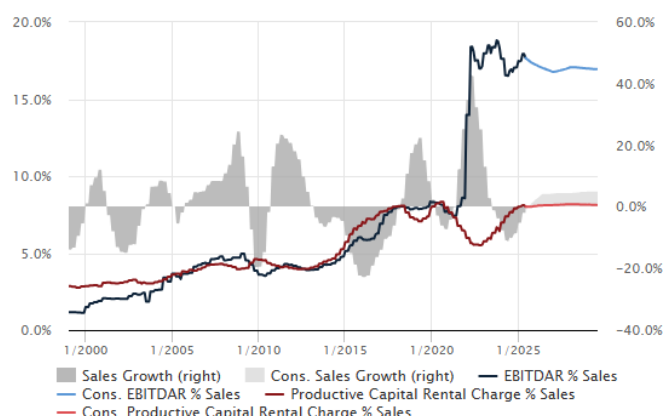
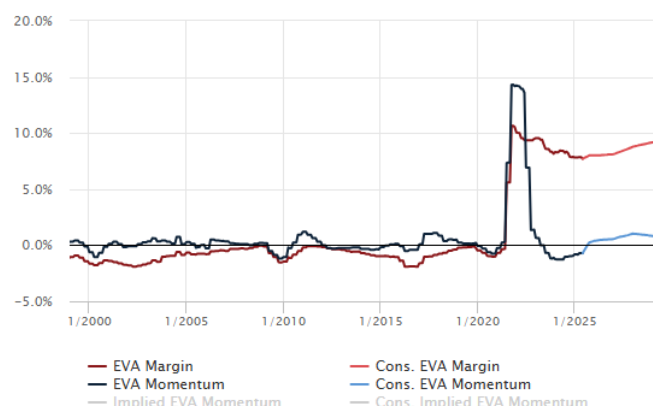
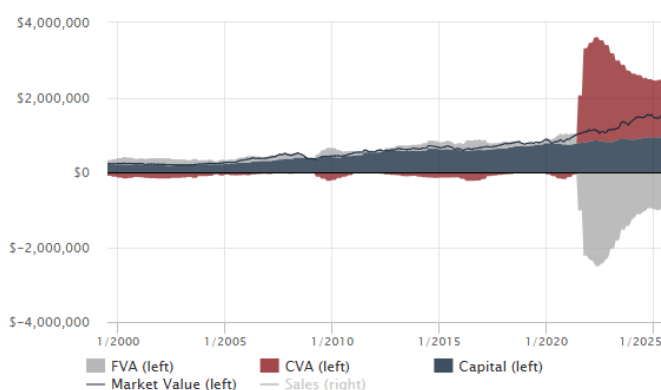


## Industry Snapshot: Global Trading Companies & Distributors

- **Summary:** Incremental EVA growth has seen a steady recovery since our [last snapshot](#), with EVA Momentum (growth) turning less negative, led by an expansion in EBITDAR Margin and a recovery in top-line growth. EVA Margin has remained pressured since peaking out in Q4 2021. However, the market has continued to award a higher premium on the aggregate EVA Capital base, with MVA Spread near record highs, as the industry sustains economic profitability at historically strong levels.
- **EVA Drivers:** Sales growth (TFQ) has recovered closer to zero percent in the last twelve months, at -1.9% at the end of May. EBITDAR Margin has seen a 120bps expansion since bottoming out in May 2024, supported by lower adjusted COGS and SG&A expenses as a % of Sales. The Productive Capital Charge (lower is more favorable) has shown some signs of peaking out in the recent months with a small 10bps moderation as of May.
- **EVA Fundamentals:** EVA Margin has remained pressured amidst deteriorating asset efficiency, at 7.7% in May, 60bps lower than the levels seen around 2023-end. EVA Momentum (growth) remains negative but has seen some improvement over the last 12 months, led by an improvement in EBITDAR Margin and less negative top-line growth.
- **Expectations:** Embedded expectations for growth turned less bearish between Q2 2022-2024 and have since stabilized. MVA Spread, our price-to-book equivalent, was trading at a premium of 63% at the end of May, near all-time highs. Investors have continued to place a higher premium on the industry's EVA Capital base amidst a sustained recovery in EVA Momentum (growth).

**EVA Drivers**

**EVA Fundamentals**

**Enterprise Value Components**

**Market Value Added (MVA) Spread**


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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](http://www.EVAexpress.com)

### Top 10 Largest Firms by Market Cap

- On average, the cohort has strong Risk-Adjusted Profitability, negatively offset by high Valuation. **8058 JP**, **GWW**, **8002 JP**, and **8053 JP** look the most attractive in the PRVit framework (rated 'Overweight').
- 8002 JP** and **8053 JP** achieve positive EVA Fundamentals as of the latest reported quarter.
- 8001 JP** and **8058 JP**, the two largest firms in the industry, have seen between 4 and 6 quarters of improvement in EVA Momentum (growth).
- MITSY**, **FAST**, **URI**, and **FERG** currently achieve an ISS ESG Prime rating (ISS ESG Performance score  $\geq 50$ ).

