

VALUE CREATION IN ACS GROUP IN 2011

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Annual Report of ACS Group 2011 includes the following data, which is necessary for calculating its value creation during that tax exercise.

Table 1. Main aggregates of the ACS Group

Year	Market value (MV)	Equity (EQ)	Net profit (NP)	Dividends paid	Listed shares
2010	11,036.7	4,178.5	1,312.6	618.2	314,664,594
2011	7,205.7	3,319.1	961.9	613.9	314,664,594

* In € millions when applicable

The ratio between market value of ACS (MV), or capitalization of the company, and book value of equity (EQ) at the end of 2011 was 2.17. This relationship, in which market value or price of ACS's listed shares is more than twice their book value, can be interpreted as the market valuation of the firm's intangible assets that are not considered in financial reports.

This ratio can also be approximated (in case of null reinvestment rate) through the Value Creation Index (VCI), which is the quotient among return on equity (ROE) and the yield required by shareholders (Ke). ROE indicates the amount of monetary units generated per monetary unit owned by shareholders, and it is calculated by dividing net profits (NP) between the mean value of equity (EQ) at the beginning and the end of the year. According to data in table 1, in 2011 ROE of ACS was 25.66%.

On the other hand, in 2011 Ke of ACS was estimated around 12%, so that VCI was 2.14. This result implies that the company generated a yield more than two times higher than its opportunity cost.

Regarding total shareholder value (TSV) created by ACS in 2011, in absolute terms this magnitude was -3,217.1 million €, which means that the company destroyed value. This quantity is the result of applying the following formula:

$$TSV_{2011} = MV_{2011} - MV_{2010} + Dividend_{2011}$$

Therefore, shareholder profitability (SP) for that year was -29.15%, obtained through the ratio TSV_{2011}/MV_{2010} . As the yield required by shareholders in ACS was 12%, real value destruction for shareholders, calculated as the difference between obtained and required profitability, was -41.15%.

Source: Annual Report of ACS Group 2011.