

Buyer Beware: Global ex U.S. Large Cap

Poor Quality, Expensive Valuation, Low ESG Scores

In contrast to our 'Better World' screens that identify high-Quality or cheap-Value names with strong ESG scores, this week we offer the next edition of our 'Buyer Beware' series focused on Global ex U.S. Large Cap companies. To make the list, companies must have poor Quality, expensive Valuation, and low-ranked ESG Performance scores.

The 14 companies listed below meet the criteria outlined in the sidebar (right) as of today. This list includes some names from previous lists which we are no longer updating (over 12 months old). We provide updates to our more recent reports: [August 2021](#), [November 2021](#), and [May 2022](#). Names on those lists that still meet the criteria are labelled as such.

Figure 1: Buyer Beware Names

| Name | Ticker | Sector | Country | Market Cap (US\$M) | PRVit | Quality (P - R) | Valuation (V) | ESG Rating Decile | YTD |
|-------------------------------|-------------|-------------|---------|--------------------|-------|-----------------|---------------|-------------------|---------|
| Buyer Beware - September 2022 | | | | | | | | | |
| EVE ENERGY CO LTD | 300014 CH | Industrials | CHN | 23,045 | 2 | 11 | 93 | 10 | -26.78% |
| KE HOLDINGS INC -ADR | BEKE | Real Estate | USA | 21,921 | 5 | 9 | 77 | 9 | -15.81% |
| SHANGHAI INTL AIRPORT CO LTD | 600009 CH | Industrials | CHN | 20,304 | 0 | 1 | 97 | 9 | 28.31% |
| AIR CHINA LTD | 753 HK | Industrials | CHN | 18,411 | 3 | 0 | 75 | 9 | 13.97% |
| AEEC AVIATION POWER CO LTD | 600893 CH | Industrials | CHN | 17,376 | 7 | 20 | 82 | 8 | -29.18% |
| CHINA CSSC HOLDINGS LTD | 600150 CH | Industrials | CHN | 16,320 | 5 | 11 | 79 | 10 | 4.40% |
| WILL SEMICONDUCTOR | 603501 CH | Info Tech | CHN | 14,483 | 12 | 29 | 83 | 9 | -62.94% |
| SANAN OPTOELECTRONICS CO LTD | 600703 CH | Info Tech | CHN | 12,452 | 1 | 4 | 76 | 10 | -49.45% |
| HOTAI MOTOR CO | 2207 TT | Discr | TWN | 10,443 | 10 | 27 | 79 | 8 | 0.67% |
| BOUBAYAN BANK | BOUBAYAN KK | Financials | KWT | 9,927 | 2 | 27 | 97 | 9 | 14.05% |
| AZRIELI GROUP LTD | AZRG IT | Real Estate | ISR | 9,349 | 10 | 13 | 71 | 9 | -8.91% |
| SUZHOU DONGSHAN PRECISION MA | 002384 CH | Info Tech | CHN | 6,495 | 17 | 29 | 70 | 10 | -1.74% |
| CHAROEN POKPHAND INDONESIA | CPIN IJ | Staples | IDN | 6,057 | 13 | 23 | 73 | 10 | -3.53% |
| OXFORD NANOPORE TECHNOLOGIES | ONT LN | Health Care | GBR | 5,319 | 0 | 9 | 90 | 9 | -59.31% |
| Average | | | | | | | | | -14.02% |
| MSCI WORLD EX USA | | | | | | | | | -9.97% |

Performance data from Factset, 991000 is the MSCI World ex USA ticker for Factset

ISS ESG

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 low relative ESG performance. *The screen includes 8th, 9th, and 10th decile companies.*

EVA & PRVit

Our **PRVit framework** compares the operational Quality, or Risk-adjusted Profitability, of a firm to the Value investors are paying in the market. Our Quality score incorporates the profitability level and trend and adjusts for the volatility of the earnings and the vulnerability of the firm (leverage, cash flow generation). Our Valuation score looks at wealth multiples (an EVA-centric version of price-to-book) and also looks at the market-implied expectations for future value creation. When the Quality of the firm is ahead of the Value, the company receives a high PRVit score and is attractive. In this report, we have showcased the opposite: companies where Valuation is well ahead of the operational Quality the company has produced.

The screen includes only the lowest Quality, the most expensive Valuation, and the most unattractive Quality/Value trade-off companies.

Notes

PRVit compares the Quality of a firm's Risk-adjusted Profitability to the Value paid in the market. The factor is scored 0 to 100 where 100 is the most attractive. This screen looks at the most un-favorable names (scores below 30).

ISS ESG Performance Score is a composite score of different environmental, social, and governance factors that assess corporate sustainability performance and impact.

Criteria

- Global ex U.S. universe
- Market Cap > \$5B (USD)
- PRVit < 30
- Quality < 30
- Value Score (V) > 70
- ESG Rating Decile > 7 (worst 3 deciles of ESG performance)

Updated scores and performance for our [August 2021](#), [November 2021](#), and [May 2022](#) reports are on pages 2-3.

