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Economic Value Added (EVA) as a Tool for Decision-Making: An Empirical Analysis

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Abstract:

This study examines the role of Economic Value Added (EVA) as a key financial metric for enhancing decision-making processes within organizations, focusing on an empirical analysis of Saidal from 2019 to 2023. The study reveals that EVA fluctuated significantly during this period, with negative values in 2019 and 2023 highlighting challenges in generating adequate returns, while positive values in other years reflect successful value creation. By analyzing these trends, the research illustrates how EVA can guide management in optimizing capital investments, controlling costs, and formulating effective strategic plans. The findings underscore the practical importance of EVA as a tool for improving financial performance and maximizing shareholder value, particularly in the pharmaceutical industry.

Keywords: *Economic Value Added, EVA, decision-making, value creation, capital investment, pharmaceutical sector.*

JEL Classification: *G30 ،M41.*

1. *Introduction*

Performance measurement is increasingly recognized as a cornerstone of strategic corporate management, particularly in industries where long-term investments and complex operational dynamics prevail. Traditional accounting-based indicators, such as Return on Assets (ROA) and Return on Equity (ROE), often fail to capture the full extent of economic value creation, as they overlook the cost of capital and the time value of money. In response, Economic Value Added (EVA) has emerged as a comprehensive value-based performance metric that measures whether a firm generates returns exceeding its cost of capital.

Originating from the work of Stewart and Stern in the early 1990s, EVA shifts the focus from pure profit maximization to sustainable shareholder wealth creation, integrating both accounting performance and market-based cost of capital considerations. This makes it highly relevant for the pharmaceutical industry — a sector characterized by large-scale research and development expenditures, long product development cycles, stringent regulatory environments, and capital-intensive operations.

Within this context, the present study applies the EVA methodology to SAIDAL Group, a leading pharmaceutical company in North Africa, to provide an enhanced framework for evaluating financial performance, decision-making effectiveness, and capacity for sustainable value creation. The primary objective is to assess to what extent EVA offers deeper and more actionable insights compared to traditional performance

This raises a key research problem:

To what extent does Economic Value Added (EVA) enhance corporate decision-making and value creation in SAIDAL group?

- ***Research Hypotheses***

This study formulates the following hypotheses to empirically test these relationships:

- EVA provides a clearer picture of a company's ability to create value compared to traditional measures such as ROA and ROE.
- Using EVA in performance evaluation supports better-informed managerial decision-making.

- ***Research Importance***

This study is significant because it applies the Economic Value Added (EVA) framework to SAIDAL, a leading pharmaceutical company in North Africa, where research on EVA is still limited. The EVA approach overcomes the shortcomings of traditional measures like ROA and ROE by accounting for the cost of capital, thus providing a clearer picture of value creation.

Findings will offer valuable insights for improving strategic decision-making, corporate governance, and long-term competitiveness in the pharmaceutical sector, especially in state-owned enterprises within emerging markets

- ***Research Objectives****:*

- To evaluate SAIDAL's financial performance using the EVA framework.
- To compare EVA insights with traditional metrics such as ROA and ROE.
- To examine how EVA can support informed management decision-making and long-term value creation.

2. *Literature Review*

Here is a summarized table of selected literature reviews on Economic Value Added (EVA) research, presenting key details about each study including authors, year, focus, data source, main findings, and relevant sectors:

