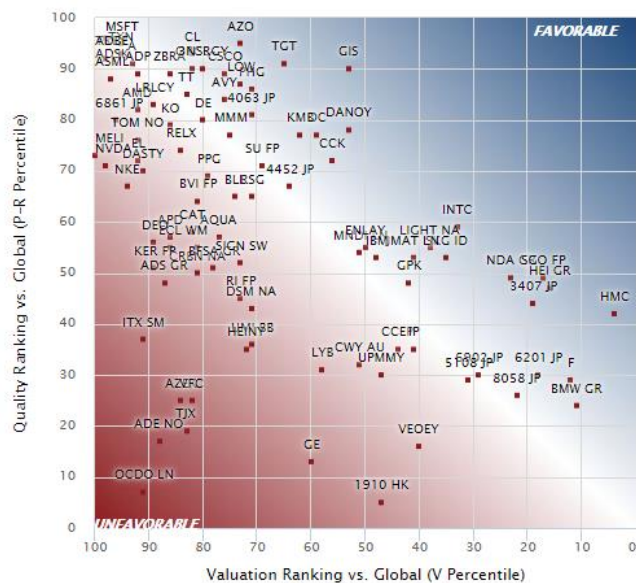


The Circular Economy & EVA

In recent years, there has been significant growth in capital markets around the area of [Circular Economy](#). Circular Economy (CE) is not just part of an ESG agenda, with potential corporate reputational damage providing material Financial risks. In this report we use our EVA framework to analyse firms that benefit from or contribute to the Circular Economy. We combine the ESG Performance score to see how these firms look using the ISS ESG framework. The companies have been selected by combining listed CE indexes to give a wider view of stock selection. We further conduct our own stock screen using EVA and ISS ESG factors. **Figure 1** shows the firms in our PRVit Heat Map (See sidebar). A quarter of the CE linked companies have an unfavorable trade-off between their level of Risk-adjusted Profitability and Valuation.

Figure 1: Circular Economy Firms PRVit Heat Map



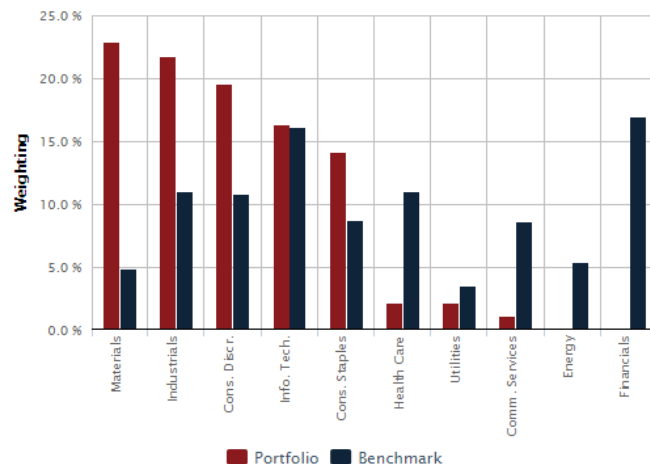
PRVit: HEAT Map is the visual trade-off between **Quality and Valuation**: companies in the favourable (blue) area offer higher quality and/or cheaper valuation than those in the unfavourable (red) area. The y-axis is our measure of **Quality** where the higher the score, the higher the company's **Quality or Risk-Adjusted Profitability** is. This is a composite score including Level and Trend of Profitability (P1 and P2) as well as Volatility and Vulnerability (R1 and R2). The x-axis is our measure of **Valuation** which includes **Wealth Ratios and Wealth Multiples** (V1 and V2). This axis is plotted in reverse, so the most expensive stocks (highest V scores) are to the left and the cheapest V scores are plotted to the right.

ESG Performance Score: This factor provides a numerical score from 0 to 100. Prime Status is based on the ESG rating and a sector specific Prime threshold. The ESG Rating and Performance Score, however, is comparable over all rated entities. All rated entities with values greater than 50 are Prime, companies with values less than 50 are not Prime.

