Focus List Update: Energy (October 2025 Edition)

The Energy sector picks from our October 2024 Focus List (report) demonstrated relatively strong returns of 7.8% on a 1-year basis, significantly outperforming the sectoral benchmark that saw a sub-1% return (**Figure 1**). In this report, we are taking the opportunity to handpick attractive names from the sector for the latest edition of our *EVA Focus List*. The sector has been a laggard over the past year compared to the market, with STOXX World AC All Cap seeing a 15.8% return, during a time when oil prices have continued to trend down.

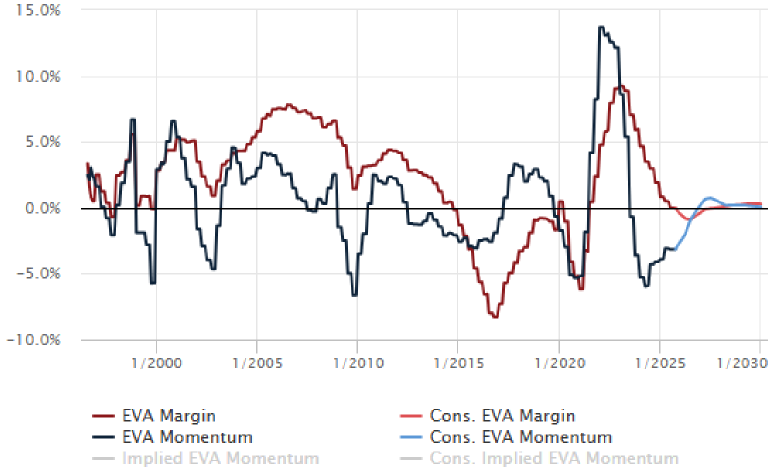
We reiterate the significance of $80 oil for EVA Fundamentals and PRVit performance of firms within the Energy sector. Over the past quarter, WTI crude plunged from $77 to around $58, negatively impacted by increased supply and the flaring up of U.S.-China trade tensions.

Figure 1: Energy Focus List Picks (October 2024 Edition)

Name	Ticker	Sub-Industry	Country	Mkt Cap ($mm)	1Yr Returns (%)
EQUINOR ASA -ADR	EQNR	Integrated Oil & Gas	Norway	60,450	-3.7%
EXPAND ENERGY CORP	EXE	Oil & Gas Exploration & Production	U.S.	24,233	21.8%
PTT EXPLORATION & PRODUCTIO	PTTEP TB	Oil & Gas Exploration & Production	Thailand	13,553	-9.9%
HF SINCLAIR CORP	DINO	Oil & Gas Refining & Marketing	U.S.	9,464	14.5%
PEABODY ENERGY CORP	BTU	Coal & Consumable Fuels	U.S.	3,756	16.5%
EVA Sectoral Focus List					7.8%
MSCI World Energy					0.4%
Relative Return YTD					7.4%

EVA Margin (**Figure 2**) for the global sector peaked out in early 2023 at 9.2% and contracted to 0% as of September, reflective of pressured economic profitability. EVA Momentum (growth) had shown improvement until Q1 of 2025 but has seen a recent deterioration, impacted by weak top-line growth and worsening asset efficiency. Consensus expects a recovery in 2026 but does not expect EVA growth to turn positive until Q4 of next year.

Figure 2: Global Energy – EVA Fundamentals



Key Summary

- The Energy sector picks from our October 2024 Focus List (report) demonstrated relatively strong returns of 7.8% on a 1-year basis, significantly outperforming the sectoral benchmark that saw a sub-1% return.
- In this report, we handpick attractive names from the Energy sector for the latest edition of our EVA Focus List. The underlying selection process for the Focus List was rooted in strong PRVit performance. This translates to Strong Risk-Adjusted Profitability (Quality), attractive Valuations, or both.
- The following firms from the Energy sector are a part of the latest edition of the EVA Focus List: **002128 CH**, **PLNG IN**, **ATH.**, **1662 JP**, and **TVE.**

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: Market Value = Capital + PV(EVA).

3. Therefore, more Economic Value Added (EVA) is better.

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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 +29,000 stock universe.

Visit our website www.EVAexpress.com

PRVit Factor Performance – Global Energy

The underlying selection process for the Focus List is rooted in strong PRVit performance, meaning names with strong Quality and/or favorable Valuation levels. Historically, our Valuation factor (Low V) has seen positive average spreads for the Energy sector across all time frames. Profitability (High P) has registered a positive spread only over the very long term (10Y+). The last one-month period was an anomaly where PRVit saw a significant underperformance as investors preferred low Quality (P-R) and high Valuation names.

