



## EVP – Enterprise Value of Pricing<sup>®</sup>

The new metric linking pricing achievements  
to enterprise value

## The EVP expresses the ratio of two numbers that are important for every executive:

- The additional enterprise value from a 1% price increase
- The average change in enterprise value expected by analysts for the next 12 months

$$\text{EVP} = \frac{\text{VP (Value of Price)}}{\text{VEG (Value of Expected Growth)}}$$

## The power of the EVP

The Enterprise Value of Pricing® (EVP) is an innovative approach developed by Simon-Kucher & Partners. It uses one number to convey to analysts, shareholders, and investors how better pricing directly impacts shareholder value at a single glance.

## To what extent can pricing be used to fulfill shareholders' value creation targets for the year ahead?

You are a C-level executive of a publicly traded company. You know that your ultimate metric – the one your board and the capital markets measure you against – is shareholder value. If it rises, you stay; if it declines, you go.

The EVP is a single, but powerful number that incorporates market expectations and estimated pricing impact at your company in an easy-to-understand way.

## EVP ratios: four generic cases

Depending on analysts' future expectations, the EVP can have four possible values and implications.

### Positive growth expectations:

- **EVP between 0 and 1: Significant growth opportunity**  
Exercising pricing power significantly contributes to EV growth targets
- **EVP greater than 1: Immediate, large growth opportunity**  
Exercising pricing power beats EV growth targets and yields incremental EV

### Negative growth expectations:

- **EVP between 0 and -1: Defensive measure**  
Exercising pricing power can significantly mitigate the poor outlook
- **EVP less than -1: Turnaround weapon**  
Exercising pricing power can fundamentally change the views of analysts

## Sample calculation

We analyzed the EVP of a Luxembourg-based technology company in 2015. To do this, we used only publicly available data.

$$\text{EVP} = \frac{243}{661} = 0.37$$

## Conclusion:

Almost 40% of the expected EV growth in 2016 (i.e. \$661m) could be achieved through better pricing.

## EVP – The benefits for your company

- Presents a clear connection between enterprise value and pricing/monetization excellence
- Expresses company value and the effects of pricing power in the same unit (“discounted cashflow”)
- Explains growth strategies to the market and defends pricing/value initiatives more easily
- Provides immediate, useful information on how to prioritize your pricing initiatives
- Enables you to incorporate pricing achievements into your company equity story, making it more compelling

“The single most important decision in evaluating a business is pricing power.”  
Warren Buffet

## Simon-Kucher & Partners, Strategy & Marketing Consultants

Simon-Kucher & Partners is a global consulting firm focusing on TopLine Power®. Founded in 1985, the company has more than 30 years of experience providing strategy and marketing consulting and is regarded as the world's leading pricing advisor.

### Global presence



### World leader in pricing

#### BusinessWeek

*"World leader in giving advice to companies on how to price their products"*

#### The Economist

*"... the world's leading pricing consultancy ..."*

#### The Wall Street Journal

*"Pricing strategy specialists"*

#### Peter Drucker

*"... in pricing you offer something nobody else does"*

## Our EVP experts



### Kai Bandilla

Executive Vice President  
kai.bandilla@simon-kucher.com



### Philipp Petry

Manager  
philipp.petry@simon-kucher.com

### Contact us:

Let us introduce you to the EVP in more detail and show you how to take advantage of it.

### Simon-Kucher & Partners Strategy and Marketing Consultants

Willy-Brandt-Allee 13, 53113 Bonn, Germany  
Tel. +49 228 9843 0