Table 01 : Literature Review Summary on EVA

Author	Focus	Data Source	Key Findings
(Podhorská, 2021)	Applying EVA to assess financial health of real estate companies under globalization	Slovak enterprises	EVA varies among firms; provides insights into value creation
(Subedi & Farazmand, 2020)	EVA as a performance metric in public organizations	China, 2009-2010 dataset	EVA adoption improved efficiency; notably in state-owned and non-manufacturing sectors
(AL Osaimi, 2009)	Literature review on EVA's importance and global use	Worldwide literature	EVA integrates accounting and market data; valuable for long-term shareholder value
(Melikaoui, 2018)	Relationship between EVA, MVA, ROA, ROE, and EPS	28 companies, Kuwait Stock Exchange, 2012-2016	Strong significant relationship among EVA, MVA, ROA, ROE with EPS; EVA and ROE highly impactful
(guedid & benaissa, 2023)	Role of EVA in strategic planning and financial performance	Budgets and institutional results	EVA helps strategic plan development and financial evaluation
(bencenna & gachi, 2021)	EVA's ability to explain market value changes in Allianz Insurance	2014-2018 balance sheets, Algiers Stock Exchange	EVA showed no effect in explaining market value changes of shares
(Altaf, 2016)	Empirical test comparing EVA with traditional earnings as indicators of market value	Empirical market data	Comparison of EVA and earnings in explaining market value

Source: Prepared by the Researcher

This table provides a concise overview of how EVA has been applied, evaluated, and critiqued across different industries and contexts, demonstrating its varied effectiveness and uses in financial analysis and performance measurement.

3. Theoretical Framework of Value and Value Creation

3.1 Value Theory in Economic Thought

The topic of value has received considerable attention in economic thought, through the ongoing debate among the various successive economic schools. The Mercantilists interpreted value according to their philosophy of wealth accumulation and the acquisition of precious metals, while the Physiocrats (Naturalists) attributed it to land, just like all other economic phenomena.

However, the concept of value did not gain a true scientific framework in economic thought except through the works of the Classical school (specifically, in the works of A. Smith), later followed by the works of the Marxist school and **the Neoclassical school .** (Jessua, 1991, p. 44)

a. ***Objective Theories of Value***

The objective theories that interpret value were limited to the works of both the Classical and Marxist schools. Each differed in how it interpreted value based on the cost of production, particularly in defining the content of this cost:

- The Classical school adopted a broad meaning of production cost, to include all factors of production ("composite production cost").
- The Marxist school, however, restricted it to the labor factor only .

b. Subjective Theories of Value

The actual emergence of this approach to explaining value is due to the works of the Neoclassical school. Unlike objective theories of value, the subjective theories consider the cost of consumption (utility) as the main determinant of the value of goods. (Hussein & Nashid, 2004, p. 19)

3.2 Value Theory in Accounting Thought

Accounting thought has not developed an independent theory of value; however, it has played a leading role in measuring and determining this value, using numerical figures to express the activities carried out by firms. (Caby & Hirigoyen, 2001)

a) ***Cost Approach in Accounting Measurement***

This approach is based on valuation, determining results, and portraying the financial position on the basis of the costs incurred to acquire an asset or settle a liability. This includes the acquisition/purchase cost for items obtained externally, and the production cost for items produced internally using the firm's own resources. (Al-Suwaisi, 2009)

b) Net Asset Approach

This approach focuses on valuing the enterprise based on its net financial position ,They primarily include two methods:

- ✓ Net Accounting Assets Method – Heavily criticized for producing accounting values that are often far from the real market values of assets, for reasons such as taxation, historical cost, etc.
- ✓ Adjusted Net Assets Method – A corrective method to the first, by revaluing assets to address the shortcomings in accounting-based values. (Directorate General of Public Finances, 2006)

c) Mixed (Goodwill) Approach

These methods are also corrective, combining the net asset approach and the profitability approach simultaneously. They focus mainly on estimating the value of goodwill—an intangible asset ignored by both of the previous approaches. While net asset methods neglect intangible assets, profitability methods also tend to overlook the profitability generated by them .

3.3 Value in Financial Thought

The economist *Williams* in 1938 introduced a comprehensive definition of the concept of value within financial theory, defining it as: "The value of an asset is the present value of the future expected cash flows from it." (Damodaran, 2006, p. 04) ,His model was based on the works of economist I. Fisher, who laid the foundations for present value analysis of assets by studying the interest rate as a price factor and cash flows as measurable amounts of money.

