Academic Journal of Engineering and Technology Science
ISSN 2616-5767 Vol.3, Issue 8: 25-35, DOI: 10.25236/AJETS.2020.030803

Performance Evaluation of Listed Pharmaceutical Companies Based on EVA

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ABSTRACT. *The pharmaceutical industry is an important part of China's national economy. Its continuous development is due to the rigid consumption of drugs, which has the characteristics of weak periodicity. With the continuous growth of China's economy, the continuous improvement of people's living standards, the gradual improvement of the medical security system, and the increasingly prominent problem of aging population, China's pharmaceutical industry has shown a sustained good trend of development, maintaining a long-term output growth of more than 10%, becoming one of the fastest growing markets in the world. In this context, how to objectively evaluate the business performance of enterprises is a major problem facing pharmaceutical enterprises at present, and it is also the focus of investors and other stakeholders. This paper tries to introduce economic value added (EVA) index into the pharmaceutical industry, designs and adjusts the calculation formula of EVA, and takes HengRui Medicine as an example to make a specific analysis of its business performance, so as to provide reference for the performance evaluation of the pharmaceutical industry in China.*

KEYWORDS: *EVA, Performance Evaluation, Pharmaceutical Industry*

1. Introduction

The pharmaceutical industry is an important industry related to the national economy and people's livelihood, as well as a national strategic emerging industry. In recent years, under the combined influence of factors such as the aging population structure, the full liberalization of the second-child policy, the continuous deepening of medical reforms, and the continuous increase in per capita income, the development of my country's pharmaceutical industry has been strong, and a relatively complete pharmaceutical industry system and pharmaceutical industry have initially formed. Circulation network. According to the "2016-2022 China's Pharmaceutical Industry Market Trends and Investment Strategy Consulting Report" forecasts, the pharmaceutical industry will maintain a medium-to-high-speed steady growth for a long time. China's pharmaceutical industry will reach a scale of 10 trillion yuan in 2020 and become the world's second largest pharmaceutical producer.

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Under this situation, the overall performance of the pharmaceutical industry has become a hot spot of common concern for the investment community and the academic community.

The traditional performance evaluation system is mostly based on the idea of accounting profit, and rarely considers the cost of corporate equity capital. Its performance evaluation focuses more on short-term benefits, and related indicators are subject to the risk of accounting distortions that are easily manipulated. The economic value added (EVA) indicator overcomes the shortcomings of the traditional performance evaluation system. It aims at maximizing shareholder value, taking into account the opportunity remuneration that the owner should receive for investing capital, and adjusts the traditional income concept to eliminate Abnormalities in accounting operations can then make more accurate and appropriate judgments on corporate performance. This paper designs and adjusts the EVA calculation formula based on the EVA performance appraisal formula of the State-owned Assets Supervision and Administration Commission of the State-owned Assets Supervision and Administration Commission and combined with the characteristics of the pharmaceutical industry. Taking Hengrui Pharmaceutical as an example, a specific analysis of its operating performance is carried out to make economic decisions for stakeholders. Provide help.

2. EVA economic connotation

Performance evaluation occupies an important position in business management. With the transformation of business objectives from maximizing profit to maximizing corporate value, EVA, as an indicator of corporate performance evaluation, is increasingly being valued by corporate managers. In 1982, the American Stern & Steward Consulting Company put forward the concept of EVA for the first time, and promoted and developed it as a tool for business management and performance evaluation. At present, most of the world's top 500 companies have taken EVA as an important evaluation basis for corporate performance evaluation and reward policies. Its biggest feature is to deduct the cost of equity capital from accounting profits, and make necessary adjustments to the company's invested capital, income, and costs, so that it can more accurately measure shareholder wealth.

Traditional performance evaluation methods pay attention to accounting profits, which measure the difference in output and consumption of enterprises over a period of time, and ignore important factors such as the scale of capital investment, investment time, investment cost, and investment risk. The essence of the EVA index is to study the "economic profit" generated by the operation of a company, and believe that the company's shareholder capital is also an important component of the cost. Therefore, the cost of equity must be considered when measuring the company's performance.

In fact, EVA is not a new creation. Its idea is derived from residual income, that is, to redefine corporate profits from the perspective of shareholders, considering the difference between corporate capital gains and the cost of debt and equity. When a

ISSN 2616-5767 Vol.3, Issue 8: 25-35, DOI: 10.25236/AJETS.2020.030803

company’s after-tax net operating profit has a balance after deducting all the cost of capital, then these surpluses belong to shareholders, and shareholder wealth will increase; conversely, even if the company’s operations create profits, shareholder wealth will also be reduced.