Sector Exposure

The Materials and Industrials sectors have the largest CE exposure, while there is no exposure to Energy or Financials sectors (**Figure 2**). The 'Benchmark' we have used is a broad-based world index. The 'Portfolio' is the equal weighted group of CE firms.

Figure 2: Circular Economy Sector Weights



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Materials

In the following tables we break down by sector the CE related firms under the EVA lens. The Materials sector CE related stocks in aggregate have positive EVA Margin (profitability) as the firms except for **Asahi Kasei (3407 JP)** and **UPM-Kymmene (UPMMY)** are covering their cost of capital at a time when the broader global Materials sector currently has a negative EVA Margin. The two German companies, **HeidelbergCement (HEI GR)** and **Aurubius (NDA GR)** look most attractive in the PRVit framework with above aggregate Profitability and very cheap Valuations. The two companies also have a favorable ESG prime score (> 50).

Figure 3: Materials CE Firms

Name	Ticker	GICS Sector	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	PRVit Score	Quality (P-R)	Profitability Score (P)	Risk Score (R)	Valuation Score (V)	ESG Perf Score	Return YTD
SHIN-ETSU CHEMICAL CO LTD	4063 JP	Materials	Japan	69,084	11.6%	-0.4%	39	81	63	9	71	31	1.4%
AIR PRODUCTS & CHEMICALS INC	APD	Materials	U.S.	66,891	9.7%	0.5%	23	57	59	49	86	61	9.7%
ECOLAB INC	ECL	Materials	U.S.	63,782	2.6%	-1.8%	22	55	37	9	86	56	0.7%
PPG INDUSTRIES INC	PPG	Materials	U.S.	42,808	4.7%	0.7%	41	69	60	25	79	36	22.8%
LYONDELLBASELL INDUSTRIES NV	LYB	Materials	U.S.	38,647	5.9%	0.1%	23	31	53	94	58	32	23.6%
KONINKLIJKE DSM NV	DSM NA	Materials	Netherlands	31,676	3.4%	1.3%	26	43	47	54	71	56	4.3%
BALL CORP	BLL	Materials	U.S.	29,362	3.7%	1.6%	41	65	59	32	74	66	-6.6%
INTL PAPER CO	IP	Materials	U.S.	25,108	1.4%	0.2%	42	35	32	43	41	46	27.6%
UPM-KYMMENE CORP -ADR	UPMMY	Materials	Finland	21,100	-0.3%	-1.5%	20	30	22	35	47	62	5.7%
AVERY DENNISON CORP	AVY	Materials	U.S.	18,370	6.1%	1.2%	63	84	69	13	76	46	39.3%
HEIDELBERGCEMENT AG	HEI GR	Materials	Germany	18,130	0.7%	2.8%	87	47	51	54	16	53	20.8%
ASAHI KASEI CORP	3407 JP	Materials	Japan	15,651	-0.3%	0.1%	56	44	30	20	19	26	15.2%
CROWN HOLDINGS INC	CKK	Materials	U.S.	15,026	4.2%	2.2%	70	72	63	27	56	47	9.0%
UMICORE SA	UMI BB	Materials	Belgium	14,967	0.4%	0.0%	16	36	38	53	71	61	27.7%
SMURFIT KAPPA GROUP PLC	SKG ID	Materials	Ireland	13,804	3.5%	0.3%	78	53	45	32	35	59	13.8%
MONDI PLC/LTD (GBR)	MNDI LN	Materials	U.K.	13,272	4.8%	-1.4%	63	54	41	21	51	60	11.9%
JOHNSON MATTHEY PLC	JMAT LN	Materials	U.K.	8,758	0.5%	-0.7%	72	53	32	5	41	50	30.8%
SIG COMBIBLOC GROUP AG	SIGN SW	Materials	Switzerland	8,458	0.7%	4.4%	27	52	51	46	73	59	13.7%
GRAPHIC PACKAGING HOLDING CO GPK	GPK	Materials	U.S.	5,448	1.8%	-0.0%	59	48	42	33	42	38	10.6%
AURUBIS AG	NDA GR	Materials	Germany	4,161	1.5%	1.7%	86	49	64	75	23	56	18.1%
CORBION NV	CRBN NA	Materials	Netherlands	3,483	3.2%	-1.9%	24	50	39	25	81	39	2.4%
Average					3.3%	0.5%	47	53	48	36	57	50	14.4%

Industrials

A quarter of the Industrials sector CE firms have a negative EVA Margin (profitability), and EVA Momentum (growth) is slightly negative in aggregate. High Valuations are the biggest detractor, with strong returns YTD having pushed Valuations higher, ahead of an improvement in Profitability. **Saint-Gobain (SGO FP)** and **Signify (LIGHT NA)** look most attractive.

