Global Sector Charts: Staples Looking Expensive

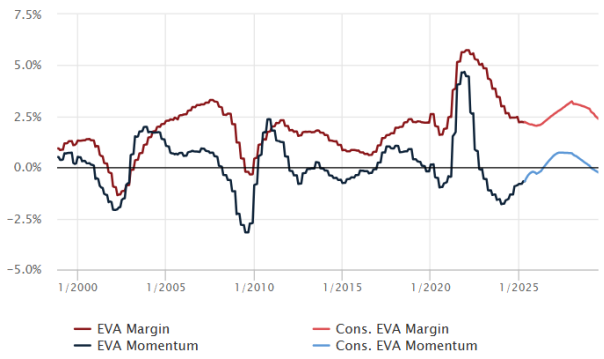
This month we add the EVA-adjusted consensus outlook for the global aggregate and for each of the sectors. For the global aggregate, Economic Profitability (EVA Margin) continues to search for a bottom, with incremental value destruction (EVA Momentum) remaining negative but improving. Consensus is currently suggesting limited downside through 2025, with a bottom in Profitability at the beginning of 2026, followed by a recovery through the second half of the year. The improvement is expected to be driven by Heath Care, Technology, and Communication Services sectors. In historical context, the global aggregate EVA Margin level remains at the upper end of the long-term range, giving potentially more downside due to the current level of business uncertainty created by tariff hikes and the U.S. trade agenda. Even after the market correction, investor expectations remain very elevated, with the reliance on EVA growth going forward around 25-year highs. Companies in aggregate have 'fatter' margins at this point, but markets are priced for growth in EVA Margin (profitability), not a contraction.

Global Market Aggregate

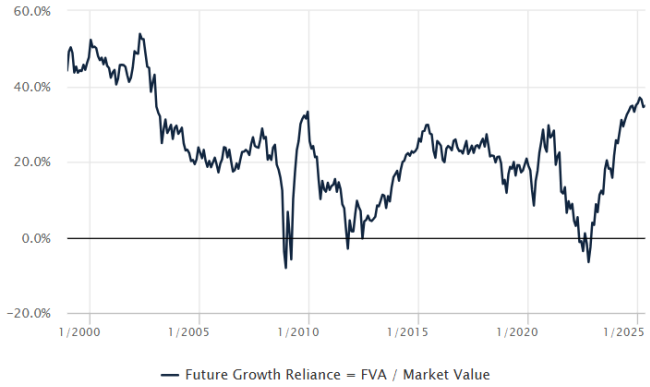
Global EVA Fundamentals: Sales Growth has edged higher through 2025. EBITDAR Margin continues to flirt with the all-time highs of 2021, at 24.2%. Adjusted COGS (% of sales) has plateaued, while labor costs are elevated but have peaked, with adjusted SG&A at 15.6% of sales for the last 4 quarters. After initially seeming to peak out, the Productive Capital Charge has edged higher (higher is unfavorable), as new investment as a percentage of sales has increased once again. EVA Momentum (EVA Mo, blue line) has made a further small improvement but remains negative. EVA Margin (red line) remains under downside pressure from higher investment, which consensus is suggesting will be offset by improving sales growth and a further expansion in EBITDAR Margin.

Global Expectations: Embedded expectations for growth have come off all-time highs from the beginning of the year but remain elevated, around 23-year highs. Future Growth Reliance (FGR) at the end of April is 34.8%. Quality at a reasonable price is our preferred strategy, using the 'High Quality and Cheap' part of the EVA screener.

Global: EVA Fundamentals



Global: Future Growth Reliance (FGR)



Global Sector Aggregates

Sector EVA Fundamentals: Energy, Materials, and Industrials have achieved a small improvement in EVA Mo and consensus currently expects the recovery to continue. Health Care, IT, and Communication Services have seen expanding EVA Mo. Consumer Staples has seen a slight deterioration in EVA Mo, going back to a small negative. Consensus expects a deterioration in value creation for the Financials, Communication Services, and Real Estate sectors.