Compared with the traditional financial performance evaluation indicator system, EVA indicators have the following advantages:

(1) When calculating EVA, companies need to adjust accounting items on the basis of net profit. This eliminates the possibility of artificial profit manipulation to a certain extent, can more truly reflect the company’s operating performance, and better serve the interests Decision-making needs.

(2) EVA changed the company's short-sighted behavior, making it more in line with the long-term interests of shareholders. The performance evaluation system based on EVA no longer only considers the cost of debt capital, but considers the total cost of capital, attaches importance to the efficiency of the use of corporate capital, and emphasizes the measurement of shareholder wealth, so that the goals of the operators and the shareholders can be organically Combining land, truly focusing on the creation of long-term corporate value.

(3) EVA eases the conflict between different indicators in performance evaluation. In an enterprise, different departments usually use different indicators to evaluate performance, which can easily lead to conflicts. For example, when an enterprise makes investment decisions, if short-term indicators such as investment profit rate are used for assessment, it will often lead to the consequence that the decision of the management department violates the overall interests of the enterprise. Because from the perspective of enterprise profitability, as long as the project's return on investment is higher than its cost of capital, the enterprise should accept such investment projects. The performance evaluation system based on EVA solves this problem relatively well. It uses value as the basis for investment decision-making. As long as it can create value for shareholders, the management department should include relevant projects in the decision-making category, so as to realize departmental interests and corporate collective Consistency of interests.

However, some scholars pointed out that there are certain limitations in using EVA indicators.

(1) Limitations of incentive effects. The size of the EVA index depends on the three parameters of net operating profit after tax, weighted capital cost and total capital, and has nothing to do with future growth. Due to the influence of inevitable subjective and objective factors, such as accounting estimates, accounting policy choices, professional judgments and inflation, there is still greater uncertainty when adjusting profits. The management may use the characteristics of EVA and its own information advantages to change relevant parameters purposefully, which reduces the effectiveness of the EVA incentive system to a certain extent. Of course, such problems also exist under the traditional performance evaluation system, and they are more serious.

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(2) Limitations of the scope of application. Wu Yunqi (2012) believes that EVA indicators can usually only be used for a certain range of companies. Financial companies, cyclical companies, and newly established companies are not applicable to EVA. Most of the listed pharmaceutical companies studied in this article are technology-based companies that meet the identification of high-tech enterprises. The products are not cyclical and in the development stage, so they are applied to the EVA performance evaluation system.

(3) Limitations of data sources. Yang Zhenqing and Li Xiaofen (2015) believe that EVA examines past operating performance and cannot predict future economic results, thus ignoring the market's prediction of the company's future earnings. Although the EVA performance evaluation system has certain advantages over the traditional financial evaluation system, both are based on historical data and can only reflect the past of the company and ignore the value of the company's future growth opportunities. A situation may arise from this, that is, the company has a high EVA level, but lacks sustainable development capabilities. In addition, EVA data comes from financial statements and depends on the reliability of information disclosure. If this premise is not met, the effect of performance evaluation will be greatly reduced.

3. Analysis of EVA's performance evaluation in listed pharmaceutical companies

Although EVA indicators have wide applicability, in the application process, different industries should adapt to local conditions and design performance evaluation systems that meet their own characteristics. Existing literature has discussed the use of EVA in the banking industry (Zhao Shuhui, 2016), the power industry (Jufang et al., 2014), the coal industry (Tian Jie, 2012), the real estate industry (Kang Ling, 2016; Zhang Haixia, 2015), and the air transportation industry. (Qin Zhimin et al., 2014) and other industries, but few scholars study the performance evaluation system based on EVA in the pharmaceutical industry. The pharmaceutical industry is a basic and strategically supported industry related to the national economy and people’s livelihood. It has the characteristics of high growth, high R&D investment, and long payback period. The implementation of the traditional financial indicator evaluation system can easily induce management’s “short-sighted behavior” and damage shareholders’ long-term value. In addition, in addition to achieving profit goals, pharmaceutical companies also need to assume higher social responsibilities, and their development status is related to the life and health of the people. Therefore, objectively evaluating the business performance of pharmaceutical companies and guiding the sustainable development of the pharmaceutical industry have important theoretical significance and practical value.