Figure 4: Industrials CE Firms

Name	Ticker	GICS Sector	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	PRVit Score	Quality (P-R)	Profitability Score (P)	Risk Score (R)	Valuation Score (V)	ESG Perf Score	Return YTD
CATERPILLAR INC	CAT	Industrials	U.S.	135,267	2.9%	-4.0%	27	58	50	29	82	42	31.6%
DEERE & CO	DE	Industrials	U.S.	120,849	5.5%	2.1%	52	80	75	33	80	41	37.4%
3M CO	MMM	Industrials	U.S.	120,017	10.4%	0.7%	55	77	64	18	75	54	16.2%
GENERAL ELECTRIC CO	GE	Industrials	U.S.	116,294	-8.8%	-5.2%	8	13	19	78	60	50	20.1%
SCHNEIDER ELECTRIC SA	SU FP	Industrials	France	89,821	3.4%	0.8%	60	71	54	10	69	69	7.2%
WASTE MANAGEMENT INC	WM	Industrials	U.S.	59,847	7.9%	0.8%	24	55	57	50	81	52	19.1%
RELX PLC -ADR	RELX	Industrials	U.K.	50,481	16.7%	-2.1%	46	74	70	36	84	63	1.7%
TRANE TECHNOLOGIES PLC	TT	Industrials	U.S.	44,191	5.4%	2.7%	55	85	68	9	83	57	23.5%
MITSUBISHI CORP	8058 JP	Industrials	Japan	39,914	-2.2%	-1.0%	29	26	17	35	22	27	15.5%
SAINT-GOBAIN (CIE DE)	SGO FP	Industrials	France	35,405	-1.0%	1.0%	87	49	35	19	17	53	43.7%
REPUBLIC SERVICES INC	RSG	Industrials	U.S.	35,100	5.9%	2.3%	44	65	59	32	71	45	13.4%
BUREAU VERITAS SA	BVI FP	Industrials	France	13,670	3.2%	-2.3%	37	64	50	18	81	50	11.9%
TREX CO INC	TREX	Industrials	U.S.	11,706	16.2%	3.4%	49	92	92	36	98	33	18.6%
OWENS CORNING	OC	Industrials	U.S.	11,105	6.4%	2.2%	71	77	74	38	59	62	36.4%
SIGNIFY NV	LIGHT NA	Industrials	Netherlands	7,941	1.4%	0.9%	73	55	52	39	38	69	45.7%
TOMRA SYSTEMS A/S	TOM NO	Industrials	Norway	6,995	5.4%	0.6%	44	76	63	18	92	59	-6.4%
AZEK COMPANY INC (THE)	AZEK	Industrials	U.S.	6,751	-9.4%	-7.0%	7	25	12	27	84	29	13.2%
CLEANAWAY WASTE MGMT LTD	CWY AU	Industrials	Australia	4,475	-4.4%	0.1%	36	32	28	42	51	43	17.9%
EVOQUA WATER TECH	AQUA	Industrials	U.S.	3,575	1.8%	2.2%	30	57	53	37	77	45	5.9%
BEFESA S.A	BFSA GR	Industrials	Germany	2,550	5.7%	-0.6%	26	51	48	42	78	67	12.0%
Average					3.6%	-0.1%	43	59	52	32	69	50	19.2%

Consumer Discretionary

The Consumer Discretionary sector CE related stocks in aggregate have negative EVA Fundamentals and weak PRVit scores. **AutoZone (AZO)** and **Target (TGT)** look most attractive, however, both firms have an ESG Performance score below prime. **BMW GR** has a prime ESG score and favorable PRVit rating.

