Operating Performance Analysis of H Company Based on the REVA Model

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ABSTRACT

Against the backdrop of digital transformation, the limitations of traditional financial indicators in valuing asset-light enterprises have become increasingly apparent. Taking H Company as the research subject, this paper introduces the Revised Economic Value Added (REVA) model. Through a comparative analysis of the core concepts and application differences between REVA, traditional analysis methods, and EVA, combined with its financial data from 2020 to 2024, the study reveals the cyclical fluctuation characteristics and structural contradictions in its operational performance. The research finds that H Company's REVA value exhibited an amplitude of 220% over the five-year period, exposing issues such as the high sensitivity of traditional securities businesses to market cycles, an imbalanced capital structure, and low efficiency in R&D conversion. While possessing advantages in areas like institutional client services and risk control capabilities, the company demonstrates insufficient resilience in value creation. The study proposes recommendations including optimizing the capital structure, reconstructing R&D efficiency, and establishing a full-cycle value management system, aiming to provide a reference for similar enterprises undergoing a transformation from scale expansion to value growth in the context of the registration-based IPO system.

KEYWORDS

REVA Model; Operating Performance Analysis

1. RESEARCH BACKGROUND

Amidst the accelerating pace of industrial digitalization, enterprises worldwide are undergoing a profound transformation from heavy-asset to light-asset operational models. The cloud computing industry serves as a representative example, with the global cloud infrastructure services market successfully surpassing the critical threshold of $330 billion in 2024, representing nearly triple the growth compared to five years prior. Services driven by generative artificial intelligence technology contributed over 50% to this overall growth. This transformation has not only altered corporate asset allocation logic but also fundamentally challenged traditional financial evaluation systems [1]. As intangible resources such as technology patents, data assets, and ecosystem networks become the primary components of enterprise value, traditional indicator systems centered on ROE and ROA can no longer accurately depict genuine value creation capability [2]. This failure in assessment is particularly evident among technology enterprises. Taking H Company as an example, in 2024, 72% of its R&D investment was concentrated in upgrading its digital network architecture and constructing AI computing clusters, with capitalized R&D expenditures rising to an industry-leading level of 45%. Although its self-developed distributed intelligent system has served over 210,000 enterprises and

institutions, forming a unique ecosystem moat, the value signals presented by traditional financial indicators were severely distorted. Its book ROE was merely 0.31%, a figure divergent from its market capitalization performance and incapable of reflecting the potential returns from its 430 technology patents and 9.2 PB of high-value industry data [3]. The root cause lies in traditional valuation models adhering to the measurement logic of the industrial era, overly focusing on the turnover efficiency of tangible assets like factories and equipment while neglecting the value conversion patterns of core production factors in the digital age [4]. As the value creation of asset-light enterprises increasingly relies on algorithm optimization capabilities, data asset reuse rates, and ecosystem synergy effects, the limitations of traditional financial indicator systems are fully exposed, being unable to quantify the long-term value of strategic R&D investments or capture the increasing marginal returns characteristic of platform network effects.

2. DEFINITION AND CALCULATION FORMULA OF REVA

REVA (Revised Economic Value Added) is an enhanced valuation tool optimizing the traditional EVA model. Its core innovation lies in switching the measurement basis for capital cost from book value to market value, thereby addressing the traditional model's deficiency in capturing intangible assets and growth value by dynamically reflecting capital market expectations of the enterprise's future value. The formula is:

$$REVA = NOPAT - WACC \times MV \tag{1}$$

Where:

NOPAT (Net Operating Profit After Tax) = Adjusted Operating Profit $\times$ (1 - Income Tax Rate)

WACC (Weighted Average Cost of Capital) = (Cost of Debt $\times$ Debt Proportion) + (Cost of Equity $\times$ Equity Proportion)

MV (Market Value of the Firm) = Equity Market Value + Debt Market Value - Cash and Cash Equivalents

Specific Calculation Process:

NOPAT Calibration:Exclude non-recurring gains/losses (e.g., gains from asset disposals); Capitalize R&D expenses (amortized over the technology lifecycle).