The correct calculation of EVA value is the prerequisite for using EVA indicators to evaluate the business performance of pharmaceutical companies, which plays an important role in analyzing the production and operation of the company and measuring the ability of the company to create value. According to the definition, its formula can be expressed as:

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EVA = net operating profit after tax-total capital × weighted average cost of capital

Among them, after-tax net operating profit and total capital need to be adjusted by reasonable accounting to eliminate the distortion of operating performance caused by accounting treatment methods, so determining accounting adjustments is the key to calculating EVA. Based on the EVA performance appraisal formula of the State-owned Assets Supervision and Administration Commission, this paper combines the characteristics of the pharmaceutical industry and focuses on the following accounting adjustments:

(1) Research and development expenses. The listed company studied in this article is a pharmaceutical company that meets the national high-tech enterprise identification, and has the characteristics of high R&D and high investment. When calculating EVA, the expenditure in the development stage of the R&D project need not be adjusted, but the expenditure in the research stage still needs to be capitalized and amortized according to the amortization period of the formed asset. The specific adjustment is: add back the net operating profit after tax and total capital at the same time the expenses incurred during the research period, and deduct the amortized expenses for the current period from the net operating profit after tax.

(2) Provision for impairment of various assets. Accounting is based on the principle of prudence, and provision for impairment of assets should be made at the end of the period. Since the impairment provision is not a true reduction of corporate assets, when calculating EVA, various reserves must be adjusted to truly reflect the capital invested by the enterprise to create value. The specific adjustments are: adding the ending balance of the impairment provision account back to the total capital, adding the actual provision for impairment in the current period back to the net operating profit after tax, and offsetting the provision for bad debts and inventory depreciation from the current period Deducted from net operating profit after tax.

(3) Financial expenses. Financial expenses defined in this article mainly refer to interest expenses. Since the weighted average cost of capital has already taken into account the cost of debt capital, interest expenses should be added back when calculating net operating profit after tax, otherwise it will lead to double counting of debt costs. The specific adjustment is: adding the interest expense incurred in the current period back to the net operating profit after tax.

(4) Interest-free liabilities. The core concept of EVA is the cost of capital. Whether it is the cost of debt capital or the cost of equity capital, it should be compensated before the creation of corporate value can be confirmed. Interest-free liabilities such as accounts payable, employee compensation payable, taxes payable, and estimated liabilities are used free of charge for enterprises, and the short-term time value of floating funds is used. Therefore, the asset investment under these items is If there is no cost, it should be deducted from the total capital.

(5) Strategic investments such as construction in progress. Although strategic investments are conducive to the long-term development of the company,

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management often gives up investment opportunities because they are unwilling to take risks or pursue short-term benefits, thereby damaging the company's long-term value. The accountant immediately deducts the non-capitalized interest part of the investment amount from the current profit. The solution of EVA is to establish a temporary account and accumulate the initial investment cost incurred in this account, rather than as a deduction of the initial EVA. When the investment brings operating profit, EVA considers the cost of capital in the temporary account. Taking the construction in progress as an example, the construction in progress will not generate income before it is converted into fixed assets, so it should be deducted from the total capital. Only when the construction in progress is converted into fixed assets and starts to generate after-tax net operating profit, the invested capital and capital cost of the project are considered.

(6) Deferred income tax. If the deferred income tax maintains a balance for a long time, it will form a long-term capital of the enterprise, thereby underestimating the total capital actually occupied by the enterprise and overestimating its capital profitability. For enterprises, the only tax deducted from current profits is the actual payment in the current period, not deferred income tax expenses that may be paid or deducted in the future. Therefore, when calculating EVA, the increase in deferred income tax expenses (that is, the increase in deferred income tax liabilities and the decrease in deferred income tax assets) should be added back to the net operating profit after tax; at the same time, the deferred income tax liabilities should be added The credit balance of is added back to the total capital, and the debit balance of deferred income tax assets is deducted from the total capital.

(7) Goodwill. Goodwill is very important to listed pharmaceutical companies and can be regarded as a permanent asset of the company. The current accounting standards stipulate that after the goodwill is confirmed, amortization is not required during the holding period, but it should be tested for impairment and provision for impairment should be made when necessary. It can be seen that when calculating EVA, there is no need to adjust the goodwill amortization, but if there is a goodwill impairment provision, it needs to refer to the adjustment method of the impairment provision for processing.

