

## Consumer Staples: Mid-Year Review

As we approach the half-year mark, we look back at our [Consumer Staples 2025 Outlook](#) and examine the current underlying EVA trends to reconcile our earlier views on the sector. We maintained a 'Neutral' outlook for the Global Staples space at the start of 2025, at a time when aggregate economic profitability was pressured by deteriorating top-line growth and worsening asset efficiency. Tobacco, one of our preferred industries at the start of the year, has seen the strongest returns on a YTD basis and has seen a positive EVA Shock for the latest quarter, reflecting an improvement in incremental EVA growth on a QoQ basis.

Tobacco and Household Products continue to look relatively favorable within the PRVit model given their very strong Risk-Adjusted Profitability (Quality), though Valuations have moved back to recent highs for Household Products. Tobacco has seen a re-rating to the industry, trading at a premium for the first time since 2018.

**Figure 1** illustrates the sector's current EVA trends on a sales-weighted basis.

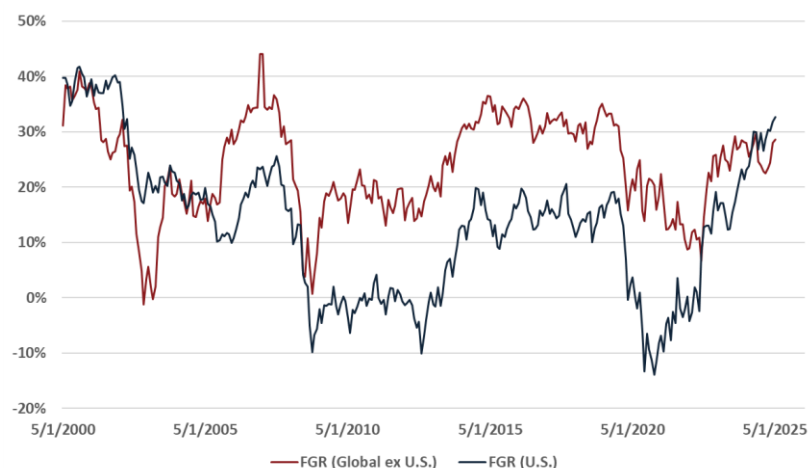
**Figure 1: Global Consumer Staples Snapshot (Sales-Weighted Averages)**

Industry	EVA Margin (%)	EVA Momentum (%)	EVA Shock (1Qtr, %)	PRVit Score (January 2025)	Current PRVit Score (June 2025)	Δ PRVit Score (since January 2025)	Returns YTD (%)
Household Products	8.5%	-0.6%	-0.8%	60	58	-2	-6.4%
Tobacco	15.5%	-0.5%	0.4%	62	53	-9	23.0%
Food Products	2.3%	0.7%	0.1%	55	50	-5	5.3%
Beverages	8.1%	-0.6%	-0.6%	56	49	-7	5.4%
Distribution & Retail	0.9%	-0.1%	-0.1%	49	46	-3	8.0%
Personal Care Products	5.0%	-0.6%	-0.8%	38	37	-1	2.1%
<b>Consumer Staples (Sector)</b>	<b>2.9%</b>	<b>-0.0%</b>	<b>-0.3%</b>	<b>52</b>	<b>47</b>	<b>-5</b>	<b>6.7%</b>

**Figure 2** charts the sectoral Future Growth Reliance (FGR), which measures the percentage of Market Value that is dependent on future EVA growth. We utilize FGR to determine the level of premium or discount that a sector, industry, or company is trading at.

Investor expectations, as measured by FGR, have increased for both the U.S. and the global (ex U.S.) space, as investors price in a significant improvement in incremental value creation going forward. Within the U.S., FGR has continued to expand through the first five months of 2025, currently being around the highest level in 23 years. At the global (ex U.S.) level, FGR has moved higher between Feb and May, and is currently at near post-COVID highs.

**Figure 2: Future Growth Reliance – Market Expectations**



### Key Summary

- In this report, we look back at our Consumer Staples 2025 Outlook and examine the current underlying EVA trends to reconcile our earlier views on the sector.
- Tobacco, one of our preferred industries at the start of the year, has seen the strongest returns on a YTD basis. The industry has seen a re-rating to the industry, trading at a premium for the first time since 2018.
- The Household Products industry continues to look relatively favorable within the PRVit model given their very strong Risk-Adjusted Profitability (Quality), though Valuations have moved back to recent highs for Household Products.

