

Consumer Staples: Strong Quality Names at Favorable Valuation Discounts

The Global Consumer Staples sector has seen a recovery in EVA growth from the lowest level in 20 years, in mid-2023, to almost turning positive at the beginning of this year. During the same period, market expectations have also continued to rise as investors price in a further improvement in EVA Momentum (**Figure 1**). Future Growth Reliance (**Figure 2**), which measures the percentage of market value dependent on incremental EVA generation, was trading near the upper end of the 10-year range in April. EVA Consensus estimates, however, suggest further downward pressure on EVA Fundamentals through the rest of 2025 before an expected recovery back to current levels in 2026.

In this report, we search for firms in the Staples space with a high Quality profile while also being sensitive to Valuations, at a time when expectations at the sector level look stretched. We look at companies with strong short- and long-term profitability trends as measured by our P2 (Profitability Trend) score. As for the valuation aspect, we consider names which are currently trading well below their 10-year FGR highs.

Figure 1: EVA Fundamentals

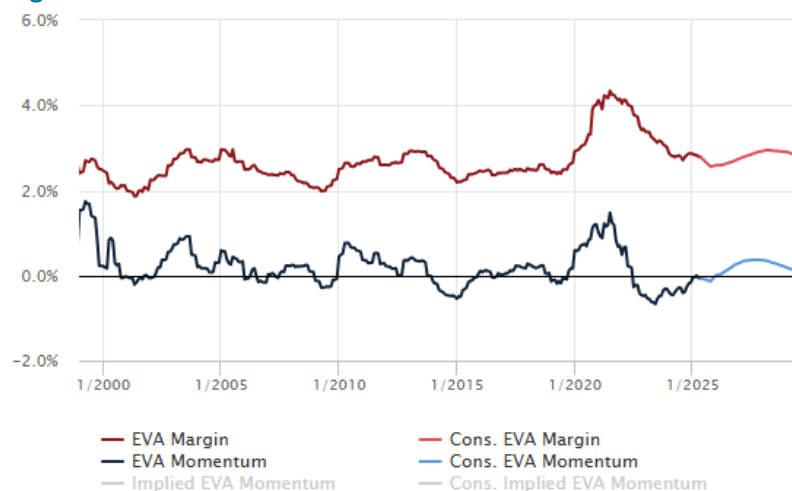


Figure 2: Future Growth Reliance (FGR)



The screens are shown in the following pages.

Key Summary

- The Global Consumer Staples sector has seen a recovery in EVA growth from the lowest level in 20 years, in mid-2023, to almost turning positive at the beginning of this year. During the same period, market expectations have also continued to rise as investors price in a further improvement in EVA Momentum.
- In this report, we search for firms with a high Quality profile while also being sensitive to Valuations, at a time when expectations at the sector level look stretched. We look at companies with strong short- and long-term profitability trends as measured by our P2 score. As for the valuation aspect, we consider names which are currently trading well below their 10-year FGR highs.

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: $\text{Market Value} = \text{Capital} + \text{PV}(\text{EVA})$.
3. Therefore, more Economic Value Added (EVA) is better.

Gavin Thomson

Global Director of Fundamental Research

ISS EVA Equity Research Team

evaanalytics@iss-stoxx.com

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

Screen 1: DM Names with Strong Quality and Favorable Absolute Valuation

In this screen, we look at attractive PRVit rated firms (≥ 60) within the Developed Markets (Market Cap $\geq \$2B$) with strong Quality and Profitability Trend (both ≥ 60). We filter out firms in the top quintile (i.e., very high) of our Valuation factor while including names with a current level of FGR trading at less than 40% of their 10-year highs.

Screen Criteria

- Market Cap $\geq \$2B$
- PRVit ≥ 60
- Quality ≥ 60
- Profitability Trend (P2) ≥ 60
- Valuation ≤ 80
- FGR currently trading at less than 40% of the highest level in 10 years

