Economic Value Added Analysis

for the Consumer Electronics Association

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Using EVA and EVA Momentum to measure, benchmark and project financial performance and shareholder wealth creation
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INTRODUCTION

This report provides a summary of financial health and indicators of financial outlook using a framework of metrics based on Economic Value Added (EVA). The analysis covers five industry groups, each of which includes companies that are members of the Consumer Electronics Association. The industries are Personal Computers, Audio/Video, Accessories, Imaging and Tech Retail.

EVA measures a firm’s true economic profit after deducting the full opportunity cost of all invested capital, equity as well as debt. EVA combines income efficiency, balance sheet asset management, profitable growth and strategic retrenchment into one decisive net profit score. It increases when operations are streamlined and wasteful costs cut, when new capital is invested in positive "NPV" projects that exceed the cost of capital, and when capital not pulling its weight is purged from the balance sheet.

EVA is also measured after consistently correcting a set of accounting distortions that undermine reported accounting metrics. EVA treats leased assets as if owned, discharges surplus cash from capital, writes off R&D spending over five years and ad spending over three years instead of immediately expensing them, reverses impairment charges as inconsequential bookkeeping events, treats restructuring costs as investments that must earn a return, and so forth. As a result, EVA provides the surest, most comprehensive and inherently comparable indicator of a company's true performance and intrinsic value.

The report is organized into three sections. The first section reviews key EVA metrics for an example company, McDonalds, in order to familiarize the reader to the EVA measures. The second section reviews the aggregate EVA metrics for the five industries over the last five years, and the final section benchmarks each industry’s current performance against the Russell 3000.

Several conventions and abbreviations are used throughout this report:

- **Aggregation:** The metrics provided for each industry were compiled by aggregating the individual companies into one large company. The metrics thus reveal the overall health and financial performance trajectory of the industry rather than any one company.

- **TFQ (Trailing Four Quarter):** In order to provide the most recent annualized data, quarterly reported data are summed into “Trailing Four Quarters” (TFQ). For example, 2011TFQ2 is the performance over the span covering third quarter 2010 through second quarter 2011 (June 30, 2011).

- **Alignment:** Companies with different fiscal year ends are combined into one set of TFQ metrics. Thus, the segment metrics for 2011TFQ2 includes individual company results for the four quarter periods ending in April, May, or June 2011, depending on each company’s reporting cycle. Most segments have reported results through 2011TFQ2. Segments with firms based outside the US have reported results through 2011TFQ1.
EVA BASICS

The seven key metrics tracked in this report are defined below.

- **EVA (Economic Value Added):** As previously stated, EVA is an estimate of a firm’s true economic profit after deducting the full opportunity cost of all invested capital, equity as well as debt. EVA is unique in combining income efficiency, balance sheet asset management, profitable growth and strategic retrenchment into one decisive net profit score. EVA is measured after consistently eliminating a set of accounting distortions that undermine the validity of reported accounting metrics. EVA treats leased assets as if owned, discharges surplus cash from capital, writes off R&D spending over 5 years and ad spending over 3 years, reverses impairment charges as inconsequential bookkeeping events, treats restructuring costs as investments that must earn a return, and so forth. As a result, EVA provides the surest, most comprehensive and inherently comparable indicator of a company's true performance and its intrinsic value.

- **MVA (Market Value Added):** MVA is the spread between a company's market value, given its share price, and the amount of capital invested in the business. (Capital as used in this computation includes the same adjustments made to calculate EVA, such as reversing impairment charges, capitalizing restructuring charges, and the like.) MVA measures a firm’s "franchise value," the value of its business as a going concern above the cost of merely aggregating the operating assets. Increasing MVA is the key to generating outstanding returns for investors, and is a sign that capital has been allocated, managed and re-deployed effectively to maximize the “net present value” of the enterprise.

In principle, a company is fairly valued if its MVA at a point in time is equal to the present value of the EVA profit stream it can be expected to earn in the future. That is because EVA, by its nature, sets aside the cost of whatever capital a company has invested or is forecast to invest, and thus it directly discounts to the value added on top of the invested capital. It is the profit measure that discounts to and explains a firm’s franchise value. Stated another way, the present value of future EVA is exactly equal to the net present value (NPV) obtained by a classic discounted-cash-flow analysis. Thus the most successful firms and businesses exhibit a rising stream of EVA profit propelling a rising tide in shareholder wealth in the form of an expanding MVA premium over book capital.

