

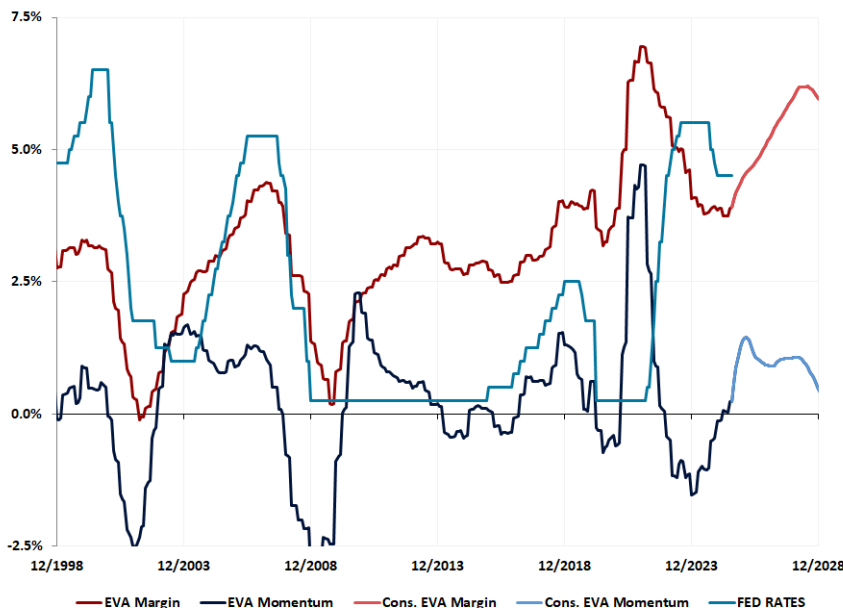
FED Rate Cuts Provide a Buffer?

EVA Fundamentals and FED Funds Rate

The [CME FedWatch Tool](#) puts the probability of a 25bps rate cut at the next FED meeting (September 17, 2025) at 94.4%. During recent research meetings with our team, we hypothesized that as the Fed cuts rates, the reduction in the Risk-Free Rate and the subsequent reduction in the Cost of Capital may help bolster EVA Margin even if some of the EVA Drivers deteriorate.

In **Figure 1** we overlay the FED Funds Rate with the U.S. aggregate EVA Fundamentals. We note that aggregate EVA Margin and the FED Funds Rate have tended to move in parallel. From 1998 to 2008, they moved up, down, up, and down together. After 2009, the rate remained flat, while EVA Margin climbed 316bps by 2013. When EVA Margin rolled over in 2014, the FED was stuck at 0.25%. When the FED finally increased rates by 25bps in December 2015, EVA Margin saw a small decline. But as subsequent rate hikes (200bps in total) started hitting the economy from 2016 to 2019, EVA Margin moved up 131bps. The FED dropped the rate to 0.25% as the pandemic hit, but corporate America only saw a 35bps drop in EVA Margin in the first few months and then a large spike in profitability drove EVA Margin to an all-time high of 6.94% in December 2021. Two months later, the FED started increasing the rate, and we see a brief period where the FED rate goes up and EVA Margin deteriorates. The latest round of cuts by the FED have not been accompanied by any significant change to EVA Margin. With conventional wisdom expecting a 25bps rate cut in September, will EVA Margin follow the historical pattern and continue to trend down?

Figure 1: EVA Fundamentals and FED Funds Rate



On the next page, we overlay the Fed Funds Rate with the U.S. aggregate EVA Drivers.

Notes

The [CME FedWatch Tool](#) puts the probability of a 25bps rate cut at the next FED meeting (September 17, 2025) at 94.4%. During recent research meetings with our team, we hypothesized that, as the Fed cuts rates, the reduction in the Risk-Free Rate and the subsequent reduction in the Cost of Capital may help bolster EVA Margin even if some of the EVA Drivers deteriorate.