WACC Dynamic Calculation: Cost of Equity calculated using the CAPM model: $Re = Rf + \beta \times (Rm - Rf)$.

MV Value Reconstruction: Equity Market Value = Outstanding Shares $\times$ Stock Price; Debt Market Value = Bond Par Value $\times$ Market Trading Premium Rate; Cash Adjustment: Deduct excess cash reserves.

3. RELATIONSHIP AND DIFFERENCES BETWEEN REVA, TRADITIONAL ANALYSIS, AND EVA

3.1. Multi-dimensional Comparison of REVA and Traditional Financial Performance Analysis

Within the domain of enterprise performance evaluation, REVA shares a methodological lineage with traditional financial performance analysis while exhibiting significant differences in core logic. Fundamentally, both are built upon financial data systems. Net profit and asset-liability data from traditional analysis form the foundational framework for REVA calculation. For instance, deriving

REVA's core metric, NOPAT, starts with the net profit figure from the traditional income statement, achieved through accounting adjustments such as adding back interest expense and adjusting for non-recurring items. Similarly, estimating the market value of debt capital often relies on adjusting the book value from the balance sheet for market premiums. This data-level connectivity allows REVA to delve deeper into enterprise value creation capability based on traditional financial analysis. However, the two methods differ fundamentally in their core philosophies. Traditional financial analysis centers on accounting profit, with typical metrics like net profit and operating income focusing solely on book surplus calculation while ignoring the opportunity cost of equity capital. This "accounting profit illusion" can lead enterprises to misjudge their true profitability. For example, a manufacturing company reporting an annual net profit of RMB 50 million and an ROE of 12% might appear to be in good operational health superficially. Yet, if its cost of equity capital is 15%, REVA calculation would reveal a negative economic value added, indicating that shareholder-invested capital is not earning a reasonable return commensurate with the risk borne. The root of this discrepancy lies in REVA adhering to the "full-factor cost" concept, treating equity capital as a costly funding source and requiring profits to cover all capital costs, including equity. In contrast, traditional analysis only considers the cost of debt capital. From the perspective of evaluation system design, traditional analysis employs a multi-dimensional indicator matrix encompassing solvency, operating capability, profitability, etc., attempting to comprehensively portray the enterprise's financial condition through indicator combinations. However, this "fragmented" evaluation suffers from significant drawbacks: the weighting of indicators relies on subjective judgment, where different analysts might assign different weights to the current ratio and ROE based on risk preferences; furthermore, some indicators are susceptible to manipulation via accounting policies, such as beautifying the net profit margin through asset revaluations. Comparatively, REVA integrates the value creation logic into a single indicator, viewing the enterprise as a converter of capital input into value output, directly targeting shareholder wealth creation and avoiding the inherent conflicts of multi-indicator systems. For example, when evaluating corporate M&A activities, traditional analysis might underestimate strategic value due to the short-term impact of goodwill amortization on net profit, whereas REVA, through its dynamic adjustment based on market value, can more accurately reflect the long-term synergy effects brought about by the merger.

3.2. Evolutionary Logic and Practical Differences between REVA and EVA

As outcomes of the development of economic value added theory, both REVA and EVA are built upon the core framework of residual income theory, measuring enterprise value creation by calculating the difference between "earnings minus capital cost." The prominence of EVA lies in its pioneering inclusion of equity capital cost into the evaluation system, prompting managers to focus on "real returns" rather than merely "book profits." For instance, when calculating EVA for a technology company, R&D expenses are shifted from being expensed immediately to being capitalized and amortized over time. This adjustment prevents short-term R&D investments from distorting profits and stifling innovation incentives, fully demonstrating EVA's emphasis on long-term value creation. REVA introduces two key improvements upon EVA. The first improvement involves elevating the measurement basis for capital employed from book value to market value. While EVA calculates total capital based on historical cost data from the balance sheet, REVA incorporates capital market pricing mechanisms, using the market value of equity and the fair value of debt as the measure of capital input. This change allows REVA to promptly capture the market's expectations of the enterprise's future cash flows. For example, if a listed company's stock price surges due to a technological breakthrough, REVA's total capital employed increases accordingly, demanding higher value creation capability to match the market valuation and shifting management focus from "asset stock management" to "market value appreciation." The second improvement entails REVA's optimization of the capital cost calculation model. It dynamically adjusts the cost of equity using the Capital Asset Pricing Model (CAPM) and incorporates company-specific risk premiums, whereas EVA typically employs a static weighted average cost of capital (WACC). This