Figure 5: Consumer Discretionary CE Firms

Name	Ticker	GICS Sector	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	PRVit Score	Quality (P-R)	Profitability Score (P)	Risk Score (R)	Valuation Score (V)	ESG Perf Score	Return YTD
NIKE INC -CL B	NKE	Cons Discr U.S.	U.S.	216,183	6.3%	-2.5%	23	67	68	45	94	58	-4.2%
LOWE'S COS INC	LOW	Cons Discr U.S.	U.S.	141,958	7.8%	5.0%	72	87	91	47	73	39	20.1%
IND DE DISEÑO TEXTIL SA	ITX SM	Cons Discr Spain	Spain	122,355	4.7%	-6.3%	15	37	49	73	91	63	24.1%
KERING	KER FP	Cons Discr France	France	107,381	8.5%	-6.2%	18	51	62	68	89	57	18.9%
TARGET CORP	TGT	Cons Discr U.S.	U.S.	105,025	4.0%	2.2%	84	91	81	19	65	41	16.9%
TJX COS INC (THE)	TJX	Cons Discr U.S.	U.S.	88,021	-1.2%	-7.0%	5	19	21	62	83	38	4.2%
ADIDAS AG	ADS GR	Cons Discr Germany	Germany	72,276	1.2%	-2.1%	19	48	44	39	87	62	-2.2%
BAYER MOTOREN WERKE AG	BMW GR	Cons Discr Germany	Germany	66,889	-3.5%	2.1%	69	24	34	74	11	51	16.4%
MERCADOLIBRE INC	MELI	Cons Discr Argentina	Argentina	66,641	3.7%	6.4%	31	73	87	72	100	40	-19.6%
HONDA MOTOR CO LTD	7267 JP	Cons Discr Japan	Japan	53,715	-2.1%	-0.3%	69	42	39	41	4	44	15.0%
DENSO CORP	6902 JP	Cons Discr Japan	Japan	51,680	-3.1%	1.2%	27	30	32	56	29	45	17.5%
FORD MOTOR CO	F	Cons Discr U.S.	U.S.	48,689	-2.5%	1.0%	67	29	40	74	12	46	38.1%
AUTOZONE INC	AZO	Cons Discr U.S.	U.S.	34,415	14.1%	3.8%	85	95	91	22	73	34	27.5%
VF CORP	VFC	Cons Discr U.S.	U.S.	34,050	-0.3%	-5.6%	7	25	29	61	82	50	1.3%
BRIDGESTONE CORP	5108 JP	Cons Discr Japan	Japan	30,438	-4.7%	-6.5%	25	29	11	18	31	51	42.1%
TOYOTA INDUSTRIES CORP	6201 JP	Cons Discr Japan	Japan	27,214	-6.3%	1.0%	37	30	25	42	18	23	11.6%
OCADO GROUP PLC	OCDO LN	Cons Discr U.K.	U.K.	20,809	-8.5%	-1.7%	2	7	5	74	91	31	-14.9%
SAMSONITE INTERNATIONAL SA	1910 HK	Cons Discr Hong Kong	Hong Kong	2,431	-31.8%	-12.0%	8	5	4	81	47		-2.2%
Average					-0.8%	-1.5%	37	44	45	54	60	45	11.7%

Information Technology

All I.T. CE related companies have a positive EVA Margin, and the aggregate EVA Momentum is the highest out of the CE sectors. **Intel (INTC)** and **Oracle (ORCL)** are most attractive.

