

Utilities Focus List Update (October 2025 Edition)

As we enter Q4, we are taking the opportunity to handpick attractive names from the Utilities sector for the latest edition of our *EVA Focus List*. The sector is typically considered a defensive play but has shown cyclical traits over the past couple of years, especially within the Electric Utilities industry as we explored in a paper last month ([report](#)). The industry has seen a strong investment cycle through the last two years, led by growth in power hungry AI data centers.

The last edition of the Focus List was published in October 2024 ([report](#)), featuring our top picks from each of the 10 sectors, excluding Real Estate. The EVA Focus List is a selection of stocks chosen by the EVA analyst team, utilizing the EVA framework, to pick what the sector specialists view as most attractive within the sectors.

The Utilities focus list names from the October 2024 edition are mentioned in the table below, along with their current PRVit metrics and 1-year returns. Tokyo Gas (**9531 JP**) saw very strong returns over the past one year but has seen Profitability drop during this period, leaving the firm with a 'Sell' rating. ENN Energy (**2688 HK**) saw strong performance on a 1-year basis. We have retained the company for the current edition of the Focus List.

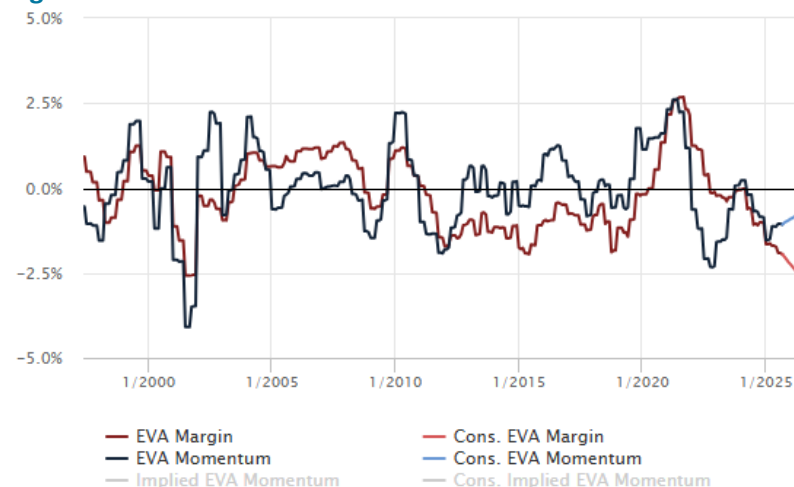
Figure 1: Utilities Focus List Picks (October 2024 Edition)

Name	Ticker	Industry	Country	Mkt Cap (\$mm)	PRVit Score	Quality (P-R)	Valuation Score (V)	1Yr Returns (%)
TOKYO GAS CO LTD	9531 JP	Gas Utilities	Japan	13,384	19	20	25	58.1%
ENN ENERGY HOLDINGS LTD	2688 HK	Gas Utilities	China	9,233	96	62	26	20.8%
KUNLUN ENERGY CO LTD	135 HK	Gas Utilities	China	7,891	99	76	16	-7.4%

The underlying selection process for the Focus List is rooted in strong PRVit performance, meaning names with strong Quality and/or favorable Valuation levels. The PRVit factor backtest for the Utilities sector suggests a strong and consistent performance of the Valuation factor (Low V) across all time horizons. While Profitability (High P) has historically seen a moderate positive spread, it has seen negative spreads over the very short term (1M and 3M).

EVA Margin (**Figure 2**) continues to remain pressured and is currently near the lowest levels in 25 years. EVA Momentum (growth) has recovered through 2025 so far, led by recovery in top-line growth and expanding EBITDAR Margin. Consensus expects EVA Margin to deteriorate in the medium term, but EVA Momentum is expected to trend higher as sales growth and P&L profitability continue to improve.

Figure 2: Global Utilities – EVA Fundamentals



Key Summary

- We handpick attractive names from the Utilities 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 Utilities sector are a part of the latest edition of the EVA Focus List: **FTS, ENELAM CI, 2688 HK, RUI FP, and MGEEP**.

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

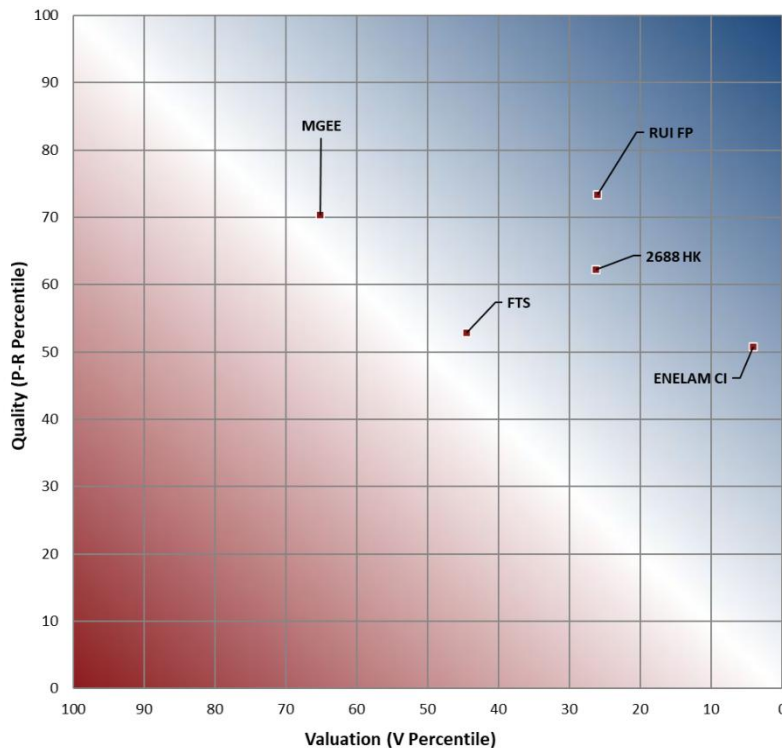
Sectoral Focus List Update: Who Made the Cut?