A set of five ratio metrics enable comparisons of EVA and MVA after neutralizing size differences, as follows:

- **MVA Spread (MVA/Capital):** A measure of the market value premium created per unit of invested capital. A higher ratio means capital is being more productively employed to create wealth. Although it is a useful indicator, maximizing the MVA Spread ratio should not be the main corporate goal. Maximizing MVA by maximizing the stream of EVA earned over time should be.

- **EVA Spread (EVA/Capital):** Measures the EVA yield on capital. It is mathematically the same as the difference between a firm’s return on capital and its weighted average cost of capital. A higher spread indicates greater business model productivity in turning capital into economic profit. Generally, a higher EVA Spread leads to a higher MVA Spread.
EVA Margin (EVA/Sales): The percent of sales that remains after covering all operating cost, capital costs, depreciation, amortization and taxes. It is the true bottom line net profit margin, and as such, it is more inherently comparable across business lines, companies and industries than normal operating margins. It neutralizes comparisons between low-risk service firms like Wal-Mart that tie up little capital and high-risk capital intensive ones like Intel, for instance. It fully recognizes the value of superior asset management and achieving lean, high velocity business models, which EBIT or EBITDA margins do not. For reference, over the past twenty years, the median Russell 3000 firm earned an EVA Margin of 0.5% -- at any time about half of all companies are either earning an immaterial or negative EVA profit. The 75th percentile EVA Margin lies at 4.5%, and 90th percentile at 9%.

EVA Margin is also a more reliable gauge of the impact of sourcing decisions. Outsourcing choices typically shift capital charges from the balance sheet to income statement, with confusing consequences. Consider a firm that outsources a perfunctory, EVA break-even manufacturing activity. Its operating margins decline (because it must compensate its supplier through its cost of goods sold for the capital costs that the supplier bears on its behalf), but its return on capital is apt to increase (because it is only left with the higher return from its intangible value-adding activities once it sheds lower returning manufacturing assets). Yet if there is no change in EVA there is no change in its EVA Margin or in its intrinsic net present value. The point is, EVA Margin increases only if the entire supply chain genuinely becomes more globally competitive and there is added value to share, whereas other conventional financial performance measures give a false reading one way or another.

EVA Momentum (ΔEVA/Trailing Sales): It is the change in EVA over a period, stated as a percent of prior period revenues. It is essentially the growth rate in EVA, scaled to the size of the business as measured by sales. It is the only ratio in all business, finance, or investing where bigger is generally better, because it gets bigger when EVA gets bigger. It measures performance at the margin, not on the average. It is positive for a negative EVA business that is turning around and becoming less negative. It is flat or falling for a profitable business whose business model is fatiguing or under pressure. It better reveals true trends and turning points worthy of note than any other growth indicator. For reference, the long run average EVA Momentum rate for the Russell 3000 median firm is just 0.3% --- indicating markets tend to be EVA competitive at the margin; it is 1 to 1.5% at the 75th percentile, and 3 to 4% at the 90th. Apple, a signal outlier, has racked up 6% to 8% EVA Momentum per year for the past 6 to 8 years.

EVA Momentum is the product of all underling performance factors, but it is convenient to think of it simply as the sum of two main drivers. First, how much did the firm’s EVA Margin change over the period, which indicates the degree of expansion or contraction in the overall productivity and profitability of the firm’s business model spanning income efficiency and asset management. The second is termed "Profitable Growth" -- literally the product of the firm’s sales growth rate and its concluding EVA Margin. A firm that is adding to sales at a 10% growth rate, and adding to EVA at a 3% Margin rate, generates 0.3% Momentum from Profitable Growth, for instance (10% times 3%). This means that if EVA Margin is zero or negative, as it is for many firms, then sales growth is either inconsequential or value-destructive. Increasing EVA Margin and making it positive to some degree is an essential prerequisite for strategic success in any business. All managers should know the EVA Margin their business is earning and how to drive it higher.
Unlike return or margin measures, which give static performance snapshots, EVA Momentum is a dynamic moving picture measure of progress at improving performance and growing net present value.

- **Market-Implied Momentum (MIM):** The EVA Momentum growth rate that is implicitly baked into a company's MVA and share price. A company's MIM rate is a more reliable indication of investor expectations for future performance than the so-called EPS consensus, which is an arbitrary aggregation of sell-side analyst opinions (as though the buy-side doesn't count) for a near term measure of book earnings that hardly captures all the long-run performance factors impounded into a firm’s current market value. MIM on the other hand is calculated by solving for the EVA growth trajectory that discounts back to the current share price. It is a true “consensus.”