Figure 6: I.T. CE Firms

Name	Ticker	GICS Sector	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	PRVit Score	Quality (P-R)	Profitability Score (P)	Risk Score (R)	Valuation Score (V)	ESG Perf Score	Return YTD
MICROSOFT CORP	MSFT	I.T.	U.S.	1,844,577	28.8%	7.7%	68	95	98	38	95	66	9.3%
NVIDIA CORP	NVDA	I.T.	U.S.	352,655	23.7%	14.8%	32	71	98	97	98	57	7.4%
ASML HOLDING	ASML NA	I.T.	N.L.	264,485	22.6%	16.7%	58	88	98	59	97	58	27.1%
ORACLE CORP	ORCL	I.T.	U.S.	232,665	20.0%	3.7%	73	90	87	31	82	63	21.6%
ADOBE INC	ADBE	I.T.	U.S.	231,232	24.7%	10.1%	60	92	97	46	98	66	-3.9%
CISCO SYSTEMS INC	CSCO	I.T.	U.S.	223,501	17.2%	-1.1%	68	89	79	18	76	59	18.3%
INTEL CORP	INTC	I.T.	U.S.	221,522	13.0%	0.7%	86	59	70	69	33	58	10.1%
TEXAS INSTRUMENTS INC	TXN	I.T.	U.S.	168,295	28.1%	7.8%	66	93	93	33	95	52	9.0%
INTL BUSINESS MACHINES CORP	IBM	I.T.	U.S.	129,685	3.3%	0.2%	65	53	49	39	48	66	14.3%
KEYENCE CORP	6861 JP	I.T.	Japan	115,974	27.7%	-5.0%	17	80	65	14	96	11	-9.6%
ADVANCED MICRO DEVICES	AMD	I.T.	U.S.	91,006	11.2%	15.7%	52	82	94	67	92	59	-18.8%
AUTOMATIC DATA PROCESSING	ADP	I.T.	U.S.	82,974	14.6%	-0.1%	60	89	82	26	92	54	9.3%
AUTODESK INC	ADSK	I.T.	U.S.	60,389	10.6%	8.4%	67	96	94	24	98	55	-10.7%
DASSAULT SYSTEMS SA -ADR	DASTY	I.T.	France	59,454	6.1%	1.3%	43	70	63	31	91	57	9.1%
ZEBRA TECHNOLOGIES CP -CL A	ZBRA	I.T.	U.S.	25,921	7.9%	3.1%	58	89	82	24	86	30	24.3%
Average					17.3%	5.6%	58	82	83	41	85	54	7.8%

Consumer Staples, Health Care & Utilities

The defensive sectors of Consumer Staples, Health Care and Utilities have a smaller exposure to the Circular Economy. **Philips (PHG)** is the highest scoring PRVit firm while **Adevinta (ADENO)** is least favorable. The firms generally have high levels of Profitability, low Risk and high Valuations. The firms on average have a prime ESG Performance Score.

