

## Names in the News: NOK & DELL

### Nokia Oyj (NOK) & Dell Technologies Inc. (DELL)

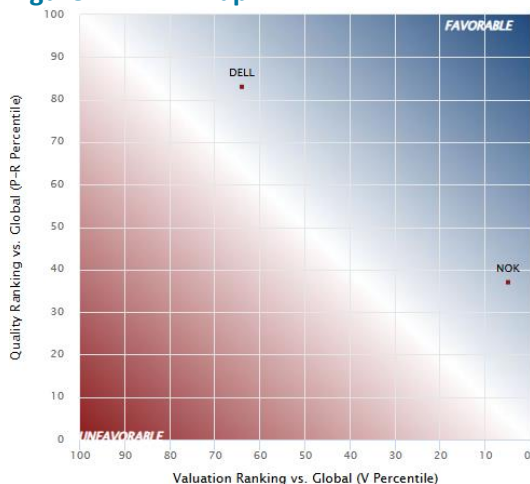
This week we cover a relatively cheap and a relatively expensive firm that both look attractive in the PRVit framework, **NOK** and **DELL**, rated Buy and Overweight respectively. **NOK**, as part of the new CEO, Justin Hotard's, strategy on increased AI and data center exposure, is leading a 42+ member consortium, working on an unmanned drone project aimed at protecting Europe's critical infrastructures with a possible later dual use for defense purposes. **DELL** has seen a sharp rise in share price of more than 50% since early April. The firm posted strong results last week, reporting robust demand for its AI-optimized servers. **Nokia Oyj (NOK)**, rated 'Buy' looks relatively cheap at a time when EVA Fundamentals remain weak. The firm has seen EVA Momentum (growth) turn negative in the latest quarter after four periods of improvement, impacted by a contracting EBITDAR Margin which continues to trend at comparatively high levels, however. Sales growth has shown some recovery since bottoming out in Q2 of last year but remains negative. EVA Margin has reduced to 9-year lows of -9.8%. Embedded expectations for growth (Future Value Added, FVA) bottomed out in late 2022, turning positive in the last two quarters. Investors are pricing in a recovery in EVA Fundamentals for this 'Attractive Value' name at a time when P&L profitability has contracted but top-line growth has become less negative.

We also look at **Dell Technologies Inc. (DELL)**, rated 'Overweight', an 'Expensive but Worth It' name that has seen a continued improvement in both the level and trend of Profitability over the last six quarters. Incremental EVA growth, as measured by EVA Momentum, has accelerated due to a strong recovery in top-line growth within the last three quarters and a significant improvement in asset efficiency. EVA Margin is currently trending at record highs of 4.9%. Investor expectations for incremental value creation have come down since Q1 of last year, at a time when the firm has already seen six consecutive quarters of EVA Momentum (growth) improvement. The firm looks interesting given its very strong Quality profile, but we remain watchful of a potential peaking out in EVA Fundamentals.

**Figure 1: EVA Summary**

Name	Ticker	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	PRVit Score	Quality (P-R)	Valuation Score (V)	Return YTD (%)	ESG Perf Score
NOKIA OYJ -ADR	NOK	Finland	28,871	-9.8%	-1.4%	78	37	5	8.8%	64.40
DELL TECHNOLOGIES INC	DELL	U.S.	77,882	4.9%	2.2%	77	83	64	-1.3%	66.99

**Figure 2: HEAT Map**



### PRVit and Sub-Factors

**PRVit** compares a company's operational Quality, based on EVA metrics, to the company's market-based Valuation. When Quality exceeds Valuation, the overall PRVit ranking will be higher.

#### Scoring

All factors scored from 0 to 100.

**PRVit:** 100 is most favorable.

**Quality (P-R):** 100 is highest Quality.

**Profitability (P):** 100 is most Profitable.

**Risk (R):** 0 is lowest Risk.

**Valuation:** 0 is cheapest.

**Heat Map:** The Heat Map shows the visual trade-off between Quality and Valuation: Companies in the favorable (blue) area offer higher quality and/or cheaper valuation than those in the unfavorable (red) area.

