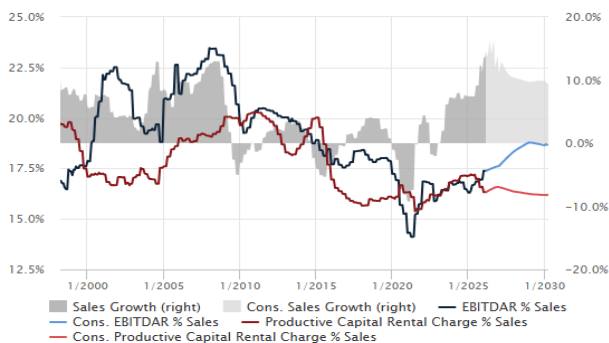


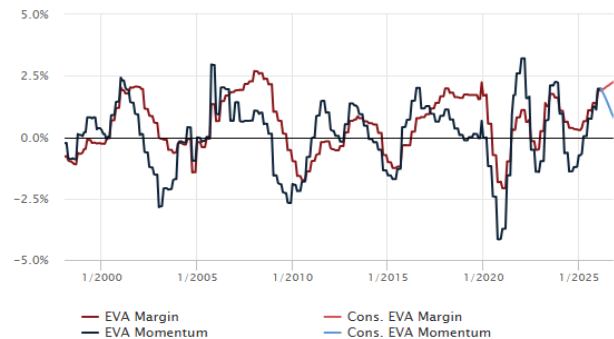
Industry Snapshot: Global Aerospace & Defense

- Summary:** EVA Momentum (growth) for the industry accelerated significantly through 2025 and has moved closer to historically high levels as of February-end, being at 2%, driven by all three EVA drivers moving favorably: very strong sales growth, expanding EBITDAR Margin, and improving asset efficiency. However, Valuations are very elevated at this stage, especially in the Large Cap space, with investors pricing-in high expectations of sustained incremental EVA creation going forward. These high expectations leave little room for disappointment and are reflected in continued global defense spending.
- EVA Drivers:** Sales growth (TFQ) was at an historically high level of 14.5% as of February, having accelerated significantly over the past 3 years. EBITDAR Margin registered a 110bps expansion since December 2024 and is currently at 17.4%, the highest level in 6 years, though it is still below pre-COVID levels. The Productive Capital Charge (lower is more favorable), our measure of asset efficiency, has improved over the past 4 quarters on account of lower PP&E and Intangible Capital charges (% of Sales) amid accelerating top-line growth.
- EVA Fundamentals:** EVA Momentum (growth) turned positive in March 2025 and accelerated to 2% as of February of this year, currently being at an historically high level, driven by all three of our EVA drivers moving favorably. EVA Margin bottomed out early last year and has since seen a strong 160bps expansion to the upper end of the 15-year range, at 1.9%. Adjusted EVA consensus suggests EVA Margin will continue to expand, reaching a record high of 2.9% by mid-2027.
- Expectations:** Embedded expectations for growth (Future Value Added, FVA) have increased to very elevated levels over the past 2 years compared to historical trends. Future Growth Reliance (FGR) was trading at 70% as of February-end, surpassing previous peaks of late 1999 and early 2021. The industry has strong Quality (P-R) levels on an aggregate basis; however, with more than 2/3 of the current market value dependent on future EVA creation, investors have already priced in very strong EVA growth expectations. Defense spending is expected to continue increasing but the market is already implying above consensus expectations for value creation.

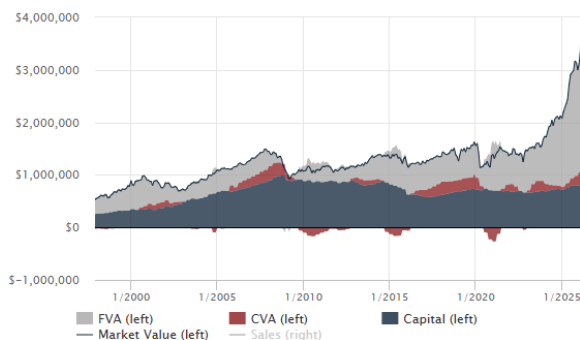
EVA Drivers



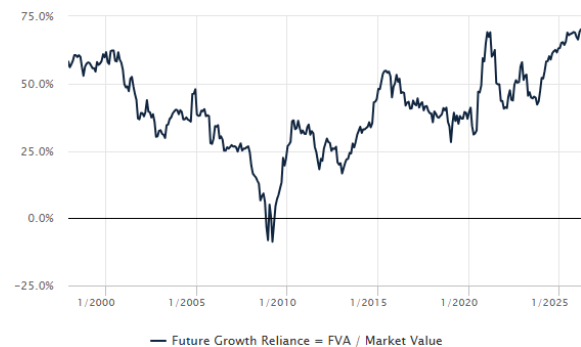
EVA Fundamentals



Enterprise Value Components



Future Growth Reliance (FGR)