### EVA Primer

1. EVA measures the true economic profit of a business after compensating shareholders for use of their capital and is therefore superior to standard accounting measures.
2. The value of a company is the capital invested plus the present value of future EVA generation. The math is like a DCF:  $\text{Market Value} = \text{Capital} + \text{PV (EVA)}$ .
3. Therefore, more Economic Value Added (EVA) is better.

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### About ISS EVA

We are an independent equity research provider offering investing insights through the use of our proprietary Economic Value Added (EVA) framework. Our experienced team of global analysts offers both fundamental and quantitative company analysis on our +29,000 stock universe.

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### Sectoral EVA Drivers and EVA Fundamentals

In the U.S., EVA Margin (economic Profitability) has contracted to 15-year lows, at 3.1%, down 30bps in 2025 so far. Incremental EVA growth, as measured by EVA Momentum, briefly turned positive in February but has since moved back to negative territory because of a sustained slowdown in top-line growth, a contracting EBITDAR Margin, and deteriorating asset efficiency. Within the global (ex U.S.) space, sales growth remains at sub-1% levels but has shown some signs of improvement since bottoming out in December 2024 at 0%, while the Productive Capital Charge (lower is more favorable) has moved lower in 2025. EBITDAR Margin at the global (ex U.S.) level has faced some downward pressure this year but remains at historically high levels (excluding the COVID highs in late-2020).

Figure 3: Global Staples EVA Fundamentals Snapshot (Sales-Weighted Averages)

Industry	EVA Margin (%)	EVA Momentum (%)	PRVit Score	Quality (P-R)	Profitability Score (P)	Risk Score (R)	Valuation Score (V)	Returns YTD (%)	ESG Perf Score
Household Products	8.5%	-0.6%	58	86	75	11	68	-6.4%	55.88
Tobacco	15.5%	-0.5%	53	81	74	23	61	23.0%	44.31
Food Products	2.3%	0.7%	50	59	57	42	41	5.3%	37.31
Beverages	8.1%	-0.6%	49	72	67	31	58	5.4%	42.67
Distribution & Retail	0.9%	-0.1%	46	61	61	45	52	8.0%	41.50
Personal Care Products	5.0%	-0.6%	37	72	66	29	67	2.1%	51.19
<b>Consumer Staples (Sector)</b>	<b>2.9%</b>	<b>-0.0%</b>	<b>47</b>	<b>64</b>	<b>62</b>	<b>40</b>	<b>52</b>	<b>6.7%</b>	<b>41.57</b>

