The CROCI valuation methodology
Main differences between accounting and economic data

Accounting data	Economic data
Book value	**Net capital invested**
Is historical cost accounted and ignores intangible economic assets, such as research and development, and brand advertising.	Is adjusted for inflation, and also includes capitalized intangibles, such as research and development, and brand advertising.
Return on Equity	**CROCI**
Does not represent a real return (for example, depreciation is not charged economically and asset life is inconsistent.)	Includes cash return over the life of the assets. Depreciation is charged economically, with similar assets having similar lives.
Market capitalization	**Enterprise value**
Only includes the value of the equity, ignoring debt and other calls on shareholders.	Includes financial debt and other liabilities, such as leases, warranties and pension underfunding.
Net income	**Economic earnings**
Does not reflect the real level of profitability.	Offers a true and comparable measure of profitability

Source: Deutsche Bank CROCI team