Williams' model is distinguished as the first to present a comprehensive definition of intrinsic value of a stock, which represents the present value of dividends — the future expected cash flows of stocks. This model is commonly known as the Dividend Discount Model (DDM).

However, researchers such as *B. Graham* and *D. Dodd* criticized Williams' model, arguing that the true value of stocks cannot be determined solely by discounting expected cash flows without considering the element of risk. Based on *Samuelson's* theory of financial assets, (Shapiro, 1956.) Graham and Dodd introduced their own model, in which they considered the intrinsic value of a stock to equal its market price, provided that the main objective of investors is to satisfy their needs. They defined intrinsic value as the value justified by financial and economic factors — including assets, earnings, dividends, and expected growth rates.

In 1964, *Carleton* and *Lerner* enriched the Gordon–Shapiro model by establishing a negative relationship between investment returns and the earnings retention ratio. In 1978, *Gordon* along with *Gould* confirmed the continued existence of this negative relationship, proposing a new model that took into account all prior criticisms of the earlier version (Gordon & Gould, 1978)

4- The Concept of Enterprise Value and Its Measurement Indicators

4–1 Concept of Value

- Use Value and Exchange Value

Economic thought, as previously mentioned, distinguishes between two values: Use Value: refers to the utility or benefit of an item.; Exchange Value: refers to the item's ability to purchase other goods. (Brika & Massai, 2021)

- Subjective Value and Objective Value

Objective Value is the social value, meaning the importance assigned by a community to a particular good or service because it satisfies their shared needs.

Subjective Value is the value an individual assigns to a specific good or service because it satisfies their personal needs. (Caby & Hirigoyen, 2001)

- Book Value (Accounting Value)

This is a purely accounting concept. It represents the accounting cost of an asset minus accumulated depreciation.; The book value of a firm or its net worth represents the total

value of its economic assets (evaluated individually) minus its net indebtedness. (vernimmen, 2012, p. 743)

- Market Capitalization

Also known as stock market capitalization, it represents the market value of a company's equity — calculated by multiplying the number of common shares by the market price per share during a given period. (Charreux & Debsriéresp, 1998, p. 6)

4-2 Indicators for Measuring Value Creation

a) Accounting Indicators

- ***Return on Investment (ROI)***

This indicator is presented as an accounting ratio that allows measurement of the return on invested equity by establishing a relationship between the invested funds and the result associated with them. It is calculated as follows: **Net Income/ Capital Invested**

Analyzing this ratio helps to identify three main effects included within it: company management, management of equity, knowing the turnover rate of current assets, and finally the specific market-related effect of sales. (Bouquin, 1998, p. 258)

- ***Return on Equity (ROE)***

Return on equity (ROE) is a comprehensive measure of company profitability because it takes into account the operational and investment decisions made by management and their effect on shareholders' returns. ROE is calculated by dividing net income by shareholders' equity and is widely used to reflect how efficiently a company utilizes its equity to generate profits. (Mishra, Pradhan, & Satpathy, 2020)

- ***Earnings Per Share (EPS)***

Earnings per share (EPS) is regarded as a key measure of business success and investment purpose; it is the amount of money earned within a specific time period on behalf of each share of common stock... EPS measures both firm performance and management effectiveness. EPS is a measurement of a business's profitability that is split among all outstanding shares of common stock (Khadka, 2024)

- ***Return on Assets (ROA)***

Return on Assets (ROA) is a financial ratio that measures how efficiently a company uses its assets to generate net income. It shows the percentage of profit earned for each dollar of assets owned by the company, indicating how well management utilizes its resources such as property, equipment, and inventory to produce earnings. (Singh, 2024)

b) Financial Indicators

This indicator translates the process of value creation or destruction resulting from the use of the financial resources of a company, by calculating the difference between the value of the economic asset—represented in future cash flows discounted at the financing cost—and the book value of the economic asset.

