



# **EVA<sup>®</sup>**

# **Measuring our Long-Term Success**

# EVA<sup>®</sup> at Ball Corporation

Adopted EVA<sup>®</sup> incentive compensation in 1992

## Overall Objective:

- Maximize shareholder returns

## EVA<sup>®</sup> Plan Objectives:

- Better align incentive compensation with shareholder value creation
- Break the link between operational planning and incentive compensation planning – “the negotiation”; payouts based on “actuals” versus “budgets”
- Provide a longer-term perspective to managing our businesses
- Creates engaged, empowered workforce



# The EVA<sup>®</sup> Formula

$$\text{EVA}^{\text{®}} = \text{Net Operating Profit After-Tax ("NOPAT")} \text{ minus } \text{Capital Charge (the Amount of Capital Invested by Ball multiplied by Ball's After-Tax Hurdle Rate of 9\%)}$$

EVA<sup>®</sup> is the residual economic wealth to Ball and its shareholders after paying (1) taxes and (2) the required rate of return for the use of capital invested in our business.



# Ball's EVA<sup>®</sup> Plan Governance

- EVA<sup>®</sup> Committee – reviews and approves EVA<sup>®</sup> calculations and related adjustments based on the plan and historical precedent of over 20 years, sets leverage factors, EVA<sup>®</sup> tax rates, capital charge rates
- The Board of Directors reviews and approves changes to the Plan proposed by the EVA<sup>®</sup> Committee
- Set to level the playing field, so that each segment has an equal chance to increase payout on incremental improvement



# EVA® Target

- **EVA® Target** is the sum of the target for the prior year's EVA® plus or minus 1/2 of the difference between the prior year's actual EVA® and the prior year's EVA® target

	Increasing Target	Decreasing Target
Current Year EVA Target	\$ 10.0	\$ 10.0
Current Year Actual EVA	<u>\$ 20.0</u>	<u>\$ 5.0</u>
Better (Worse) than Target	\$ 10.0	\$ (5.0)
1/2 of delta forward	\$ 5.0	\$ (2.5)
Add to current year target	<u>\$ 10.0</u>	<u>\$ 10.0</u>
New target for following year	\$ 15.0	\$ 7.5



# EVA<sup>®</sup> Mechanics – Operational Matters

Below are ways we can improve EVA\$ in our operations:

## NOPAT

- Cost Reductions
  - Competitive pricing review in service contracts
  - Utilize equipment/systems more efficiently (faster, less resources)
  - Providing operations visibility into waste and best practices
  - Optimize through best practices and innovation
  - Reduce waste and spoilage

## Invested Capital

- Optimize capital spending (improved infrastructure spend)
- Utilize or eliminate idle equipment and/or systems (rationalization)
- Reduce inventory levels



# EVA<sup>®</sup> Mechanics – Commercial Matters

Below are ways to improve EVA\$ in our commercial efforts:

## NOPAT

- Increase Revenues
  - Grow customer volume, including through innovation
  - Cost pass-through (inflation and understanding of actual costs including overhead)
  - Improve pricing
- Maximize Profitability
  - Lower costs of materials