refined approach renders REVA more effective for evaluation in industries experiencing high volatility, such as new energy and biopharmaceuticals. However, both methods face common challenges. Firstly, the complex adjustment mechanisms pose significant practical implementation difficulties. EVA requires adjustments to nearly 200 accounting items (e.g., inventory valuation methods, deferred taxes), with emphases varying markedly across industries. REVA, conversely, relies on efficient market data collection systems to continuously track real-time data like equity market values and debt credit spreads, resulting in high implementation costs for SMEs or non-listed companies. Secondly, the indicator's industry applicability has limitations. In traditional manufacturing industries with low asset liquidity, the deviation between book value and market value is small, making EVA more suitable. Conversely, in high-valuation technology sectors, REVA's market-value orientation better reflects an enterprise's growth option value.

3.3. Practical Implications of Methodological Evolution

The development trajectory from traditional analysis to EVA and then to REVA essentially represents a cognitive upgrade in enterprise value assessment, moving from "book reflection" to "economic substance," and from "historical records" to "future expectations." The core advantage of REVA lies in its direct linkage between the capital market and enterprise operations, utilizing the market value benchmark to prompt managers to focus on the dynamic changes in shareholder wealth. Under the registration-based system, this market-oriented evaluation system aligns well with investor decision-making logic. However, it must be noted that the effective application of REVA relies on a mature capital market environment, meaning its indicator orientation can truly function only when stock prices adequately reflect the enterprise's intrinsic value. For enterprises in transition, it may be advisable to construct a composite evaluation system, using traditional indicators as a foundation, supplemented by EVA for process control and REVA for outcome validation, gradually introducing value-creation-oriented management tools while retaining financial stability monitoring.

In conclusion, REVA is not an overthrow of traditional analysis but rather an optimized innovation within the iteration of enterprise value management concepts. It inherits the rigor of financial analysis while injecting the forward-looking perspective of market pricing, providing modern enterprises with an effective tool to achieve a balance between genuine profitability and sustainable growth in a complex business environment.

4. OPERATIONAL STATUS OF H COMPANY

H Company Digital Technology Co., Ltd. (Stock Code: 600155), formally established on July 21, 1998, is a comprehensive holding platform with securities financial services and digital technology as its core businesses. The company, originally named Baoshuo Co., Ltd., acquired 100% equity of Huachuang Securities through a major asset restructuring in 2016, transforming into a dual-main business enterprise in securities and digital technology. It was renamed H Company in 2023. Its core business exhibits a "dual-engine drive" characteristic. In 2024, securities financial services accounted for 94.8% of revenue, while the new digital networking business accounted for 5.2%, though the latter exhibited faster growth. Specifically, the securities financial business generated revenue of RMB 2.849 billion and net profit of RMB 407 million in 2024, with total assets of RMB 49.336 billion and net assets of RMB 16.562 billion. Within its segmented businesses, investment income held the highest share, surging 129% year-on-year in 2023, primarily driven by optimized bond proprietary trading and equity investment strategies. The new digital networking business, centered on the "Fangyu Digital Base," has established a digital account system covering 210,000 enterprises and 4.11 million residents in Guizhou, focusing on developing the provincial tourism large model "Huang Xiaoxi" and multi-industry intelligent agents. In 2024, it added 23 new patents, and the proportion of R&D personnel increased to 38%.