Figure 4: Global ex U.S. EVA Drivers

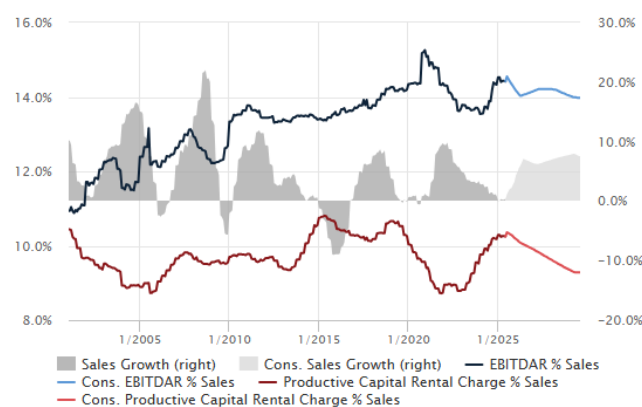


Figure 5: U.S. EVA Drivers

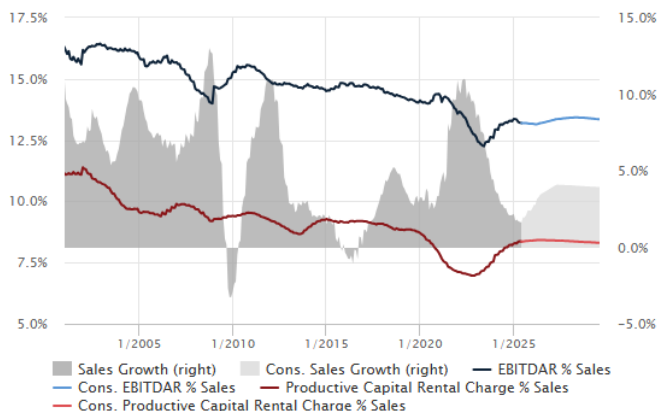


Figure 6: Global ex U.S. EVA Fundamentals

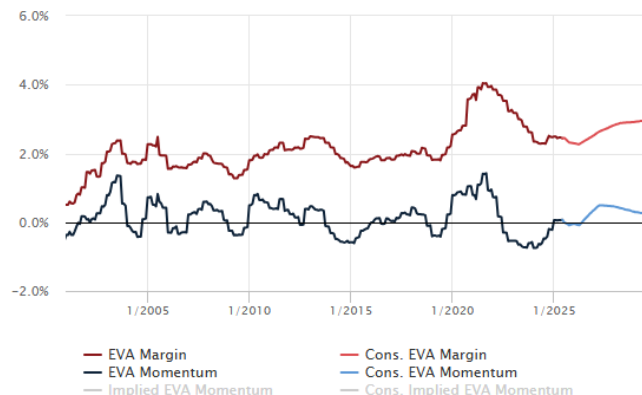
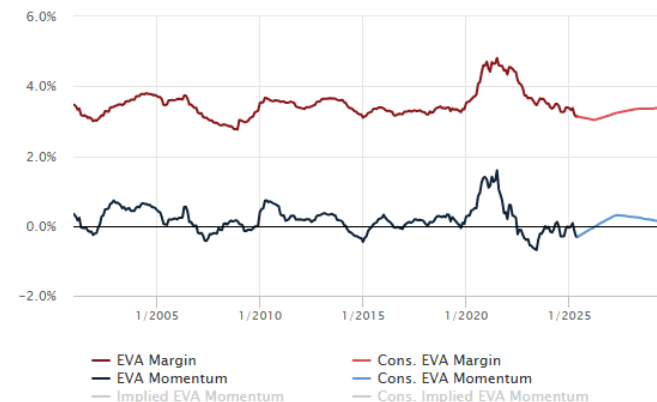


Figure 7: U.S. EVA Fundamentals



## Industry Outlook

### Household Products: Very Strong Quality amidst Expensive Valuations

Incremental EVA creation, measured by EVA Momentum (growth), has worsened further since turning negative in December last year, primarily impacted by top-line growth turning negative and a continued deterioration in asset efficiency. EBITDAR Margin is at relatively high levels but has moved sideways since September last year, as an improvement in adjusted COGS has been negatively offset by higher adjusted SG&A expenses, relative to Sales. Valuations remain expensive, with FGR for the industry trading near the upper end of its 10-year range since Q3 2024. The industry's Quality (P-R) has moved 9pts lower since January to 81 on a lower Profitability score, impacted by the weakness in EVA Momentum (growth). This has made the industry slightly less attractive within the PRVit framework.

Figure 8: Aggregate EVA Fundamentals

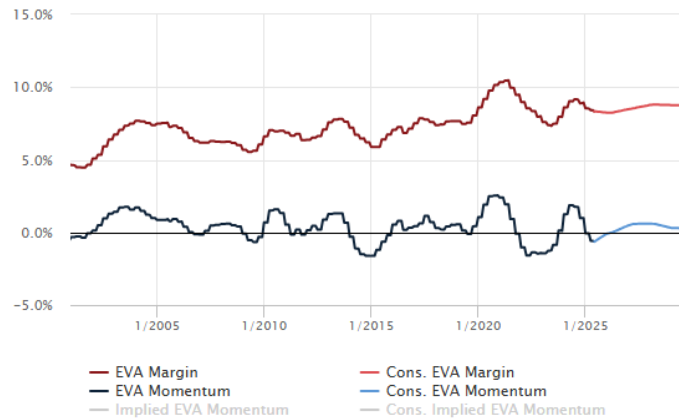
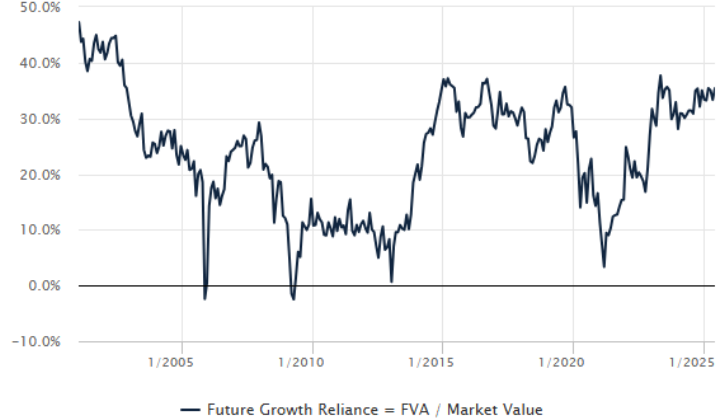


