

	Before	Changes	After	Notes:
Sales	\$1,000,000		\$1,000,000	Sales Revenue DOES NOT change
NOPAT	\$120,000	(\$15,000)	\$105,000	Operating Expense (Opex) increases and drives profit lower
NOPAT Margin	12.0%		10.5%	Since profit decreases, so does the profit margin
Capital on Balance Sheet	\$900,000	(\$175,000)	\$725,000	Capex (Capex) Decreases
Return on Capital	13.3%		14.5%	Capital is used more efficiently, so even though profit and profit margins go down, return on capital improves
Cost of Capital	11%	11%	11%	Cost of Capital DOES NOT change
Capital Charge	\$99,000	(\$19,250)	\$79,750	Because capital is used more efficiently, EVA (economic income) improves
EVA	\$21,000	\$4,250	\$25,250	

NOPAT = Net Operating Profit After Tax