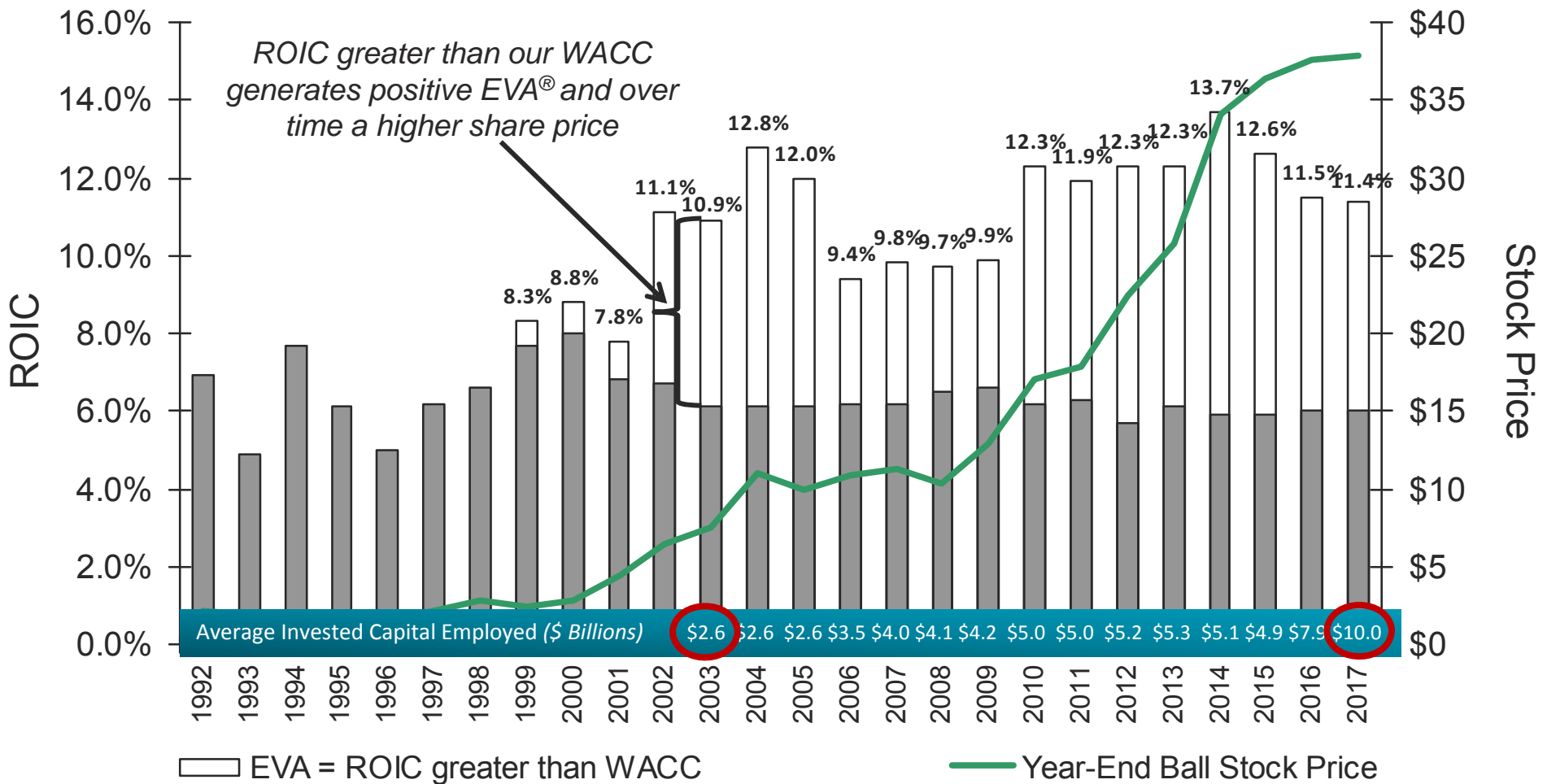
## Invested Capital

- Reduce Working Capital
  - Reduce Accounts Receivables (customer terms)
  - Increase Payables (service terms)
- Spend Ball money like it was your own
- Invest in growth capital projects for returns greater than 9% after-tax