(8) Non-recurring profit and loss items. EVA focuses on the recurring business that affects the long-term value of the company. Non-recurring gains and losses have the characteristics of accidental and suddenness and are not sustainable, and should be deducted from the net operating profit after tax.

Based on the above analysis, the formula for calculating EVA in this article is as follows:

After-tax net operating profit = net profit + (financial expenses + various impairment provisions for the current year + current research and development expenses-current research and development expenses amortization + non-operating expenses-non-operating income) × (1- Corporate income tax rate) + increase in deferred income tax liabilities-increase in deferred income tax assets

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Total capital = equity capital + debt capital = total owner's equity + asset impairment provision-impairment provision for construction in progress-net construction in progress + current research and development expenses + deferred income tax liabilities-deferred income tax assets + short-term loans +Trading financial liabilities + non-current liabilities due within one year + long-term borrowings + bonds payable + long-term payables.

Weighted average cost of capital = (debt/total capital) × debt cost × (1-corporate income tax rate) + (equity/total capital) × equity cost

Drawing lessons from existing research, this paper uses the weighted average of benchmark loan interest rates for 1-5 years to measure the cost of debt, uses the CAPM model to calculate the cost of equity, and selects 6% as the market risk premium (Tao Xionghua and Lu Li, 2010). Financial data and β coefficient values mainly come from the CSMAR database, and data such as deposit and loan interest rates come from the website of the People's Bank of China.

Table 1 EVA calculation results of 116 listed pharmaceutical companies from 2016 to 2018 Unit: 10,000 yuan

	2016	2017	2018		2016	2017	2018
National Agriculture Technology	3,177	-802	-1,607	Hualan Bio	39,915	51,328	90,905
Fengyuan Pharmaceutical	-4,689	-1,717	-482	Yifan Pharmaceutical	31,130	73,862	24,893
Revitalizing Biochemistry	2,980	4,273	6,293	Jingxin Pharmaceutical	4,338	-8,366	12,122
Don Ejiao	128,997	146,002	148,212	Kehua Bio	1,775	2,059	4,228
Livzon Group	27,297	377,013	-18,349	Daan Gene	-13,529	-19,581	-5,331
Sihuan Biology	-3,819	-3,219	-6,876	Shuanglu Pharmaceutical	12,859	13,596	22,764
Yunnan Baiyao	190,893	215,266	230,017	Haixiang Pharmaceutical	-22,154	1,500	25,422
Hainan Haiyao	-29,627	-30,509	-9,824	Wohua Pharmaceutical	1,267	5,015	164
Enlighten Guhan	-251	-3,067	-7,518	Zixin Pharmaceutical	-15,683	-1,162	-8,032
Tohoku Pharmaceutical	-22,453	-10,764	6,801	Rhine Bio	1,041	13,355	127
Renhe Pharmaceutical	19,718	14,605	30,043	Jiaying Pharmaceutical	-3,203	-8,912	-795
Changchun High-tech	41,121	65,075	111,054	Hengkang Medical	17,707	2,702	-61,692
Propharm	-2,003	8,619	16,883	Shanghai RAAS	111,544	46,713	-185,050
Xinhua Pharmaceutical	-3,408	9,172	13,590	Guilin Sanjin	18,404	24,060	21,389
Tonghua Golden Horse	-3,403	-9,608	6,764	Qizheng Tibetan Medicine	10,793	11,465	16,871
Peking University Pharmaceutical	-5,790	-4,948	-2,559	Xinlitai	100,477	107,023	100,229
Sandaward	21,924	27,958	7,552	Zhongsheng Pharmaceutical	15,922	9,566	12,493
Jinling Pharmaceutical	-2,297	-3,080	5,760	Xianju Pharmaceutical	-1,673	4,029	18,043
Guangji Pharmaceutical	10,617	6,817	11,471	Essence Pharmaceutical	-430	-181	7,501
Jiuzhitang	30,070	36,546	8,515	Yongan Pharmaceutical	-6,336	3,355	3,780
Xinhecheng	57,185	67,558	196,144	Asia Pacific Pharmaceutical	265	7,865	10,771
SINBON Pharmaceutical	-31,996	-15,950	-36,606	Boya Bio	13,379	17,319	24,695
Lisheng Pharmaceutical	-10,399	-16,944	-7,165	Chinese Medicine	64,288	88,841	139,002
Haipuri	-52,304	-71,880	16,642	China Resources Double Crane	16,044	33,275	50,729
Hansen Pharmaceutical	-3,638	358	9,162	Renfu Medicine	7,074	179,714	-6,595
Kelun Pharmaceutical	-12,301	71,404	61,946	Golden Flower	-6,339	-4,762	-5,702
Guizhou Bailing	19,308	20,434	24,674	Tongrentang	69,886	99,184	113,351
Tai'an Hall	-21,674	-17,029	-7,642	Tai Chi Group	68,510	-635	9,867
Yuheng Pharmaceutical	27,082	-5,355	4,765	China Animal Husbandry	-54	11,935	12,196
Qianhong Pharmaceutical	-10,191	-11,358	-5,989	Zhejiang Medicine	5,801	-29,242	-28,860
Yisheng Pharmaceutical	-12,930	-7,087	-4,043	Tailong Pharmaceutical	-12,548	-13,496	-14,563
Yiling Pharmaceutical	16,015	2,280	7,011	Hisun Pharmaceutical	-39,034	1,173	-32,852