Figure 9: Aggregate FGR



### Tobacco: Continued EVA Momentum Improvement; Valuations Break Out

The industry, one of our most favored for 2025, has seen the highest returns on a YTD basis within the Staples space. EVA Momentum (growth) recovery has continued to play out, as we had highlighted in our sector roadmap back in January. The improvement in incremental EVA growth has been led by resilient top-line growth and a strong expansion in EBITDAR Margin since late last year. However, the Productive Capital Charge (higher is less favorable) has continued to trend higher, proving to be a drag on EVA Fundamentals. In March, FGR turned positive for the first time since 2018 against a backdrop of EVA Momentum (growth) approaching closer to positive territory. The industry is looking less attractive within the PRVit framework compared to January on a less favorable Quality-Value tradeoff. However, we view the return for the industry trading at a premium as significant and should lead to a further re-rating for the industry.

Figure 10: Aggregate EVA Fundamentals

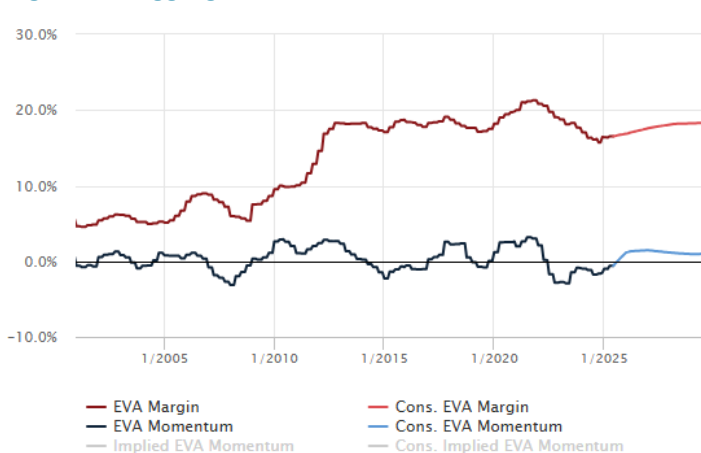


Figure 11: Aggregate FGR



### Food Products: Neutral Outlook; Favorable Quality at Moderate Valuation

The industry has seen a strong improvement in EVA Momentum (growth) since early 2024, with the metric turning positive in December and has since plateaued through the last five months. Sales growth has moved closer to zero percent since bottoming out in Q2 2024, while EBITDAR Margin has remained flat since December. The Productive Capital Charge (higher is unfavorable) has approached 20-year highs. EVA Margin was at 2.1% in early 2025, the highest level in close to 15 years, but has since moved 10bps lower on a slightly weaker EBITDAR Margin and deteriorating asset efficiency. FGR has increased through 2025 but remains at comparatively moderate levels at this stage.

Figure 12: Aggregate EVA Fundamentals

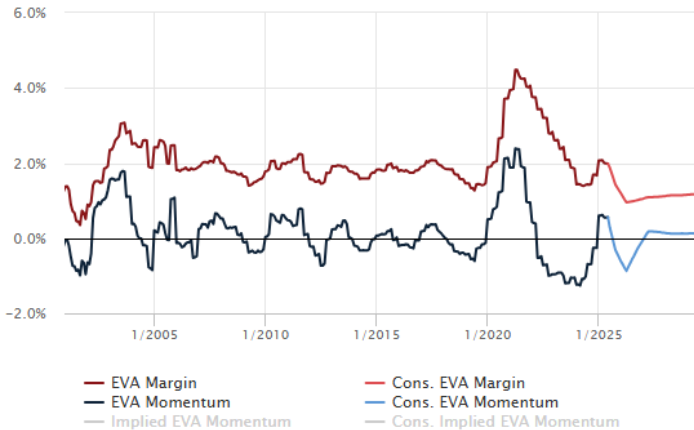
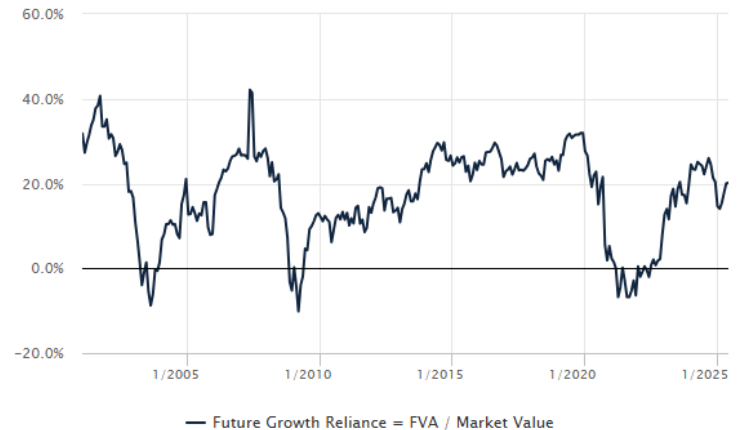