Name	Ticker	GICS Industry	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	EVA Momentum Post-Inflection Count	FGR (%)	PRVit Score	Quality (P-R)	P2 Profitability Trend	Risk Score (R)	Valuation Score (V)	Returns YTD (%)	ESG Perf Score
PEPSICO INC	PEP	Beverages	U.S.	180,867	9.9%	-0.8%	-6	1.0%	60	87	64	28	69	-12.5%	57.46
ALTRIA GROUP INC	MO	Tobacco	U.S.	95,930	41.0%	1.5%	3	-49.0%	73	95	79	24	70	10.9%	43.06
SYS CO CORP	SY	Distribution & Retail	U.S.	34,964	1.8%	-0.2%	3	5.0%	69	82	65	22	59	-4.6%	51.54
HENKEL AG & CO KGAA	HEN3 GR	Household Products	Germany	32,384	2.5%	1.0%	-2	-5.8%	89	83	66	5	30	-14.3%	69.35
WOOLWORTHS GROUP LTD	WOW AU	Distribution & Retail	Australia	25,518	3.0%	3.1%	4	1.6%	75	85	89	39	54	8.8%	52.65
ASSOCIATED BRITISH FOODS PLC	ABF LN	Food Products	U.K.	19,781	2.3%	0.0%	-2	-26.4%	78	74	64	22	24	1.4%	50.48
COCA-COLA HBC AG -ADR	CCHGY	Beverages	Switzerland	18,025	5.9%	-0.5%	-4	4.7%	68	89	68	14	56	34.9%	53.85
US FOODS HOLDING CORP	USFD	Distribution & Retail	U.S.	17,082	0.7%	0.1%	-2	28.7%	66	77	71	21	54	9.0%	51.48
KIRIN HOLDINGS CO LTD -ADR	KNBWY	Beverages	Japan	13,372	1.0%	2.0%	-1	-3.7%	63	71	74	29	25	5.7%	53.07
SMUCKER (JM) CO	SJM	Food Products	U.S.	11,979	1.6%	-0.7%	2	-3.0%	85	74	62	15	27	3.1%	50.66
WH GROUP LTD	288 HK	Food Products	Hong Kong	11,262	2.9%	6.4%	2	-87.1%	93	80	87	46	14	16.5%	32.99
PILGRIM'S PRIDE CORP	PPC	Food Products	U.S.	10,982	5.7%	4.8%	-2	-79.8%	90	86	90	46	34	15.9%	37.08
SUNTORY BEVERAGE & FOOD LTD	2587 JP	Beverages	Japan	10,785	1.5%	0.1%	-2	-1.8%	72	83	65	0	31	3.1%	46.25
ORKLA ASA	ORK NO	Food Products	Norway	10,416	4.8%	1.6%	6	14.3%	63	87	74	15	57	20.5%	56.38
COCA COLA CONSOLIDATED INC	COKE	Beverages	U.S.	10,247	7.7%	0.3%	-1	-4.6%	74	91	73	25	63	-6.3%	15.76
TINGYI (CAYMAN ISLANDS) HLDG	322 HK	Food Products	Hong Kong	9,562	3.0%	1.2%	2	18.4%	62	83	79	33	55	28.5%	31.95
MARKS & SPENCER GROUP PLC	MKS LN	Distribution & Retail	U.K.	9,400	2.0%	0.7%	-1	-27.9%	76	69	78	47	25	-7.8%	56.79
INGREDION INC	INGR	Food Products	U.S.	8,867	6.5%	2.1%	4	-34.1%	94	92	84	10	36	0.9%	47.08
EMPIRE CO LTD -CL A	EMP.A	Distribution & Retail	Canada	8,436	1.1%	-0.2%	2	-10.3%	89	85	61	2	27	15.5%	38.72
TOYO SUISAN KAISHA LTD	2875 JP	Food Products	Japan	7,182	8.4%	1.1%	-4	-6.3%	65	94	80	8	54	-9.7%	24.71
POST HOLDINGS INC	POST	Food Products	U.S.	6,092	0.3%	-0.1%	-4	7.4%	82	74	70	19	31	-4.8%	36.43
INTERPARFUMS INC	IPAR	Personal Care Products	U.S.	3,951	9.2%	-0.0%	2	26.4%	78	96	71	8	72	-6.0%	21.15
SIMPLY GOOD FOODS COMPANY	SMPL	Food Products	U.S.	3,670	4.1%	0.8%	-1	17.1%	82	88	73	6	50	-7.8%	24.58
TATE & LYLE PLC -ADR	TATYY	Food Products	U.K.	3,377	7.2%	0.4%	-4	-24.4%	88	94	83	4	39	-11.6%	55.19
GROUPE LDC	LOUP FP	Food Products	France	3,130	2.7%	0.3%	-2	-63.8%	88	85	73	19	24	16.5%	
EBRO FOODS SA	EBRO SM	Food Products	Spain	2,910	1.1%	1.3%	2	-24.6%	92	88	81	4	25	7.5%	
ARYZTA AG	ARYN SW	Food Products	Switzerland	2,384	-4.9%	0.4%	2	10.8%	87	67	73	3	9	27.8%	26.06
WEIS MARKETS INC	WMK	Distribution & Retail	U.S.	2,110	0.5%	-0.2%	2	10.9%	80	67	62	23	31	16.9%	21.72
Average					4.8%	0.9%		-10.9%	78	83	73	19	41	5.6%	42.56