Firms or sectors that have large projected MIM rates are expected either to recover sharply from a downturn or to benefit from long-run pricing power, demand growth, innovation excellence, and process efficiencies that will propel rapid expansion in economic profits. Low or meager MIM rates indicate that investors believe a company is apt to face intense competitive headwinds restraining profitable growth or to tumble from a cyclical peak. Monitoring MIM is a good way to free-ride on the forecast judgments of the investment community, a strategy we shall shamelessly exploit.
EVA Analysis of McDonalds

To demonstrate the key metrics covered by this report, we start with a familiar company, McDonalds, as an example.

Market Value Added (MVA) and Economic Value Added (EVA)

McDonalds’ MVA growth illustrates the expected link between MVA and EVA. As noted, MVA is the spread between a company’s market value and the amount of capital invested in the business. In principle, a company is fairly valued if its MVA is equal to the present value of the EVA profit stream investors expect it to earn in the future. Recent EVA and EVA trends are major factors in investor expectations about future EVA.

McDonalds has achieved gains in EVA every year since 2003, building from an EVA deficit of $59 million in 2002 to $2.7 billion in 2010 and nearly $3 billion in the four quarters ended in June 2011.

Investor expectations about future performance marched upward in step with EVA, lifting McDonalds’ MVA from $8.6 billion at the end of 2002 to $71 billion at the end of June 2011, with only a modest decline during the 2008-2009 market crash.
Sales and EVA Margin

How did McDonalds increase its EVA so successfully? Was it by improving efficiency or profitably growing sales? The answer is both, but most of the credit goes to a widening EVA Margin.

The company’s EVA Margin (EVA per dollar of sales) has risen from a negative 0.4% in 2002 to a remarkable 11.6% in the four quarters ended in June 2011. Sales growth also has contributed to the EVA gains, but its contribution has been much smaller. And an expanding EVA Margin in 2009, from 9.3% to 11.0%, was enough to overcome a modest sales decline that year and keep EVA on its upward trajectory.
EVA Momentum and Implied EVA Momentum

EVA Momentum measures the change in EVA over a period, stated as a percentage of prior period revenues. It is essentially the growth rate in EVA scaled to the sales size of the business. It succinctly summarizes the net impact of increasing business model productivity via expansion of the EVA Margin and the contribution of sales growth at a positive EVA Margin (or the negative impact of sales growth at a negative EVA Margin).

As shown below, McDonalds has achieved impressively high EVA Momentum. Since 2006, the company’s EVA Momentum has averaged 1.7% and has dropped below 1.0% only once, to 0.8% in 2010. To put that in perspective, the long-run average EVA Momentum of the median Russell 3000 company is just 0.3%.

On average, McDonalds’ productivity improvements have contributed 1.3% per year to EVA Momentum as the company’s EVA Margin has expanded from 3.7% in 2005 to 11.6% in the most recent four quarters. The balance of the EVA Momentum, 0.4% on average, came from sales growth. (The contribution of sales growth is calculated by multiplying the sales growth rate by the EVA Margin in the concluding period.)

While EVA Momentum summarizes past EVA Growth, Market Implied EVA Momentum (MIM) captures the market’s expectations for future EVA growth. Based on its stock price on June 30, 2011, McDonalds had an MIM of 0.6%. Investors, in other words, had priced the stock to reflect expectations of EVA growing by 0.6% of the most recent sales over the next 10 years. As noted above, that’s double the EVA Momentum that the median Russell 3000 company is likely to achieve. But it is also worth noting that McDonalds has consistently surprised investors on the upside in recent years, producing more EVA Momentum than the expectations reflected in its share price.
INDUSTRY COMPARISONS

This section compares eight broadly defined industry groups, each of which includes companies that are members of the Consumer Electronics Association.

EVA Margin (EVA/Sales)

EVA Margin measures how much EVA is created for every dollar of sales, revealing the EVA profitability of a firm per dollar of sales. The graph below shows the weighted average EVA Margin for each industry in the latest four-quarter period, essentially the total EVA divided by the total sales of all companies in each industry.

The industries fall into two distinct groups based on their EVA Margins. Three are earning more than their cost of capital, on average. They are Personal Computers, Accessories and Tech Retail. In contrast, Audio & Video and Imaging have aggregate net after-tax operating profits that are below their cost of capital. The first three industries have EVA Margins above the Russell 3000 median (Personal Computers is above the 75th percentile), while Audio & Video and Imaging are below the Russell median.