Figure 13: Aggregate FGR



### Beverages: Incremental EVA Growth at 10-Year Lows

EVA Momentum (growth) turned negative in September 2024 and has worsened further since then, dropping significantly in March on declining top-line growth, at a time when weaker consumer spending has resulted in pressured volumes. EBITDAR Margin has remained flat through 2025, at 28.1%, 30bps away from record highs of 2019. EVA Margin (economic profitability) has continued to face downward pressure since peaking out in H2 2021 but remains above pre-COVID highs, given the strong P&L profitability. FGR has bounced back from the lows of January and is currently near the 10-year mid-range as investors look for a bottom in growth.

Figure 14: Aggregate EVA Fundamentals

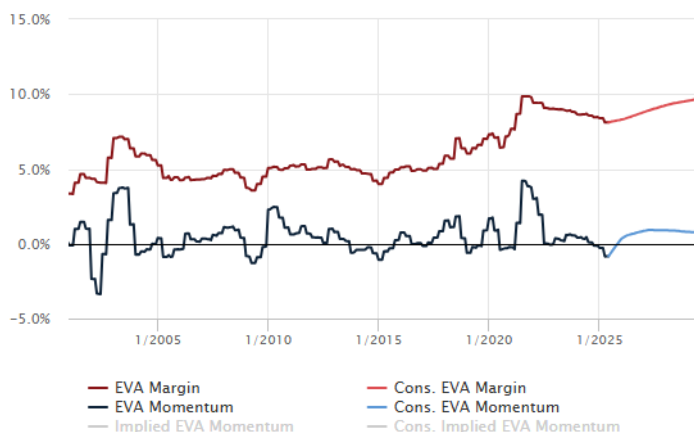
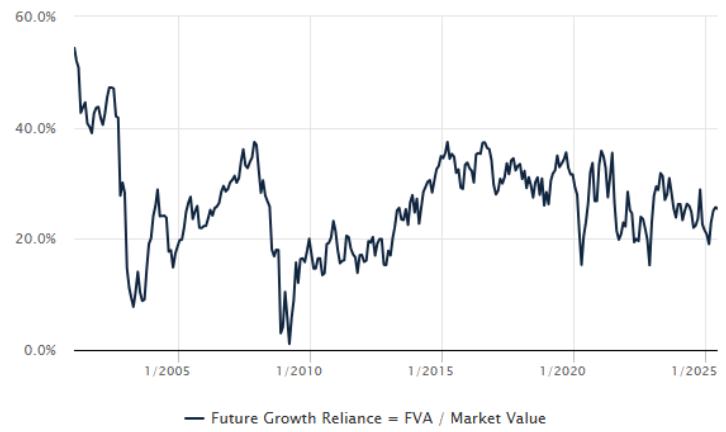


Figure 15: Aggregate FGR



### Distribution and Retail: Weak EVA Growth amidst Very Elevated Valuations

EVA Momentum (growth) saw a strong recovery between July 2024 and March 2025, approaching close to zero percent before rolling over due to a sustained deceleration in top-line growth and pressured EBITDAR Margin. EVA Margin has also moved back to the lowest level in 6 years, at 0.9% as of the end of May. Absolute valuation levels have moved even higher since January, with FGR at the highest level in 23 years as of May, indicating that investor expectations have potentially moved too far ahead of a materialized recovery in EVA Fundamentals. The tradeoff between growth and Valuation appears negatively skewed at this stage.

