

## Names in the News: DIS & BTI

### The Walt Disney Company (DIS) & British American Tobacco p.l.c. (BTI)

This week, we cover **The Walt Disney Company (DIS)**, rated 'Overweight' and **British American Tobacco p.l.c. (BTI)**, rated 'Overweight'. **DIS**, under new CEO Josh D'Amato, is reportedly preparing to cut up to 1,000 jobs as part of a broader cost-cutting effort. The company has seen EVA growth deteriorate over the past three quarters, despite the cost-cutting initiatives, as EBITDAR Margin recovery stalled during 2025 after strong expansion through H2 2023 and 2024, while Sales growth has moved around low single digits since 2024. We also look at **BTI**. The company has appointed former executive Dragos Constantinescu as its CFO, effective as of September this year. Constantinescu had earlier spent 16 years at **BTI** before moving to Asahi Breweries (**2502 JP**, rated 'Hold'), Japan's largest brewer.

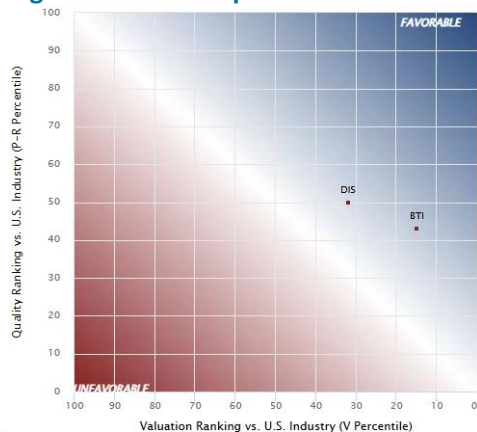
**DIS's** EVA Momentum (growth) saw 7 sequential quarters of acceleration and peaked out at 1.3% as of Q1 2025. The metric rolled over in Q2 and turned negative as of Q4, at -0.4%. Low single-digit sales growth, pressured P&L profitability, and weaker asset efficiency have all contributed to the deterioration in EVA growth for the firm. FGR, our P/E ratio equivalent, has dropped from highs of 57% in March 2024 to 4-year lows as of April 7 this year, at 39%. **DIS** is investing in core segments such as parks/cruises, while also implementing cost-efficiency measures, in a bid to improve its currently pressured economic profitability profile. Valuations have dropped relative to the industry, leaving the firm with an 'Overweight' rating in PRVIt.

**BTI's** EVA Momentum inflected upwards in Q1 2025 from historic lows of -8%, turning positive in Q3 and accelerating to 4.3% as of the latest reported quarter, driven by all three EVA drivers improving over the year. EVA Margin recovered from record lows throughout FY2025, expanding by 400bps within the last four quarters, to 17.4%. FGR is currently negative but has moved to the smallest discount in 8 years, at -22%. Investors have turned less bearish on **BTI's** outlook for incremental EVA creation, at a time when economic profitability has seen a strong recovery through 2025 after 4 years of value destruction. We are bullish on **BTI**, at a time when EVA trends have started to improve, while Valuations are very favorable on an industry-relative basis.

Figure 1: EVA Summary

Name	Ticker	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	PRVIt Score	Quality (P-R)	Valuation Score (V)	Return YTD (%)	ESG Perf Score
DISNEY (WALT) CO	DIS	U.S.	170,103	-3.6%	-0.4%	68	50	32	-15.8%	47.67
BRITISH AMER TOBACCO PLC -ADR US	BTI	U.K.	127,760	17.3%	4.9%	68	43	15	5.3%	51.61

Figure 2: HEAT Map



### PRVIt and Sub-Factors

**PRVIt** compares a company's operational Quality, based on EVA metrics, to the company's market-based Valuation. When Quality exceeds Valuation, the overall PRVIt ranking will be higher.

#### Scoring

All factors scored from 0 to 100.

**PRVIt:** 100 is most favorable.

**Quality (P-R):** 100 is highest Quality.

**Profitability (P):** 100 is most Profitable.

**Risk (R):** 0 is lowest Risk.

**Valuation:** 0 is cheapest.

**Heat Map:** The Heat Map shows the visual trade-off between Quality and Valuation: Companies in the favorable (blue) area offer higher quality and/or cheaper valuation than those in the unfavorable (red) area.

**ISS ESG Performance:** Page 4 includes the ISS ESG Performance ratings of both firms, coupled with their industry-specific rankings.