Name	Ticker	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	EVA Momentum Post-Inflection Count	PRVit Score	Quality (P-R)	Profitability Score (P)	Risk Score (R)	Valuation Score (V)	Return YTD	ESG Perf Score
ITOCHU CORP	8001 JP	Japan	80,639	1.2%	-0.2%	6	20	41	52	72	44	-5.2%	49.55
MITSUBISHI CORP	8058 JP	Japan	79,492	26.9%	-0.4%	4	70	74	78	52	34	11.2%	44.92
MITSU & CO LTD -ADR	MITSY	Japan	58,635	0.8%	-1.4%	-1	22	29	42	79	28	-10.7%	53.96
GRAINGER (W W) INC	GWW	U.S.	51,163	8.6%	-0.4%	1	65	95	84	7	88	1.4%	49.91
FASTENAL CO	FAST	U.S.	48,442	11.0%	-0.4%	1	55	95	85	7	97	18.5%	50.89
UNITED RENTALS INC	URI	U.S.	45,165	9.0%	-1.1%	-1	40	61	79	80	66	-0.9%	52.25
FERGUSON ENTERPRISES INC	FERG	U.S.	41,970	3.0%	-0.8%	5	40	65	62	38	70	13.4%	50.53
ADANI ENTERPRISES LTD	ADE IN	India	33,619	-1.4%	-2.4%	-2	5	20	37	91	80	-0.8%	48.06
MARUBENI CORP	8002 JP	Japan	33,054	30.1%	1.8%	4	71	76	81	55	36	20.8%	43.78
SUMITOMO CORP	8053 JP	Japan	30,003	26.9%	0.2%	-10	73	80	88	59	39	6.0%	36.13
Average				11.6%	-0.5%		46	64	69	54	58	5.4%	48.00

**PRVit** is scored 0 to 100 where 100 is the most attractive. Profitability and Quality are both scored 0 to 100 where 100 is the best.

Valuation is scored 0 to 100 where 100 is the most expensive.

### Top 10 Highest PRVit Firms

- The cohort consists of 6 Chinese and 4 Japanese firms. These firms, on average, demonstrate very strong Quality (P-R) and cheap Valuations, leading to a very attractive PRVit Score of 96.
- 600710 CH**, **8066 JP**, **9934 JP**, **8020 JP**, and **2768 JP** reflect positive EVA Fundamentals as of the latest reported quarter.
- 600153 CH** and **600755 CH** are the only firms in the list with a negative EVA Margin. The firms have lower Quality scores relative to the cohort, impacted by weak Profitability.

Name	Ticker	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	EVA Momentum Post-Inflection Count	PRVit Score	Quality (P-R)	Profitability Score (P)	Risk Score (R)	Valuation Score (V)	Return YTD	ESG Perf Score
JIANGSU GUOTAI INTERNATIONAL	002091 CH	China	1,705	1.6%	-0.9%	2	100	89	80	17	22	2.7%	
SUMEC CORPORATION LIMITED	600710 CH	China	1,712	0.9%	0.5%	2	99	93	82	10	36	5.2%	
HUITONGDA NETWORK CO LTD	9878 HK	China	1,173	0.8%	-0.2%	-4	98	82	78	35	36	-16.2%	
BEIJING UNITED INFO TECH CO	603613 CH	China	2,369	2.0%	-0.3%	2	97	85	82	35	43	-11.2%	
MITANI CORP	8066 JP	Japan	1,359	4.5%	0.2%	-4	96	92	79	5	18	12.2%	
INABA DENKISANGYO CO LTD	9934 JP	Japan	1,516	2.7%	0.4%	6	95	91	75	0	20	0.1%	33.21
KANEMATSU CORP	8020 JP	Japan	1,534	28.8%	2.8%	-4	95	99	98	12	38	1.3%	32.41
XIAMEN C & D INC	600153 CH	China	4,088	-1.1%	0.1%	2	95	50	38	23	12	1.3%	31.46
SOJITZ CORP	2768 JP	Japan	5,410	27.0%	1.5%	-2	94	92	88	25	25	9.1%	39.55
XIAMEN INTL TRADE GROUP CORP	600755 CH	China	1,908	-1.4%	-0.3%	-1	91	43	19	2	13	-2.4%	
Average				6.6%	0.4%		96	82	72	17	26	0.2%	34.16

**ESG Performance Score** 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 Scores, however, are comparable across all rated entities. All rated entities with values greater than or equal to 50 are Prime; companies with values less than 50 are not Prime.