- **Net Present Value (NPV):**

The Net Present Value is considered the only purely financial indicator, as it takes into account the time value of money in addition to the external forecast dimension and the discount rate represented by the cost of financing. It is calculated using the following formula:

$$VAN = \sum_{I=1}^{n} \frac{cash - flow}{(1+k)^n}$$

Where:

Ft: Future cash flows

K: Cost of capital

N: Number of years

This indicator focuses on both cash flows and the cost of capital. The cost perspective is considered in relation to the benefit achieved for the investor and the shareholder in particular.

c) ***Accounting / Financial Indicators:***

- ***Cash Flow Return on Investment (CFROI):***

Developed by Koller & S. Murin & T. Copeland in 1990 through research at McKinsey Laboratory, this is the rate of return achieved from a company's investments compared to the weighted average cost of capital. (Hirigoyen & Caby, 2001, p. 21)

It measures the value created by the company as a result of its investments, represented by the difference between the CFROI and the cost of capital, multiplied by the total investment amount. The indicator is calculated as follows:

$$\text{CFROI} = \frac{\sum_{i=1}^{n} \text{CFE}_t \times (1 + \text{CMPC})^{-t}}{\text{AEB}}$$

Where:

r: Cash Flow Return on Investment

Fex: Operating cash flows for the

K: Cost of capital

C: Total value of the economic asset

n: Fiscal year

This indicator aims to evaluate the company as a whole by applying financial techniques to select the appropriate project and financing source.

- ***Economic Value Added (EVA):***

Economic Value Added (EVA), developed by Stern Stewart & Co. in 1991, is a financial performance measure that focuses on value creation by assessing the firm's net operating profit after tax minus a charge for the cost of capital employed. EVA emphasizes maximizing shareholder value more accurately than traditional accounting profit measures because it accounts for the opportunity cost of capital (Sabol & Sverer, 2017)

EVA has widely gained acceptance as a superior measure of corporate performance and wealth creation. It has been shown to better predict market value compared to traditional financial indicators such as earnings or cash flow (O'Byrne, 1996).Empirical evidence supports the theory that firms with sustained positive EVA generate higher shareholder returns, aligning management decisions with shareholder interests (Shah & Rao, 2015)

Studies also underscore EVA's role as a managerial and financial decision-making tool. It helps distinguish between value-creating and value-destroying activities within firms and incentivizes managers through EVA-based compensation systems, which align managerial

behavior with shareholder value maximization (Stern & Chew, 1990); (Deyà Tortella & Brusco, 2003)

Critically, EVA facilitates financial flexibility by guiding corporate financing, investment, and operating decisions to focus on value enhancement. It can be particularly effective in turbulent and competitive markets where strategic resource allocation is vital (Sabol & Sverer, 2017)

Despite widespread use, EVA's empirical validity has shown mixed results in different geographical markets and industries. While many studies in developed economies endorse it as a reliable performance measure, studies in some developing countries report less conclusive evidence, suggesting the need for contextual adaptation and rigorous testing (Sharma & Kumar, 2008)

Market reaction studies have also found that EVA adoption does not instantly generate abnormal stock returns, but firms often show improved performance and market value in the long run after implementing EVA (Deyà Tortella & Brusco, 2003)

The Two Methods of Calculating EVA

- **Traditional NOPAT-Based Method**: In this method, the cost of capital charge is calculated by multiplying invested capital by WACC, then subtracted from NOPAT to see if the company generates value above its capital costs.
- **Spread -bazed method**: alternative approach expresses EVA as the spread between the company's Return on Invested Capital (ROIC) and the WACC, multiplied by the invested capital.

Table 02: Methods of Calculating Economic Value Added (EVA)

Calculation Method	Formula	Explanation
NOPAT Based Method	EVA = NOPAT − (Invested Capital × WACC)	Starts with operating profit after tax (NOPAT) and subtracts the capital cost (Invested Capital × WACC).
Spread-Based Method	EVA = (ROIC − WACC) × Invested Capital	Calculates value as the difference between returns (ROIC) and the cost of capital (WACC), then multiplies by invested capital.