Our selection criteria while picking out names for the Focus List was rooted in strong performance within the PRVit model. This translates to one of the following: Strong Risk-Adjusted Profitability (Quality), favorable Valuations, or both at the same time. Figure 3 below shows the firms that we have shortlisted for the List. **FTS** and **MGEE**, rated 'Overweight' in PRVit (U.S. universe), have demonstrated a recovery in EVA Fundamentals within the last two quarters, after several quarters of deterioration. While Valuation scores for these firms are higher relative to the cohort, we maintain a favorable outlook for the North American Electric Utilities names. As mentioned above, we have retained **2688 HK** (blue highlight) from the previous edition. The firm has seen strong YTD performance but continues to exhibit favorable Valuations, combined with strong Quality (P-R).

Figure 3: EVA Focus List – Utilities (October 2025 Edition)

Name	Ticker	Industry	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	EVA Mo Post-Inflection Count	PRVit Score	Quality (P-R)	Valuation Score (V)	Returns YTD (%)	ESG Perf Score
FORTIS INC	FTS	Electric Utilities	Canada	25,008	-3.5%	-1.5%	2	49	53	45	18.9%	43.38
ENEL AMERICAS SA	ENELAM CI	Electric Utilities	Chile	10,987	-0.6%	3.1%	5	86	51	4	12.7%	52.30
ENN ENERGY HOLDINGS LTD	2688 HK	Gas Utilities	China	9,233	0.8%	-1.1%	4	96	62	26	15.1%	59.04
RUBIS	RUI FP	Gas Utilities	France	3,848	1.6%	-0.5%	2	86	73	26	41.8%	39.00
MGE ENERGY INC	MGEE	Electric Utilities	United States	3,042	2.3%	0.3%	2	55	70	65	-9.9%	35.33

Figure 4: EVA Focus List Heat Map – Utilities



RUI FP and **2688 HK** currently lie in the 'Best of the Best: High Quality and Cheap' HEAT Map zone, demonstrating strong Quality at relatively favorable Valuation levels.

MGEE is in the 'Expensive but Worth It' zone. The firm has strong Quality (P-R) at relatively high Valuation levels.

Summary Firm-Level Commentary

- Fortis Inc. (FTS, rated 'Hold'):** FTS has registered an upward inflection in EVA Margin after six sequential quarters of deterioration in economic profitability. The metric is currently trending near historically weak levels. EVA Momentum (growth) is also currently trending negatively but has seen two quarters of improvement through H1 this year. This was driven by an improving top-line growth backdrop at a time when EBITDAR Margin expanded to record high levels. Asset efficiency continues to deteriorate and put pressure on economic profitability as investment in PP&E reaches a record high on an absolute and relative-to-sales basis. We have a positive view on the firm given its favorable Risk-Adjusted Profitability (Quality) at a time when Valuations are at a relatively moderate level.

- **Enel Americas S.A. (ENELAM CI, rated 'Buy'):** EVA Margin (economic profitability) has seen five consecutive quarters of improvement, currently at -0.6%, since bottoming out at record lows in Q1 2024. Sales growth saw some deceleration through H1 but remains strong, while EBITDAR Margin has shown some signs of bottoming out. The Productive Capital Charge (lower is more favorable) looks closer to peaking out at this stage as the firm has seen a slight moderation in the PP&E charge. This has led to EVA Momentum (growth) accelerating to 3.1% as of the latest reported quarter. While there are concerns of incremental EVA creation peaking out at this stage, we are bullish on the company, given its very cheap Valuation levels at a time when EVA drivers have headspace to improve relative to historical levels, potentially driving the next leg of EVA growth.
- **ENN Energy Holdings Limited (2688 HK, rated 'Buy'):** EVA Momentum (growth) has seen four sequential quarters of improvement but remains negative as of June. Top-line growth is currently weak and EBITDAR Margin is trending near historic lows, but both have shown some signs of stabilization. The Productive Capital Charge (higher is less favorable) has continued to trend higher on increased PP&E charge and weak sales growth. MVA Spread, our economic price-to-book equivalent, has moved near the lower end of the historic range for 2 years. We maintain a positive stance on this 'High Quality and Cheap' firm, given improving EVA growth trends and favorable Valuation levels.
- **Rubis (RUI FP, rated 'Buy'):** RUI FP is a 'High Quality and Cheap' firm. We maintain a bullish view given favorable Valuations and upward inflection in EVA Fundamentals through H1 this year. The firm has demonstrated improving incremental EVA creation within the last two quarters, after a year of pressured economic profitability, supported by a bottoming EBITDAR Margin. Sales growth is weak at this stage, putting pressure on asset efficiency. MVA Spread, our P/B equivalent, has trended higher this year but remains favorable relative to historical levels at this stage.
- **MGE Energy, Inc. (MGEE, rated 'Hold'):** EVA Momentum (growth) turned positive as of the quarter ending June, led by strong acceleration in sales growth and EBITDAR Margin expanding 150bps within the last four quarters to record highs of 38.2%. Asset efficiency, as measured by the Productive Capital Charge (lower is preferable), is very high relative to the history but peaked out in Q4 with a backdrop of improving top-line growth. EVA Margin bottomed out at record lows in December last year after six sequential quarters of deterioration but registered a 110bps expansion through H1 2025 to 2.3%. While the Valuation score is at a moderate level at this stage, the firm has seen improving EVA Fundamentals, leaving us with a positive outlook.

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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