In terms of market positioning and strategic layout, H Company leverages a unique combination of regional penetration and technological innovation to build differentiated market competitiveness. In the traditional financial sector, the company consolidates its position as a regional leader through localized operational advantages, commanding a high 67% market share in Guizhou for bond-like asset operations. Its securities brokerage business consistently ranks among the top three locally, forming a stable profit foundation. Through the strategic acquisition of Si-Tech to gain core cloud computing and big data technologies, the company successfully entered the new digital infrastructure track, building end-to-end capabilities covering data collection, storage, and analysis, becoming a core service provider for smart city construction in Southwest China. At the strategic transformation level, the company focuses on breaking through core AI technologies with an average annual R&D intensity of RMB 1.27 billion. In 2023, its jointly developed computing power scheduling platform with DeepSeek reduced large model inference costs by 40% and incubated vertical intelligent agent products like smart customer service and investment advisors. To accelerate technology commercialization, the company has established an expansion model of "core city radiation + cross-regional collaboration." It has currently reached digital infrastructure cooperation agreements with 12 key cities, including Hefei in Anhui and Wenchang in Hainan, aiming to complete deployments in 40 cities by 2025. Through standardized intelligent agent solution exports and customized data middle platform construction, it aims to gradually transition from a regional leader to a national digital ecosystem operator.

5. OPERATING PERFORMANCE ANALYSIS BASED ON THE REVA MODEL

5.1. Data Selection and Adjustment:

Net Operating Profit After Tax (NOPAT):NOPAT requires accounting adjustments based on net profit. Formula: NOPAT = Net Profit + (Interest Expense + R&D Expense Adjustment - Non-operating Income) × (1 - Tax Rate).

Interest Expense Adjustment: Add back financial expenses to after-tax net profit.

R&D Expense Capitalization: Core objective is to shift R&D expenses from immediate expensing to capitalization, amortizing them over the technology lifecycle to the benefiting years, considering the tax impact of the adjustment.

Total Capital Employed (MV) = Equity Market Value + Debt Market Value - Cash and Cash Equivalents.

Equity Market Value: Calculated as year-end total shares multiplied by closing share price (e.g., 703 million shares at RMB 6.8/share in 2024: RMB 4.78 billion).

Debt Market Value: Directly obtained from annual reports.

Cash Adjustment: Core principle is to deduct only excess cash (i.e., amounts exceeding daily operational needs), retaining operational cash for normal operations. The process must exclude restricted funds (e.g., pledged deposits).

Weighted Average Cost of Capital (WACC) = (Equity Proportion × Cost of Equity) + (Debt Proportion × After-tax Cost of Debt).

Cost of Equity (Re): Calculated using CAPM: Re = Rf + β × (Rm - Rf).

Risk-Free Rate (Rf): Based on annual statistical bulletins from ChinaBond, using the 20-year government bond yield matching the evaluation period to reflect long-term capital time value.

Beta (β): Obtained from third-party platforms like Tonghuashun or industry averages.

Market Risk Premium (Rm - Rf): Represented by the long-term average return of the stock market (e.g., CSI 300 Index annualized return).

Cost of Debt and Weights: Based on data available in financial reports.

Based on the above data selection and calculation, H Company's REVA values for the past five years are as follows:

Unit: RMB Billion

Table 1. Economic Data Statistics

Year	NOPAT	MV	WACC	Capital Cost	REVA
2020	6.49	94.9	5.92%	5.62	0.87
2021	10.49	121.6	5.64%	6.86	3.63
2022	5.043	122.3	6.17%	7.54	-2.50
2023	8.84	102.9	5.83%	5.99	2.85
2024	7.41	100.3	5.41%	5.43	1.98

5.2. Operational Performance Analysis

H Company's operational trajectory from 2020 to 2024 exhibits a distinct "expansion-adjustment-recovery" cyclical characteristic. The interconnected changes in its core financial indicators clearly reveal the dynamic interplay between the company's strategic choices and the market environment.From a profitability perspective, the three-stage evolution of NOPAT bears a strong industry cyclical imprint:Rapid Expansion (2020-2021):Benefiting from the dividends of the registration-based IPO system reform in the capital market, equity underwriting business revenue surged 47%, driving NOPAT from RMB 649 million to RMB 1,049 million.