Figure 3: PRVit Factor Performance – Global Energy

Energy	1M		3M		1Y		3Y		5Y		10Y		Since Dec'98	
Industry Scores	IC	Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread	Avg IC	Avg Monthly Spread
Profitability (High P)	-4.7%	-2.93%	-5.6%	-1.26%	-5.8%	-1.09%	-2.5%	-0.60%	-2.2%	-0.73%	1.0%	0.09%	1.8%	0.27%
Profitability Level (High P1)	-8.3%	-3.42%	-4.0%	-0.77%	-5.0%	-0.89%	-1.9%	-0.21%	-2.5%	-0.85%	0.7%	-0.03%	1.8%	0.31%
Profitability Trend (High P2)	1.9%	0.04%	-6.2%	-0.75%	-4.1%	-0.34%	-2.7%	-0.28%	-0.9%	-0.06%	1.2%	0.30%	1.4%	0.29%
Risk (Low R)	-5.1%	-1.01%	-1.9%	-0.80%	5.1%	0.68%	4.7%	0.81%	-0.4%	-0.59%	2.2%	0.09%	1.9%	0.24%
Volatility (Low R1)	-5.1%	-2.52%	-9.0%	-2.05%	1.3%	-0.17%	4.3%	0.61%	-2.7%	-1.52%	1.0%	-0.50%	1.2%	-0.13%
Vulnerability (Low R2)	0.1%	0.42%	6.3%	1.28%	5.6%	1.04%	2.5%	0.65%	2.2%	0.72%	2.2%	0.50%	1.5%	0.42%
Quality (High P - R)	-5.7%	-1.38%	-5.5%	-0.71%	-2.7%	-0.39%	-0.2%	-0.07%	-1.9%	-0.85%	1.7%	0.16%	2.3%	0.39%
Valuation (Low V)	-19.1%	-4.63%	8.9%	0.80%	4.1%	0.26%	4.0%	0.61%	5.0%	1.24%	2.7%	0.66%	2.3%	0.61%
Valuation Ratios (Low V1)	-17.4%	-4.21%	8.2%	0.59%	4.2%	0.32%	4.0%	0.55%	5.1%	1.27%	2.5%	0.59%	2.2%	0.51%
Valuation Multiples (Low V2)	-25.6%	-5.64%	11.5%	1.29%	3.0%	-0.03%	3.0%	0.28%	3.7%	0.66%	2.9%	0.57%	2.7%	0.58%
PRVit	-17.8%	-4.50%	5.1%	0.86%	2.1%	-0.32%	2.7%	0.26%	2.1%	0.32%	3.1%	0.65%	3.2%	0.72%
PRVit Prime	-17.8%	-4.48%	5.2%	1.10%	-1.9%	-0.79%	0.8%	-0.03%	1.4%	0.26%	2.2%	0.50%	2.7%	0.59%

Sectoral Focus List Update: Who Made the Cut?

Our selection criteria for the Focus List picks was rooted in strong PRVit performance. This translates to one of the following: Strong Risk-Adjusted Profitability (Quality), favorable Valuations, or both at the same time. **Figure 4** shows the firms that we have shortlisted. We screen for firms that look strong in the PRVit framework, demonstrating an attractive P2 Profitability Trend profile, combined with favorable Valuations and relatively low R2 Vulnerability Score. We filter out firms with a negative EVA Margin or 1Yr returns greater than 100%. The screening criteria and the shortlisted firms are highlighted below.

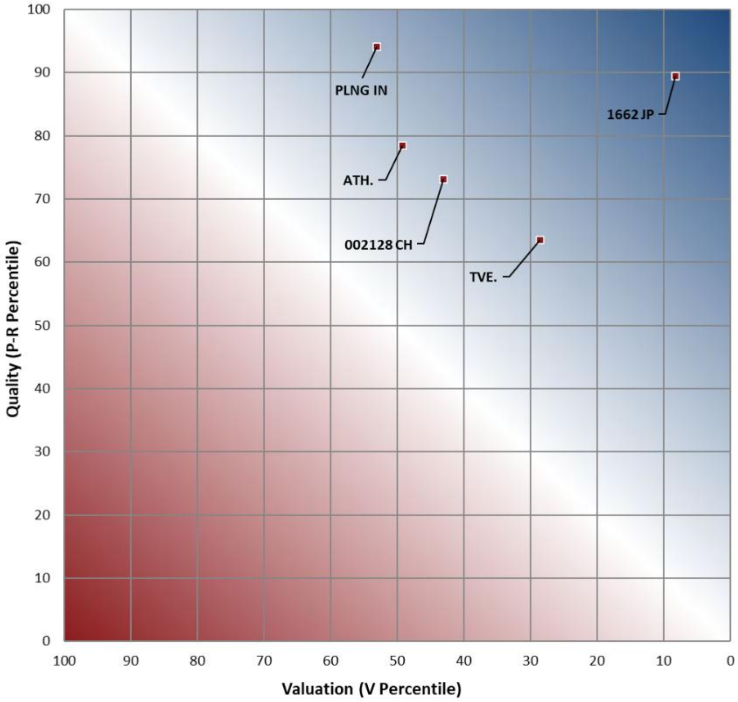
Screening Criteria

- Market cap ≥ $2B
- EVA Margin ≥ 0%
- PRVit Score ≥ 60
- P2 Profitability Trend ≥ 50
- R2 Vulnerability Score ≤ 40
- Valuation Score (V) ≤ 60
- 1Yr Returns (%) < 100%

Figure 4: EVA Focus List – Energy (October 2025 Edition)