Casey Lea

Global Director of Quantitative Research

ISS EVA Equity Research Team

evaanalytics@iss-stoxx.com

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EVA Drivers and FED Funds Rate

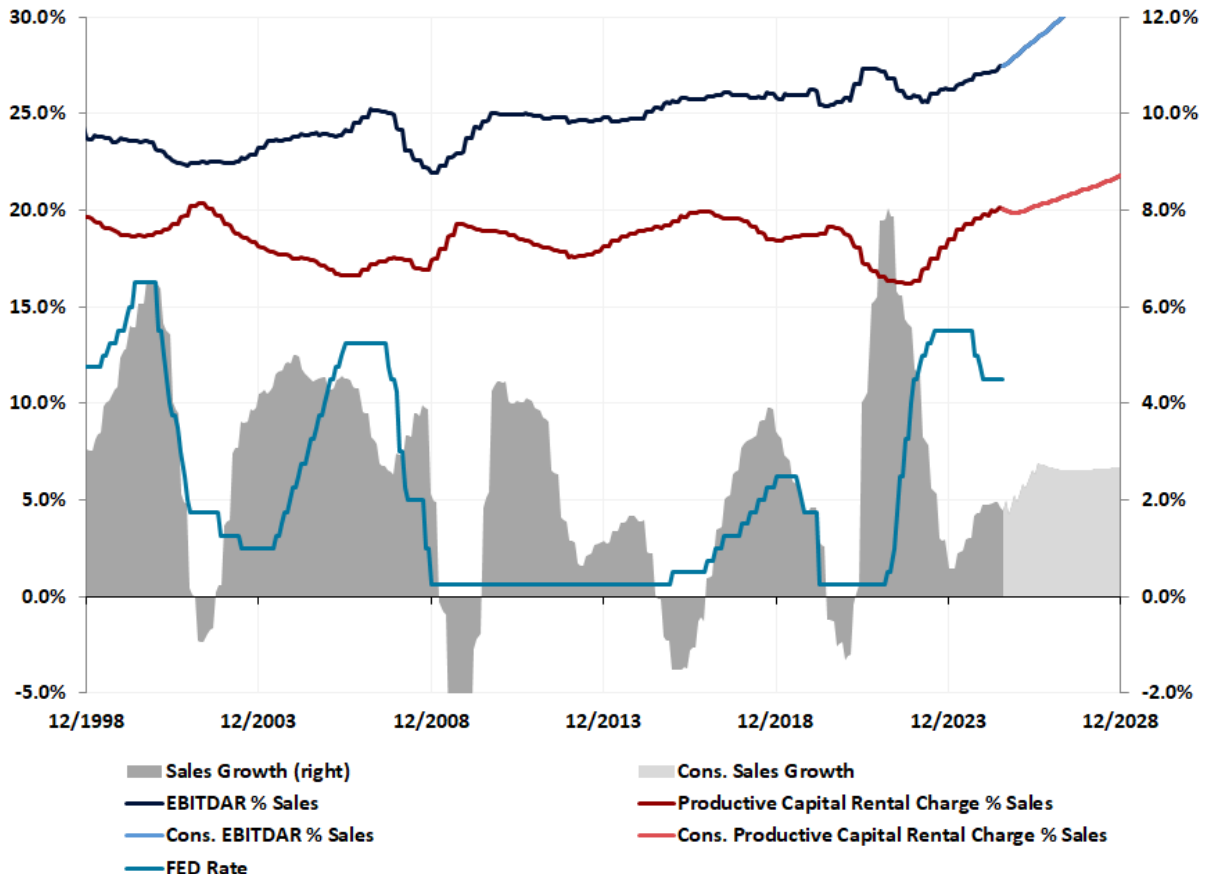
In **Figure 2**, we overlay the Fed Funds Rate on our U.S. aggregate EVA Drivers graph to look for more correlations. Sales Growth and the FED Rate have the strongest correlation of all the EVA Drivers (39.1% vs. -0.4% for EBITDAR Margin and 13.1% for Capital Charge). In the 1999-2002 cycle, Sales Growth lagged the increasing rates and then moved simultaneously as they came down. During the next cycle, Sales Growth was near its peak before rates started to increase and rolled over by the time the FED Rate had topped out. During the next Sales Growth cycle, 2008 – 2015, the FED left rates flat throughout (no correlation). From 2015 to 2020, we see another highly correlated cycle. And in the final Sales cycle, we see that Sales Growth had already peaked as the FED started raising rates. Sales Growth picked up in 2024 as the rate was held flat, and the rate has been cut and is expected to be cut further despite the improving (actual and forecast) Sales Growth.

