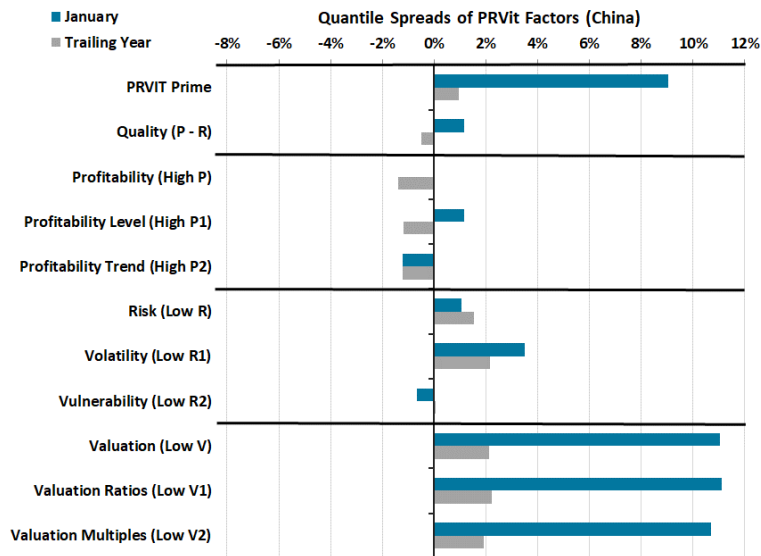


PRVit Report – China

Factor Performance

January was a strong month for PRVit as the most favorable PRVit quintile outperformed the least favorable quintile by +906bps. As markets rolled over and rate hikes loomed, cheap-Value companies were highly favored over more expensive names (see our recent [The “I” Word...Inflation Its Here](#) report). In China, the Value spread was +1105bps and was the 3rd best spread seen in the last 10 years. High-Quality companies also outperformed (+117bps), mostly driven by investors taking some Risk off (low-Risk names outperformed high-Risk names by +105bps).

Figure 1: Factor Performance Summary



Sector Attractiveness

Recently we published our [Sector Attractiveness: Global Analysis](#) which listed sectors from most favorable to least favorable for our Global universe. In **Figure 2** below, we provide similar analysis for our China universe. Over the last 20 years, the Annualized Average Return of the favorable sectors over the unfavorable sectors in China has been +421bps (for a 12-month holding period). The bar graph below shows the annualized spreads over various holding periods. See the Sector Attractiveness report for more specifics on these calculations.

Financials and Energy are the most attractive sectors. Communication Services (42), Materials (41), and Health Care (41) have PRVit scores slightly better than the average (40), but generally a PRVit score in the low 40s is not attractive.

Figure 2: Sector Attractiveness

China	PRVit	Quality	Value
Financials	64	54	33
Energy	52	38	34
Communication Services	42	44	54
Materials	41	45	56
Health Care	41	53	64
Consumer Discretionary	40	44	55
Utilities	38	30	40
Industrials	38	40	54
Consumer Staples	33	50	71
Information Technology	30	44	69
China Average	40	45	55



NOTES:

This document summarizes the performance of our PRVit stock selection model component factors over the trailing month and longer time periods. It is largely a collection of raw statistics.

Key Takeaways:

- Investors sought out cheap Value. See linked report on how rate increases tend to favor cheap-Value names.
- Two-year, daily performance can be found on page 5, **Figure 14**.
- Sector performance by PRVit, Quality, and Value can be found on page 6.

Methodology:

* The top-bottom **spread** (“spread”) is the difference in the average returns of the top and bottom 20% of stocks as ranked by a factor. The **information coefficient** (“IC”) is the cross-sectional correlation between factor ranks and future stock returns. Both are measures of signal strength where higher is better.

