

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 13 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 November 2021). We provide updates to our more recent reports: [March 2023](#), [May 2022](#), and [September 2022](#). 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	1Yr TSR
Buyer Beware - November 2023									
CHINA YANGTZE POWER CO	600900 CH	Utilities	CHN	76,747	1	6	87	8	11.85%
GREAT WALL MOTOR CO	2333 HK	Discr	CHN	27,377	5	8	77	10	22.92%
ECOPRO BM CO LTD	247540 KS	Industrials	KOR	17,973	2	12	94	10	130.76%
NINGXIA BAOFENG ENERGY GROUP	600989 CH	Materials	CHN	14,602	6	21	83	10	11.22%
CHINA SATELLITE COMMUNICATIO	601698 CH	Comm Srvc	CHN	11,153	2	11	93	10	63.12%
MAXSCEND MICROELEC	300782 CH	Info Tech	CHN	10,052	4	24	98	10	11.53%
CELLTRION HEALTHCA	091990 KS	Health Care	KOR	9,410	6	23	82	9	18.81%
YUNNAN ENERGY NEW MATERIAL	002812 CH	Materials	CHN	8,933	9	28	81	9	-57.67%
COSCO SHIPPING ENERGY	1138 HK	Energy	CHN	7,996	14	30	74	8	9.45%
ALLEGRO EU SA	ALE PW	Discr	LUX	7,647	3	23	79	8	21.08%
BHARAT HEAVY ELECTRICALS LTD	BHEL IN	Industrials	IND	5,933	6	19	83	8	100.14%
DECHRA PHARMACEUTICALS PLC	DPH LN	Health Care	GBR	5,408	5	19	78	10	40.52%
SK BIOPHARMACEUTICALS CO	326030 KS	Health Care	KOR	5,182	4	24	95	9	12.52%
Average									30.48%
MSCI WORLD EX USA									10.77%

Performance data from Factset; 991000 is the MSCI World ex USA ticker for 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 & PRRit

Our **PRRit 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 PRRit 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

PRRit 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)
- PRRit < 30
- Quality < 30
- Value Score (V) > 70
- ESG Rating Decile > 7 (worst 3 deciles of ESG performance)

Updated scores and performance for our [March 2023](#), [May 2022](#) and [September 2022](#) reports are on page 2.

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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 +27,000 stock universe.

Visit our website www.EVAexpress.com

Buyer Beware – March 2023 Update

The companies in **Figure 2** 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, 86% of the names underperformed the MSCI World ex USA Index, and the average return for the group was -10.18%, 16,919bps 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 2: 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	191,419	41	79	90	8	N	15.70%
MUYUAN FOODSTUFF CO LTD	002714 CH	Staples	CHN	28,002	15	25	63	8	N	-18.62%
BEIJING-SHANGHAI HIGH-SPEED	601816 CH	Industrials	CHN	33,368	11	14	67	8	N	-3.52%
360 SECURITY TECHNOLOGY INC	601360 CH	Info Tech	CYM	9,433	15	17	47	10	N	-41.86%
SAUDI AWWAL BANK	SABB AB	Financials	SAU	19,505	52	81	83	10	N	4.60%
CHINA EASTERN AIRLINES CORP -ADR	CHNEY	Industrials	CHN	11,757	1	1	79	8	Y	-11.51%
SHANDONG GOLD MINING CO LTD	600547 CH	Materials	CHN	13,029	10	19	72	10	Y	5.70%
INFRASTRUTTURE WIRELESS	INW IM	Comm Srvc	ITA	11,185	8	27	80	2	N	-7.41%
GRUPO FINANCIERO INBURSA SA	GFINBURO MM	Financials	MEX	14,745	29	66	87	10	N	9.31%
MASRAF AL-RAYAN	MARK QD	Financials	QAT	6,461	48	50	64	10	N	-11.50%
SKSHU PAINT CO LTD	603737 CH	Materials	CHN	4,005	18	63	92	10	N	-31.99%
SONGCHENG PERFORMANCE DVLPM	300144 CH	Discr	CHN	3,935	15	44	84	10	N	-31.06%
Average				Hit Ratio (% Underperforming): 86%					-16919bps	-10.18%
MSCI WORLD EX USA									(Spread)	6.74%

Buyer Beware – September 2022 Update

The companies in **Figure 3** are from our September 2022 [report](#). We have provided updated scores (PRVit, Quality, Value, and ESG) as well as the market returns since the report was published on September 22nd. Overall, 86% of the names underperformed the MSCI World ex USA Index, and the average return for the group was -13.19%, 31,871bps behind the index. 300014 CH, 600009 CH, 753 HK, 600150 CH, and 603501 CH continue to fit the criteria used to create this screen (see Still Meets Criteria column).

