Buyer Beware: Global ex U.S. Large Cap

Poor Quality, Expensive Valuation, Low ESG Scores

In contrast to our 'Better World' screens that identify high-Quality or cheap-Value names with strong ESG scores, this week we offer the latest edition of our 'Buyer Beware' series focused on Global ex U.S. Large Cap companies. To make the list, companies must have poor Quality, expensive Valuation, and low-ranked ESG Performance scores.

The fourteen companies listed below meet the criteria outlined in the sidebar (right) as of today. This list includes some names from previous lists which we are no longer updating (beyond March 2023). We provide updates to our more recent reports: October 2024, June 2024, November 2023, and March 2023. Names on those lists that still meet the criteria are labelled as such.

Figure 1: Buyer Beware Names

Name	Ticker	Sector	Country	Market Cap (US$M)	PRVit	Quality (P - R)	Valuation (V)	ESG Rating Decile	YTD TSR
Buyer Beware - May 2025									
WASTE CONNECTIONS INC	WCN	Industrials	CAN	48,147	7	22	82	8	8.90%
FORMOSA PETROCHEMI	6505 TT	Energy	TWN	12,823	6	15	80	8	13.46%
CHINA MERCHANTS EXPRESSWAY	001965 CH	Industrials	CHN	12,321	13	17	72	10	-5.88%
JIANGSU EXPRESSWAY CO LTD	177 HK	Industrials	CHN	9,688	19	28	70	8	12.00%
PB FINTECH LIMITED	POLICYBZ IN	Financials	IND	9,185	2	16	98	8	-18.39%
EMPYREAN TECHNOLOGY CO LTD	301269 CH	Info Tech	CHN	8,907	7	21	94	10	-3.79%
HAINAN AIRLINES HOLDING CO	600221 CH	Industrials	CHN	8,180	11	14	71	9	-20.00%
NATIONAL SILICON INDUSTRY GR	688126 CH	Info Tech	CHN	6,950	1	2	76	9	-4.14%
LOONGSON TECHNOLOGY CORP LTD	688047 CH	Info Tech	CHN	6,903	0	1	93	10	-7.80%
YONGHUI SUPERSTORES CO LTD	601933 CH	Staples	CHN	6,603	1	8	92	10	-17.19%
BAIC BLUEPARK NEW ENERGY TEC	600733 CH	Discr	CHN	5,928	3	11	83	8	-5.50%
CENTRAL NEW ENERGY HOLDING	1735 HK	Industrials	CYM	5,681	6	26	98	9	34.25%
KUNLUN TECH CO LTD	300418 CH	Comm Srvc	CHN	5,590	6	13	72	10	-15.54%
WUHAN GUIDE INFRARED CO LTD	002414 CH	Info Tech	CHN	5,201	2	10	89	10	16.29%
Average									-0.95%
MSCI WORLD EX USA									6.09%

Performance data from Factset

ISS ESG

ESG Rating Decile Rank: This factor indicates decile rank relative to industry group (companies) and covered entities (countries) based on assessments of Environmental (E), Social (S), and Governance (G) performance. A decile rank of 1 indicates a high relative performance, while a 10 indicates a low relative ESG performance. *The screen includes 8th, 9th, and 10th decile companies.*

EVA & PRVit

Our **PRVit framework** compares the operational Quality, or Risk-Adjusted Profitability, of a firm to the Value investors are paying in the market. Our Quality score incorporates the profitability level and trend and adjusts for the volatility of the earnings and the vulnerability of the firm (leverage, cash flow generation). Our Valuation score looks at wealth multiples (an EVA-centric version of price-to-book) and also looks at the market-implied expectations for future value creation. When the Quality of the firm is ahead of the Value, the company receives a high PRVit score and is attractive. In this report, we have showcased the opposite: companies where Valuation is well ahead of the operational Quality the company has produced.

The screen includes only the lowest Quality, the most expensive Valuation, and the most unattractive Quality/Value trade-off companies.

Notes

PRVit compares the Quality of a firm's Risk-Adjusted Profitability to the Value paid in the market. The factor is scored 0 to 100, where 100 is the most attractive. This screen looks at the most un-favorable names (scores below 30).

ISS ESG Performance Score is a composite score of different Environmental, Social, and Governance factors that assess corporate sustainability performance and impact.

Criteria

- Global ex U.S. universe
- Market Cap ≥ $5B (USD)
- PRVit ≤ 30
- Quality ≤ 30
- Value Score (V) ≥ 70
- ESG Rating Decile > 7 (worst 3 deciles of ESG performance)

Updated scores and performance for our October 2024, June 2024, November 2023, and March 2023 reports are on pages 2 and 3.