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HEAT MAP: Examining the Zones

Zones Explained

Our HEAT Map captures the key factors that comprise PRVit: the trade-off between Quality and Valuation. Our Quality score is plotted on the y-axis where the higher the value, the better the quality. Our Valuation factor is plotted on the x-axis where the cheaper values are to the right and the expensive values are to the left. The green areas are in the 'Favorable' region: the upper left one is our 'Expensive But Worth It' category where $PRVit > 70$, $Quality > 60$ and $Valuation > 60$ while the lower-right one is our 'Attractive Value' category where $PRVit > 70$, $Quality < 40$ and $Valuation < 40$. Our 'Best of Best' green box, which is $PRVit > 70$, $Quality > 60$ and $Valuation < 40$, contains companies with the largest disconnect between their Quality and Value. The red areas are in the 'Unfavorable' region: the upper-left one is our 'Overly Expensive Quality' where $PRVit < 30$, $Quality > 60$ and $Valuation > 60$ while the lower-right one is our 'Value Traps' where $PRVit < 30$, $Quality < 40$ and $Valuation < 40$. And, of course, we highlight the 'Worst of Worst' in the red box where $PRVit < 30$, $Quality < 40$ and $Valuation > 60$: we sometimes refer to these as 'Story Stocks' because if you own these, you better have a good story!

Figure 3: HEAT Map



Performance of Zones Summarized

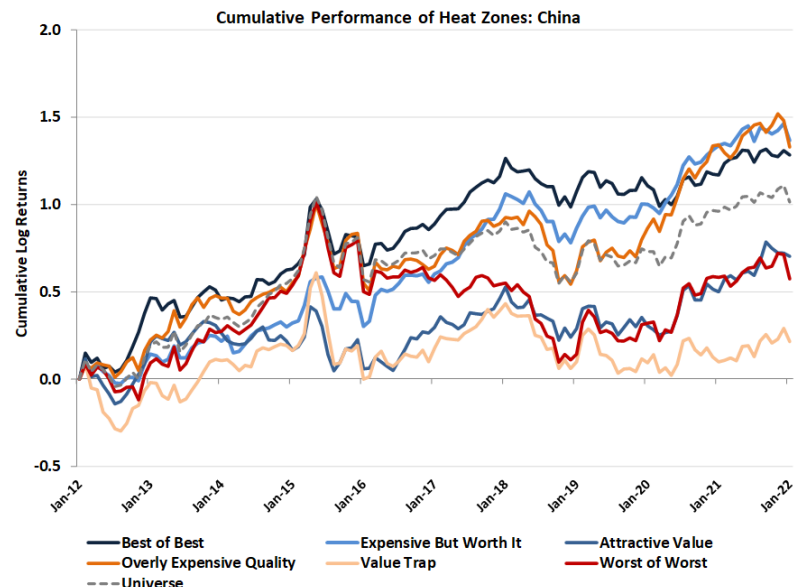
Figure 4 summarizes the average monthly alpha (vs. overall universe) over various historical time slices. In January (1M column), the **Best of the Best** and **Attractive Value** zones had the strongest performance. **Overly Expensive Quality**, which has been the strongest performing zone over time, had the worst performing months, coming in 494bps below the universe average. The **Worst of the Worst** zone had the second worst performance for the month and is generally the second worst performing zone over the last 10 years.

Figure 5 plots the long-term, month-to-month compound returns of each zone. The high-Quality zones all generate alpha over time: **Expensive But Worth It** (+23bps/month), **Overly Expensive Quality** (+31bps/month), and **Best of the Best** (+21bps/month). The equal-weighted universe average is the gray, dotted line. Total returns are plotted, so lines above the gray, dotted line are generating alpha.

Figure 4: Average Monthly Spread vs Benchmark

China Zones	Avg Monthly Active Returns					
	1M	3M	1Y	3Y	5Y	10Y
Best of the Best	6.60%	0.73%	0.50%	-0.58%	0.13%	0.21%
Expensive But Worth It	-0.11%	-0.42%	-0.16%	0.24%	0.76%	0.23%
Overly Expensive Quality	-4.94%	-3.07%	-0.45%	0.92%	0.71%	0.31%
Attractive Value	7.28%	-0.86%	1.29%	0.05%	0.19%	-0.28%
Value Trap	1.83%	1.10%	0.58%	-0.77%	-0.41%	-0.63%
Worst of the Worst	-3.90%	-1.37%	-0.45%	0.15%	-0.43%	-0.31%

Figure 5: Cumulative Zone Performance



PRVit Performance by Factor

Performance of PRVit sub-factors over time can be found in **Figure 6**. The “Avg Monthly Spread” columns represent the difference in the average returns of the top and bottom 20% of stocks as ranked by a factor. The “Avg IC” columns represent the information coefficient which is the cross-sectional correlation between factor ranks and future stock returns. We are looking for the top quintile to outperform the 2nd best quintile, the 2nd best quintile to outperform the 3rd best quintile, etc. Both are measures of signal strength where higher is better.