Figure 7: Consumer Staples, Health Care & Utilities CE Firms

Name	Ticker	GICS Sector	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	PRVit Score	Quality (P-R)	Profitability Score (P)	Risk Score (R)	Valuation Score (V)	ESG Perf Score	Return YTD
NESTLE SA/AG	NESN SW	Cons Staples	Switzerland	350,495	12.9%	2.8%	58	90	88	33	80	60	5.0%
L'OREAL SA -ADR	LRLCY	Cons Staples	France	242,224	10.1%	1.8%	46	83	72	20	89	60	13.1%
COCA-COLA CO	KO	Cons Staples	U.S.	235,554	16.8%	1.5%	37	79	75	36	86	45	-0.9%
DIAGEO PLC -ADR	DEO	Cons Staples	U.K.	111,026	19.5%	-5.9%	21	56	59	52	89	52	16.4%
LAUDER (ESTEE) COS INC -CL A	EL	Cons Staples	U.S.	108,473	8.2%	-2.5%	26	72	66	33	92	47	11.3%
ENEL SPA -ADR	ENLAY	Utilities	Italy	100,764	6.1%	3.1%	68	55	60	56	50	58	-2.8%
COLGATE-PALMOLIVE CO	CL	Cons Staples	U.S.	70,673	13.5%	1.8%	64	93	78	6	82	61	-2.8%
HEINEKEN NV -ADR	HEINY	Cons Staples	N.L.	69,092	1.6%	-3.8%	15	35	31	42	72	51	7.8%
PERNOD RICARD SA	RI FP	Cons Staples	France	56,241	4.6%	-2.3%	23	45	38	32	73	53	12.1%
KONINKLIJKE PHILIPS NV -ADR	PHG	Health Care	N.L.	51,626	4.8%	0.7%	81	86	79	26	71	60	13.6%
DANONE SA -ADR	DANOY	Cons Staples	France	48,631	6.9%	5.1%	79	78	80	48	53	57	8.0%
KIMBERLY-CLARK CORP	KMB	Cons Staples	U.S.	45,086	10.5%	0.4%	63	77	69	27	62	57	-1.4%
AGILENT TECHNOLOGIES INC	A	Health Care	U.S.	39,743	11.4%	0.2%	68	91	79	12	93	44	8.7%
GENERAL MILLS INC	GIS	Cons Staples	U.S.	38,505	9.9%	4.5%	85	90	78	15	53	50	7.0%
KAO CORP	4452 JP	Cons Staples	Japan	29,861	5.5%	-1.1%	28	67	49	6	64	64	-14.1%
COCA-COLA EUROPACIFIC PARTNCS	CEP	Cons Staples	U.K.	28,030	2.0%	-0.7%	40	35	37	53	44	58	21.4%
VEOLIA ENVIRONNEMENT -ADR	VEOEY	Utilities	France	17,958	-0.6%	-0.4%	22	16	23	76	40	62	27.5%
ADEVINTA ASA	ADE NO	Comm Svcs	Norway	11,401	-5.0%	4.4%	7	17	36	97	88	41	-3.5%
Average					7.7%	0.6%	46	65	61	37	71	55	7.0%