Name	Ticker	Sub-Industry	Country	Mkt Cap ($mm)	EVA Margin (%)	EVA Momentum (%)	PRVit Score	Quality (P-R)	P2 Profitability Trend	R2 Vulnerability	Valuation Score (V)	1Yr Returns (%)	ESG Perf Score
INNER MONGOLIA DIAN TOU ENER	002128 CH	Coal & Consumable Fuels	China	7,523	2.4%	-0.0%	95	73	52	40	43	30.4%	18.52
PETRONET LNG LTD	PLNG IN	O&G Storage & Transportation	India	4,758	5.0%	0.1%	96	94	64	20	53	-17.2%	35.60
ATHABASCA OIL CORP	ATH.	O&G Exploration & Production	Canada	2,324	15.1%	16.8%	78	78	85	22	49	25.7%	28.24
JAPAN PETROLEUM EXPLORATION	1662 JP	O&G Exploration & Production	Japan	2,139	9.8%	6.5%	98	89	96	19	8	13.1%	30.54
TAMARACK VALLEY ENERGY LTD	TVE.	O&G Exploration & Production	Canada	2,116	5.6%	11.6%	82	63	72	30	29	45.2%	26.45

Figure 5: EVA Focus List Heat Map – Energy



TVE. and **1662 JP** are in the 'Best of the Best: High Quality and Cheap' HEAT Map zone, demonstrating strong Quality at relatively favorable Valuation levels.

Summary Firm-Level Commentary

- **Inner Mongolia Dian Tou Energy Corporation Limited** (**002128 CH**, rated '**Buy**'): EVA Momentum (growth) has recovered within the last four quarters after being pressured for the nine previous quarters. Positive top-line growth and EBITDAR Margin being near 7-year highs have driven the EVA growth improvement. However, asset efficiency has continued to deteriorate, impacted by increased PP&E investments (relative to sales). Embedded expectations for growth (Future Value Added, FVA) have turned positive as of the last few quarters but are at moderate levels relative to the historic range. Future Growth Reliance (FGR), our P/E equivalent, is at 18%. Valuations have moved higher over the last few months but remain at favorable levels on a global-relative basis. We like the firm, given its strong Quality (P-R) profile at a time when EVA Fundamentals have shown signs of bottoming out after a prolonged period of deterioration.
- **Petronet LNG Limited** (**PLNG IN**, rated '**Buy**'): We maintain a bullish view on **PLNG IN**, a firm with very strong Risk-Adjusted Profitability and relatively favorable Valuations. EVA Momentum (growth) has inflected positively as of the quarter ending March, led by a strong EBITDAR Margin expansion as a result of moderating adjusted COGS as a % of sales. The Productive Capital Charge (higher is less favorable) has trended higher, negatively impacted by pressured sales growth over the last couple of quarters. FGR is currently at -18%, down from the 11% levels seen in December last year.
- **Athabasca Oil Corporation** (**ATH.**, rated '**Overweight**'): EVA Momentum (growth) has slowed down through the last three quarters but remains very strong, at 15.1%, driven by favorable sales growth and an EBITDAR Margin near record highs. The Productive Capital Charge (higher is less preferable) has trended higher within the last few quarters but remains at a relatively low level compared to history. Embedded expectations for growth have turned bearish for the firm, at a time when Current Value Added (CVA) is trending near record high levels. The market is uncertain of the firm's ability to sustain the current economic profitability trends. This has resulted in slightly improved Valuations for this very high-Quality firm, leaving us with a positive view.

Summary write-ups for Japan Petroleum Exploration Co., Ltd. (1662 JP) and Tamarack Valley Energy Ltd. (TVE.) on the next page.

- **Japan Petroleum Exploration Co., Ltd.** (**1662 JP**, rated '**Buy**'): EVA Momentum (growth) entered positive territory in March, driven by very strong top-line growth and a sustained expansion in EBITDAR Margin to record high levels. The Productive Capital Charge (higher is less preferable) has continued to trend higher over the last eight sequential quarters as a result of increased PP&E investments (as a % of sales). The firm has seen two consecutive quarters of expansion in EVA Margin after eight quarters of deterioration. MVA Spread, our P/B equivalent, is at -50%, lower than the -34% levels seen in June last year. The firm has historically traded at a significant discount to the EVA Capital base and is currently around the average of the range. We maintain our positive stance on this 'High Quality and Cheap' firm.
- **Tamarack Valley Energy Ltd.** (**TVE.**, rated '**Buy**'): We like **TVE.**, a 'High Quality and Cheap' firm that has demonstrated strong improvement in EVA Fundamentals over the last seven quarters. EVA Momentum (growth) is at a very strong level of 11.6% as of June, led by strong EBITDAR Margin and improving asset efficiency. Sales growth (TFQ), however, has seen some pressure over the last few quarters. EVA Margin inflected positively in Q1 but saw a small 30bps contraction in Q2, to 5.6%. MVA Spread has increased to 18% in 2025, near the upper end of the 10-year range. Growth expectations, however, turned bearish in 2025, with FGR currently trading significantly lower than the 43% seen in Q1 last year, at -8%. This has led to Valuations trending favorably relative to the market.

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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