Summary Firm-Level Commentary:

- PEP**, rated 'Overweight': PEP, an 'Expensive but Worth It' name, has seen a continued deterioration in EVA Momentum since peaking out in Q4 2023, with the metric turning negative in Q4 2024 for the first time since 2022. This was driven by a significant deceleration in top-line growth, which has recently turned negative as of Q1 2025, combined with deteriorating capital efficiency over the last two years. On the bright side, the firm has managed to maintain strong P&L profitability, with EBITDAR Margin currently being at 15-year highs. Investor expectations have decreased through the last two years, with Future Growth Reliance (FGR) currently trading around 0%, down from record high levels of 24% around Q1 2023. We hold a positive outlook on the firm given its favorable absolute Valuation levels at a time when EVA Margin remains at strong levels relative to history despite a pressured top-line and worsening asset efficiency.
- HEN3 GR**, rated 'Buy': HEN3 GR is rated 'High Quality & Cheap' within the PRVit framework. Sales growth (TFQ) remains negative but has improved within the last two quarters, while the Productive Capital Charge (lower is more favorable) has cooled off but remains at relatively high levels. This has led to some slowdown in incremental EVA generation, but the metric remains strong at 1% as of the latest print, given a nearly 600bps expansion in EBITDAR Margin between Q2 2023 and 2024. Expectations for EVA growth have turned bearish through 2025, with the FGR down from 21% in Q1 2023 to currently around -6% as the market prices in an outlook for value destruction going forward. The firm looks interesting given the favorable Quality-Valuation tradeoff.

Screen 2: EM Names with Strong Quality and Favorable Absolute Valuation

In this screen, we look at attractive PRVit-rated firms (≥ 60) within the Emerging Markets (Market Cap $\geq \$2B$) with strong Quality and Profitability Trend (both ≥ 60). We filter out firms in the top quintile (i.e., very high) of our Valuation factor while including names with a current level of FGR trading at less than 40% of their 10-year highs.