For a full listing of the companies in each industry and a detailed analysis, see the EVA Analysis per Industry sections later in the report.
EVA Momentum (ΔEVA/Trailing Sales)

While EVA Margin provides a snapshot of the industry’s current EVA profitability, EVA Momentum describes the EVA trajectory scaled to trailing sales. The industries line up somewhat differently on EVA Momentum than they do on EVA Margin. Imaging, which has the lowest EVA Margin in the group, achieved healthy EVA Momentum of 1.6% in the most recent four quarters, though its three-year trend was -0.6%. In contrast, Accessories had the most negative EVA Momentum in the most recent period (-5.8%) and a negative trend overall for the last three years. Its EVA Margin still is in positive territory, but the recent change is disheartening. Personal Computers had the best EVA Momentum performance over the most recent four quarters and over the prior three years.

The following slides show what investors expect of these industries going forward.
MVA Spread (MVA/Capital)

MVA Spread, or MVA per dollar of capital, measures the market value premium per unit of invested capital and is used to compare the MVA premiums of firms of different sizes. The chart below shows a weighted average MVA/Capital measure for each of the industries, indicating investor assessments of the present value of future EVA, scaled to the aggregate capital base.

The chart shows the MVA/Capital ratios as of June 30 and as of September 16, after the sharp market selloff. The biggest surprise here is that the MVA/Capital ratio for Tech Retail actually increased over that period.

Personal Computers commands the highest valuation relative to capital deployed, with MVA/Capital ratios of 331% on June 30 and 304% on September 16. For every dollar of capital deployed, investors on September 16 expected Personal Computer companies, on average, to produce $3.04 of EVA in present value terms. That is well above the 75th percentile for the Russell 3000 universe. The MVA/Capital ratio for Tech Retail was solidly above the 50th percentile among Russell 3000 companies on June 30, and Accessories was right at the median level. Imaging and Audio & Video, however, were below the 25th percentile, and Audio & Video actually had negative MVA, meaning that investors expect its EVA to become more negative in the future.

Given these MVA metrics, how much EVA must be produced to meet the market’s expectations? In other words, do the industries need to achieve EVA growth rates above recent levels to meet investor expectations?
Implied EVA Momentum

Market Implied EVA Momentum (MIM) summarizes the annual EVA growth required for the next 10 years to meet the market expectations baked into firms’ stock prices. MIM is expressed as a level percentage of sales in the most recent four quarters. In other words, it is the average growth rate or decline in EVA required annually, scaled to the most recent trailing sales.

Based on market prices as of June 30th, investors expected all five industries to produce rising EVA in the future, with the highest expectations for Personal Computers and the lowest for Accessories and Audio & Video. By September 16 the relative positions had changed. Tech Retail then had the highest MIM, at 4.4%, while the Market Implied EVA Momentum for Personal Computers had declined from 4.8% to 3.6%. MIM for Imaging did not change, while the market expectations for Audio & Video had dropped to zero EVA growth and expectations for Accessories had turned slightly negative.
PERSONAL COMPUTERS

Market Value Added and Economic Value Added

In the four quarter period ended in March 2011 the Personal Computer industry produced more than $21 billion of economic profit for shareholders, or $3.5 billion more than the EVA it achieved in calendar 2010 and more than double the $10.5 billion in 2007. The industry has produced positive EVA every year since 1995, even through recessions.

In 2007 investors awarded the industry with a hefty MVA premium of $282 billion on expectations that its string of EVA increases would continue. The credit crisis and stock-market collapse in 2008 wiped out nearly $120 billion of that MVA premium as investors worried that no industry would continue to prosper. Since the industry weathered the storm so well, investors have again bid up the premium they are willing to pay, with aggregate MVA rising to a new high of nearly $350 billion at the end of March 2011.
Sales and EVA Margin

The Personal Computer industry produced an average of 6.5 cents of economic profit for every dollar of sales in the four quarters ended March 2011, as indicated by its average EVA Margin of 6.5%. As the red line in the graph indicates, the industry’s EVA Margin has increased in almost every year since 2003.

Sales also have traced a strong upward trajectory in most years, and declined only modestly in the most recent recession.
EVA Momentum and Implied EVA Momentum

The industry’s EVA Momentum of 2.6% in the most recent four quarters reflects EVA growth of $7 billion, scaled to trailing sales of $277 billion. As seen in the previous slide, the EVA growth came from profitable sales growth and the increase in efficiency reflected by a stronger EVA Margin.