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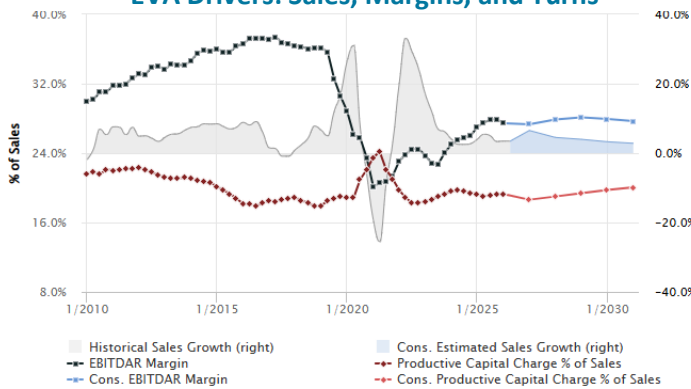
Visit our website [www.EVAexpress.com](http://www.EVAexpress.com)

**The Walt Disney Company (DIS)**

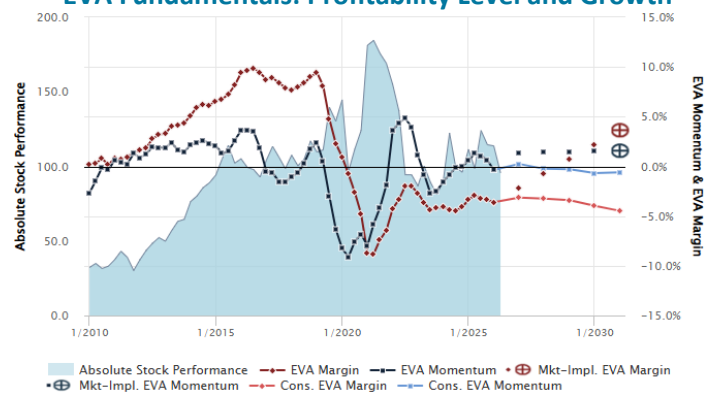
**PRVit Recommendation: 'Overweight' – Turnaround Opportunity?**

- Sales growth (TFQ) slowed during H2 2025 compared to the first half of the year, but was trending positively, at 3.5% as of Q4, supported by strong growth in the Entertainment and the Domestic Parks & Experiences segments.
- EBITDAR Margin recorded 9 consecutive quarters of improvement, expanding by 520bps, before seeing a small contraction of 20bps in Q4 2025, to 27.5%. While a decrease in adjusted COGS (% of sales) has driven EBITDAR Margin expansion between H2 2023 and H1 2025, the recovery has somewhat stalled over the last three quarters.
- The Productive Capital Charge (higher is less favorable) increased within the last three quarters, driven by a surging PP&E charge that was somewhat offset by lower Ad&Promo charges (relative to sales).
- EVA Margin expanded in Q1 2025 but contracted through the remaining three quarters of the year, trending at -3.6% as of Q4, down 20bps compared to the Q4 2024 level.
- EVA Momentum (growth) saw 7 sequential quarters of acceleration and peaked out at 1.3% as of March 2025. The metric rolled over in Q2 and turned negative again as of Q4, at -0.4%. Low single-digit sales growth, pressured P&L profitability, and weaker asset efficiency have all contributed to the deterioration in EVA growth for DIS.
- Embedded expectations for growth (FVA) have moved sideways over the past eight quarters, at a time when economic profitability has remained pressured. Future Growth Reliance (FGR), our P/E ratio equivalent, has dropped from highs of 57% in March 2024 to the lower end of the 4-year range as of April 7 this year, at 39%.
- DIS is investing in core segments such as parks/cruises, while also implementing cost efficiencies, in a bid to improve its currently pressured economic profitability profile. Valuations have dropped on an industry-relative basis, leaving the firm with an 'Overweight' rating in PRVit.

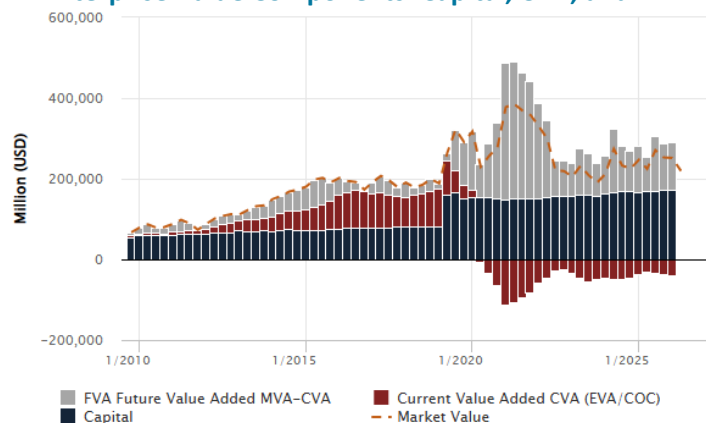
**EVA Drivers: Sales, Margins, and Turns**