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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.

Visit our website www.EVAexpress.com

Buyer Beware – October 2024 Update

The companies in **Figure 2** are from our October 2024 report. We have provided updated scores (PRVit, Quality, Value, and ESG) as well as the market returns since the report was published on October 28th. Overall, 78% of the names underperformed the MSCI World ex USA Index, and the average return for the group was -1.72%, 7,540bps behind the index. The 'Still Meets Criteria' column indicates companies that continue to fit the criteria used to establish the list. All companies have fallen out of the screen.

Figure 2: October 2024 Buyer Beware Picks with Current Scores

Name	Ticker	Sector	Country	Market Cap (US$M)	PRVit	Quality (P - R)	Valuation (V)	ESG Rating Decile	Still Meets Criteria	Returns Since Report
Buyer Beware - October 2024										
SEA LIMITED -ADR	SE	Comm Srvc	CYM	81,118	22	57	89	9	N	56.34%
MUYUAN FOODSTUFF CO LTD	002714 CH	Staples	CHN	29,765	51	57	55	8	N	-7.67%
NEW CHINA LIFE INSURANCE CO	601336 CH	Financials	CHN	18,804	57	69	65	8	N	4.28%
AECC AVIATION POWER CO LTD	600893 CH	Industrials	CHN	13,288	9	10	60	9	N	-20.86%
CHINA EASTERN AIRLINES CORP	670 HK	Industrials	CHN	10,700	15	14	59	8	N	18.10%
AB SAGAX	SAGAD SS	Real Estate	SWE	7,735	10	49	85	6	N	-19.28%
CHINA MERCHANTS ENERGY SHIPP	601872 CH	Energy	CHN	6,875	18	28	64	8	N	-10.85%
SHANGHAI LUJIAZUI FIN & TRAD	900932 CH	Real Estate	CHN	5,337	18	42	69	10	N	-26.83%
HONGTA SECURITIES CO LTD	601236 CH	Financials	CHN	4,964	4	11	68	10	N	-8.74%
Average			Hit Ratio (% Underperforming): 78%						-7540bps	-1.72%
MSCI WORLD EX USA									(Spread)	5.82%

Buyer Beware – June 2024 Update

The companies in **Figure 3** are from our June 2024 report. We have provided updated scores (PRVit, Quality, Value, and ESG) as well as the market returns since the report was published on June 18th. Overall, 57% of the names underperformed the MSCI World ex USA Index, and the average return for the group was 4.14%, 4,726bps behind the index. The 'Still Meets Criteria' column indicates companies that continue to fit the criteria used to establish the list. Only two companies continue to be Buyer Beware names.

Figure 3: June 2024 Buyer Beware Picks with Current Scores

Name	Ticker	Sector	Country	Market Cap (US$M)	PRVit	Quality (P - R)	Valuation (V)	ESG Rating Decile	Still Meets Criteria	Returns Since Report
Buyer Beware - June 2024										
VODAFONE IDEA LTD	IDEA IN	Comm Srvc	IND	9,025	9	9	42	7	N	-58.84%
SICHUAN CHUANTOU HOLDING CO	600674 CH	Utilities	CHN	11,567	2	11	90	8	Y	-3.32%
ROIVANT SCIENCES LTD	ROIV	Health Care	BMU	8,272	44	72	83	9	N	-0.23%
CHINA NORTHERN RARE EARTH	600111 CH	Materials	CHN	12,328	10	35	85	9	N	33.97%
SMOORE INTERNATIONAL HOLDING	6969 HK	Staples	CYM	11,299	0	0	87	9	Y	64.65%
ZHAOJIN MINING INDUSTRY CO	1818 HK	Materials	CHN	7,910	30	59	75	9	N	37.83%
SKC CO LTD	011790 KS	Materials	KOR	2,654	4	4	72	6	N	-45.05%
Average			Hit Ratio (% Underperforming): 57%						-4726bps	4.14%
MSCI WORLD EX USA									(Spread)	8.87%

Buyer Beware – November 2023 Update

The companies in **Figure 4** are from our November 2023 report. We have provided updated scores (PRVit, Quality, Value, and ESG) as well as the market returns since the report was published on November 21st. Overall, 85% of the names underperformed the MSCI World ex USA Index, and the average return for the group was -1.49%, 25,575bps behind the index. The 'Still Meets Criteria' column indicates companies that continue to fit the criteria used to establish the list. Only three companies continue to be Buyer Beware names.