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Foci Pharmaceutical	-5,164	1,098	-4,713	Hengrui Medicine	187,779	284,894	274,372
Haisco	11,062	3,774	14,487	Ling Rui Pharmaceutical	19,207	4,156	12,588
Dongcheng Pharmaceutical	-6,719	-3,933	1,808	Zhongxin Pharmaceutical	9,432	15,528	22,282
Jinhe Biological	11,046	-4,263	2,317	Baiyun Mountain	-18,304	77,761	169,264
Shuangcheng Pharmaceutical	-23,384	-3,429	-13,430	Yabao Pharmaceutical	-26,838	-2,761	8,440
Laimei Pharmaceutical	-10,595	-7,921	-12	Hyundai Pharmaceutical	19,511	28,776	51,914
Anke Bio	6,919	12,281	10,340	Kunyao Group	8,886	7,133	8,715
Beilu Pharmaceutical	-8,438	784	5,576	Pien Tze Huang	18,970	48,883	74,143
Hongri Pharmaceutical	18,402	-514	-2,186	Qianjin Pharmaceutical	130	9,462	12,465
Kaibao	6,167	6,027	5,400	Tianyao shares	-17,837	-5,265	1,992
Kangzhi Pharmaceutical	-13,715	-11,057	-6,393	Lianhuan Pharmaceutical	-1,841	-895	2,197
Huaren Pharmaceutical	-8,081	-5,264	-7,819	Huahai Pharmaceutical	13,233	47,432	28,405
Rip Bio	-4,051	-4,518	-548	Jiaotong University Onlly	716	-1,956	-33,699
Zhifei	-15,183	23,666	125,117	Tasly	84,883	106,340	145,192
Watson Bio	-25,897	-28,532	70,837	Kangyuan Pharmaceutical	14,219	14,352	19,025
Xiangxue Pharmaceutical	-23,005	-19,331	-10,686	Jichuan Pharmaceutical	68,612	91,861	131,600
Zhendong Pharmaceutical	-17,253	-12,463	-42,872	Zhongzhu Medical	-20,673	-7,617	-86,669
Zuoli Pharmaceutical	-5,881	-8,740	-7,673	Conbay	5,590	40,227	50,303
Hanyu Pharmaceutical	-1,771	2,992	-19,010	Yibai Pharmaceutical	936	-1,279	-31,718
Shutai	8,565	4,994	-3,975	Harbin Pharmaceutical	32,685	7,416	2,036
Jincheng Pharmaceutical	556	216	17,851	Tianmu Pharmaceutical	-402	-1,202	-587
Toho Bio	-3,272	-4,427	-1,453	Jiangzhong Pharmaceutical	20,856	21,385	22,079
Qianyuan Pharmaceutical	-4,880	-4,964	-5,022	Guang Yuyuan	3,140	11,767	27,743
Changshan Pharmaceutical	-2,677	-1,990	1,438	Lukang Pharmaceutical	-12,836	-5,009	-10,401
Erkang Pharmaceutical	38,955	20,281	-8,757	North China Pharmaceutical	-45,870	-29,323	-17,477
Lidman	-3,284	-1,036	-437	Tonghua Dongbao	42,819	67,043	56,402

Note: This article excludes listed companies that have been specially processed by ST, *ST, etc. during the observation period, and listed companies with serious or abnormal data missing. After the above screening, a total of 116 listed pharmaceutical companies were obtained.