Sector Expectations: Energy has seen a large drop in expectations while Materials and Industrials (looking expensive) have seen investor expectations increase. Consumer Staples has been bid back up to the upper end of the 10-year Valuation range. Health Care expectations remain high, while IT and Communication Services (both with very high valuation levels) have seen investors turn back to being more positive on the outlook.

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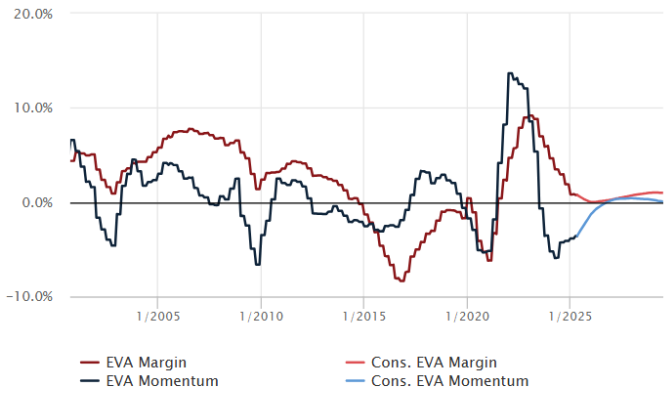
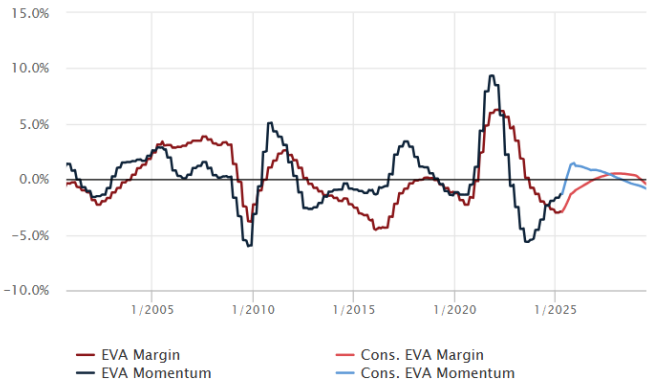
Global Sector Aggregates