Source: prepared by the researcher

Where:

- NOPAT: Net Operating Profit After Taxes. It reflects the company's operating profit after adjusting for taxes but before financing costs.
- Invested Capital: The total capital invested in the company, including equity, debt, and other capital forms.
- WACC: Weighted Average Cost of Capital. This is the average rate the company is expected to pay to finance its assets, weighted by each component's proportion in the capital structure.
- ROIC: Return on Invested Capital; measures how efficiently a company uses its capital to generate profits

5- *Empirical study*

5.1 Presentation of the SAIDAL Group

The SAIDAL Group is a joint-stock company (Société par Actions – SPA) listed on the Algiers Stock Exchange under the ticker symbol *SGBV: SAI*. It has an authorized share capital of 2,500,000,000 Algerian dinars, divided into 10,000,000 ordinary shares. The Algerian State holds 80% of the company's equity, while the remaining 20% is owned by other shareholders.
SAIDAL's primary mission is the research, development, manufacturing, and marketing of pharmaceutical products intended for both human and veterinary use. As the leading entity in Algeria's pharmaceutical industry, the company maintains a significant share of the domestic market.

Beyond its economic role, SAIDAL operates under a public service mandate, actively contributing to the implementation of national public health policy. This commitment is reflected in its investments aimed at meeting the healthcare needs of the population. The company's corporate culture is anchored in the core values of equity, integrity, transparency, and unwavering commitment to societal well-being. (SAIDAL, 2025)

5.2 *Calculation of Economic Value Added (EVA) for Saidal Company during 2019–2023*

Based on the above, the Economic Value Added (EVA) will be calculated using the following method:

$$\mathbf{EVA = (ROIC - WACC) \times Invested\ Capital}$$

a) Calculation of invested capital

We calculate the invested capital according to the following relationships, which we summarize in Table No. 03.

Invested Capital (Economic Asset C) = Fixed Assets + Working Capital Requirement (WCR)

Working Capital Requirement (WCR) = (Current Assets – Cash Assets) – (Current Liabilities – Cash Liabilities)

Table 03: Calculation of Invested Capital

	2019	2020	2021	2022	2023
Current Assets	13660971197.9	14884573533.8	18418099146.6	19140625375.5	23331599636.6
Cash Assets	1918151410.7	2785566352.3	3770411504.2	3792667765.8	3978744828
Current Liabilities	6193189703.7	6398017799	6722272240.3	10303534002.9	11108425350.9
Cash Liabilities	810706531.2	922010265.3	354894830.6	1804489875.2	2835296362
WCR	6360336615	662299648	8280310233	6848913482	11079725820
Fixed Assets	26773207679.3	25802976942.6	26393386486	25740174924.2	25986464966.7
Invested Capital	33133544294	32425976590	34673696719	32589088406	37066190786

Source: Prepared by the researcher using data from SAIDAL Group's annual reports

Between 2019 and 2023, Saidal Group experienced fluctuations in its invested capital, with values ranging between approximately 32 billion and 37 billion Algerian dinars. The invested capital reached its highest point in 2023, signaling increased investments likely linked to company expansion and asset growth. During the same period, Saidal demonstrated strong financial performance, highlighted by a 35% increase in revenue in 2023 compared to 2022. This growth was supported by higher production volumes exceeding 130 million sales units, reflecting the company's enhanced operational capacity and expanded product offerings. Overall, these financial and operational improvements indicate Saidal's effective capital management and strategic adaptation to market conditions, solidifying its position as a leading pharmaceutical company in Algeria.

b) Calculation of Financial Debts

Financial debts are calculated using the following method :

Net debt = (Non-current liabilities + cash liabilities) - (Financial investments + cash assets)

Table 04: Calculation of Financial Debts (net debt)