**ISS ESG Performance:** Page 4 includes the ISS ESG Performance ratings of both firms, coupled with their industry-specific rankings.

Gavin Thomson

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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.

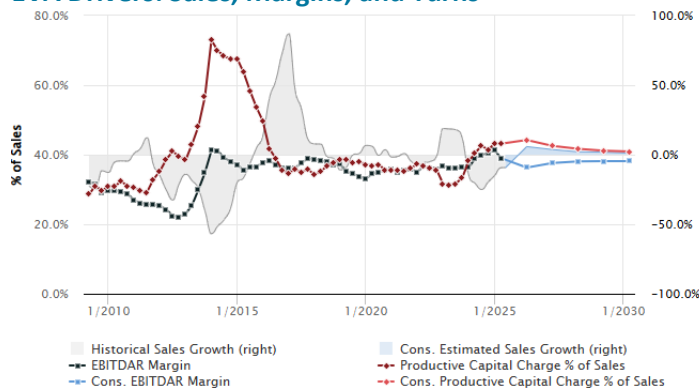
Visit our website [www.EVAexpress.com](http://www.EVAexpress.com)

## Nokia Oyj (NOK)

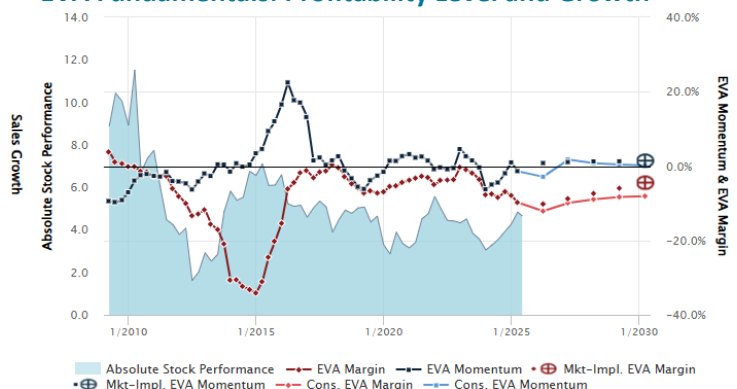
### PRVit Recommendation: 'Buy' – Attractive Value

- Sales Growth (TFQ) has seen some recovery but remains negative as of Q1, at -9.3%. The negative growth is attributable to a decline in Nokia Technologies, partially offset by growth in Network Infrastructure, Mobile Networks, and Cloud and Network Services.
- EBITDAR Margin had expanded by 490bps in 2024, to the record highs of 2013 at 41.3%, but it has deteriorated to 39% as of Q1 on higher adjusted COGS & SG&A, due to lower gross margin in Mobile Networks.
- The Productive Capital Charge (lower is more favorable) has seen a small 30bps drop in the latest quarter, as PP&E and R&D charges slightly moderated, relative to sales.
- EVA Margin has deteriorated to the lowest level in 9 years, contracting by 290bps within the last two quarters to -9.8%.
- EVA Momentum (growth) has returned to negative territory after turning positive for one quarter in Q4 last year. The metric rolled over due to a contraction in EBITDAR Margin and weak top-line growth.
- Embedded expectations for growth (Future Value Added, FVA) bottomed out in late 2022, turning positive in the last two quarters. Future Growth Reliance (FGR) was trading at 41% as of June 3<sup>rd</sup>, up significantly from the -46% seen in December 2023. It is currently near the upper bound of the post-COVID range.
- Investors have priced in a recovery in EVA Fundamentals for this 'Attractive Value' name, currently trading at very cheap Valuations, at a time when P&L profitability has contracted but top-line growth has shown some improvement.

