sales, 90th percentile. EVA has increased at the trend line average rate of 1.5% of lagging sales a year, 88th percentile. The one weakness in Apple's CPI numbers is that the market is pricing essentially no growth in EVA into the stock. That's right. Investors believe Apple has fully ripened from an EVA perspective, and that going forward the erosion in EVA from maturing products and saturating markets will cancel the

EVA Apple might generate from new products and markets, leaving EVA essentially flat forever, a sobering statistic.

The chart at left plots Apple's Market Implied Momentum as a blue line versus the 25th and 75th percentile values among peers in its industry, in red and green, and



at right, the corresponding percentile score. Over time, investors' expectations trended down. That's not unusual. As time passes and the potential value creation that investors originally foresaw is realized, the *ratio* of expected growth to current sales naturally comes down. But the corporate cooling tendency is more than just that. Corrosive forces are at work. Competition, saturation, substitution, fading fads, bureaucratic creep, overpriced acquisitions and plain blunders tend to sap economic vitality of any company in a process Joseph Schumpeter labelled creative destruction. It is very difficult for management to constantly reinvent the firm and stay on the edge and surprise investors by extending the economic life of the business. Time will tell if Apple can do it, but investors are not betting on it.

One caveat as you peruse the CPI Champs: Some industries are so sparsely populated that the winner isn't necessarily terrific (though it may be). The statistical significance is questionable for Exxon Mobil, for instance, because it is one of only three integrated oil and gas companies left in America these days. Industries comprised of 8 or fewer companies are salmon colored in the table, so you know. Most of those contain 6-8 companies, for example, there are only six construction materials and tobacco companies—too few to say the company at the top is truly outstanding.

Up next—We present our year-end target list—the 50 firms with bullseyes on their backs. With CPI and TSR both raising red flags, these companies have no where to run, no where to hide. It's the list you don't want to be on. GE is on the list.

Want a fuller explanation of EVA and CPI? Then tune into a 30 minute video-cast conducted by our CEO, Bennett Stewart. Click here: [Using the CPI Corporate Performance Index to Fix TSR Flaws](#)

Want free CPI reports and analyses of EVA vs. MVA on the 20,000 global tickers that we track with daily updates? Visit <http://pub.evadimensions.com/cpiexpress>

Go Enter a company name or ticker to access the **CPI Snapshot Report and EVA vs. MVA chart** demo

CPI Express | CPI Summary | EVA vs MVA | CPI Metrics | Sub-Ind CPI/TSR Grid | CPI Ranking | Manage Peers | Custom Summary | Custom CPI/TSR Grid | Custom CPI Rank

CPI Express Corporate Performance Index

Ranking Company Performance by Economic Value

What is CPI?

- [CPI Overview \(1-page summary\)](#)
- [Tutorial and Demo by Bennett Stewart \(webcast\)](#)
- [CPI User's Manual \(PPT deck\)](#)

CPI Resources

- [CPI – The Corporate Performance Index \(detailed write-up\)](#)
- [Why EVA and Not EPS is Used in CPI \(cases on Amazon and Volkswagen\)](#)
- [What Really Determines TSR? \(Journal of Applied Corporate Finance\)](#)

EVA Resources

- [Introduction to EVA and EVA Dimensions \(7 page overview\)](#)
- [EVA 101 – the EVA Essentials explained by Bennett Stewart \(45 minute video\)](#)
- [The EVA Cheat Sheet \(on two pages\)](#)
- [Motivate Managers to Think and Act Like Owners \(Memo\)](#)

Testimonials

- [Ball Corporation CEO John Hayes on EVA \(video\)](#)
- [How Dow Chemical Uses EVA: Interview with President and COO Jim Fitterling \(video\)](#)
- [Dow Chemical CEO Andrew Liveris on EVA as a "Gamechanger" \(video\)](#)
- [Borg Warner CFO Ron Hundzinski on Value of EVA and the Software Solution \(video\)](#)

CPI in Action

National Association of Manufacturers CEO Robin Ferraro
MAPI (the Manufacturer's Corporate governance guru)
Chief Executive magazine

CPI Express Licensing Opportunity

CPI Essentials: add in-debt and a comprehensive ratio
CPI Premium: add ability
All data is refreshed daily for

EVA Software Solutions
Overview and Demos of
More Information, Please
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CATERPILLAR INC. - CAT

Construction & Agricultural and Farm Machinery & Heavy Trucks

The Key EVA/MVA Charts

Market Value vs. Capital

The firm's overall market value, net of excess cash, is plotted as the gray bar, and the capital invested in its net business assets, also net of excess cash, is the blue bar.

It's the spread between the two, or MVA, that counts. If the spread is positive, the firm converted less valuable inputs into more valuable outputs, and it added to the owner's wealth – or else it has destroyed it.

Observe the blue bar: how aggressive was the investment in business assets – in working capital, plant and equipment, investments, and intangible assets – and did management invest the capital at the right times?

A major acquisition will appear as a step jump in capital. In such cases, did the added value cover the purchase price, or was owner wealth eroded?

MVA vs. EVA

The firm's MVA is plotted as the blue bar on the left-hand scale. It measures the owner's wealth, the firm's franchise value and the corporate aggregate NPV.

The firm's EVA profits net of the full cost of capital, and after fixing accounting distortions, is the red line plotted on the right-hand scale.

Look for a link. When EVA goes sideways or southward, MVA tends to follow in suit, and regardless of whether other measures, like EPS or EBITDA, are growing. It generally takes a rising trend in EVA to lift MVA and generate an outstanding TSR. With cyclical stocks, MVA and EVA tend to move in tandem, albeit with a lag.

For this reason, Fortune magazine dubbed EVA "the real key to creating wealth."

■ MVA Market Value Added (MVA) = Capital (MVA) - EVA (MVA) - Capital Charge (right)

Sales vs. EVA Margin

The chart plots the two main EVA drivers – sales, and the EVA/Sales Margin on the sales.

Look first to compare the current EVA Margin with the high points and low points over time. Is there a discernible trend, for better or worse?

Next, is the EVA Margin positive, or negative, or generally close to zero (in a band of +/- 1-2%)? To create value, the Margin will need to be at least 2%. Less than that, and sales growth doesn't really count.

Note cyclicity. Does the firm's EVA Margin tend to nose-dive when sales are off, and strongly rebound with a sales recovery? If so, that is a sign of fixed cost intensity, and, perhaps, a management team that is unable to temper capital spending in good times and to anticipate or swiftly respond to downturns.

■ Sales (left) - EVA Margin (right)

Total Shareholder Return

2 Year TSR Percentile

This bar The EVA Sweet Spot
This bar Stocks better rated by EVA than by TSR
This bar Stocks generating more TSR than EVA