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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 +24,000 stock universe.

Visit our website www.EVAexpress.com

Buyer Beware – August 2021 Update

The companies in **Figure 2** are from our August 2021 [report](#). We have provided updated scores (PRVit, Quality, Value, and ESG) as well as the market returns since the report was published. Overall, 83% of the names underperformed the MSCI World ex USA Index, and the average return for the group was -42.6%, -3535bps below the index. **SUNAC SERVICES HOLDINGS** is the only name to now score favorably in the PRVit model on significantly cheaper Valuation (being down 87%). **GEELY AUTOMOBILE** has moved up to a 'hold' in PRVit (40 to 60 is 'hold'). **BILIBILI**, **GUANGZHOU AUTO**, **HAPVIDA**, and **SKC** continue to look unattractive but no longer meet the screening criteria due to Valuation. **HAIDILAO** has an improved ESG decile rating, so it now misses the ESG criteria. **ZAI LAB** no longer fits due to market cap decline. **PRESIDENT CHAIN STORE** no longer fits due to Quality improvement.

Figure 2: August 2021 Buyer Beware Picks with Current Scores

| Name | Ticker | Industry Group | Country | Market Cap (US\$M) | PRVit | Quality (P - R) | Valuation (V) | ESG Rating Decile | Still Meets Criteria | Returns Since Report |
|-----------------------------------|-----------|----------------|---------|---|-------|-----------------|---------------|-------------------|----------------------|----------------------|
| Buyer Beware - August 2021 | | | | | | | | | | |
| GEELY AUTOMOBILE HLDGS LTD | 175 HK | Diser | CYM | 16,682 | 47 | 62 | 62 | 8 | No | -50.43% |
| AEC AVIATION POWER CO LTD | 600893 CH | Industrials | CHN | 17,376 | 7 | 20 | 82 | 8 | Yes | -33.41% |
| SANAN OPTOELECTRONICS CO LTD | 600703 CH | Info Tech | CHN | 12,452 | 1 | 4 | 76 | 10 | Yes | -51.06% |
| BILIBILI INC -ADR | BILI | Comm Srvc | CYM | 5,053 | 7 | 3 | 47 | 7 | No | -78.98% |
| GUANGZHOU AUTOMOBILE GRP CO | 601238 CH | Diser | CHN | 16,574 | 5 | 3 | 65 | 10 | No | -18.10% |
| HAIDILAO INTL HOLDING LTD | 6862 HK | Diser | HKG | 11,063 | 12 | 30 | 81 | 7 | No | -45.97% |
| ZAI LAB LTD -ADR | ZLAB | Health Care | CYM | 4,984 | 2 | 2 | 75 | 10 | No | -67.23% |
| HAPVIDA PARTICIPAC | HAPV3 BZ | Health Care | BRA | 10,669 | 7 | 1 | 36 | 10 | No | -47.25% |
| PRESIDENT CHAIN STORE CORP | 2912 TT | Staples | TWN | 9,194 | 29 | 75 | 87 | 8 | No | 3.04% |
| AZRIELI GROUP LTD | AZRG IT | Real Estate | ISR | 9,349 | 10 | 13 | 71 | 9 | Yes | -3.72% |
| SUNAC SERVICES HOLDINGS LTD | 1516 HK | Real Estate | CYM | 927 | 94 | 87 | 29 | 6 | No | -87.02% |
| SKC CO LTD | 011790 KS | Materials | KOR | 2,856 | 29 | 27 | 57 | 10 | No | -30.67% |
| Average | | | | Hit Ratio (% Underperforming): 83% | | | | | | -42.57% |
| MSCI WORLD EX USA | | | | | | | | | | -7.22% |

Buyer Beware – November 2021 Update

The companies in **Figure 3** are from our November 2021 [report](#). We have provided updated scores (PRVit, Quality, Value, and ESG) as well as the market returns since the report was published on November 23rd. Overall, 71% of the names underperformed the MSCI World ex USA Index, and the average return for the group was -8.35%, 138bps ahead of the index. Only **SAUDI BRITISH BANK** and **SHANDONG GOLD MINING** continue to meet the criteria.