Gavin Thomson
Global Director of Fundamental Research

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

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Top 10 Largest Firms by Market Cap

- The cohort is dominated by U.S. firms and looks unattractive in the PRVit framework, with strong Quality (Risk-Adjusted Profitability) being offset by very high Valuation levels.
- Four firms saw positive EVA Momentum inflection as of the latest reported quarter (not shown): **BA, LMT, RR/ LN, and HWM**.
- **GD**, rated ‘Overweight,’ is the most attractive firm in the cohort, with a PRVit Prime Score of 73. **LMT**, rated ‘Hold,’ is the second best, with a PRVit Prime Score of 52.
- **AIR FP, RR/ LN, HWM, and SAF FP** achieve an ISS ESG Prime rating (ISS ESG Performance score ≥ 50).

Name	Ticker	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	PRVit Prime Score	Quality (P-R)	Profitability Score (P)	Risk Score (R)	Valuation Score (V)	Return Ytd (%)	ESG Perf Score
GE AEROSPACE	GE	U.S.	343,610	6.7%	5.2%	28	73	83	65	90	6.2%	44.47
RTX CORP	RTX	U.S.	279,212	-1.2%	0.4%	34	63	59	36	74	13.2%	45.00
BOEING CO	BA	U.S.	171,067	-9.2%	4.0%	3	12	25	91	77	0.3%	47.75
AIRBUS SE	AIR FP	Netherlands	164,138	4.6%	1.9%	38	65	87	89	73	-10.3%	57.22
SAFRAN SA	SAF FP	France	156,383	5.8%	0.8%	15	60	80	84	87	7.9%	52.60
LOCKHEED MARTIN CORP	LMT	U.S.	149,833	4.4%	1.0%	52	84	82	38	81	35.4%	45.23
ROLLS-ROYCE HLDGS PLC	RR/ LN	U.K.	148,499	12.7%	8.9%	29	89	97	54	95	14.0%	51.54
NORTHROP GRUMMAN CORP	NOC	U.S.	104,365	4.6%	-0.1%	28	66	79	70	83	29.3%	42.86
HOWMET AEROSPACE INC	HWM	U.S.	101,993	8.7%	5.2%	43	90	86	28	97	23.9%	52.44
GENERAL DYNAMICS CORP	GD	U.S.	97,015	2.1%	0.4%	73	84	66	5	63	6.1%	35.75
<i>Average</i>				3.9%	2.8%	34	69	74	56	82	12.6%	47.49

PRVit is scored 0 to 100 where 100 is the most attractive. Profitability and Quality are both scored 0 to 100 where 100 is the best. Valuation is scored 0 to 100 where 100 is the most expensive.

Top 10 Highest PRVit Firms

- On average, the cohort looks attractive in the PRVit framework, exhibiting strong Quality (P – R) that is slightly offset by relatively moderate Valuations.
- **2357 HK, 600038 CH, VVX, and MAL**. are rated ‘Buy’ in the PRVit framework (PRVit > 80).
- **GD**, one of the Top 10 Largest Firms in the industry, is also a part of the Top 10 Highest PRVit Firms list.

Name	Ticker	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	PRVit Prime Score	Quality (P-R)	Profitability Score (P)	Risk Score (R)	Valuation Score (V)	Return Ytd (%)	ESG Perf Score
AVICHINA IND & TECH CO LTD	2357 HK	China	4,107	-0.4%	-1.4%	97	51	47	37	8	-0.7%	26.96
AVICOPTER PLC	600038 CH	China	4,455	-1.3%	-0.3%	93	71	48	1	43	3.4%	
V2X INC	VVX	U.S.	2,215	-0.4%	0.3%	87	71	55	13	32	30.2%	26.48
MAGELLAN AEROSPACE CORP	MAL	Canada	1,034	-1.8%	1.8%	84	77	58	7	41	32.8%	23.42
AVIO SPA	AVIO IM	Italy	2,016	-0.6%	8.3%	76	80	79	42	51	26.1%	
GENERAL DYNAMICS CORP	GD	U.S.	97,015	2.1%	0.4%	73	84	66	5	63	6.1%	35.75
QINETIQ GROUP	QQ/ LN	U.K.	3,641	0.1%	-3.0%	71	69	52	11	35	17.1%	35.58
BHARAT ELECTRONICS LTD	BHE IN	India	36,875	16.5%	5.7%	67	100	97	8	99	16.4%	33.59
GARDEN REACH SHIPBUILDERS	GRSE IN	India	3,133	8.4%	5.5%	67	97	95	18	92	3.1%	
MONTANA AEROSPACE AG	AERO SW	Switzerland	2,463	-1.2%	4.0%	67	69	67	41	49	11.0%	
<i>Average</i>				2.1%	2.1%	78	77	66	18	51	14.5%	30.30

ESG Performance Score provides a numerical score from 0 to 100. Prime Status is based on the ESG rating and a sector-specific Prime threshold. The ESG Rating and Performance Scores, however, are comparable across all rated entities. All rated entities with values greater than or equal to 50 are Prime; companies with values less than 50 are not Prime.