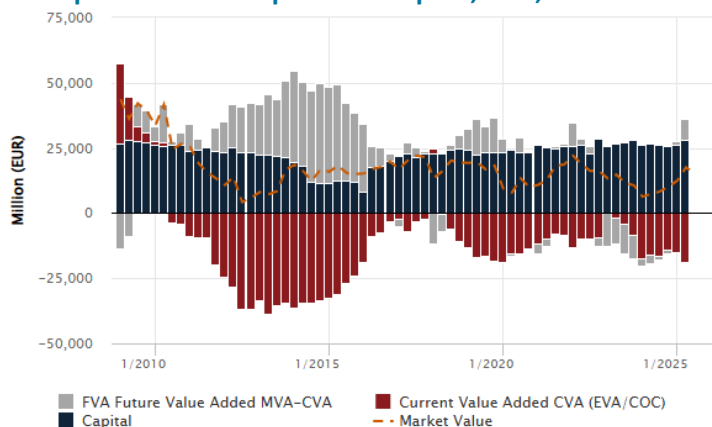
#### EVA Drivers: Sales, Margins, and Turns



#### EVA Fundamentals: Profitability Level and Growth



#### Enterprise Value Components: Capital, CVA, and FVA



#### Future Growth Reliance (FGR): Market Expectations

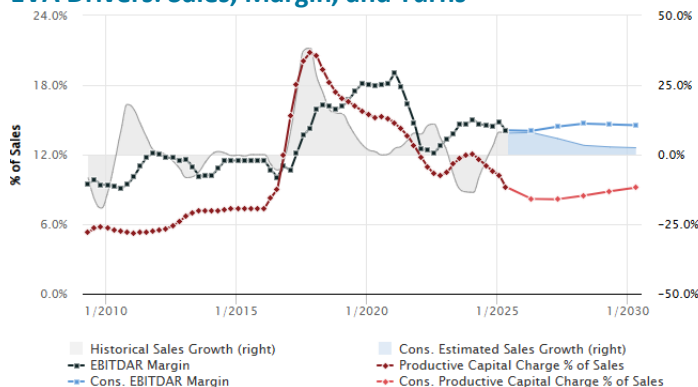


## Dell Technologies Inc. (DELL)

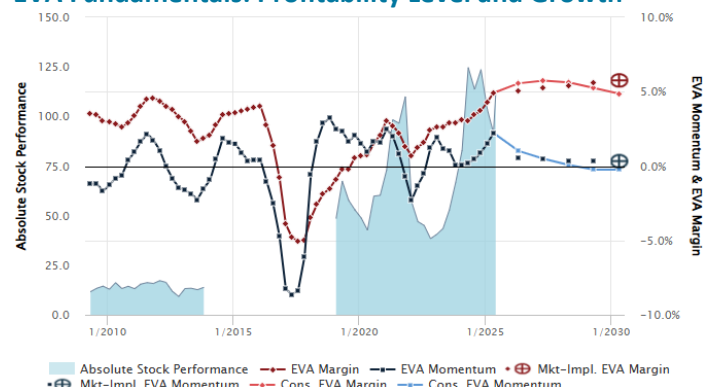
### PRVIt Recommendation: 'Overweight' – Expensive but Worth It

- Sales Growth (TFQ) turned positive in Q3 FY2024 and has since accelerated to 7.7% as of Q1.
- EBITDAR Margin has been pressured over the last five quarters, contracting by 50bps to 14.1% on higher adjusted COGS, which was somewhat offset by moderating adjusted SG&A expenses.
- The Productive Capital Charge (lower is more favorable) has continued to trend lower, being currently at the lowest level in 9 years, driven by reduced PP&E and R&D charges, relative to Sales.
- EVA Margin has expanded, as of the latest quarter, to an all-time high of 4.9%, up 180bps within the last four quarters.
- EVA Momentum (growth) has continued to accelerate over the last six quarters on strong top-line growth and improving asset efficiency.
- Embedded expectations for growth (FVA) have lowered since Q1 last year. Future Growth Reliance (FGR) had moved closer to the lower end of its 6-year range, at 12%, around the end of April. The metric has since moved slightly higher to 22%.
- Investor expectations for incremental value creation have come down since Q1 of last year, at a time when the firm has already seen six consecutive quarters of EVA Momentum (growth) improvement. The firm looks interesting given its very strong Quality profile, but we remain watchful of a potential peaking out in EVA Fundamentals.