As noted above, EBITDAR Margin has no correlation to the FED Rate (-0.4%) over the time horizon shown but had a strong correlation before 2008 (64.9%). After 2015, it looked like the correlation had started to return, but the recent rate cycle saw the correlation evaporate as EBITDAR Margin declined while the FED Rate increased and then EBITDAR Margin has been increasing as the FED rate flattened out and was then cut.

The Productive Capital Charge as a % of Sales is the metric most directly affected by a changing FED rate as it incorporates the cost of capital. However, we note that the correlations here are lower than Sales Growth (note: unlike Sales Growth and EBITDAR Margin, a lower Productive Capital Charge is better). In fact, analysis shows that the Productive Capital Charge is more highly correlated with Sales Growth than with the FED Rate (it is calculated as a % of Sales, so that may seem obvious, but EBITDAR Margin is also a function of Sales).

Continued rate cuts may lead to deteriorating Sales Growth as we saw in 2000-2001 and 2019-2020, but the forecasted (consensus-based estimates) Sales Growth may come to fruition just like the increases we saw in 2006-2007 and 2024. If the Sales Growth is realized and the Productive Capital Charge improves, the declining EBITDAR Margin may be offset enough to maintain or improve EVA Margin.

Figure 2: EVA Drivers and FED Funds Rate



Factors and Sectors

To generate a screen of interesting companies, we have looked at which factors and which sectors have outperformed during previous rate cuts.

U.S. Aggregate – All Sectors

U.S. aggregate overall has seen outperformance from the top quintile of our Valuation factors (V, V1, and V2) as well as overall PRVit. These results are somewhat surprising as companies with high Valuations, especially high Future Growth Reliance, should benefit from a lower cost of capital being used to discount future EVA.

All factors have a positive spread, but not all the Quality factors (Profitability and Risk) see outperformance from their top quintile – however, the top quintiles consistently outperform the bottom quintiles (hence the positive spreads). Results are based on equal-weighted portfolios created on a monthly basis using each factor independently. Quintile performance is compared to an equal-weighted universe.

EVA Factor		Top Quintile	Bottom Quintile	Spread
Profitability	P	-0.31%	-0.65%	0.34%
Profitability Level	P1	-0.34%	-0.71%	0.38%
Profitability Trend	P2	-0.36%	-0.66%	0.30%
Risk	R	-0.09%	-0.85%	0.76%
Volatility Risk	R1	-0.17%	-0.73%	0.56%
Vulnerability Risk	R2	-0.16%	-0.73%	0.57%
Quality	P - R	-0.17%	-0.82%	0.65%
Valuation	V	0.20%	-0.77%	0.97%
Price/Book	V1	0.07%	-0.72%	0.80%
Price/Earnings	V2	0.32%	-0.82%	1.14%
PRVit	PRVit	0.24%	-1.29%	1.53%
U.S. Universe				-0.44%

Information Technology

The Information Technology sector has the best performance during FED Fund Rate cuts. As with the country aggregate, our Valuation factors generate the best alpha, and buying the cheapest names in the sector has historically generated the best alpha. Profitability Level (P1) and Vulnerability Risk (R2) also have strong spreads and good performance from the top quintile.

EVA Factor		Top Quintile	Bottom Quintile	Spread
Profitability	P	0.49%	0.53%	-0.04%
Profitability Level	P1	0.39%	0.35%	0.04%
Profitability Trend	P2	0.43%	0.71%	-0.29%
Risk	R	0.32%	-0.08%	0.40%
Volatility Risk	R1	0.16%	0.74%	-0.58%
Vulnerability Risk	R2	1.00%	-0.33%	1.33%
Quality	P - R	0.29%	0.44%	-0.15%
Valuation	V	2.25%	-0.56%	2.81%
Price/Book	V1	2.23%	-0.65%	2.88%
Price/Earnings	V2	2.05%	-0.29%	2.34%
PRVit	PRVit	1.77%	-1.28%	3.05%
Info Tech				0.34%

Staples

The Staples sector has averaged positive returns during past rate cuts. All factors generate a positive spread, although the top quintile of Profitability (P) underperforms the universe (equal-weighted average return of all Staples companies in our core U.S. universe). Our Valuation factors are the strongest metrics, with the cheapest Price/Earnings (V2) factor generating 124bps/month of average returns.