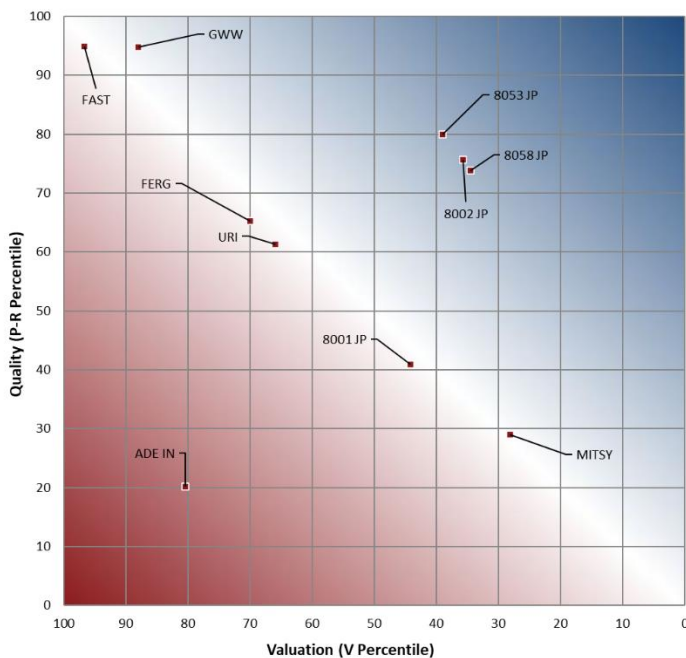
See page 3 for HEAT Maps of the Largest Firms and the Most Attractive Firms.

## HEAT Maps

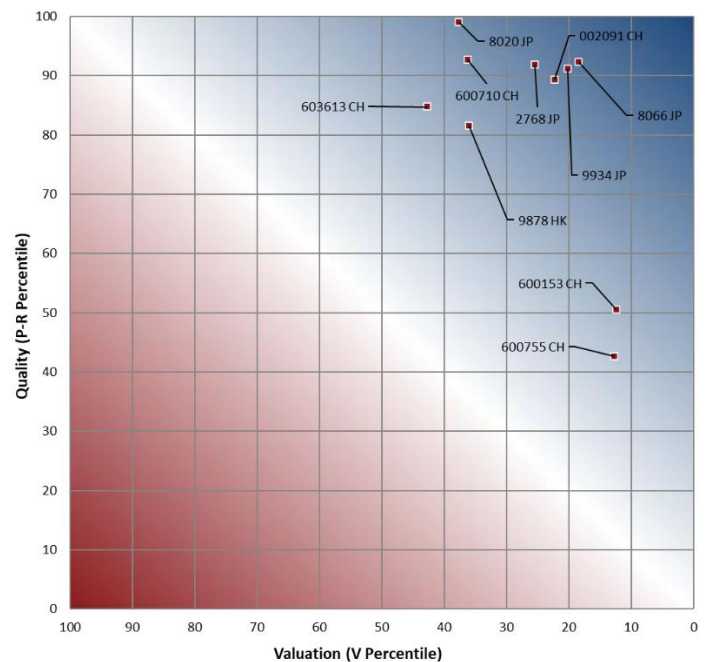
Our HEAT Map shows the visual trade-off between Quality (y-axis) and Value (x-axis). Higher Quality firms will be found at the top of the HEAT Map and cheaper Valuation firms will be further to the right. The companies in the upper-right corner are high-Quality, cheap-Value names with the most attractive PRVit scores.

- The HEAT Map on the left illustrates the largest firms in the industry, individually placed as a function of Quality and Valuation Rankings.
  - **GWW** has strong Quality at high Valuations, placing the firm in the 'Expensive but Worth It' HEAT Map zone.
  - **FAST**, **FERG**, and **URI** are within the 'Overly Expensive Quality' HEAT Map zone.
  - **8053 JP**, **8058 JP**, and **8002 JP** are in the 'High Quality & Cheap' HEAT Map zone. The firms in this zone exhibit strong Quality (P-R) combined with favorable (cheap) Valuation levels.
  - **MITSY** is in the 'Attractive Value' HEAT Map zone. Firms in this zone demonstrate low Quality, offset by low Valuations.
- The HEAT Map on the right shows the most attractive names of the industry.
  - **8020 JP**, **600710 CH**, **2768 JP**, **8066 JP**, **002091 CH**, **9878 HK**, and **9934 JP** are in the 'Best of the Best: High Quality & Cheap' HEAT Map zone.

### Top 10 Largest Firms HEAT Map



### Top 10 PRVit Firms HEAT Map



## 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 =  $\Delta$  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 =  $\Delta$  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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