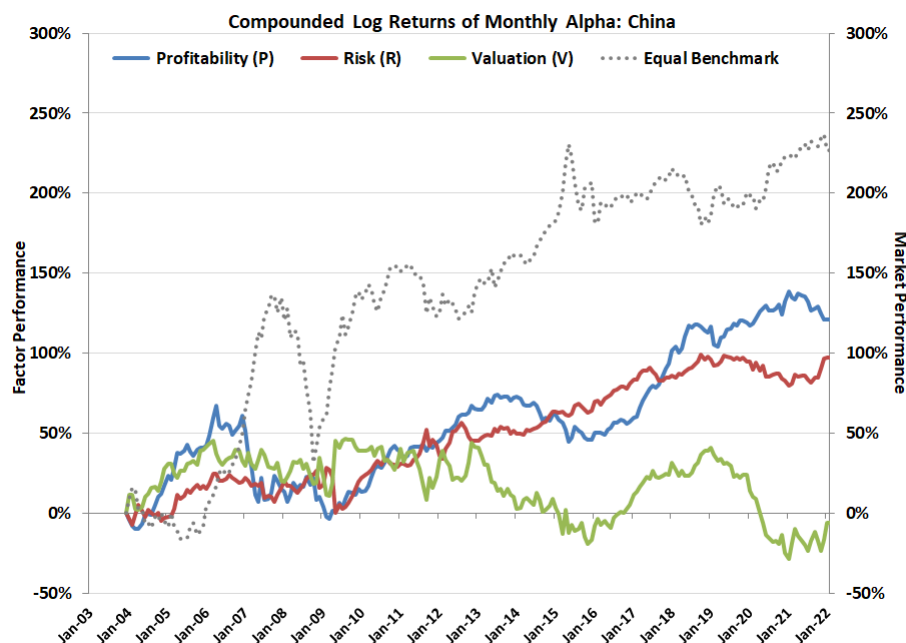
Since December 2003, PRVit generates +89bps of average alpha per month. Our Quality factor (Risk-adjusted Profitability) by itself contributes +74bps/month on average while our Value factor averages +13bps/month of alpha although over the last 12 months, Valuation has averaged +212bps/month. On page 4 we provide some graphs showing the performance of the top and bottom quintiles, not just the spreads shown in **Figure 6**.

Figure 6: PRVit Performance by Factor

China	1M		3M		1Y		3Y		5Y		10Y		Since Dec'03	
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)	0.4%	-0.01%	-6.2%	-2.65%	-2.7%	-1.40%	2.8%	0.20%	5.6%	1.10%	4.3%	0.69%	3.9%	0.66%
Profitability Level (High P1)	2.2%	1.17%	-3.4%	-1.03%	-2.0%	-1.16%	3.3%	0.27%	6.0%	1.05%	3.9%	0.45%	3.4%	0.32%
Profitability Trend (High P2)	-3.3%	-1.22%	-9.5%	-3.56%	-2.8%	-1.21%	1.7%	0.13%	3.6%	0.89%	3.6%	0.85%	3.8%	0.92%
Risk (Low R)	6.1%	1.05%	12.1%	4.45%	6.0%	1.55%	2.5%	0.09%	3.5%	0.27%	4.4%	0.55%	3.5%	0.51%
Volatility (Low R1)	12.7%	3.49%	14.6%	4.63%	9.2%	2.17%	3.9%	0.13%	4.8%	0.31%	5.0%	0.40%	3.5%	0.24%
Vulnerability (Low R2)	-3.1%	-0.65%	3.3%	1.21%	0.2%	0.05%	0.2%	0.03%	0.8%	0.08%	1.5%	0.36%	1.7%	0.53%
Quality (High P - R)	3.3%	1.17%	-1.2%	-0.43%	-0.2%	-0.51%	3.3%	0.16%	6.0%	1.02%	5.1%	0.79%	4.6%	0.74%
Valuation (Low V)	40.7%	11.05%	16.1%	4.06%	9.3%	2.12%	-1.7%	-1.14%	1.1%	-0.18%	0.8%	-0.19%	1.1%	0.13%
Valuation Ratios (Low V1)	39.7%	11.10%	16.3%	4.13%	9.4%	2.22%	-1.7%	-1.16%	0.7%	-0.24%	0.7%	-0.19%	1.2%	0.21%
Valuation Multiples (Low V2)	37.8%	10.70%	14.8%	3.99%	8.3%	1.92%	-1.0%	-1.01%	2.0%	-0.06%	1.0%	-0.24%	0.9%	-0.01%
PRVit	31.4%	8.80%	9.5%	1.73%	5.8%	0.79%	2.0%	-0.51%	6.0%	0.81%	4.9%	0.57%	4.6%	0.85%
PRVit Prime	31.6%	9.06%	9.7%	2.11%	6.0%	0.97%	2.1%	-0.49%	6.1%	0.83%	4.9%	0.59%	4.7%	0.89%