Putting Together a Favorable EVA & Circular Economy Portfolio

In this screen we look for the most favorable companies in the PRVit framework that are also rated prime in the ESG framework. The firms have a PRVit rating of overweight or buy (> 60). By selecting stocks with a high PRVit score this has continued to add alpha over the short and long term, with an average monthly positive spread of 43bps over the past 10-years ([PRVit Report Global](#)).

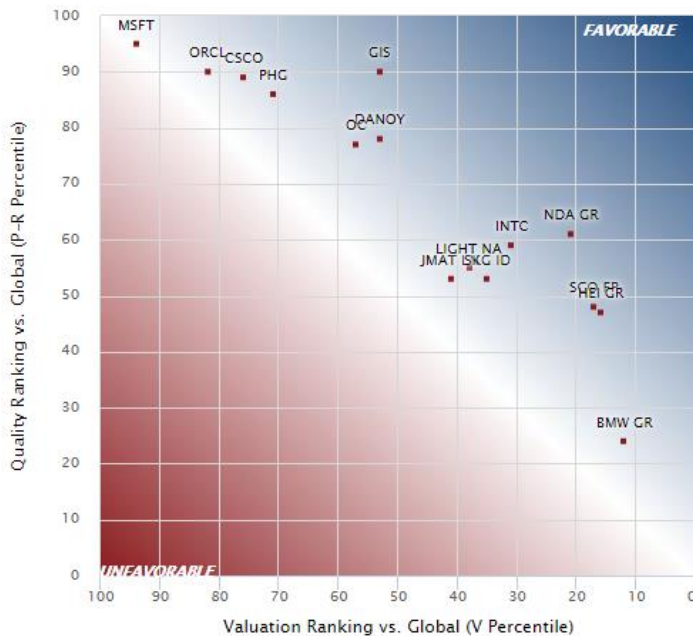
Figure 8: Top Picks

Name	Ticker	GICS Sector	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	PRVit Score	Quality (P-R)	Profitability Score (P)	Risk Score (R)	Valuation Score (V)	ESG Perf Score	Return YTD
HEIDELBERGCEMENT AG	HEI GR	Materials	Germany	18,130	0.7%	2.8%	87	47	51	54	16	53	20.8%
SAINT-GOBAIN (CIE DE)	SGO FP	Industrials	France	35,405	-1.0%	1.0%	87	49	35	19	17	53	43.7%
INTEL CORP	INTC	I.T.	U.S.	221,522	13.0%	0.7%	86	59	70	69	33	58	10.1%
AURUBIS AG	NDA GR	Materials	Germany	4,161	1.5%	1.7%	86	49	64	75	23	56	18.1%
GENERAL MILLS INC	GIS	Cons Staples	U.S.	38,505	9.9%	4.5%	85	90	78	15	53	50	7.0%
KONINKLIJKE PHILIPS NV -ADR	PHG	Health Care	N.L.	51,626	4.8%	0.7%	81	86	79	26	71	60	13.6%
DANONE SA -ADR	DANOY	Cons Staples	France	48,631	6.9%	5.1%	79	78	80	48	53	57	8.0%
SMURFIT KAPPA GROUP PLC	SKG ID	Materials	Ireland	13,804	3.5%	0.3%	78	53	45	32	35	59	13.8%
ORACLE CORP	ORCL	I.T.	U.S.	232,665	20.0%	3.7%	73	90	87	31	82	63	21.6%
SIGNIFY NV	LIGHT NA	Industrials	Netherlands	7,941	1.4%	0.9%	73	55	52	39	38	69	45.7%
JOHNSON MATTHEY PLC	JMAT LN	Materials	U.K.	8,758	0.5%	-0.7%	72	53	32	5	41	50	30.8%
OWENS CORNING	OC	Industrials	U.S.	11,105	6.4%	2.2%	71	77	74	38	59	62	36.4%
BAYER MOTOREN WERKE AG	BMW GR	Cons Discr	Germany	66,889	-3.5%	2.1%	69	24	34	74	11	51	16.4%
CISCO SYSTEMS INC	CSCO	I.T.	U.S.	223,501	17.2%	-1.1%	68	89	79	18	76	59	18.3%
MICROSOFT CORP	MSFT	I.T.	U.S.	1,844,577	28.8%	7.7%	68	95	98	38	95	66	9.3%
Average					7.3%	2.1%	78	66	64	39	47	58	20.9%

PRVit Heat Map (Top Picks)

The firms in **Figure 8** are spread across the PRVit Heat Map (**Figure 9**) with varying level of Valuation (further right=cheaper). The stocks except for **BMW GR** have 40th percentile or higher levels of Quality (P-R).

Figure 9: Top Data Security Firms PRVit Heat Map



The firms are spread across the blue favorable part of the Heat Map with varying levels of Quality (higher = greater Quality), and Valuation (further right = cheaper).

Favorable EVA & Product Life Cycle Companies

In a final screen from the total ISS ESG coverage we have included an ESG data point which analyses the commitment and the procedures of the company to extend the useful life of their products (4 being most favorable) and combined it with attractive firms in the PRVit framework. The three companies in bold are also in the CE index.