Sharp Contraction (2022):Impacted by a 23% contraction in A-share market turnover and unrealized losses on proprietary equity investments, NOPAT plunged 52% to RMB 504.3 million, fully exposing the high dependence of traditional brokerage businesses on market liquidity.Fragile Recovery (2023-2024):Through scaling back proprietary trading and strengthening institutional client services, NOPAT recovered to RMB 884 million in 2023. However, in 2024, it fell back to RMB 741 million due to increased transaction costs resulting from new market maker regulations. The profit structure still needs to shift from reliance on "market beta (β) drivers" to a focus on "professional alpha (α) creation."Adjustments in capital allocation strategy are evident in the inverse movements of MV and WACC:Peak Expansion (2022):MV reached a peak of RMB 122.3 billion, corresponding to the securities industry's "land grab" phase of scale competition. The company rapidly expanded its balance sheet through instruments like subordinated bonds and perpetual bond financing.Strategic Pivot (2023-2024):High capital costs prompted a strategic shift. The company actively disposed of RMB 1.87 billion in inefficient assets in 2023, reducing MV to RMB 102.9 billion. Through debt restructuring, it lowered the USD-denominated debt proportion from 31% to 19%, driving WACC down to 5.41% in 2024.

The Trade-off:This "volume reduction, quality improvement" process reflects management's re-evaluation of capital efficiency. However, the contraction in total capital presented new challenges – investment in the digital networking project decreased by 22% year-on-year in 2024 due to capital constraints, leading to lagging technology iteration and an ROIC 8 percentage points lower than industry benchmarks, exposing the difficulty in balancing scale adjustment and innovation investment.

The intense volatility in value creation efficacy (REVA) is an external manifestation of the inherent conflict between the cyclical nature of the business model and the rigidity of capital costs:

Peak Performance (2021):REVA reached a peak of RMB 363 million, benefiting from the dual effects of high NOPAT growth and MV expansion, achieving capital efficiency of 2.98%, exceeding the

industry average by 1.8 percentage points, confirming the effectiveness of leverage strategies in bull markets.

Value Destruction (2022):When market conditions deteriorated sharply, MV adjustment lagged behind the NOPAT decline, causing capital costs to exceed returns and resulting in the first negative REVA, highlighting the risk exposure of the heavy-asset expansion model.

Recovery Challenges (2024):Although REVA recovered to RMB 198 million in 2024, capital efficiency (REVA/MV) declined by 29% compared to 2023. This indicates that the strength of the profit recovery was insufficient to drive a synchronous improvement in value creation capability against the backdrop of MV contraction, exposing the growing pains of "scale down, efficiency not up."

Key Issues Identified:

High Cost of Capital:In 2022, the company's WACC was 0.28 percentage points higher than the industry average, primarily due to a "double concentration" in its debt structure: bonds accounted for 92% of financing, and 31% of USD-denominated debt was unhedged. RMB depreciation that year increased implicit financial costs by RMB 120 million. This structure proved particularly passive during an interest rate upcycle; the debt cost rate reached 6.17% in 2022, up 0.85 percentage points from 2020, while the industry average debt cost rose only 0.52 percentage points, reflecting lagging cross-border financing risk management.

Inefficient R&D Investment:A "high cost, low efficiency" problem in R&D warrants concern. Over the past five years, cumulative R&D investment reached RMB 1.02 billion, yet the patent conversion rate was only 23%, less than half the industry average. In 2022, 83% of digitalization investment was directed to underlying infrastructure, while client-facing initiatives like the intelligent investment advisor feature in the APP received only 12% of the budget. This led to a 19% decline in C-end user activity over three years, missing a key window for wealth management digitalization. The R&D return elasticity consistently remained below the industry health threshold of 1.0.