Market Implied EVA Momentum reflects investors’ expectations for the annual EVA growth rate (or decline) for the industry, scaled to trailing sales. Despite the strong rebound in EVA Momentum since 2008, investors currently expect the industry’s annual EVA to grow more modestly in the future. The Market Implied EVA Momentum of 0.48% on March 31, 2011 translates to an expected EVA improvement of $1.6 billion a year over the next 10 years (0.48% of $330 billion of sales in the four quarters ended in the first quarter of 2011). If aggregate EVA increases by more than $1.6 billion a year, performance will exceed investor expectations.

Personal Computer Segment Includes:

ACER INC  APPLE INC  ASUSTEK COMPUTER INC
DELL INC  HEWLETT-PACKARD CO  LENOVO GROUP LTD
AUDIO & VIDEO

Market Value Added and Economic Value Added

The past decade has been a protracted struggle for the Audio & Video industry, which has gyrated between negative and only slightly positive EVA. The industry’s economic performance declined dramatically in the most recent recession, dropping to aggregate EVA of minus $11.9 billion, and then recovered quickly in 2009 and 2010. In the four quarters ended in March 2011, however, aggregate EVA dropped back to minus $1.5 billion.

After rising to $85 billion in 2005, the industry’s MVA dropped all the way to minus $45.6 billion by the end of 2008. MVA recovered somewhat with the recovery in EVA, but the recent downturn in economic profits carried MVA back into negative territory.
Sales and EVA Margin

The Audio & Video industry’s sales grew fairly steadily over the last two decades. They nearly quadrupled from $107 billion in 1992 to $401 billion in 2010 before dropping back to $370 billion in the four quarters ended in March 2011. However, the industry has only rarely been able to earn positive EVA margins on those sales. Its EVA Margin moved into the black in 2010 before dropping to minus 0.4% in the four quarters ended in March 2011.
Audio & Video EVA Momentum and Implied EVA Momentum

The improvement in EVA Margin in 2009 and 2010 is reflected in fairly strong EVA Momentum of 2.2% and 2.6% in those years. But the decline in EVA Margin in the four quarters ended in March 2011 also put EVA Momentum in the red by 0.1%. Investors are not optimistic about the industry’s ability to achieve sustained EVA growth in the future. Market Implied Momentum was 0.1% at the end of March 2011 and zero as of September 21, 2011.

Audio & Video Segment Includes:

- ALPINE ELECTRONICS INC
- LG DISPLAY CO LTD
- SANYO ELECTRIC (TAIWAN) CO
- DOLBY LABORATORIES INC
- PANASONIC CORP
- SHARP CORP
- HARMAN INTERNATIONAL INDS
- PIONEER CORP
- SONY CORP
- JVC KENWOOD CORP
- SAMSUNG ELECTRONICS CO LTD
**IMAGING**

**Market Value Added and Economic Value Added**

In the aggregate, the Imaging industry has managed to earn more than its cost of capital in only two years—2003 and 2007—since 1992. Even so, investors awarded an MVA premium for most of that period, expecting that the industry ultimately would produce economic profits in the future. Investors were particularly ebullient at the peak of the dot-com bubble in 1999 and again in 2006. The industry’s aggregate MVA turned negative during the market collapse of 2008 before recovering to nearly $13 billion at the end of 2010. By the end of the first quarter of 2011, the MVA premium had declined to $4 billion.
Sales and EVA Margin

As this chart shows, the Imaging industry’s EVA Margin has been negative to varying degrees throughout most of the last two decades. The sales recovery in 2010 helped the industry lift its EVA Margin back from a 2009 nadir of minus 4.8%, but the EVA Margin turned back down as sales leveled off in the four quarters ended in March 2011.
EVA Momentum and Implied EVA Momentum

The Imaging industry produced aggregate EVA Momentum of a healthy 3.1% in 2010 as both sales and EVA Margin recovered from the recession. EVA Momentum also was positive, at 1.6%, for the four quarters ended in March of this year (versus the same four-quarter period a year before). Investors do not expect the good news to persist, however. At 0.3%, Market Implied Momentum remained well below realized EVA Momentum in 2010 and was at the same 0.3% at the end of March 2011. If the industry can sustain its recent EVA improvement, it will provide a positive surprise for investors, which should translate into stock returns that exceed the market averages.