EVA Factor		Top Quintile	Bottom Quintile	Spread
Profitability	P	-0.08%	-0.22%	0.14%
Profitability Level	P1	0.15%	-0.28%	0.44%
Profitability Trend	P2	0.10%	-0.16%	0.27%
Risk	R	0.26%	-0.21%	0.47%
Volatility Risk	R1	0.05%	-0.64%	0.69%
Vulnerability Risk	R2	0.30%	0.20%	0.10%
Quality	P - R	0.19%	-0.23%	0.43%
Valuation	V	1.18%	-0.59%	1.76%
Price/Book	V1	0.98%	-0.54%	1.52%
Price/Earnings	V2	1.24%	-0.84%	2.08%
PRVit	PRVit	1.12%	-1.25%	2.37%
Staples				0.05%

Health Care

The Health Care sector is the only other sector that has seen a positive average market return during rate cuts. As with the other sectors, Valuation is the strongest factor. Low Risk, especially companies with a low Vulnerability Risk (R2), tend to outperform during these periods.

EVA Factor		Top Quintile	Bottom Quintile	Spread
Profitability	P	-0.04%	0.49%	-0.53%
Profitability Level	P1	-0.21%	0.70%	-0.92%
Profitability Trend	P2	-0.25%	-0.25%	0.01%
Risk	R	0.09%	0.27%	-0.18%
Volatility Risk	R1	0.01%	0.63%	-0.62%
Vulnerability Risk	R2	0.35%	-0.55%	0.90%
Quality	P - R	-0.08%	0.23%	-0.31%
Valuation	V	1.39%	-0.56%	1.95%
Price/Book	V1	1.32%	-0.58%	1.90%
Price/Earnings	V2	1.32%	-0.39%	1.71%
PRVit	PRVit	0.61%	-0.72%	1.33%
Health Care				0.04%

After the screens on the next two pages, we include results for the other sectors.

Screen Results

Each screen below, Information Technology, Staples, and Health Care, contain names with strong PRVit scores, low Vulnerability Risk (R2), and cheap Valuation (V).

Information Technology – PRVit ≥ 80, Vulnerability (R2) ≤ 40, and Valuation (V) ≤ 40

Name	Ticker	Market Cap (US\$M)	EVA Margin	EVA Momentum	Future Growth Reliance	PRVit (Industry)	Vulnerability Risk (R2)	Valuation (V)	ESG Perform. Score	ESGF	YTD TSR
Information Technology Names											
COGNIZANT TECH SOLUTIONS	CTSH	33,629	6.1%	-0.2%	8.2%	98	36	30	67	B-	-7.76%
ZOOM COMMUNICATIONS INC	ZM	21,174	17.4%	0.9%	21.2%	90	31	27	60	C+	-11.30%
SKYWORKS SOLUTIONS INC	SWKS	10,641	1.0%	-3.2%	38.4%	90	18	24	48	C	-15.25%
CIRRUS LOGIC INC	CRUS	5,590	9.8%	2.1%	24.0%	100	26	27	52	C+	11.13%
ACI WORLDWIDE INC	ACIW	4,812	4.9%	2.6%	40.3%	90	26	28	34	C-	-8.90%
BLACKBAUD INC	BLKB	2,977	1.4%	1.0%	58.3%	94	24	33	41	C	-14.53%
AXCELIS TECHNOLOGIES INC	ACLS	2,555	8.4%	-7.6%	29.3%	95	31	29	35	C-	21.61%
RINGCENTRAL INC	RNG	2,533	-5.4%	3.4%	88.9%	85	3	24	59	C+	-14.22%
DIEBOLD NIXDORF INC	DBD	2,277	-2.1%	-0.9%	28.4%	94	22	28	43	C	43.96%
TERADATA CORP	TDC	1,955	-0.4%	0.4%	30.2%	99	14	9	57	C+	-31.27%
EPLUS INC	PLUS	1,920	1.8%	-0.2%	24.1%	98	15	27	23	D+	0.20%
SAPIENS INTERNATIONAL CORP	SPNS	1,656	4.9%	-0.8%	51.4%	89	15	31	53	C	62.66%
NETSCOUT SYSTEMS INC	NTCT	1,626	-18.1%	2.5%	66.2%	95	5	5	37	C-	6.97%
PC CONNECTION INC	CNXN	1,594	0.8%	-0.2%	24.5%	97	24	25	23	D+	-6.94%
PENGUIN SOLUTIONS INC	PENG	1,279	-4.0%	2.0%	66.7%	94	27	10	49	C	25.79%
VERINT SYSTEMS INC	VRNT	1,175	-12.4%	-0.4%	49.7%	88	19	6	57	C+	-25.28%
SCANSOURCE INC	SCSC	1,006	-0.9%	0.1%	5.8%	100	5	3	39	C-	-4.59%
NETGEAR INC	NTGR	733	-12.3%	5.1%	186.1%	82	14	23	48	C	-8.47%
ONESPAN INC	OSPN	525	4.2%	5.4%	19.2%	100	11	12	52	C	-22.96%
KIMBALL ELECTRONICS INC	KE	508	-1.9%	-1.2%	36.4%	92	10	8	61	B-	11.96%
MITEK SYSTEMS INC	MITK	447	-4.2%	5.6%	47.7%	93	4	13	41	C-	-9.52%
TURTLE BEACH CORP	TBCH	321	-3.4%	4.7%	36.4%	100	17	33	36	C-	-7.51%
XPERI INC	XPER	280	-44.5%	1.6%	382.2%	98	6	1	50	C	-39.34%
Average			-2.1%	1.0%	59.3%	94	18	20	46		-1.89%