Figure 3: November 2021 Buyer Beware Picks with Current Scores

| Name | Ticker | Industry Group | Country | Market Cap (US\$M) | PRVit | Quality (P - R) | Valuation (V) | ESG Rating Decile | Still Meets Criteria | Returns Since Report |
|-------------------------------------|-------------|----------------|---------|---|-------|-----------------|---------------|-------------------|----------------------|----------------------|
| Buyer Beware - November 2021 | | | | | | | | | | |
| CSC FINANCIAL CO LTD | 6066 HK | Financials | CHN | 25,171 | 16 | 36 | 72 | 8 | No | -16.55% |
| SAUDI BRITISH BANK | SABB AB | Financials | SAU | 21,087 | 2 | 11 | 89 | 10 | Yes | 30.16% |
| SBI LIFE INSURANCE | SBILIFE IN | Financials | IND | 16,434 | 12 | 53 | 100 | 7 | No | 13.45% |
| SHANDONG GOLD MINING CO LTD | 600547 CH | Materials | CHN | 10,366 | 9 | 17 | 71 | 10 | Yes | -10.08% |
| CELLTRION HEALTHCA | 091990 KS | Health Care | KOR | 7,673 | 31 | 54 | 79 | 8 | No | -21.63% |
| SAMVARDHANA MOTHERSON | MOTHERSO IN | Diser | IND | 7,046 | 5 | 9 | 72 | 6 | No | -25.00% |
| CHINA SATELLITE COMMUNICATIO | 601698 CH | Comm Srvc | CHN | 6,212 | 16 | 46 | 87 | 10 | No | -28.78% |
| Average | | | | Hit Ratio (% Underperforming): 71% | | | | | | -8.35% |
| MSCI WORLD EX USA | | | | | | | | | | -9.73% |

Buyer Beware – May 2022 Update

The companies in **Figure 4** are from our May 2022 [report](#). We have provided updated scores (PRVit, Quality, Value, and ESG) as well as the market returns since the report was published on May 17th. Overall, only 28% of the names underperformed the MSCI World ex USA Index, and the average return for the group was +8.38%, 1214bps ahead of the index.

Figure 4: May 2022 Buyer Beware Picks with Current Scores

| Name | Ticker | Sector | Country | Market Cap (US\$M) | PRVit | Quality (P - R) | Valuation (V) | ESG Rating Decile | Still Meets Criteria | Returns Since Report |
|--------------------------------|-----------|-------------|---------|---|-------|-----------------|---------------|-------------------|----------------------|----------------------|
| Buyer Beware - May 2022 | | | | | | | | | | |
| THE SAUDI NATIONAL BANK | 1180 SR | Financials | SAU | 75,598 | 6 | 41 | 92 | 10 | No | -8.48% |
| ADANI ENTERPRISES LTD | ADE IN | Industrials | IND | 54,832 | 1 | 9 | 95 | 10 | Yes | 66.76% |
| SM PRIME HOLDINGS | SMPH PM | Real Estate | PHL | 17,839 | 2 | 11 | 91 | 9 | Yes | -5.16% |
| NIPPON PAINT HOLDINGS CO LTD | 4612 JP | Materials | JPN | 17,695 | 4 | 10 | 73 | 9 | Yes | 7.95% |
| WENS FOODSTUFF GROUP CO LTD | 300498 CH | Staples | CHN | 19,876 | 1 | 3 | 82 | 10 | Yes | 16.69% |
| GULF ENERGY DEVELO | GULF TB | Utilities | THA | 16,961 | 4 | 21 | 95 | 7 | No | 13.37% |
| GUANGDONG HAID GROUP CO LTD | 002311 CH | Staples | CHN | 14,078 | 11 | 27 | 79 | 10 | Yes | -7.01% |
| CHANDRA ASRI PETROCHEMICAL | TPIA IJ | Materials | IDN | 14,447 | 1 | 4 | 92 | 8 | Yes | 6.53% |
| KAKAOBANK CORP | 323410 KS | Financials | KOR | 8,645 | 2 | 9 | 92 | 9 | Yes | -37.37% |
| AVIC XI'AN AIRCRAFT INDUSTRY | 000768 CH | Industrials | CHN | 11,878 | 24 | 58 | 85 | 9 | No | 21.85% |
| YONYOU NETWORK TECHNOLOGY CO | 600588 CH | Info Tech | CHN | 8,900 | 17 | 30 | 74 | 8 | No | -1.93% |
| H WORLD GROUP LIMITED -ADR | HTHT | Discr | CYM | 11,724 | 1 | 4 | 82 | 8 | Yes | 15.59% |
| INTERGLOBE AVIATION LTD | INDIGO IN | Industrials | IND | 9,213 | 0 | 1 | 97 | 9 | Yes | 11.72% |
| POSCO CHEMICAL CO LTD | 003670 KS | Materials | KOR | 9,960 | 1 | 8 | 90 | 8 | Yes | 44.76% |
| CITIC 21CN CO LTD | 241 HK | Discr | BMU | 6,855 | 2 | 13 | 86 | 7 | No | -13.09% |
| YUNDA HOLDING CO LTD | 002120 CH | Industrials | CHN | 7,199 | 15 | 29 | 79 | 10 | Yes | 9.47% |
| SPRING AIRLINES CO LTD | 601021 CH | Industrials | CHN | 6,576 | 1 | 4 | 93 | 9 | Yes | 10.05% |
| HONGTA SECURITIES CO LTD | 601236 CH | Financials | CHN | 5,181 | 1 | 2 | 68 | 10 | No | -0.87% |
| Average | | | | Hit Ratio (% Underperforming): 28% | | | | | | 8.38% |
| MSCI WORLD EX USA | | | | | | | | | | -3.76% |

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 +24,000 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) / Enterprise Value

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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