**EVA Fundamentals: Profitability Level and Growth**



**Enterprise Value Components: Capital, CVA, and FVA**



**Future Growth Reliance (FGR): Market Expectations**

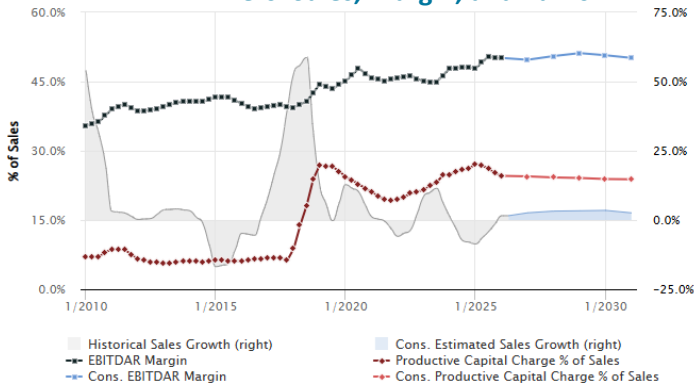


**British American Tobacco p.l.c. (BTI)**

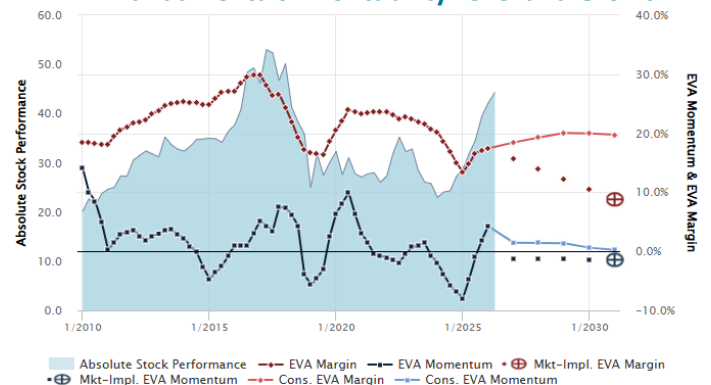
**PRVit Recommendation: 'Overweight' – Strong EVA Trends Trading at a Discount**

- Sales growth (TFQ) bottomed out in Q4 2024 and improved throughout FY2025, turning positive as of the quarter ending December 2025, at 1.6%, driven by strong growth in non-combustible and smoke-free categories.
- EBITDAR Margin peaked out at a record high of 50.5% in Q2 2025, seeing a small reduction to 50.1% as of Q4, still near historically high levels.
- The Productive Capital Charge (lower is more favorable) trended lower throughout the year after peaking out in December 2024, supported by a declining PP&E charge as a % of sales.
- EVA Margin recovered from record lows throughout FY2025, expanding by 400bps within the last four quarters, to 17.4%.
- EVA Momentum (growth) inflected upwards in Q1 2025 from historic lows of -8%, turning positive in Q3 and accelerating to 4.3% as of the latest reported quarter, driven by all three EVA drivers improving over the year.
- The firm, like most in the Tobacco industry, trades at a discount. Embedded expectations for growth (Future Value Added, FVA) have continued to improve since bottoming out in 2020 but remain negative as of December 2025. FGR is currently negative but has moved to the smallest discount in 8 years, at -22%. Investors have turned less bearish on BTI's outlook for incremental EVA creation, at a time when economic profitability saw a strong recovery through 2025 after 4 consecutive years of value destruction.
- We are bullish on BTI, at a time when EVA trends have started to show strong improvements, while Valuations remain very favorable on an industry-relative basis.