Staples – PRVit ≥ 80, Vulnerability (R2) ≤ 40, and Valuation (V) ≤ 40

Name	Ticker	Market Cap (US\$M)	EVA Margin	EVA Momentum	Future Growth Reliance	PRVit (Industry)	Vulnerability Risk (R2)	Valuation (V)	ESG Perform. Score	ESGF	YTD TSR
Staples Names											
KRAFT HEINZ CO	KHC	32,386	-6.8%	-1.9%	-15.7%	84	13	5	53	C+	-6.24%
PILGRIM'S PRIDE CORP	PPC	11,839	5.7%	3.1%	-69.3%	92	27	23	37	C-	22.83%
WALGREENS BOOTS ALLIANCE INC	WBA	10,274	0.4%	1.2%	-68.7%	96	27	0	50	C	27.44%
MOLSON COORS BEVERAGE CO	TAP	10,124	-0.1%	-1.0%	-27.1%	94	32	6	48	C	-8.28%
INGREDION INC	INGR	8,176	6.5%	2.0%	-44.6%	100	29	24	47	C	-5.38%
CAL-MAINE FOODS INC	CALM	5,229	25.8%	39.5%	-314.8%	97	10	31	22	D+	14.54%
WEIS MARKETS INC	WMK	1,795	0.3%	-0.2%	8.4%	85	38	27	22	D+	7.54%
FRESH DEL MONTE PRODUCE INC	FDP	1,783	-0.1%	1.2%	-10.3%	95	39	15	57	C+	14.09%
INGLES MARKETS INC -CL A	IMKTA	1,222	-0.4%	-1.7%	-1.9%	81	31	8	18	D	1.32%
SENECA FOODS CORP	SENEA	724	0.3%	-1.1%	-18.3%	87	3	13	43	C	33.11%
MGP INGREDIENTS INC	MGPI	590	2.7%	-6.5%	-72.0%	81	34	3	34	C-	-27.16%
NATURES SUNSHINE PRODS INC	NATR	288	0.7%	0.7%	-13.3%	100	18	21	24	D+	14.32%
Average			2.9%	2.9%	-53.9%	91	25	15	38		7.34%