Core Advantages:

Light-Asset Operating Model:The company has built an anti-cyclical foundation. Its fixed asset turnover ratio reached 9.8 times/year, 60% higher than the industry average, benefiting from the "de-physical branch" strategy implemented since 2019. The remote counter system facilitated an 85% migration rate of offline business. The proportion of human resource costs decreased from 32% in 2020 to 25% in 2024, achieving counter-trend growth while industry-wide per capita efficiency declined by 11%.

Institutional Client Service Capability:This serves as a value stabilizer. An 87% repurchase rate indicates strong stickiness among top clients. In 2023, when institutional business income for brokerages generally declined by 15%, the company achieved 9% growth in institutional client revenue leveraging its OTC options market maker qualification, demonstrating differentiated B2B service competitiveness.

Refined Risk Control System:This forms a critical safety cushion. A bad debt rate of 0.33% compares favorably to the industry average of 0.58%. Notably, during the 2022 bond default wave, its forward-looking credit rating model contained losses from defaults to RMB 12 million, only one-third of the peer average.

Strategies to Address Challenges:Facing the challenge of "strong cyclical volatility, weak value creation," H Company needs a three-dimensional strategy:

"Flexibilize" Capital Structure:Activate idle assets through securitization; reduce fixed asset proportion from 8% to 5%; introduce perpetual equity instruments to reduce bond reliance; establish a dynamic FX risk hedging mechanism to limit unhedged foreign debt to below 15%; target WACC below 5.2% by 2025.

"Precisely" Enhance R&D Efficiency:Adjust R&D budget allocation to "70% application layer + 30% foundation layer"; establish a performance mechanism linking patent conversion to business income; target conversion rate increase to 35% by 2025; focus on revenue-generating technologies like intelligent investment advisors and quantitative trading.

"Multi-dimensionally" Reconstruct Value Assessment:Build on the core REVA indicator by adding forward-looking metrics like customer lifetime value and technology asset appreciation rate, forming a composite evaluation system encompassing "financial results + customer value + innovation capability" to guide resources to high value-creation areas.

Industry Context and Implementation:The deepening and full implementation of the registration-based IPO system will amplify the decision-making value of the REVA indicator. As market pricing efficiency improves and MV more accurately reflects intrinsic value, REVA's early warning function for strategic missteps will be more pronounced. H Company should seize this opportunity by integrating REVA analysis into annual budgeting, performance appraisal, and strategic planning, establishing a closed-loop management mechanism of "dynamic capital cost monitoring - value creation stress testing - elastic resource allocation adjustment" to truly achieve a paradigm shift from scale expansion to value growth.

6. RESEARCH CONCLUSIONS AND RECOMMENDATIONS

6.1. Research Conclusions

An in-depth analysis of H Company's REVA indicator and related financial data from 2020 to 2024 reveals that its operational performance exhibits characteristics of "strong cyclical attributes and weak value resilience." In essence, during market upswings, the company achieved short-term REVA surges through scale expansion, reaching a peak of RMB 363 million in 2021. However, it failed to establish effective anti-decline mechanisms during downturns, evidenced by REVA turning negative in 2022 and experiencing a feeble recovery thereafter. This exposes an excessive dependence of traditional securities businesses on market beta (β) returns. In terms of capital allocation, the earlier "scale-over-efficiency" development model resulted in WACC persistently exceeding the industry average. Although an asset-slimming plan was initiated after 2023, the imbalance between unlocking value from existing assets and funding new innovation investments has led to a transformation bottleneck where "scale decreases but efficiency rises slowly." Structural misallocation in R&D investment is particularly stark, with excessive focus on underlying infrastructure and lagging application-layer innovation. This directly resulted in technology conversion returns falling below the industry threshold, failing to form a second growth curve supporting value creation.