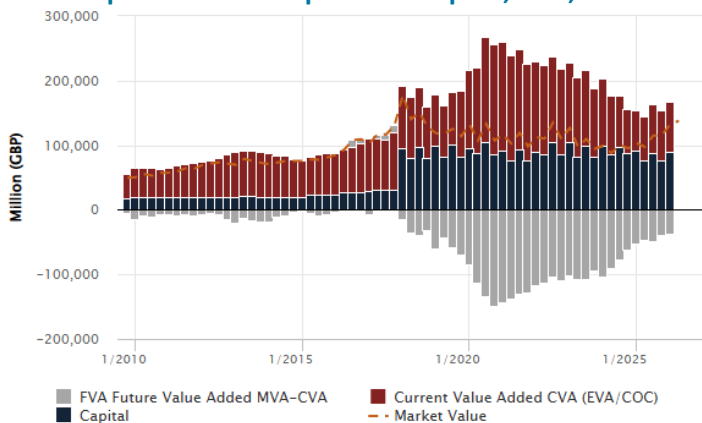
**EVA Drivers: Sales, Margin, and Turns**



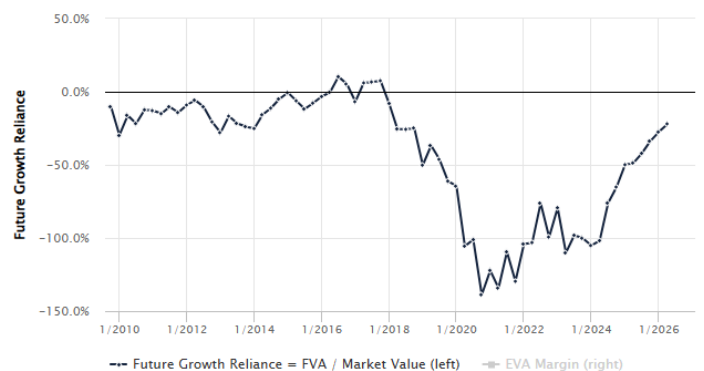
**EVA Fundamentals: Profitability Level and Growth**



**Enterprise Value Components: Capital, CVA, and FVA**

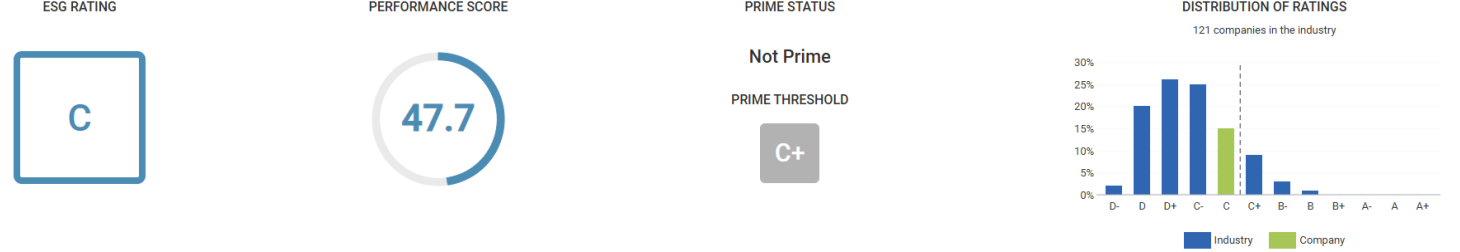


**Future Growth Reliance (FGR): Market Expectations**

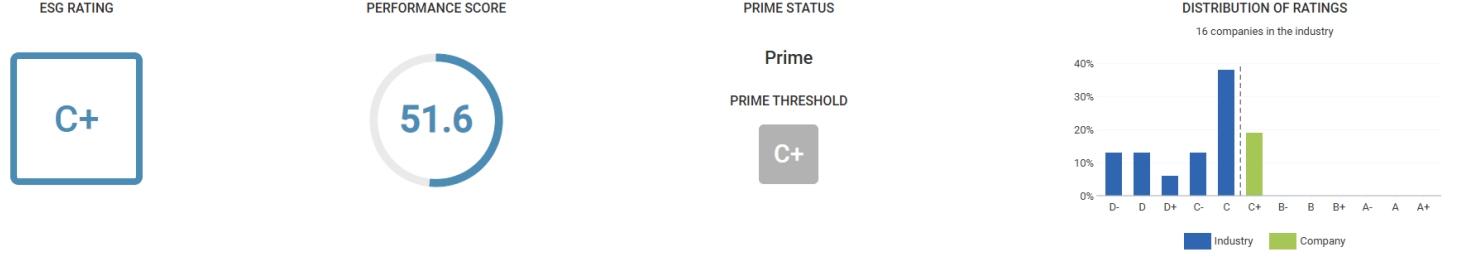


ISS ESG Performance analysis of both names can be found below.

**ISS ESG Performance for The Walt Disney Company (DIS)**



**ISS ESG Performance for British American Tobacco p.l.c. (BTI)**



**ISS ESG Definitions**

**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 Scores, however, are comparable over 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.

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

**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 TRVs, including the ROK 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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