Figure 16: Aggregate EVA Fundamentals

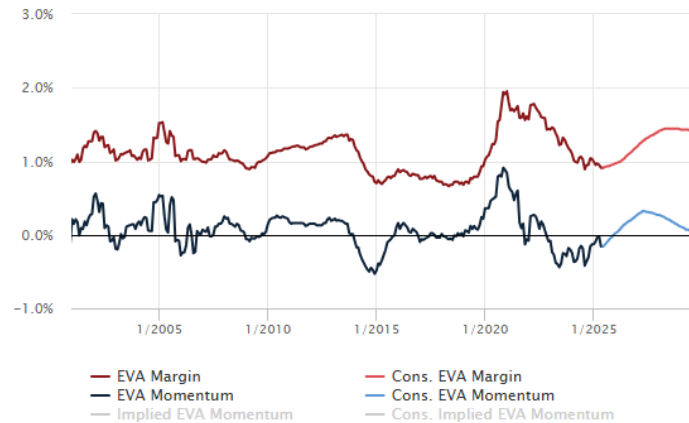
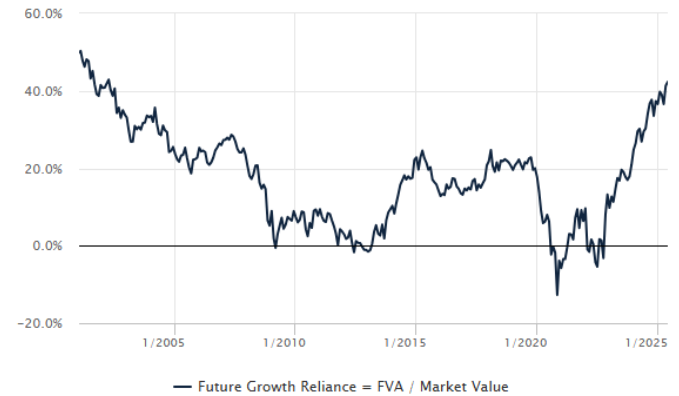


Figure 17: Aggregate FGR



### Personal Care Products: EVA Growth Remains Weak; Elevated Valuations

The industry continues to look unattractive within the PRVit framework given the expensive Valuations that are negatively offset by comparatively strong Risk-Adjusted Profitability. EVA Margin (economic Profitability) has seen a sustained period of contraction, dropping to the lowest level in 22 years as of May. Incremental EVA creation remains weak with sales growth turning negative, EBITDAR Margin pressured, and the Productive Capital Charge (higher is unfavorable) trending around all-time high levels. FGR is trading near the upper end of the historical range as investors anticipate a strong recovery in incremental value creation going forward at a time when EVA Momentum (growth) has struggled to remain positive.

Figure 18: Aggregate EVA Fundamentals

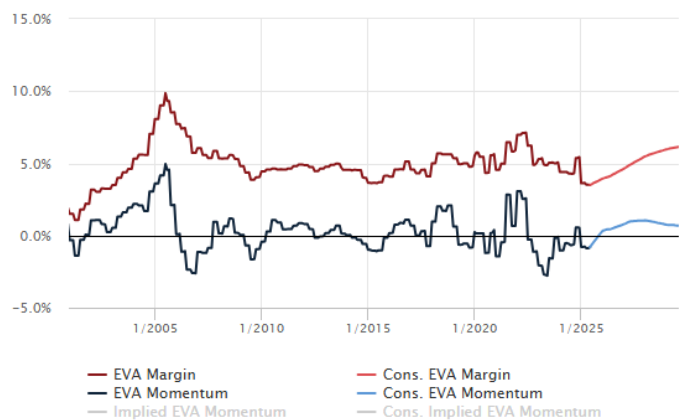
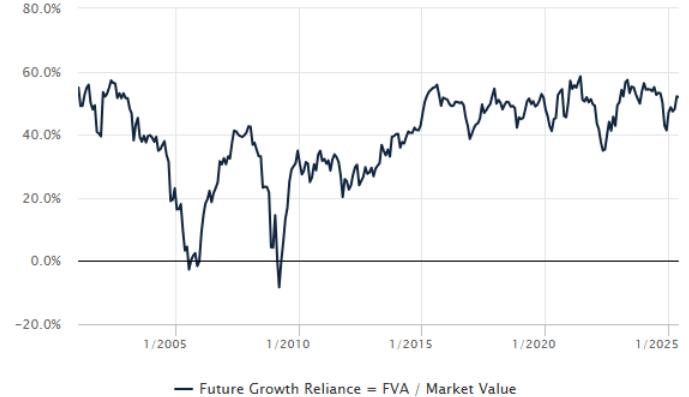


Figure 19: Aggregate FGR



### Performance Update for our 2025 Top Consumer Staples Names:

We looked for names that were highly rated within the PRVit framework in our January Roadmap, demonstrating strong Profitability and avoiding names with a very high Risk or a very expensive Valuation profile.