Health Care Table on the Next Page

Health Care – PRVit ≥ 80, Vulnerability (R2) ≤ 40, and Valuation (V) ≤ 40

Name	Ticker	Market Cap (US\$M)	EVA Margin	EVA Momentum	Future Growth Reliance	PRVit (Industry)	Vulnerability Risk (R2)	Valuation (V)	ESG Perform. Score	ESGF	YTD TSR
Health Care Names											
MERCK & CO	MRK	201,130	14.5%	-1.3%	-17.1%	90	33	33	69	B	-15.31%
PFIZER INC	PFE	140,169	2.5%	10.2%	1.9%	82	20	24	68	B	-0.04%
BRISTOL-MYERS SQUIBB CO	BMJ	94,798	3.8%	0.4%	-6.9%	96	14	22	61	B-	-12.37%
BIOGEN INC	BIIB	18,903	-16.6%	-3.9%	29.1%	82	15	28	56	C+	-11.59%
AVANTOR INC	AVTR	8,662	-2.9%	-1.2%	35.1%	82	21	36	48	C	-37.97%
MOLINA HEALTHCARE INC	MOH	8,526	14.2%	0.1%	-69.4%	85	14	25	55	C	-44.61%
TELEFLEX INC	TFX	5,303	-1.2%	-2.1%	15.7%	93	16	27	47	C	-30.58%
AMEDISYS INC	AMED	3,321	-0.3%	0.2%	24.9%	92	17	38	41	C-	11.22%
PRESTIGE CONSUMER HEALTHCARE	PBH	3,222	-1.4%	-0.7%	10.6%	92	8	27	35	C-	-14.93%
PERRIGO CO PLC	PRGO	3,177	-20.0%	1.2%	55.4%	86	12	8	38	C-	-6.00%
AMNEAL PHARMACEUTICALS INC	AMRX	2,841	-1.7%	2.7%	40.0%	88	16	35	38	C-	18.69%
LIVANOVA PLC	LIVN	2,787	-4.7%	6.3%	16.7%	100	2	18	51	C+	14.58%
ICU MEDICAL INC	ICUI	2,726	-7.6%	2.1%	58.1%	89	12	26	37	C-	-26.45%
ENOVIS CORP	ENOV	1,650	-18.0%	-2.2%	67.7%	83	29	7	44	C	-32.57%
SELECT MEDICAL HOLDINGS CORP	SEM	1,537	-1.4%	-0.6%	26.4%	81	38	28	55	C	-31.94%
OMNICELL INC	OMCL	1,461	-7.1%	2.4%	70.7%	80	22	29	47	C	-29.60%
NOVAVAX INC	NVAX	1,383	-32.5%	34.6%		84	11	6	50	C	10.07%
ADAPTHEALTH CORP	AHCO	1,299	-3.0%	-1.2%	3.1%	87	24	8	24	D+	2.42%
PEDIATRIX MEDICAL GROUP INC	MD	1,282	-6.8%	2.6%	-35.1%	97	13	3	57	C+	18.14%
RIGEL PHARMACEUTICALS INC	RIGL	672	-0.1%	68.0%	19.3%	94	24	36	36	C-	117.48%
SIGA TECHNOLOGIES INC	SIGA	666	30.4%	-1.3%	-100.2%	94	27	37	31	C-	61.31%
DAY ONE BIOPHARMACEUTICALS INC	DAWN	639	-21.2%	997.9%	70.4%	96	10	25	32	C-	-50.99%
MYRIAD GENETICS INC	MYGN	568	-21.1%	1.4%	124.4%	85	19	26	42	C-	-57.18%
ORTHOFIX MEDICAL INC	OFIX	548	-17.6%	-0.5%	161.4%	91	10	11	45	C	-19.24%
ARVINAS INC	ARVN	509	3.6%	155.3%		100	37	4	42	C	-63.02%
AVANOS MEDICAL INC	AVNS	501	-18.9%	-0.9%	9.4%	98	1	0	42	C	-32.47%
Average			-5.2%	48.8%	25.5%	89	18	22	46		-10.11%

Factors and Sectors

The tables below are similar to the tables on page 3 for the sectors that have averaged negative returns during rate cuts. The remaining sectors on the next page.