Figure 7: Cumulative Factor Performance

The colored lines represent compounded total alpha (long alpha + short alpha) coming from our Profitability, Risk, and Value factors. The ‘Equal Benchmark’ line is the equal-weighted average return of the universe. Note that the benchmark is plotted on the secondary y-axis to show directional movements of the market. The drop in Value (green line) had been dramatic over the last 2 years but bounced back some at the beginning of 2021 and has fluctuated for most of the trailing year. Our Risk factor’s alpha had also been declining as investors had been rewarding high-Risk names over low-Risk names (June 2019 – January 2021), but since January 2021, the Risk spread has averaged +155bps/month.



Cumulative Factor Performance Long and Short

In the graphs below, we breakout the alpha from **Figure 7** on page 3 by showing the performance of the top and bottom quintiles of Profitability (P), Risk (R), Value (V), and PRVit. For Profitability, avoiding the worst names generates slightly more alpha than buying the top quintile. Risk performance is fairly balanced between long and short (after not mattering much from 2003 to 2009). Avoiding the most expensive quintile generated alpha from 2014 to 2018 but the expensive names had risen significantly for a couple of years (red line moving up) until the recent drop.

In **Figure 11** we provide the top and bottom quintile performance for our PRVit factor which combines P, R, and V: note that the bottom quintile significantly underperforms the universe. On page 5, we look at long and short alpha for PRVit over various time slices.

Green lines = Compounded return of the top quintile of a factor
Red lines = Compounded return of the bottom quintile of a factor
Dotted lines = Compound return of the equal-weighted universe
Difference between the green line and the dotted line is long alpha
Difference between the red line and the dotted line is short alpha
Difference between the green line and the red line is the total alpha (total spread)