The tables are illustrated on the next page



**Figure 20: Updated EVA, PRVIt, and ESG Performance of our 2025 Large-Mid Cap Picks**

Name	Ticker	GICS Industry	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	PRVIt Score	Quality (P-R)	Profitability (P)	Risk (R)	Valuation (V)	Return YTD (%)	ESG Perf Score
COSTCO WHOLESALE CORP	COST	Distribution & Retail	U.S.	434,777	2.2%	0.2%	56	93	85	15	86	7.3%	41.76
PROCTER & GAMBLE CO	PG	Household Products	U.S.	376,586	13.7%	-0.7%	53	94	85	12	85	-3.9%	59.94
COCA-COLA CO	KO	Beverages	U.S.	296,654	19.5%	-2.0%	17	68	79	66	89	12.2%	45.48
PEPSICO INC	PEP	Beverages	U.S.	177,276	9.9%	-0.8%	60	87	83	29	68	-13.3%	57.46
BRITISH AMER TOBACCO PLC -ADR	BTI	Tobacco	U.K.	107,728	13.4%	-8.0%	51	69	52	12	40	28.5%	52.78
ALTRIA GROUP INC	MO	Tobacco	U.S.	100,646	41.0%	1.5%	72	95	94	25	71	18.2%	43.06
MONDELEZ INTERNATIONAL INC	MDLZ	Food Products	U.S.	88,660	2.1%	-6.3%	18	53	41	24	69	15.2%	49.02
COLGATE-PALMOLIVE CO	CL	Household Products	U.S.	71,309	11.6%	1.0%	64	97	89	7	83	-2.3%	57.12
DANONE SA -ADR	DANOY	Food Products	France	55,931	2.5%	-1.8%	26	68	57	22	62	13.2%	65.34
KIMBERLY-CLARK CORP	KMB	Household Products	U.S.	42,614	8.5%	-0.1%	68	93	81	8	71	-0.2%	54.42
SYSCO CORP	SY	Distribution & Retail	U.S.	36,308	1.8%	-0.2%	67	81	71	22	60	-1.0%	51.54
TESCO PLC	TSCO LN	Distribution & Retail	U.K.	35,738	0.9%	0.1%	60	64	58	34	33	11.7%	56.62
IMPERIAL BRANDS PLC -ADR	IMBBY	Tobacco	U.K.	32,446	7.7%	2.2%	76	89	80	17	43	19.4%	43.40
HENKEL AG & CO KGAA	HEN3 GR	Household Products	Germany	31,764	2.5%	1.0%	84	82	64	5	29	-19.6%	68.76
GENERAL MILLS INC	GIS	Food Products	U.S.	29,063	7.1%	-0.7%	62	75	69	30	52	-15.0%	55.17
KELLANNOVA	K	Food Products	U.S.	27,543	7.3%	1.6%	45	82	81	38	73	-1.4%	56.57
CHURCH & DWIGHT INC	CHD	Household Products	U.S.	23,904	7.4%	-0.1%	61	92	77	1	76	-7.3%	52.75
LUZHOU LAOJIAO CO LTD	000568 CH	Beverages	China	23,396	36.1%	-1.9%	90	93	92	26	63	-7.8%	15.51
ASSOCIATED BRITISH FOODS PLC	ABF LN	Food Products	U.K.	20,132	2.3%	0.4%	75	74	63	23	25	2.7%	50.48
COCA-COLA FEMSA SAB DE CV -ADR	KOF	Beverages	Mexico	20,008	4.4%	-1.0%	48	75	64	21	48	13.5%	50.61
MCCORMICK & CO INC	MKC	Food Products	U.S.	19,648	4.5%	-0.2%	42	78	64	15	71	-3.6%	46.65
COCA-COLA HBC AG -ADR	CCHGY	Beverages	Switzerland	19,001	5.9%	-0.5%	66	89	78	14	59	37.2%	53.85
ARCA CONTINENTAL SAB DE CV	AC* MM	Beverages	Mexico	18,701	4.5%	0.3%	64	90	76	6	55	24.7%	38.71
ESSITY AKTIEBOLAG	ESSITYB SS	Household Products	Sweden	18,650	3.4%	1.1%	77	86	72	11	48	-9.2%	61.36
US FOODS HOLDING CORP	USFD	Distribution & Retail	U.S.	17,745	0.7%	0.1%	64	76	65	22	56	13.2%	51.48
HORMEL FOODS CORP	HRL	Food Products	U.S.	16,758	1.2%	-0.8%	52	67	49	9	51	-1.2%	47.50
CLOROX CO/DE	CLX	Household Products	U.S.	14,913	8.1%	0.6%	66	95	88	13	77	-24.1%	55.29
GUANGDONG HAID GROUP CO LTD	002311 CH	Food Products	China	13,843	2.3%	1.6%	88	94	87	17	67	21.8%	13.65
JIANGSU YANGHE BREWERY JSC	002304 CH	Beverages	China	13,835	6.6%	-17.5%	31	47	39	34	64	-18.3%	19.71
PRIMO BRANDS CORP	PRMB	Beverages	U.S.	11,422	6.7%	12.3%	38	68	88	84	63	2.7%	
TSINGTAO BREWERY CO LTD	600600 CH	Beverages	China	11,251	10.4%	-0.7%	86	95	90	19	72	-12.1%	26.59
PILGRIM'S PRIDE CORP	PPC	Food Products	U.S.	10,776	5.7%	4.8%	89	85	88	47	33	14.0%	37.08
ANHUI GUJING DISTILLERY CO	200596 CH	Beverages	China	9,637	18.9%	0.8%	97	99	97	8	57	-7.7%	16.07
COCA COLA CONSOLIDATED INC	COKE	Beverages	U.S.	9,341	7.7%	0.3%	77	91	86	24	59	-14.6%	15.76
THAI BEVERAGE PCL	THBEV SP	Beverages	Thailand	8,693	3.1%	1.1%	56	69	68	42	40	-12.8%	48.67
Average					8.3%	-0.4%	61	82	74	23	60	2.3%	45.89