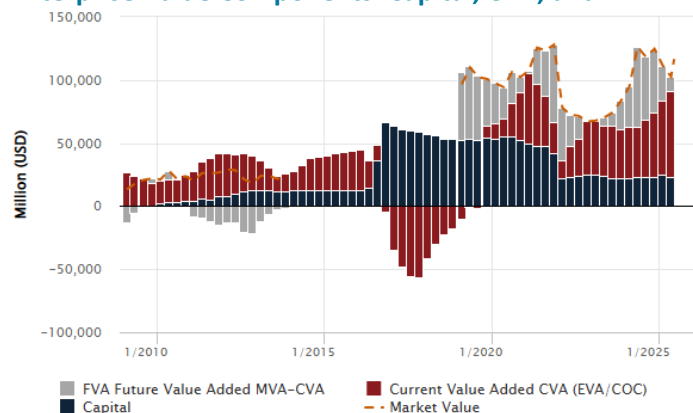
#### EVA Drivers: Sales, Margin, and Turns



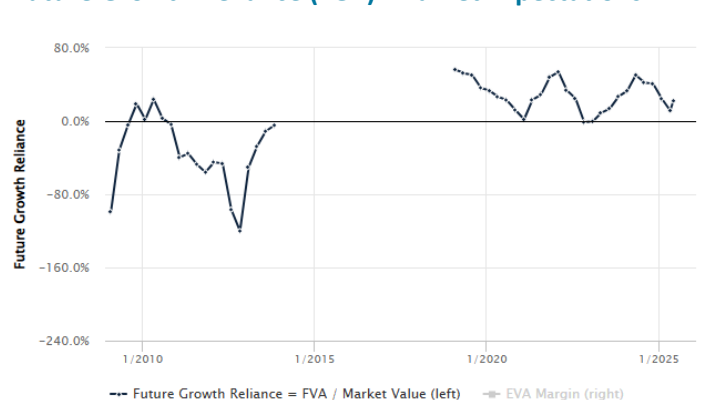
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#### Future Growth Reliance (FGR): Market Expectations

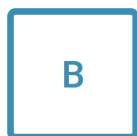


ISS ESG Performance analysis of both names can be found below.

### ISS ESG Performance for Nokia Oyj (NOK)

ESG RATING

PERFORMANCE SCORE



PRIME STATUS

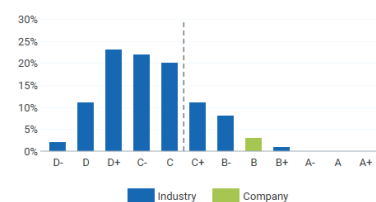
Prime

PRIME THRESHOLD

C+

DISTRIBUTION OF RATINGS

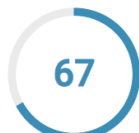
198 companies in the industry



### ISS ESG Performance for Dell Technologies Inc. (DELL)

ESG RATING

PERFORMANCE SCORE



PRIME STATUS

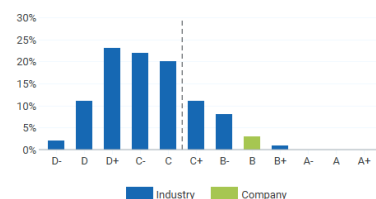
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PRIME THRESHOLD

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DISTRIBUTION OF RATINGS

198 companies in the industry



## ISS ESG Definitions

**ESG Performance Score:** This factor 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 over 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.

**ESG Rating Decile Rank:** This factor indicates decile rank relative to industry group (companies) and covered entities (countries) based on assessment of Environmental (E), Social (S), and Governance (G) performance. A decile rank of 1 indicates a high relative performance, while a 10 indicates a lower relative ESG performance.

## 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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