Energy: EVA Fundamentals



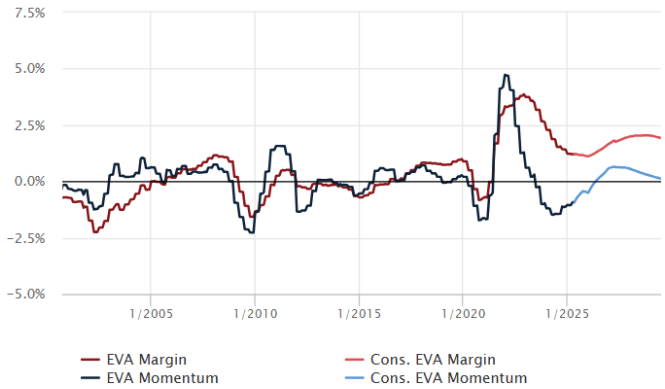
Energy: Market Value Added (MVA) Spread

Materials: EVA Fundamentals



Materials: Market Value Added (MVA) Spread

Industrials: EVA Fundamentals

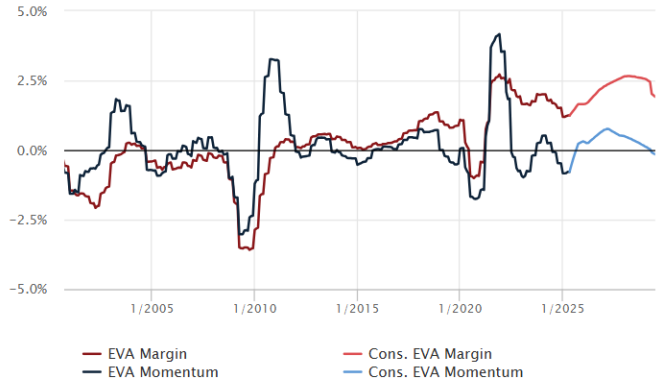


Industrials: Market Value Added (MVA) Spread

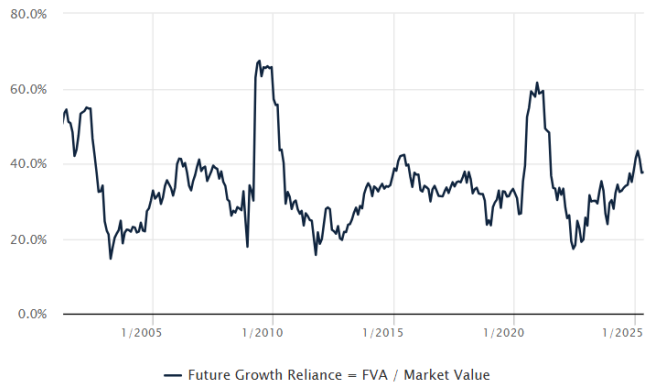
For sectors with more cyclical EVA generation, we use Market Value Added (MVA) Spread, our version of a price-to-book ratio.

Global Sector Aggregates

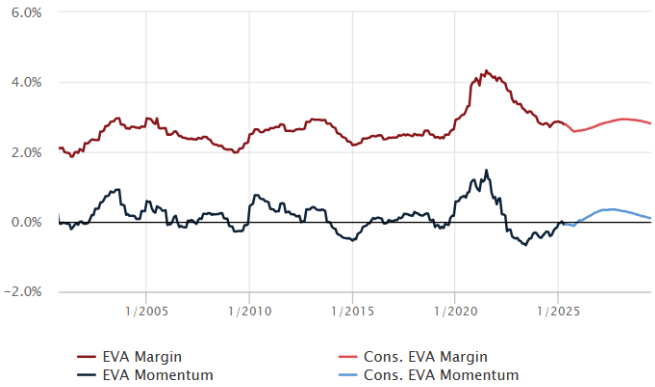
Consumer Discretionary: EVA Fundamentals



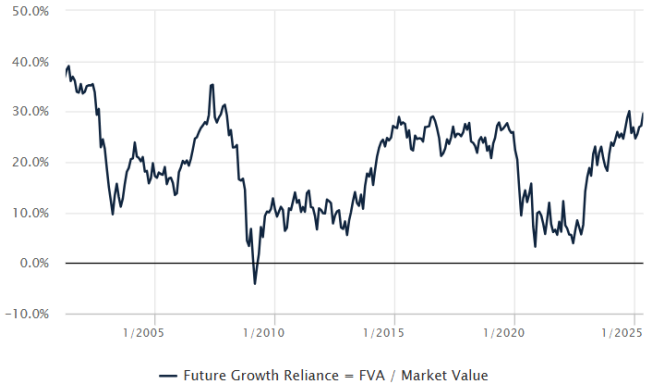
Consumer Discretionary: Future Growth Reliance (FGR)



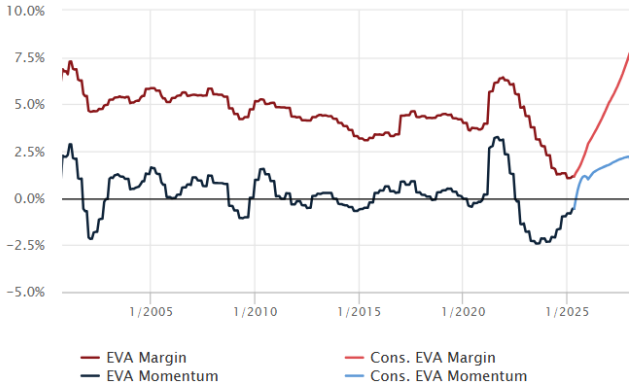
Consumer Staples: EVA Fundamentals



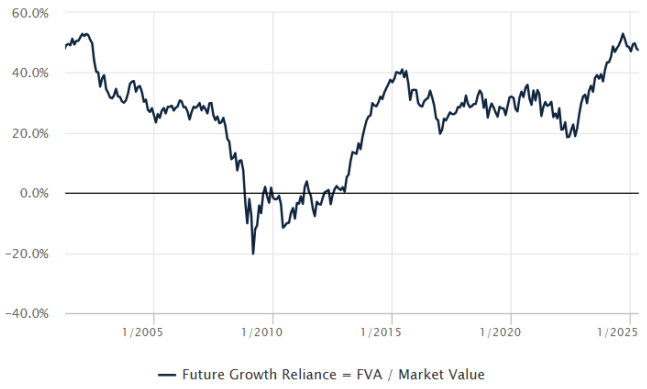
Consumer Staples: Future Growth Reliance (FGR)