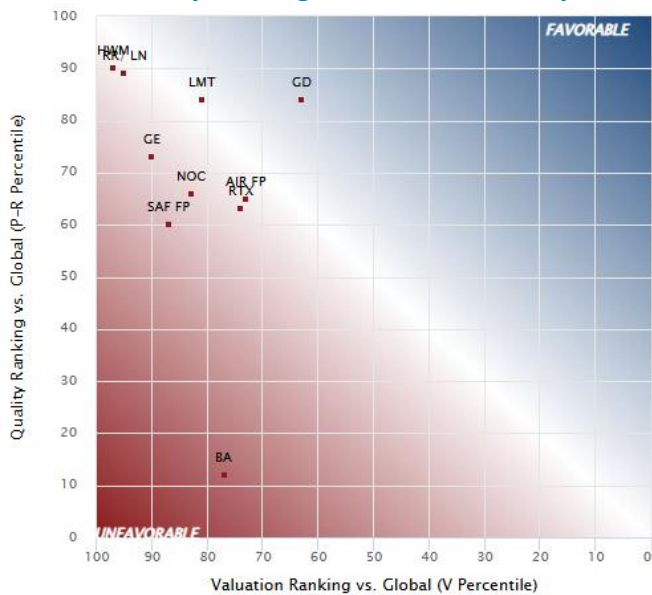
See page 3 for HEAT Maps of the Largest Firms and the Most Attractive Firms.

HEAT Maps

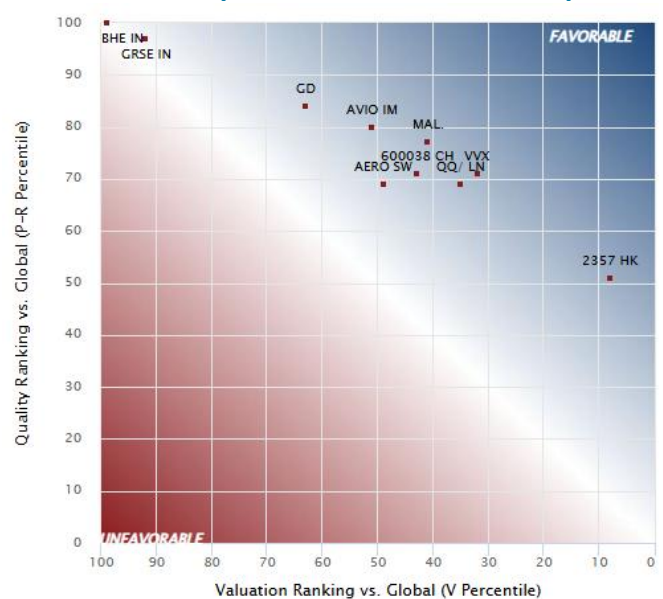
Our HEAT Map shows the visual trade-off between Quality (y-axis) and Value (x-axis). Higher Quality firms will be found at the top of the HEAT Map and cheaper Valuation firms will be further to the right. The companies in the upper-right corner are high-Quality, cheap-Value names with the most attractive PRVIt scores.

- The HEAT Map on the left illustrates the largest firms in the industry, individually placed as a function of Quality and Valuation Rankings.
 - **GE, RR/ LN, HWM, NOC, SAF FP, RTX, and AIR FP** are positioned in the unfavorable ‘Overly Expensive Quality’ HEAT Map zone. The firms exhibit strong Quality (P-R) but at very elevated Valuation levels.
 - **BA** is in the lower left ‘Worst of the Worst’ HEAT Map Zone, having weak Quality (P-R), combined with high (expensive) Valuation levels.
- The HEAT Map on the right shows the most attractive names of the industry.
 - **VVX and QQ/ LN** are within the upper right ‘Best of the Best: High Quality and Cheap’ HEAT Map zone. These firms exhibit strong Quality (P-R) combined with favorable (cheap) Valuation levels.
 - **GD and GRSE IN** are in the favorable ‘Expensive but Worth It’ HEAT Map Zone, having elevated Valuation levels that are justified by very strong Quality (P-R).

Top 10 Largest Firms HEAT Map



Top 10 PRVIt Firms HEAT Map



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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