		U.S. Universe			Comm Services			Discretionary			Energy		
EVA Factor		Top Quintile	Bottom Quintile	Spread	Top Quintile	Bottom Quintile	Spread	Top Quintile	Bottom Quintile	Spread	Top Quintile	Bottom Quintile	Spread
Profitability	P	-0.31%	-0.65%	0.34%	-0.64%	-2.00%	1.36%	0.09%	-1.55%	1.64%	-1.88%	-1.47%	-0.40%
Profitability Level	P1	-0.34%	-0.71%	0.38%	-0.74%	-3.32%	2.58%	0.02%	-1.38%	1.40%	-1.74%	-2.33%	0.59%
Profitability Trend	P2	-0.36%	-0.66%	0.30%	-0.77%	-2.54%	1.77%	-0.03%	-0.96%	0.93%	-1.71%	-1.57%	-0.14%
Risk	R	-0.09%	-0.85%	0.76%	-0.96%	-2.07%	1.11%	-0.05%	-1.03%	0.98%	-0.76%	-2.50%	1.74%
Volatility Risk	R1	-0.17%	-0.73%	0.56%	-1.12%	-2.64%	1.52%	-0.33%	-1.27%	0.94%	-0.79%	-1.80%	1.01%
Vulnerability Risk	R2	-0.16%	-0.73%	0.57%	-2.20%	-0.79%	-1.41%	-0.40%	-0.56%	0.15%	-1.10%	-2.04%	0.94%
Quality	P - R	-0.17%	-0.82%	0.65%	0.11%	-1.91%	2.01%	0.26%	-1.53%	1.79%	-1.64%	-1.85%	0.21%
Valuation	V	0.20%	-0.77%	0.97%	-2.07%	-1.89%	-0.18%	-0.29%	-0.49%	0.20%	-1.71%	-1.59%	-0.12%
Price/Book	V1	0.07%	-0.72%	0.80%	-1.96%	-1.36%	-0.59%	-0.59%	-0.43%	-0.15%	-1.65%	-1.52%	-0.13%
Price/Earnings	V2	0.32%	-0.82%	1.14%	-1.51%	-1.95%	0.44%	-0.14%	-0.87%	0.73%	-1.21%	-1.46%	0.25%
PRVit	PRVit	0.24%	-1.29%	1.53%	-0.68%	-2.77%	2.09%	0.22%	-1.22%	1.44%	-1.51%	-2.12%	0.61%
U.S. Universe				-0.44%			-1.90%			-0.54%			-1.34%

EVA Factor		Financials			Industrials			Materials			Utilities		
		Top Quintile	Bottom Quintile	Spread	Top Quintile	Bottom Quintile	Spread	Top Quintile	Bottom Quintile	Spread	Top Quintile	Bottom Quintile	Spread
Profitability	P	-0.99%	-0.95%	-0.04%	-0.31%	-0.64%	0.34%	-0.25%	-1.07%	0.82%	-0.47%	-0.57%	0.11%
Profitability Level	P1	-1.02%	-0.79%	-0.23%	-0.31%	-0.63%	0.33%	-0.08%	-1.76%	1.68%	-0.44%	-0.59%	0.15%
Profitability Trend	P2	-0.83%	-1.35%	0.52%	-0.26%	-0.28%	0.03%	-0.21%	-0.63%	0.42%	-0.98%	-0.50%	-0.47%
Risk	R	-0.50%	-1.34%	0.83%	-0.21%	-0.74%	0.52%	0.05%	-0.94%	0.99%	-0.07%	-1.02%	0.96%
Volatility Risk	R1	-0.20%	-1.53%	1.33%	-0.22%	-0.35%	0.13%	0.18%	-0.65%	0.83%	0.04%	-1.35%	1.40%
Vulnerability Risk	R2	-0.77%	-0.94%	0.18%	-0.06%	-0.67%	0.61%	0.01%	-0.64%	0.65%	-0.47%	-0.62%	0.15%
Quality	P - R	-0.70%	-1.14%	0.43%	-0.12%	-0.67%	0.55%	-0.12%	-1.63%	1.51%	-0.49%	-0.75%	0.26%
Valuation	V	-0.73%	-1.00%	0.27%	0.33%	-0.53%	0.86%	-1.28%	-0.27%	-1.01%	-0.38%	-0.97%	0.60%
Price/Book	V1	-0.84%	-0.94%	0.10%	0.19%	-0.57%	0.76%	-1.25%	-0.31%	-0.94%	-0.33%	-0.92%	0.59%
Price/Earnings	V2	-0.77%	-1.29%	0.52%	0.27%	-0.35%	0.62%	-0.16%	-0.66%	0.51%	0.15%	-1.48%	1.62%
PRVit	PRVit	-0.76%	-1.34%	0.58%	0.29%	-0.81%	1.10%	-0.28%	-0.74%	0.46%	-0.28%	-0.95%	0.66%
U.S. Universe				-0.89%			-0.34%			-0.57%			-0.46%

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 + 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) / 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

Casey Lea

Executive Director

Global Director of Quantitative Research

Gavin Thomson

Executive Director

Global Director of Fundamental Research