# EVA<sup>®</sup> Mechanics – When is Value Created?

**Invested Capital Base Has Increased \$7.4 Billion Since 2003**



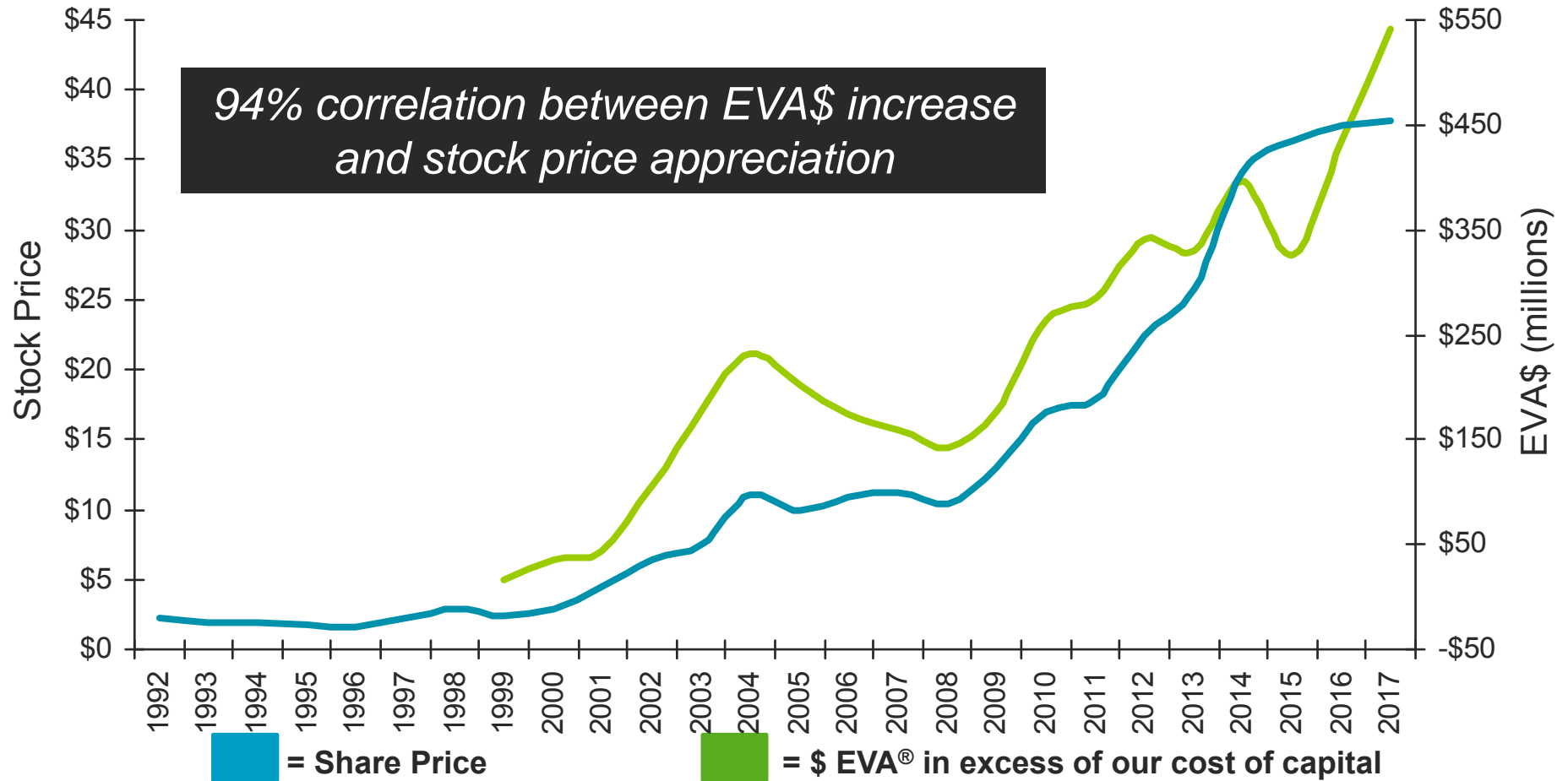
Stock prices adjusted for the February 22, 2002, August 23, 2004, February 15, 2011 and May 16, 2017, two-for-one stock splits; historical figures include results of discontinued plastic operations and consolidation of legacy Brazilian JV. Average invested capital for 2016 represents the 6-month, partial-year increase associated with the Rexam acquisition which closed on June 30, 2016; therefore, 2017 reflects the full-year notable increase in the company's average invested capital base.





# EVA<sup>®</sup> Works!

## EVA\$ Improvement Drives Share Price Higher



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