	2019	2020	2021	2022	2023
No Current Liabilities	12464710757.1	12054977890.5	15176645177.3	15611894910.5	16285142914.9
Cash Liabilities	810706531.2	922010265.3	354894830.6	1804489875.2	2835296362
Cash Assets	1918151410.7	2785566352.3	3770411504.2	3792667765.8	3978744828
investments and other financial assets	18559989.2	1855989.2	1855989.2	18559989.2	18559989.2
Net Debt	11338705888	10172861814	11742568515	13605154031	1512314460

Source: Prepared by the researcher using data from SAIDAL Group's annual reports

The net debt trend of the company from 2019 to 2023 reveals significant financial developments. Initially, net debt hovered around 10 to 11.7 billion between 2019 and 2021, indicating a relatively stable debt level with slight fluctuations. However, in 2022, the net debt increased notably to 13.6 billion, which could signal additional borrowing or increased liabilities during that year, possibly to support expansion or operational needs.

The most remarkable change occurs in 2023, where net debt plummeted sharply to approximately 1.5 billion, a dramatic reduction compared to previous years. This substantial decrease demonstrates improved financial management, likely driven by effective debt repayment strategies, enhanced cash generation, or asset divestitures. Such a sharp decline in net debt significantly strengthens the company's balance sheet, reduces financial risk, and enhances its capacity for future investments

c) Calculation of Cost of Debt

Cost of debt is calculated using the following method:

Financial Charges/ Net Debt

Table 05: Calculation of Cost of Debt

	2019	2020	2021	2022	2023
Net Debt	11338705888	10172861814	11742568515	13605154031	1512314460
financial charges	343123098.9	154762522	105692416	520845400.1	352200587.8
***Rd* (1-Tc)**	0,02451159	0,012322751	0,007290641	0,003146218	0,018863978

Source: Prepared by the researcher using data from SAIDAL Group's annual reports

The cost of debt measures the effective interest rate that a company pays on its borrowed funds. Lower values indicate cheaper borrowing costs, which can improve profitability and financial health.

- In **2019**, the cost of debt was relatively high at about 2.45%, reflecting potentially higher interest rates or borrowing risks.
- The cost steadily declined over the next two years, reaching a low of approximately 0.31% in **2022**. This significant reduction suggests that Saidal was able to refinance debt at more favorable rates, reduce risk perception among lenders, or benefit from a lower interest rate environment.
- In **2023**, the cost of debt increased somewhat to 1.89%, which although higher than 2022, remains substantially below the 2019 level. This slight increase might reflect changes in market interest rates, new borrowing conditions, or shifts in the company's credit profile.

d) Calculation of Cost of equity

The following table illustrates the cost of equity

Table 06: Calculation of Cost of equity

	2019	2020	2021	2022	2023
Net income	793514004,1	189936341,3	48694704,8	-2987159711,6	1990796716.09
Equity	21776278416	22234554787	22912568215	18965371886	21924496338
Cost of Equity	0,036439376	0,0084999635	0,00212524	-0,157505992	0.090802392

Source: Prepared by the researcher using data from SAIDAL Group's annual reports

Here is a discussion about the cost of equity figures you provided for the years 2019 to 2023:

The cost of equity for the company shows significant fluctuations over the period from 2019 to 2023. Starting at around 3.64% in 2019, it decreased to a low positive level in 2020 and 2021, followed by a sharp negative value in 2022 of approximately -15.75%, before rebounding strongly to about 9.08% in 2023.

A negative cost of equity in 2022 is unusual and may indicate extraordinary financial circumstances, such as negative earnings, significant market volatility, or accounting

anomalies that year. This could reflect challenges the company faced, resulting in low or negative returns expected by shareholders.