Health Care: EVA Fundamentals

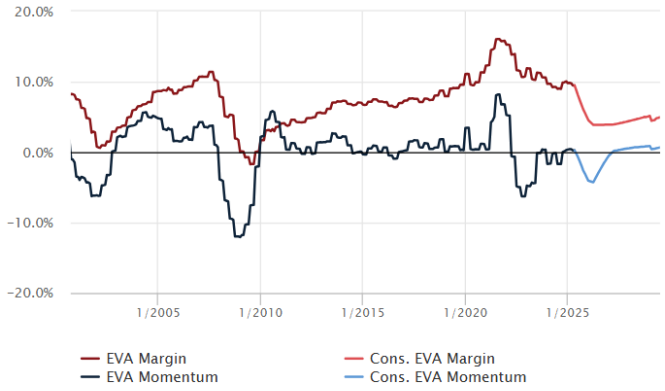


Health Care: Future Growth Reliance (FGR)

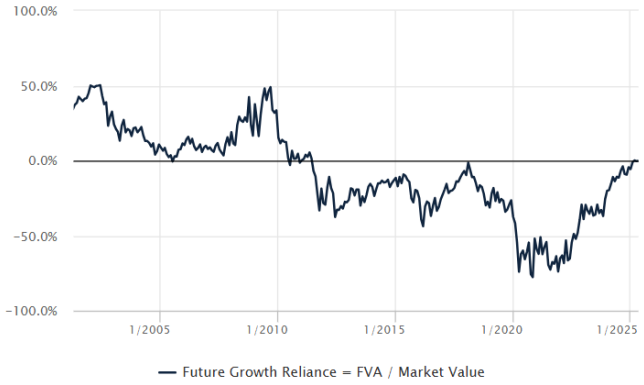


Global Sector Aggregates

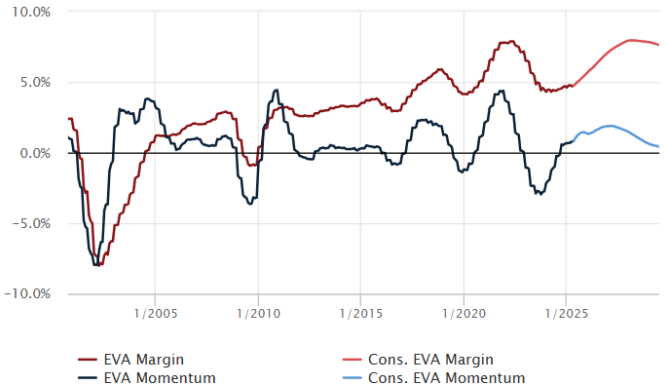
Financials: EVA Fundamentals



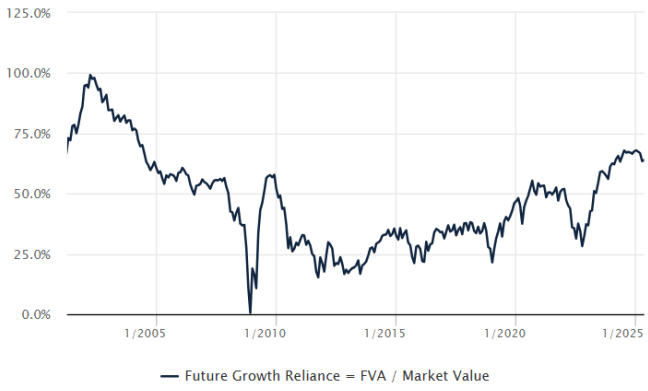
Financials: Future Growth Reliance (FGR)