Figure 3: September 2022 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 - September 2022										
EVE ENERGY CO LTD	300014 CH	Industrials	CHN	12,910	4	8	73	10	Y	-48.59%
KE HOLDINGS INC -ADR	BEKE	Real Estate	CYM	18,409	60	75	73	8	N	-4.37%
SHANGHAI INTL AIRPORT CO LTD	600009 CH	Industrials	CHN	12,764	1	4	91	10	Y	-36.77%
AIR CHINA LTD	753 HK	Industrials	CHN	16,244	9	9	71	9	Y	-5.30%
AECC AVIATION POWER CO LTD	600893 CH	Industrials	CHN	13,739	7	14	72	7	N	-19.18%
CHINA CSSC HOLDINGS LTD	600150 CH	Industrials	CHN	15,944	2	4	78	10	Y	-0.42%
WILL SEMICONDUCTOR	603501 CH	Info Tech	CHN	18,034	8	25	80	9	Y	25.56%
SANAN OPTOELECTRONICS CO LTD	600703 CH	Info Tech	CHN	10,121	10	13	58	10	N	-20.28%
HOTAI MOTOR CO	2207 TT	Discr	TWN	11,984	1	12	82	6	N	20.14%
BOUBAYAN BANK	BOUBAYAN KK	Financials	KWT	7,661	5	52	98	10	N	-20.78%
AZRIELI GROUP LTD	AZRG IT	Real Estate	ISR	6,471	17	17	57	8	N	-23.16%
SUZHOU DONGSHAN PRECISION MA	002384 CH	Info Tech	CHN	4,574	30	23	43	10	N	-23.74%
CHAROEN POKPHAND INDONESIA	CPIN IJ	Staples	IDN	5,848	19	33	70	10	N	-3.12%
OXFORD NANOPORE TECHNOLOGIES	ONT LN	Health Care	GBR	4,172	0	4	87	9	Y	-24.69%
Average				Hit Ratio (% Underperforming): 86%					-31871bps	-13.19%
MSCI WORLD EX USA									(Spread)	18.68%

Buyer Beware – May 2022 Update

The companies in **Figure 4** are from our May 2022 [report](#). We have provided updated scores (PRVit, Quality, Value, and ESG) as well as the market returns since the report was published on May 17th. Overall, around 67% of the names underperformed the MSCI World ex USA Index, and the average return for the group was +7.53%, 4,639bps behind the index. Only 300498 CH and 601236 CH continue to fit the criteria used to create this screen.

Figure 4: May 2022 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 - May 2022										
THE SAUDI NATIONAL BANK	SNB AB	Financials	SAU	55,114	25	54	83	10	N	-30.45%
ADANI ENTERPRISES LTD	ADE IN	Industrials	IND	30,244	9	30	87	6	N	-1.54%
SM PRIME HOLDINGS	SMPH PM	Real Estate	PHL	16,421	14	64	92	9	N	-13.26%
NIPPON PAINT HOLDINGS CO LTD	4612 JP	Materials	JPN	18,125	66	79	67	7	N	21.23%
WENS FOODSTUFF GROUP CO LTD	300498 CH	Staples	CHN	16,827	2	8	75	10	Y	7.20%
GULF ENERGY DEVELO	GULF TB	Utilities	THA	15,542	9	44	95	5	N	1.17%
GUANGDONG HAID GROUP CO LTD	002311 CH	Staples	CHN	10,333	49	70	66	10	N	-25.42%
CHANDRA ASRI PETROCHEMICAL	TPIA IJ	Materials	IDN	16,550	2	16	95	7	N	17.34%
KAKA BANK CORP	323410 KS	Financials	KOR	8,725	10	51	94	7	N	-40.06%
AVIC XI'AN AIRCRAFT INDUSTRY	000768 CH	Industrials	CHN	8,737	38	74	83	8	N	-7.53%
YONYOU NETWORK TECHNOLOGY CO	600588 CH	Info Tech	CHN	8,317	4	11	67	8	N	-3.90%
H WORLD GROUP LIMITED -ADR	HTHT	Discr	CYM	11,524	18	41	77	7	N	28.00%
INTERGLOBE AVIATION LTD	INDIGO IN	Industrials	IND	12,078	37	88	96	8	N	56.48%
POSCO FUTURE M CO LTD	003670 KS	Industrials	KOR	17,106	1	5	94	4	N	142.74%
ALIBABA HEALTH INFO TECH LTD	241 HK	Staples	BMU	7,966	8	38	94	8	N	6.09%
YUNDA HOLDING CO LTD	002120 CH	Industrials	CHN	3,618	64	58	43	10	N	-42.59%
SPRING AIRLINES CO LTD	601021 CH	Industrials	CHN	7,209	14	48	92	8	N	16.84%
HONGTA SECURITIES CO LTD	601236 CH	Financials	CHN	5,239	7	21	74	10	Y	3.11%
Average				Hit Ratio (% Underperforming): 67%					-4639bps	7.53%
MSCI WORLD EX USA									(Spread)	12.17%

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 +27,000 companies as viewed through the EVA framework, custom screening, and portfolio analysis.

Key EVA Concepts

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) / Enterprise Value

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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