Imaging Segment Includes:

CANON INC  EASTMAN KODAK CO  FUJIFILM HLDGS CORP
NIKON CORP  OLYMPUS CORP
**CONSUMER ELECTRONIC ACCESSORIES**

**Market Value Added and Economic Value Added**

Aggregate EVA in the Accessories industry turned positive in 2002 and marched steadily upward through 2008, reaching $1.5 billion that year. Investors interpreted the EVA performance as a harbinger of more to come, and bid up the industry’s aggregate MVA to $37 billion by the end of 2007. Then came the market crash, and MVA dropped all the way to $8.7 billion by the end of 2008 even though EVA continued to increase that year. EVA has seesawed since then, dropping in the recession, recovering in 2010, and then dropping again in the four quarters ended in June 2012. MVA, meanwhile, has been on a slow downward trend, reaching $7.4 billion at the end of June 2011.
Sales and EVA Margin

The strong EVA growth from 2001 through 2008 resulted from a generic uptrend in the industry’s EVA Margin, which reached a peak of 7.9% in 2007, and from profitable sales growth. Sales of the companies in this aggregate rose from $3 billion in 2001 to $21 billion in 2008 before dropping slightly in the recession. The industry made up the lost sales ground in 2010 and sales in the four quarters ended in June 2011 were at a new high of $21.6 billion. The industry’s EVA Margin, however, remains well below the levels of three and four years ago.
EVA Momentum and Implied EVA Momentum

The industry’s EVA Momentum remained positive in 2008 as rising sales more than offset a slight decline in the EVA Margin. But EVA Momentum was a negative 3.8% in 2009 as sales declined and the EVA Margin continued downward. The industry posted positive EVA Momentum in 2010 as both sales and the EVA Margin recovered, but the sharp decline in EVA Margins in the most recent four-quarter period resulted in negative EVA Momentum of 5.8%. Investor optimism has suffered through this period, as can be seen in the decline in Market Implied Momentum. But by June 30 investors believed the worst was in the past, pricing the industry stocks at an aggregate Market Implied Momentum of 0.1%.

Accessories Segment Includes:
- ENERGIZER HOLDINGS INC
- GARMIN LTD
- IGO INC
- KOSS CORP
- LOGITECH INTERNATIONAL SA
- TOMTOM NV
- UNIVERSAL ELECTRONICS INC
- WESTERN DIGITAL CORP
TECH RETAIL

Market Value Added and Economic Value Added

Technology Retailers had a rocky period in the 1990s, with negative EVA for most of the decade, and took a serious drubbing in the recession of 2000-2001, when their aggregate EVA dropped to minus $1.2 billion. They came out of that recession strongly, however, with aggregate EVA rising to a peak of $2.4 billion in 2007. EVA has been bumpy since then, dropping in the recession, moving up in 2010, and then dropping part way back as the recovery faltered in 2011. Investors were largely unphased by the 2000-2001 recession. The industry’s MVA premium declined, but to a much lesser extent that EVA. The obvious confidence was rewarded in the years that followed. Investors also have remained confident through the latest recession, apart from the brief but sharp MVA decline during the 2008 market collapse.
Sales and EVA Margin

The sales of Tech Retailers have traced one of the smoothest upward paths in business over the last two decades, rising literally without interruption from $32 billion in 1992 to $225 billion in the four quarters ended in June 2011. The industry’s EVA Margin followed a similar trajectory—albeit with a rude interruption in the 2000-2001 recession—through the peak of the last business cycle. EVA Margins have been lower since then, down from the peak of 1.3% to a range of 0.8% to 1.1%.
EVA Momentum and Implied EVA Momentum

The Tech Retail industry’s EVA Momentum recovered to 0.4% following the recession, but then slipped back to 0.2% in the most recent four quarters as economic growth slowed. Market Implied EVA Momentum has held up, however, at a steady 0.4% since the end of 2009. That figure translates to an expected $900 million a year of EVA growth built into stock prices as of June 30, 2011. Investors, in other words, believe the industry’s future is better than its recent past.

Tech Retail Segment Includes:

- AMAZON.COM INC
- BEST BUY CO
- CONN’S INC
- DIXONS RETAIL PLC
- GAMESTOP CORP
- HHGREGG INC
- OFFICEMAX INC
- PC MALL INC
- RADIOSHACK CORP
- STAPLES INC
- SYSTEMAX INC
- TARGET CORP