The company possesses strengths in institutional client services and risk control system construction, providing critical underpinning for the value floor. An 87% institutional client repurchase rate and a 0.33% bad debt rate indicate industry-leading B2B service capability and risk management, forming the core foundation for navigating cycles. However, overall, the five-year REVA amplitude of 220% far exceeds the industry fluctuation level of 150%. This reflects that under the deepening registration-based system and improving market pricing efficiency, the traditional scale-oriented development model can no longer meet the demands of the value investment era. There is an urgent need to fundamentally reconstruct the value creation logic at the strategic level.

6.2. Relevant Recommendations

Optimize Capital Structure: Shift from "Rigid Expansion" to "Flexible Adaptation." Address issues of single financing channels and high debt costs by establishing a dynamic capital allocation mechanism:

Diversify Financing Channels: Reduce reliance on bond financing (target: bond proportion below 70% by 2025); explore REITs to monetize offline branch assets; introduce industrial capital for mixed-ownership reform in fintech subsidiaries; simultaneously expand RMB cross-border financing scale to hedge USD debt FX risk.

Implement Precise Capital Cost Control: Establish a differentiated WACC calculation system based on the CAPM model; implement segmented assessment for different risk units (e.g., proprietary trading, market making). Set the capital cost rate for high-risk proprietary equity investments at WACC + 1.5% to guide resources towards areas with higher risk-adjusted returns, such as institutional business and asset securitization.

Enhance R&D Efficiency: Shift from "Input-Driven" to "Conversion-Oriented." Address the R&D input-output imbalance by reconstructing the technological innovation value chain:Implement Market-Oriented Budget Allocation Reform: Allocate R&D budget by "7:2:1" ratio across application layer (e.g., intelligent investment advisors, quantitative trading systems), improvement layer (e.g., client terminal optimization), and foundation layer.

Commercialization of Technological Achievements

Patent Conversion Incentive Mechanism:

Establish a patent conversion special fund to reward project teams achieving>35% conversion rate with a reasonable percentage of newly generated revenue. Priority will be given to revenue-generating technologies such as:

AI-powered investment research platforms Cross-border asset allocation systems Target: Increase R&D return elasticity to 1.2 (approaching industry median) by 2025 .

Organizational Capability Restructuring: From "Business Silos" to "Value Synergy":Chief Value Officer (CVO) Role Oversee REVA indicator decomposition and resource allocation.Break down data barriers between finance, operations, and R&D departments.Implement monthly value creation stress testing(e.g., simulating scenarios of 20% market decline to assess capital cost resilience).

Cycle-Adaptive Performance SystemBull Market: Focus on REVA growth rate(40% weighting).Bear Market: Prioritize capital efficiency metrics(e.g.,REVA/MV, 50% weighting) .Introduce"ROIC growth rate of existing assets"as a core metric during downturns (e.g., 2024).

Implementation Safeguards & Risk Control:

Special Task Force:Led by the VP of Finance, with heads of business, technology, and risk control.Define KPIs and timelines (e.g., complete financing structure optimization by Q4 2024).

External Bench marking:Engage consultants for REVA indicator bench marking, leveraging industry best practices (e.g., CITIC Securities, Huatai Securities).

Risk Buffer Mechanism:Allocate 5% of annual net profit as a "value fluctuation reserve"to mitigate capital cost volatility during extreme markets.

7. SUMMARY

The fluctuation trajectory of H Company's REVA fundamentally reflects the securities industry's micro-level shift from"incremental expansion" to "stock competition."Against the backdrop of the comprehensive implementation of the registration-based system and accelerated capital market internationalization, only by breaking through the limitations of traditional financial metrics and establishing a full-cycle management system centered on value creation can short-term cyclical volatility be transformed into opportunities for long-term capability building.

Through flexible adaptation of capital structure, precision-driven R&D efficiency, and multi-dimensional enhancement of value assessment, the company is positioned to achieve a fundamental transformation from a "size-sensitive" to a "value-creating" investment bank within 3–5 years. This will solidify its role as a benchmark in value management capable of weathering market cycles.

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