Figure 10: Top EVA & ESG Product Lifecycle Firms

Name	Ticker	GICS Sector	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	PRVit Score	Quality (P-R)	Profitability Score (P)	Risk Score (R)	Valuation Score (V)	ESG Perf Score	CR Extension Product Life	Return YTD
DAIMLER AG -ADR	DDAIF	Cons Disc	Germany	96,610	-3.2%	4.8%	68	29	41	78	18	54	2.5	26.1%
SCHNEIDER ELECTRIC SA	SU FP	Industrials	France	89,821	3.4%	0.8%	60	71	54	10	69	69	2.8	6.7%
DELL TECHNOLOGIES INC	DELL	I.T.	U.S.	74,564	3.0%	2.5%	87	85	78	27	50	64	3.3	32.3%
BAYER MOTOREN WERKE AG	BMW GR	Cons Disc	Germany	66,889	-3.5%	2.1%	69	24	34	74	11	51	3.3	15.7%
STELLANTIS NV	STLA IM	Cons Disc	Netherlands	57,235	1.9%	-2.6%	77	39	39	48	17	51	3.0	24.6%
HP INC	HPQ	I.T.	U.S.	41,619	3.9%	2.0%	90	82	77	32	40	74	3.8	28.5%
CUMMINS INC	CMI	Industrials	U.S.	39,085	5.3%	-0.8%	64	76	63	18	66	59	2.8	13.3%
HEWLETT PACKARD ENTERPRISE	HPE	I.T.	U.S.	21,541	-2.9%	-1.5%	83	44	45	48	12	64	2.8	35.4%
AMCOR PLC	AMCR	Materials	Switzerland	18,911	4.8%	2.4%	64	64	55	25	52	55	3.3	2.5%
LENOVO GROUP LTD	992 HK	I.T.	China	14,420	1.1%	1.0%	97	85	75	23	28	62	2.9	30.1%
SMURFIT KAPPA GROUP PLC	SKG ID	Materials	Ireland	13,804	3.5%	0.3%	78	53	45	32	35	59	2.9	13.5%
KION GROUP GMBH	KGX GR	Industrials	Germany	13,655	-0.9%	-0.9%	69	56	43	18	47	62	2.8	19.6%
FLEX LTD	FLEX	I.T.	U.S.	8,732	-0.2%	1.5%	72	34	48	76	13	51	2.8	-1.5%
SMITH DS PLC	SMDL LN	Materials	U.K.	8,139	-0.0%	-0.7%	60	40	29	25	40	58	3.4	11.2%
FIRST SOLAR INC	FSLR	I.T.	U.S.	7,607	-2.5%	3.8%	69	34	51	83	25	72	3.4	-25.0%
KRONES AG	KRN GR	Industrials	Germany	2,898	-2.5%	-1.5%	66	43	21	3	36	55	2.8	9.4%
MILLER (HERMAN) INC	MLHR	Industrials	U.S.	2,724	3.7%	-0.2%	74	59	53	34	37	57	2.8	33.2%
QUADIENT SAS	QDT FP	I.T.	France	868	-2.7%	-0.6%	81	29	24	41	3	55	3.3	28.3%
BRODRENE HARTMANN A/S	HART DC	Materials	Denmark	697	7.6%	7.1%	85	75	75	42	41	53	3.3	17.5%
Average					1.0%	1.0%	74	54	50	39	34	59	3.0	16.9%

About ISS EVA

We are an independent equity research provider offering investing insights through the use of our proprietary Economic Value Added (EVA) framework. EVA converts accounting profits into economic profits and charges businesses for the use of Invested Capital. EVA is superior to traditional measures of profit because it is comparable across companies, industries, and countries, links to a consistent, transparent valuation framework, and provides a unique, unbiased view of Quality, Value, and Growth.

Our experienced team of analysts offers both fundamental and quantitative company analysis through written research, bespoke research, a stock selection model, an online analytical tool offering 20,000+ companies as viewed through the EVA framework, custom screening, and portfolio analysis.

Key EVA Concepts

The value of a firm = Capital + PV of EVA

If EVA is increasing then the intrinsic value of the firm is too, suggesting that market value should follow (and vice versa).

EVA = NOPAT - Capital Charge

EVA is profit after all costs, including the cost of giving shareholders a decent return.

EVA Margin = EVA / Sales

A true economic profit margin covering income and asset efficiency. Our EVA Income Statement examines EVA's line item drivers and offers key insights into business profitability.

EVA Momentum = Δ EVA / Sales

An incremental EVA growth rate indicator and key valuation signal and screening measure. The more positive the Momentum, the greater the growth in EVA, and upward pressure on shareholder returns. Inflections in EVA Momentum are an early and more reliable indicator of stock price inflections.

EVA Shock = Δ EVA Momentum

Changes in EVA Momentum is a powerful signal within our framework, with significant relationship with stock price performance.

Market Implied Momentum (MIM)

The annual EVA improvement required for 10 years to justify the prevailing market enterprise value, expressed as a percent of sales; represents a market implied, long-range EVA margin improvement target.

Future Growth Reliance (FGR) = (Market implied value of future EVA growth) / EV

Measures the % of a company's total enterprise value represented by expectations for future growth in EVA. FGR is key to understanding embedded expectations today and versus history. A low FGR versus history coupled with improving EVA trends indicates that the market is not pricing in the improving business model.

Additional Resources

evaExpress.com ([link](#)): Our online offering provides a comprehensive suite of fundamental and quantitative tools utilizing the EVA framework

EVA for Investors ([link](#)): A full introduction to the key EVA concepts and metrics

Best Practice EVA ([link](#)): A summary of Bennett Stewart's most recent book on EVA, available for purchase on [Amazon.com](#)

What Determines TSR ([link](#)): Insight into the relationship between EVA and stock prices

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