The rebound in 2023 to over 9% suggests a recovery in investor confidence and a return to a more typical risk premium for equity investment. This shift likely reflects improved company performance, reduced risk, or better market conditions.

e) ***Calculation of WACC****:*

To calculate the Weighted Average Cost of Capital (WACC), you use the formula (Investopedia., 2025):

$$\text{WACC} = (\frac{E}{V} * Re\ ) + (\frac{D}{V} * Rd * (1 - Tc)$$

Where:

- E = Market value of equity
- D = Market value of debt
- $V=E+D$ = Total market value of the company's financing (equity and debt)
- Re = Cost of equity
- Rd = Cost of debt
- Tc = Corporate tax rate

Table 07: Weighted Average Cost of Capital (WACC) calculation

	2019	2020	2021	2022	2023
Re	0,036439376	0,0084999635	0,00212524	-0,157505992	0.090802392
E	21776278416	22234554787	22912568215	18965371886	21924496338
***Rd* (1-Tc)**	0,02451159	0,012322751	0,007290641	0,003146218	0,018863978
D	11338705888	10172861814	11742568515	13605154031	1512314460
V=E+D	33114984305	12407416601	34655136730	32570525917	37047630797
WACC	0,032355254	0,009729069	0,003875488	-0,090399367	0,063242838

Source: Prepared by the researcher

Saidal's WACC commenced at approximately 3.24% in 2019, a relatively moderate cost of capital indicative of a balanced risk-return profile. The metric decreased marginally in 2020 and remained near minimal levels in 2021, suggesting a reduction in capital costs possibly driven by favorable debt conditions or low equity risk premiums.

However, the pronounced negative WACC in 2022 (around -9.04%) is atypical and may reflect extraordinary financial anomalies, such as negative enterprise values, accounting distortions, or temporary operational challenges. A negative WACC implies a scenario in which the firm's capital costs are effectively calculated as negative, a phenomenon that typically signals severe financial distress or irregularities in valuation methods.

By 2023, Saidal's WACC adjusted sharply upwards to about 6.32%, signifying a rebound to a more normative capital cost structure. This recovery may result from improved financial performance, de-risking of the capital structure, or a normalization of market conditions impacting both equity and debt costs.

f) Calculation of ROIC

The table 08 clarifies the (ROIC) of Saidal over the period 2019–2023.

Table 08: Calculation of ROIC

	2019	2020	2021	2022	2023
C	33133544294	32425976590	34673696719	32589088406	37066190786
Operating Income	995109063,7	329421601,9	426918801,9	-246139297,8	**2156167754**
ROIC	0,030033282	0,010159188	0,012312469	-0,007552813	0,05817074

Source: Prepared by the researcher

Return on Invested Capital (ROIC) is a key performance metric that measures how efficiently a company generates profits from its invested capital. It reflects the ability of Saidal to create value over the capital invested by shareholders and creditors.

The data shows that:

- In 2019, Saidal's ROIC was approximately 3.0%, indicating a modest return on the capital invested.
- In 2020 and 2021, the ROIC remained relatively low but positive, around 1.0% and 1.2% respectively, suggesting limited growth and efficiency in capital utilization.
- In 2022, the ROIC turned slightly negative (-0.76%), signaling a potential decline in operating performance or reduced profitability relative to invested capital. This deterioration may be linked to operational challenges or increased costs impacting returns.
- In 2023, ROIC rebounded significantly to about 5.8%, reflecting a substantial improvement in the company's ability to generate returns on its invested capital. This recovery suggests enhanced operational efficiency, profitability, and possibly better capital allocation strategies.

g) Calculation of EVA

The following table shows the EVA values for Saidal Company during the study period

Table 09: Calculation of EVA

	2019	2020	2021	2022	2023
C	33133544294	32425976590	34673696719	32589088406	37066190786
WACC	0,032355254	0,009729069	0,003875488	-0,090399367	0,063242838
ROIC	0,030033282	0,010159188	0,012312469	-0,007552813	0,05817074
EVA	-76935177,81	13947038,22	292541306,4	2699893665	-188003345,3

Source: Prepared by the researcher

The EVA values for Saidal over the analyzed period show considerable variability, reflecting fluctuations in the company's economic performance and value creation ability. The negative EVA in 2019 (-76,935,177.81) suggests that the company was unable to generate returns sufficient to cover its cost of capital, indicating value destruction and possible inefficiencies or unfavorable market conditions that year.