Figure 4: November 2023 Buyer Beware Picks with Current Scores

Name	Ticker	Sector	Country	Market Cap (US$M)	PRVit	Quality (P - R)	Valuation (V)	ESG Rating Decile	Still Meets Criteria	Returns Since Report
Buyer Beware - November 2023										
CHINA YANGTZE POWER CO	600900 CH	Utilities	CHN	100,364	12	43	90	8	N	35.53%
GREAT WALL MOTOR CO	2333 HK	Discr	CHN	24,092	28	40	60	8	N	6.12%
ECOPRO BM CO LTD	247540 KS	Industrials	KOR	7,061	4	8	82	10	Y	-59.76%
NINGXIA BAOFENG ENERGY GROUP	600989 CH	Materials	CHN	16,089	31	58	72	10	N	13.25%
CHINA SATELLITE COMMUNICATIO	601698 CH	Comm Srvc	CHN	12,025	3	15	91	10	Y	6.51%
MAXSCEND MICROELEC	300782 CH	Info Tech	CHN	5,645	2	5	84	9	Y	-44.32%
YUNNAN ENERGY NEW MATERIAL	002812 CH	Materials	CHN	3,930	11	2	49	6	N	-52.48%
COSCO SHIPPING ENERGY	1138 HK	Energy	CHN	6,120	26	31	57	9	N	-17.52%
ALLEGRO EU SA	ALE PW	Discr	LUX	9,589	53	82	74	8	N	17.05%
BHARAT HEAVY ELECTRICALS LTD	BHEL IN	Industrials	IND	9,554	22	53	87	7	N	71.18%
SK BIOPHARMACEUTICALS CO	326030 KS	Health Care	KOR	4,891	35	73	95	2	N	3.84%
CELLTRION HEALTHCARE	091990 KS	Acquired								0.00%
DECHRA PHARMACEUTICALS	DPH LN	Acquired								1.26%
Average			Hit Ratio (% Underperforming): 85%						-25575bps	-1.49%
MSCI WORLD EX USA									(Spread)	24.09%

Buyer Beware – March 2023 Update

The companies in **Figure 5** are from our March 2023 report. We have provided updated scores (PRVit, Quality, Value, and ESG) as well as the market returns since the report was published on March 29th. Overall, 75% of the names underperformed the MSCI World ex USA Index, and the average return for the group was -0.94%, 33,076bps behind the index. The 'Still Meets Criteria' column indicates companies that continue to fit the criteria used to establish the list. None of the companies continue to meet the criteria.

Figure 5: March 2023 Buyer Beware Picks with Current Scores

Name	Ticker	Sector	Country	Market Cap (US$M)	PRVit	Quality (P - R)	Valuation (V)	ESG Rating Decile	Still Meets Criteria	Returns Since Report
Buyer Beware - March 2023										
RELIANCE INDUSTRIES LTD	RELIANCE IN	Energy	IND	228,966	32	75	90	6	N	39.97%
MUYUAN FOODSTUFF CO LTD	002714 CH	Staples	CHN	29,765	51	57	55	8	N	-14.21%
BEIJING-SHANGHAI HIGH-SPEED	601816 CH	Industrials	CHN	40,709	24	38	71	5	N	18.27%
360 SECURITY TECHNOLOGY INC	601360 CH	Info Tech	CYM	10,273	13	18	52	9	N	-35.52%
SAUDI AWWAL BANK	SABB AB	Financials	SAU	19,145	61	60	61	9	N	14.81%
CHINA EASTERN AIRLINES CORP	670 HK	Industrials	CHN	10,700	15	14	59	8	N	-14.14%
SHANDONG GOLD MINING CO LTD	600547 CH	Materials	CHN	17,146	26	45	66	9	N	40.41%
INFRASTRUTTURE WIRELESS	INW IM	Comm Srvc	ITA	10,818	22	45	72	2	N	-6.70%
GRUPO FINANCIERO INBURSA SA	GFINBURO MM	Financials	MEX	15,533	83	92	81	10	N	40.54%
MASRAF AL-RAYAN	MARK QD	Financials	QAT	5,855	77	61	44	10	N	-13.09%
SKSHU PAINT CO LTD	603737 CH	Materials	CHN	3,493	39	80	90	8	N	-40.43%
SONGCHENG PERFORMANCE DVLPMT	300144 CH	Discr	CHN	3,365	50	77	79	10	N	-41.22%
Average			Hit Ratio (% Underperforming): 75%						-33076bps	-0.94%
MSCI WORLD EX USA									(Spread)	32.13%

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The value of a firm = Capital + Present Value 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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