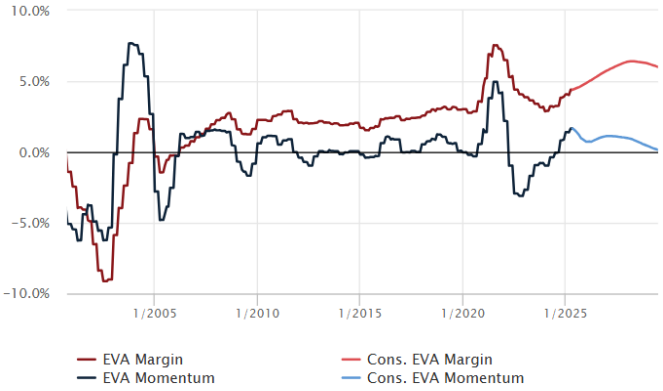
Information Technology: EVA Fundamentals



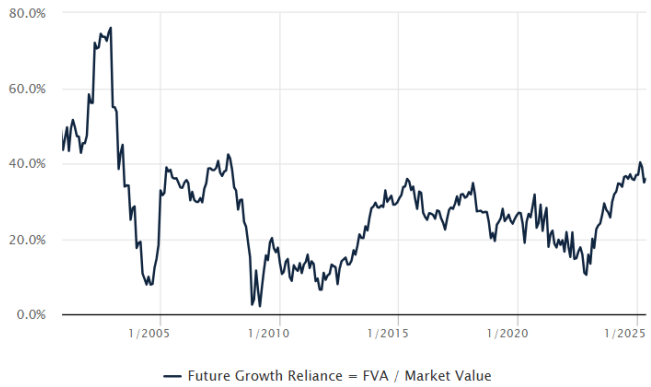
Information Technology: Future Growth Reliance (FGR)



Communication Services: EVA Fundamentals

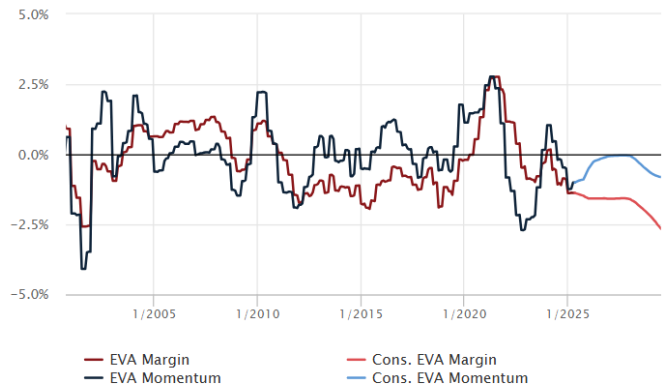


Communication Services: Future Growth Reliance (FGR)



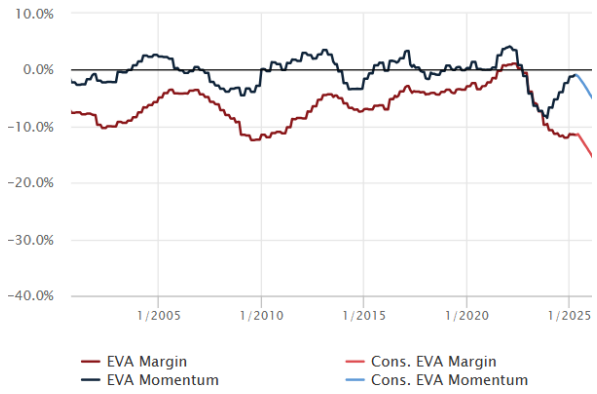
Global Sector Aggregates

Utilities: EVA Fundamentals



Utilities: Market Value Added (MVA) Spread

Real Estate: EVA Fundamentals



Real Estate: Market Value Added (MVA) Spread

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
EVA Margin is 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
EVA Momentum is 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 are a powerful signal within our framework, with a significant relationship with stock price performance.

Market Implied Momentum (MIM)
MIM is the annual EVA improvement required for 10 years to justify the prevailing market enterprise value, expressed as a percentage of sales; this represents a market-implied, long-range EVA margin improvement target.

Future Growth Reliance (FGR) = (Market implied value of future EVA growth) / EV
FGR 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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