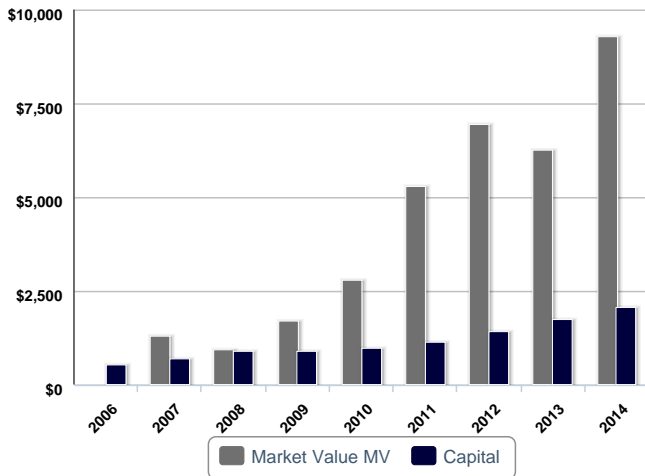


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Market Value vs Capital

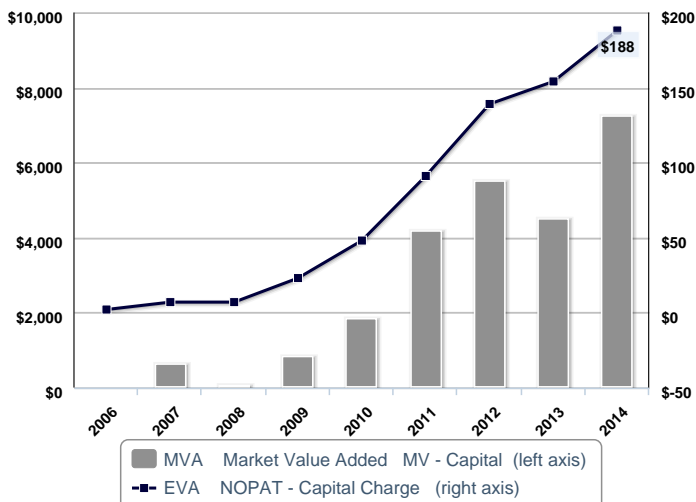


**Market Value** (the gray bar), or MV for short, is the total value of the firm's debt and equity capital at market prices. It is what it would cost to buy the business, debt and rent free, and free of excess cash.

**Capital** (the blue bar) is the corresponding investment in the firm's net business assets, including rented assets -- covering working capital, net PP&E, investments in intangibles, investments at equity and cost, goodwill and miscellaneous assets -- but net of excess cash, so that the measures correspond.

**MVA, or Market Value Added** (shown as bar on the lower chart) is simply the difference between the two. To increase MVA and add to owner wealth, the firm's market value must increase by more than the additional capital put or left in the business.

MVA vs EVA



**MVA** (gray bar) is Market Value minus Capital. It measures the owner's wealth above the capital they've invested, the company's franchise value from all proprietary assets and distinctive capabilities, and it is the market's estimate of the net present value, or NPV, of all investments the company has made or will make. Increasing MVA should be every company's most important financial goal.

**EVA** (blue line) is the economic profit after deducting a full cost of capital charge on the firm's net business assets (and after correcting accounting distortions). It does not start to count profit until shareholders have earned a minimum risk-adjusted return. It increases when wasteful costs are cut, when assets turn faster and capital is freed, and when management invests in growth above the cost of the capital. It measures all ways performance can be improved and wealth created. EVA mathematically discounts to the NPV of a capital project and the MVA of a company. Changes in EVA thus tend to best explain changes in MVA, and increasing EVA is the real key to creating wealth.

## Learn More about using Best-Practice EVA at your organization

EVA Dimensions ([www.evaDimensions.com](http://www.evaDimensions.com)) is the source of Best-Practice EVA and a range of software, data and training and support services to help you put it into action. Led by CEO and book author, Bennett Stewart, EVA Dimensions brings unparalleled expertise and is the recognized authority in the field.

### Corporate Finance

Software, training and hands-on support that enable corporate CFO teams to take BP-EVA for a test drive or to use it right across business units, business plans, and business decisions. It's a simple, affordable, powerful way to bring financial management excellence into your company.

### Institutional Investors

EVA Dimensions expert research team provides EVA data, quantitative analysis, screens, portfolio reviews, sector analysis, PRVIt ratings and custom insights on themes and companies and industries that our institutional investor clients care about. The team also sponsors investor education forums, and hosts **Investor Express**, the web-based analytical tool for BP-EVA analysis of 9,000 global stocks.

### Bankers/Buyers

Software, data, and training to put BP-EVA to work to analyze and value buy-sell transactions.

### Consultants

Tap into **Corporate Express**, EVA Dimensions' acclaimed on-demand toolkit to analyze, project, value and benchmark any of the 9,000 public companies in our global file. Use the EVA metrics, diagnostic tools, and value simulation engines to impress your clients with your financial acumen and insight, and to prove your proposition really adds value by adding to EVA.

### Business Educators/Researchers

Bring Best-Practice EVA into the classroom and into your research activities with special-priced access to EVA Dimensions' software, data, and education assets.

### Become a Partner

Team with EVA Dimensions to create differentiated and value-added services for your clients and target market.