Table 1 reflects the EVA value of 116 listed pharmaceutical companies from 2016 to 2018. From Table 1, in 2016, 61 listed companies actually created value for investors, and 55 listed companies experienced negative growth; in 2017, 66 listed companies achieved value creation, and 50 listed companies experienced value loss; by 2018, 72 listed companies have achieved value creation, and only 42 listed companies have experienced negative growth. On the whole, the pharmaceutical industry is developing well and the market prospects are broad. Listed companies should increase operating income, control costs, and optimize capital structure to achieve real value creation from negative growth.

4. Hengrui Pharmaceutical Performance Evaluation and Analysis

Hengrui Medicine is one of the largest domestic research and production bases of anti-tumor drugs, surgical drugs and contrast agents. The company's products cover many fields such as anti-tumor drugs, surgical anesthetics, special infusions, contrast agents, cardiovascular drugs, etc., and have formed a relatively complete product layout. Among them, the market share of anti-tumor, surgical anesthesia, and contrast agents is in the industry. Ranked among the best. This article takes Hengrui Medicine as an example to analyze its business performance.

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Table 2 2016-2018 Hengrui Medicine EVA calculation table Unit: ten thousand yuan

	2016	2017	2018
Net profit	2,634,194,797	3,292,953,304	4,061,184,290
Net operating profit after tax	247,907	331,898	403,854
Total capital	1,197,964	1,478,796	1,835,382
Weighted average cost of capital	5.02%	3.18%	7.05%
EVA	187,779	284,894	274,372

Table 3 Comparison of Hengrui Medicine's EVA indicators and traditional financial indicators from 2016 to 2018 Unit: 10,000 yuan

	Absolute index		Relative index		
	EVA	Net profit	EVA rate	Return On Total Assets	Roe
2016	187,779	2,634,194,797	15.67%	19.87%	20.46%
2017	284,894	3,292,953,304	19.27%	20.64%	20.65%
2018	274,372	4,061,184,290	14.95%	19.57%	20.51%

Note: EVA rate=EVA/total capital

Table 2 and Table 3 respectively reflect the calculation results of Hengrui Medicine's EVA indicators from 2016 to 2018, as well as the comparison results with traditional financial indicators. This shows that EVA indicators are significantly lower than traditional performance evaluation indicators. There are two reasons for the large gap between the two: one is that traditional performance evaluation indicators only consider the cost of debt capital and not the cost of equity capital, which overestimates the value created by the company; the other is that the traditional indicators include all the income of the company, and The EVA indicator needs to exclude non-recurring business income (including non-operating income and exchange gains and losses, etc.), and only reflects the company's ability to create value in its main business. This shows that the increase in company accounting profits may not bring real benefits, but investors are often confused by accounting profits, and operators often run counter to the long-term interests of shareholders due to the pursuit of accounting profits. EVA indicators can effectively reflect the true profitability of listed companies in the pharmaceutical industry, and provide a more scientific basis for operators and investors.

5. Conclusion and inspiration

As a new indicator based on the theory of residual income and the goal of maximizing shareholder value, economic value added has been gradually promoted and used in performance evaluation, salary design, business decision-making, value management and other fields since its birth in the 1990s. This paper introduces the

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EVA index into my country's pharmaceutical industry, designs and adjusts the calculation formula of EVA according to the characteristics of high R&D investment and high growth of the pharmaceutical industry, and takes Hengrui Medicine as an example to analyze its business performance. The study found that although traditional financial evaluation indicators have a certain explanatory power for business performance of enterprises, relatively speaking, EVA indicators can more effectively reflect the true performance of enterprises.

This article believes that if a listed pharmaceutical company wants to achieve sustainable growth in operating performance, it needs to pay attention to the following aspects:

One is to improve the profitability of the main business. Among the EVA indicators used to evaluate the company's ability to create value, the profitability of the company is measured by the net operating profit after tax obtained from the recurring business, not the net profit. Pharmaceutical companies should increase their focus on and investment in their main businesses, improve their profitability, and realize real value creation.

The second is to increase R&D and innovation efforts to improve the core competitiveness of products. The pharmaceutical industry is a national strategic emerging industry, with high technological content of products, and development expenditure is particularly important. Pharmaceutical listed companies should formulate R&D strategies, further enhance product innovation capabilities, and continuously optimize product structure, thereby promoting the enhancement of company value and promoting the sustainable development of the industry.

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