Screen Criteria

- Market Cap $\geq \$2B$
- PRVit ≥ 60
- Quality ≥ 60
- Profitability Trend (P2) ≥ 60
- Valuation ≤ 80
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Name	Ticker	GICS Industry	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	EVA Momentum Post-Inflection Count	FGR (%)	PRVit Score	Quality (P-R)	P2 Profitability Trend	Risk Score (R)	Valuation Score (V)	Returns YTD (%)	ESG Perf Score
MUYUAN FOODSTUFF CO LTD	002714 CH	Food Products	China	29,765	7.5%	18.5%	4	2.2%	74	70	96	91	55	2.1%	23.62
LUZHOU LAOJIAO CO LTD	000568 CH	Beverages	China	25,874	36.1%	-1.9%	-5	-0.3%	87	93	73	27	71	2.2%	15.51
WENS FOODSTUFF GROUP CO LTD	300498 CH	Food Products	China	15,375	5.8%	15.2%	5	-3.2%	86	79	98	70	51	0.8%	20.53
TSINGTAO BREWERY CO LTD	600600 CH	Beverages	China	11,888	10.4%	-0.7%	-1	30.3%	87	95	78	18	74	-8.2%	26.59
ANHUI GUJIANG DISTILLERY CO	200596 CH	Beverages	China	11,282	18.9%	0.8%	-6	1.3%	95	99	92	8	67	7.6%	16.07
THAI BEVERAGE PCL	THBEV SP	Beverages	Thailand	9,916	3.1%	0.9%	3	5.7%	70	79	74	22	46	-0.2%	48.67
JIANGSU KING'S LUCK BREWERY	603369 CH	Beverages	China	8,369	22.3%	0.0%	-7	22.7%	86	96	81	18	79	6.9%	20.79
INDOFOOD CBP SUKSES MAKMUR	ICBP IJ	Food Products	Indonesia	7,893	8.1%	3.5%	3	8.1%	65	86	70	20	56	-1.5%	27.79
GRUMA SAB DE CV -ADR	GMKKY	Food Products	Mexico	6,671	6.0%	1.4%	4	-14.6%	76	92	84	20	46	9.3%	34.82
SAN MIGUEL FOOD AND BEVERAGE	PF PM	Food Products	Philippines	5,510	4.7%	0.9%	-1	-6.0%	77	91	72	10	45	-0.5%	
CHAROEN POKPHAND INDONESIA	CPIN IJ	Food Products	Indonesia	4,757	3.9%	2.8%	2	9.1%	77	90	87	25	51	0.8%	15.70
INDOFOOD SUKSES MAKMUR (PT)	INDF IJ	Food Products	Indonesia	4,231	5.0%	2.7%	3	-110.4%	91	75	71	41	11	3.6%	29.09
EMBOTELLADORA ANDINA SA -ADR	AKO.B	Beverages	Chile	3,552	4.5%	2.6%	1	2.8%	74	88	84	20	46	39.4%	49.20
ORION CORPORATION	271560 KS	Food Products	South Korea	3,443	9.4%	2.6%	1	-58.7%	98	96	88	9	28	23.0%	13.51
GUANGZHOU ZHUJIANG BREWERY	002461 CH	Beverages	China	3,289	4.6%	4.5%	-1	56.1%	83	92	87	14	73	8.2%	
ATACADAO SA	CRFB3 BZ	Distribution & Retail	Brazil	3,141	0.7%	1.1%	6	-40.6%	75	65	75	58	18	54.7%	45.04
INRETAIL PERU CORP	INRETC1 PE	Distribution & Retail	Peru	3,045	1.7%	-0.1%	2	-8.5%	85	73	69	29	31	-14.9%	
CORPORATIVO FRAGUA SA DE CV	FRAGUAB MM	Distribution & Retail	Mexico	2,539	2.9%	0.1%	1	-57.0%	92	94	77	10	33	-30.3%	
MIGROS TICARET AS	MGROS TI	Distribution & Retail	Turkey	2,506	3.5%	2.5%	-1	-72.5%	100	92	90	26	24	-1.9%	47.41
LA COMER SAB DE CV	LACOMUBC MM	Distribution & Retail	Mexico	2,306	0.1%	-0.0%	-1	31.8%	69	81	66	0	41	28.0%	
JIANGSU LIHUA FOODS GROUP CO	300761 CH	Food Products	China	2,204	3.0%	6.9%	-1	5.3%	86	70	94	76	42	-1.4%	
CHONGQING FULING ZHACAI GRP	002507 CH	Food Products	China	2,112	19.9%	1.2%	1	17.0%	93	98	79	4	67	-6.7%	
Average					8.3%	3.0%		-8.2%	83	86	81	28	48	5.5%	28.96

Summary Firm-Level Commentary:

- INDF IJ**, rated 'Buy': Sales growth (TFQ) has accelerated through the recent quarters since turning positive in Q3 2024. EVA Momentum (growth) has staged a significant recovery after bottoming out in Q2 of last year, supported by a recovery in top-line growth coupled with a continued expansion in EBITDAR Margin over the last two years. Embedded expectations for growth saw some recovery in 2023 but have since reverted to being very bearish. FGR, which has remained negative since 2019, is currently trading near historical lows of -110% and is lower than the 2024 high of -78%. The firm had seen wealth creation between 2016 and early 2022, with the EVA Margin currently trending at 5%, 90bps shy of record highs in Q1 2022. We maintain a positive view on the firm given its strong EVA Profitability profile and very cheap Valuation.
- MGROS TI**, rated 'Buy': MGROS TI is another 'High Quality & Cheap' name. The firm has significantly compounded EVA wealth between 2021 and 2024. EVA Momentum has trended strongly since Q4 2020, led by a top-line growth which remains strong at 55%, despite some slowdown relative to 2023 highs of 140%. EBITDAR Margin had seen a protracted period of deterioration before it bottomed out in Q1 2024. Through the last three quarters, the metric has expanded by 260bps to 5.7% as of the quarter ending December 2024. FGR is trading around -72%, much lower than the -3% seen in 2023. We keep a positive outlook on the stock given the company's strong Profitability at a time when Valuations trade at favorable levels.

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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Research Division

Senior Management Team

Gavin Thomson

Executive Director

Global Director of Fundamental Research

Casey Lea

Executive Director

Global Director of Quantitative Research