**Figure 21: Updated EVA, PRVIt, and ESG Performance of our 2025 Small Cap Picks**

Name	Ticker	GICS Industry	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	PRVIt Score	Quality (P-R)	Profitability (P)	Risk (R)	Valuation (V)	Return YTD (%)	ESG Perf Score
GROUPE LDC	LOUP FP	Food Products	France	3,554	2.7%	0.3%	83	85	74	18	29	27.6%	
UNIBEL	UNBL FP	Food Products	France	3,161	1.3%	-0.0%	43	71	62	27	49	20.4%	
NEW HOPE DAIRY CO	002946 CH	Food Products	China	2,182	2.3%	0.4%	60	76	73	36	72	25.7%	
CHONGQING FULING ZHACAI GRP	002507 CH	Food Products	China	2,027	19.9%	1.2%	93	98	90	4	66	-7.8%	
THAI PRESIDENT FOODS CO LTD	TFMAMA TE	Food Products	Thailand	1,951	7.8%	0.0%	53	81	75	31	55	-1.5%	
AUSTEVOLL SEAFOOD ASA	AUSS NO	Food Products	Norway	1,871	-3.8%	-4.1%	19	34	18	21	39	2.2%	40.18
ALICORP SA	ALICORC1 P	Food Products	Peru	1,864	2.8%	2.3%	94	91	77	5	33	46.0%	
OPPLE LIGHTING CO LTD	603515 CH	Household Products	China	1,795	7.4%	-2.2%	91	92	76	1	60	5.1%	
FIRST RESOURCES LTD	FR SP	Food Products	Singapore	1,748	16.2%	10.0%	88	86	87	40	24	5.6%	
AL-DAWAA MEDICAL SERVICES CO	ALDAWAA A	Distribution & Retail	Saudi Arabia	1,692	3.2%	0.7%	73	86	83	32	64	-3.1%	
UIE PLC	UIE DC	Food Products	Malta	1,556	8.2%	-5.2%	46	86	74	16	77	14.4%	32.86
NATL AGRICULTURAL DEV CO	NADEC AB	Food Products	Saudi Arabia	1,548	15.0%	11.7%	93	84	92	56	27	-22.0%	
CHACHA FOOD CO LTD	002557 CH	Food Products	China	1,515	5.6%	-2.7%	41	52	57	57	61	-21.5%	
BOMBAY BURMAH	BBTC IN	Food Products	India	1,490	4.8%	0.8%	78	84	87	45	52	-12.0%	
GINEBRA SAN MIGUEL INC	GSMI PM	Beverages	Philippines	1,402	9.2%	0.5%	70	94	88	18	56	6.8%	
WK KELLOGG CO	KLG	Food Products	U.S.	1,355	1.7%	-2.0%	26	29	42	80	32	-10.8%	17.65
CHENG DE LOLO COMPANY LTD	000848 CH	Food Products	China	1,323	17.8%	-1.3%	89	92	79	5	62	3.9%	
SPECTRUM BRND HLDG INC	SPB	Household Products	U.S.	1,318	4.1%	0.9%	84	90	88	31	50	-37.2%	33.88
AGTHIA GROUP PJSC	AGTHIA UH	Food Products	U.A.E.	930	0.7%	-2.5%	32	40	43	57	24	-35.1%	
Average					6.7%	0.5%	66	76	72	31	49	0.4%	31.14

## 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 +29,000 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

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