Figure 8: Profitability

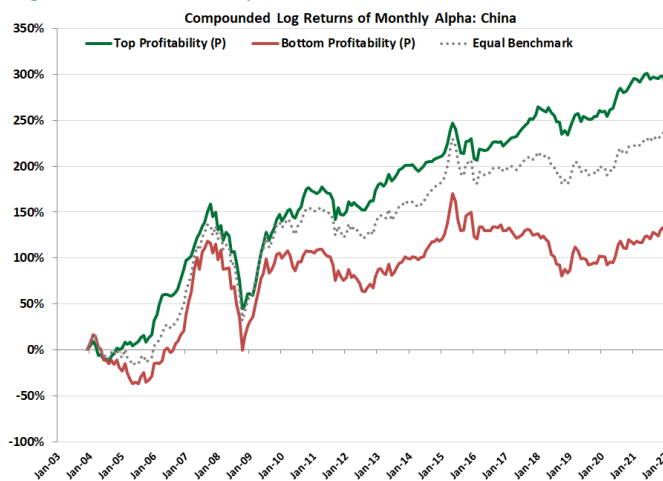


Figure 9: Risk

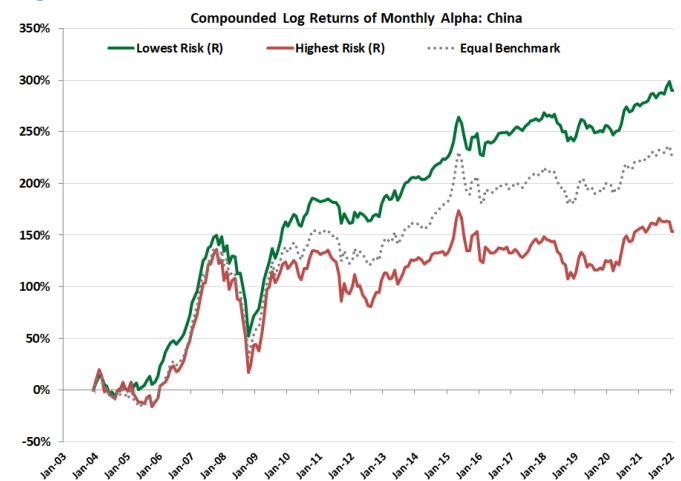


Figure 10: Value

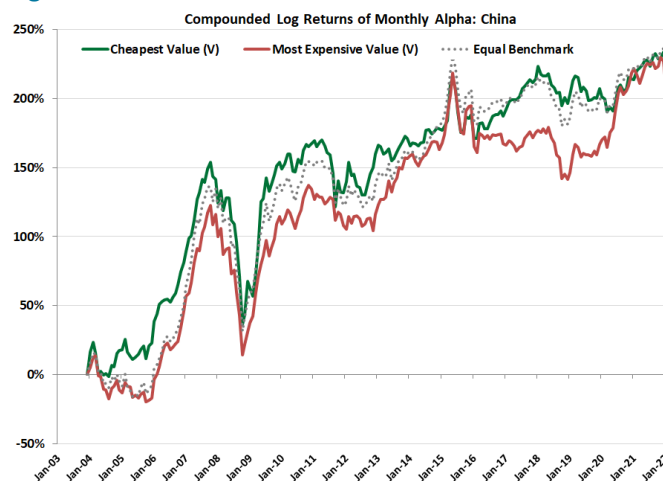
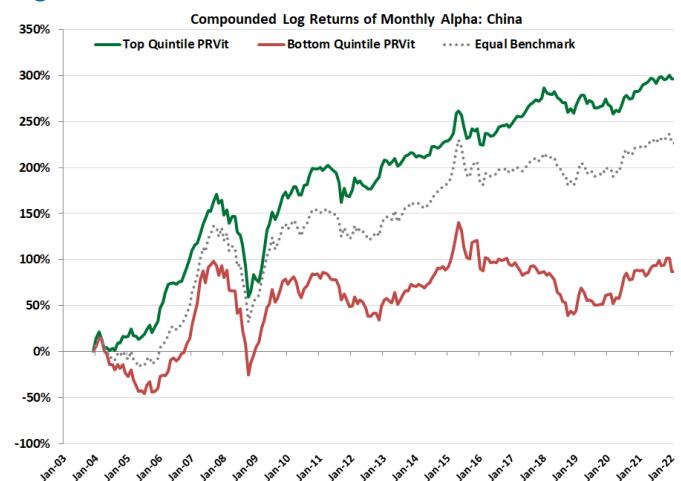


Figure 11: PRVit



PRVit Performance by Quintiles and Long/Short Over Various Time Slices on Next Page

PRVit Performance by Quintiles and Long/Short

Figure 12 plots the average monthly return of each quintile of PRVit relative to the universe. In **Figure 13**, we break down the alpha generation coming from going ‘long’ (buying top quintile) or ‘short’ (avoiding the bottom quintile).

In January, the top quintile outperformed the universe (+525bps) and was the best-performing quintile. The bottom quintile underperformed the universe (-381bps) and was the worst-performing quintile. The total PRVit spread was +906bps for the month – the 4th best month over the last 10 years. Over the long term, results are monotonic (best quintile outperforms 2nd best quintile, 2nd best quintile outperforms the 3rd best quintile, etc). Since December 2003, avoiding the bottom quintile generates more alpha (57bps) than the top quintile (32bps).

Figure 12: Stock Returns by PRVit Quintiles

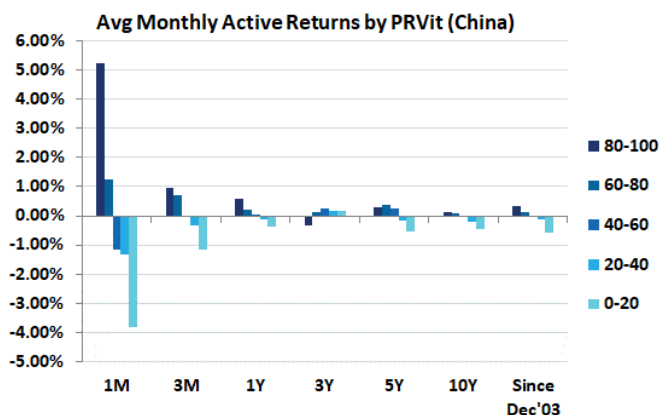
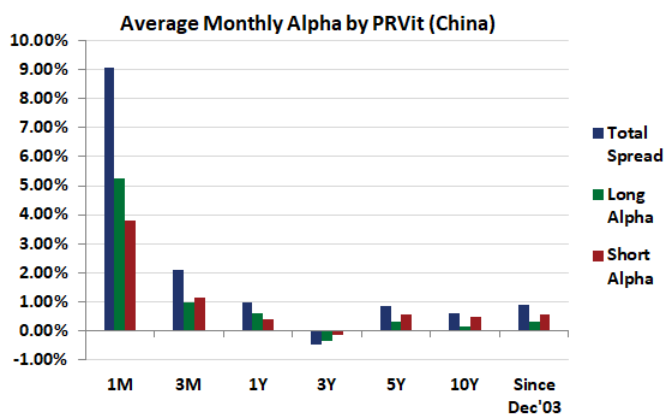