In 2020, the EVA improved to a positive value (13,947,038.22), though relatively low compared to subsequent years. This may represent an early stage of recovery or improved operational performance after the challenges faced in 2019.

The upward trend continued in 2021, with a more substantial positive EVA (292,541,306.4), signaling healthy economic growth and effective utilization of capital. In 2022, Saidal achieved a significant surge in EVA (2,699,893,665), indicating exceptional value creation. This could be attributed to improved management decisions, market opportunities, or operational efficiencies that substantially enhanced the company's financial performance.

However, the notable decline to a large negative EVA in 2023 (-188,003,345.3) raises concerns about a potential failure to maintain the strong performance of the prior years. This downturn suggests the company faced challenges that year, which might include increased costs, reduced revenues, or inefficient capital use, leading to value destruction.

Overall, these results highlight Saidal's fluctuating ability to create economic value, emphasizing the need for continuous monitoring of factors impacting EVA. The company should investigate the root causes of the negative EVA years and work toward sustaining long-term value creation by optimizing capital investments and operational strategies**.**

- ✓ ***Linking Economic Value Added (EVA) Results to Strategic Decision-Making at Saidal***

The EVA results for Saidal reveal important insights that can guide management decision-making. The negative EVA values in 2019 (-76,935,177.81) and 2023 (-188,003,345.3) indicate periods where the company failed to generate returns above its cost of capital, signaling value destruction. These results alert management to revisit investment strategies, cost control, and operational efficiencies during these years to identify and address the underlying issues causing value loss.

In contrast, the positive EVA values in 2020 (13,947,038.22), 2021 (292,541,306.4), and especially the significant value creation in 2022 (2,699,893,665) demonstrate periods of strong financial performance. These positive results support continuing or expanding successful operational practices and capital allocation decisions implemented during these years.

By analyzing these EVA fluctuations, Saidal's management can make informed decisions about:

1. Capital allocation: Prioritizing investments in projects and assets that generate EVA above the cost of capital, while reconsidering or divesting from those producing negative EVA.
2. Cost management: Implementing measures to improve operational efficiency and reduce costs, particularly during years with negative EVA.
3. Strategic planning: Developing long-term strategies that build on the factors driving positive EVA and mitigate risks associated with value destruction.
4. Performance monitoring: Using EVA trends as a key performance indicator to monitor financial health and adjust management actions proactively.

Overall, linking EVA results to decision-making enables Saidal to optimize resource use, improve shareholder value, and sustain long-term economic profitability.

6. CONCLUSION

This study analyzed the Economic Value Added (EVA) performance of Saidal over the five-year period from 2019 to 2023, revealing significant fluctuations in the company's ability to create economic value. The results show that Saidal experienced value destruction in 2019 and 2023, with negative EVA values indicating that the company's returns did not cover the cost of invested capital during those years. However, positive EVA values in 2020, 2021, and a remarkable increase in 2022 demonstrate periods of effective capital utilization, value creation, and improved financial health.

These findings suggest that while Saidal has the potential to generate strong economic value, its performance has been inconsistent. The negative EVA periods point to challenges such as inefficient capital allocation, increased costs, or adverse market conditions that need to be addressed.

Based on these results, the following recommendations are proposed:

- ✓ Enhance Capital Efficiency: Saidal should review its investment and financing decisions to ensure that capital is allocated to projects and operations that generate returns exceeding their costs.
- ✓ Cost Management: Strengthening cost control measures can help reduce value destruction in years with negative EVA.
- ✓ Comprehensive Performance Monitoring: EVA should be used alongside other financial and operational metrics to provide a more holistic view of company performance and support better decision-making.
- ✓ Investigate EVA Volatility: Detailed analysis of internal and external factors leading to EVA fluctuations is necessary to implement targeted corrective actions.
- ✓ Strategic Planning: The company should adopt long-term strategies focused on sustainable value creation to mitigate the risks of EVA decline in future periods.

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