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The ability of EVA (Economic Value Added) attributes in predicting company performance

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Abstract

In this study the major question is, can positive EVA (economic value added) outperform negative EVA in predicting company performance and either the period of study may play a vital role in explaining the variation of the stock return. The study found that neither value creator nor value destroyer had a relationship with stock return, as both models prove to be statistically insignificant. This finding is contrary to findings by Turvey et al. (2000). The value creators had a better relationship with earnings than value destroyers and this study indicates that, value creators have better earnings multiplier than value destroyers. It also indicates that, EVA had a better relationship with stock return over a longer period of the study.

Keywords

Attributes of economic value added positive economic value added negative economic value added company performance stock return

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