



The Value Equation Formula Framework

Sales

(Number of Customers X Average Price of Products You Sell X Average Number of Products Bought By Each Customer)

Business Investment

HARD ASSETS VARIABLES + **WORKING CAPITAL VARIABLES**

(Land, Building, Furniture, Fixtures & Equipment You Buy & Land Building, Furniture, Fixtures & Equipment You Could Buy, but Rent)

(Accounts Receivable, Inventory, Cash Balances, Prepaid & Deferred Costs) - (Accounts Payable, Accrued Expenses, Deferred Income & Deposits & Other Zero-Cost Liabilities)

Operating Profit Margin

(1 - (Cost of Goods Sold + Operating, General & Administrative Expenses) ÷ Sales)

% of OPM

((Interest-Costing Borrowings + Interest- Costing Lease Proceeds) + Business Investment)

Rate Charge on OPM

(Interest + Lease Payments) ÷ (Interest - Costing Borrowings + Interest - Costing Lease Proceeds)

Maintenance CapEx*

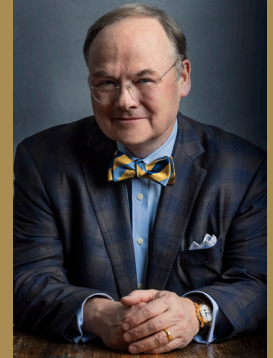
(Annual Maintenance CapEx + Average Annual Periodic Remodeling Cost + Average Annual Losses vs. Cost of Closures)

Business Investment

% of Equity

(1 - % of OPM)

Current Pre-Tax Return on Equity



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The Value Equation is a universal six variable simplification computing the current pre-tax return on company equity. The six equation variables represent three corporate efficiencies at the hands of business leaders: Operating efficiency, business investment efficiency and capital efficiency. These universal variables can also be easily expanded upon, allowing for greater detail and including thirty or more variables.