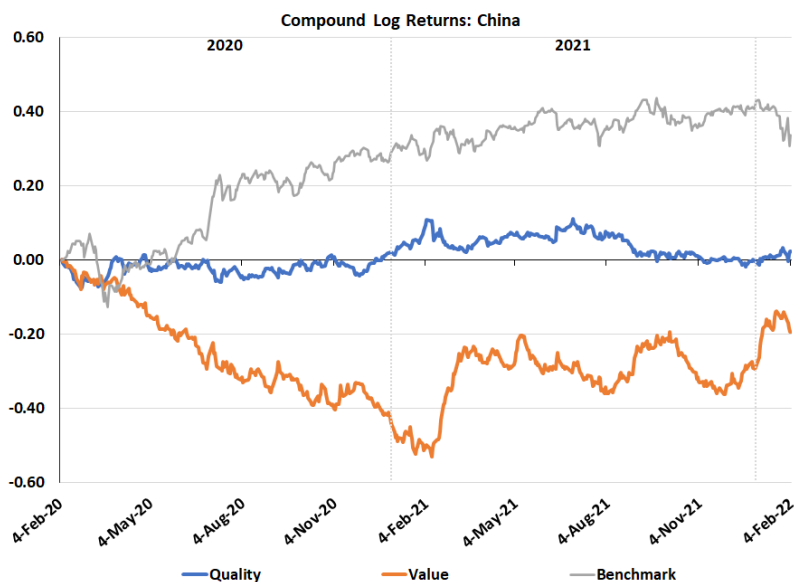
Figure 13: Long and Short Alpha



Factor Rotation

The graphs below contain the compound log returns of the total alpha coming from Quality and Value as well as the equal-weighted benchmark for the last 2 years. Note: the ‘benchmark’ line is included to show market direction, when the colored factor lines (blue=Quality, orange=Value) are moving up, the factor is generating alpha and when the line is over the ‘0’ line of the y-axis, the factor has had positive cumulative alpha.

Figure 14



China

Cheap Value started moving up at the end of 2021 and accelerated in the first week of January, even before markets really rolled over. Quality also moved up in January although not as dramatically.

PRVit Performance by Sector

In January (1M columns), the positive spread for PRVit hit all sectors – Consumer Discretionary saw a +369bps spread which was the lowest of all sectors (**Figure 15**). **Figure 16** shows how our Quality factor works well in most sectors over time (Materials being an exception). In contrast, **Figure 17** shows the trouble that Valuation has had in a lot of sectors over time despite very strong performance over the last year in most sectors.

Figure 15: PRVit Performance by Sector

PRVit vs Industry	1M		3M		1Y		3Y		5Y		10Y		Since Dec 2003	
China	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
ENERGY	44.0%	13.43%	14.9%	5.12%	9.1%	3.35%	7.0%	1.92%	7.3%	1.42%	3.6%	0.26%	3.3%	0.60%
MATERIALS	37.3%	8.24%	13.4%	1.16%	1.2%	-1.45%	-2.9%	-1.97%	3.5%	0.42%	2.5%	0.53%	2.7%	0.61%
INDUSTRIALS	36.6%	9.99%	16.6%	3.88%	5.4%	0.67%	3.7%	-0.01%	7.5%	1.06%	6.2%	0.92%	5.4%	1.01%
CONS DISC	19.5%	3.69%	6.6%	-0.36%	7.2%	0.82%	4.1%	-0.08%	7.4%	1.25%	6.2%	0.81%	5.5%	1.08%
CONS STAP	19.0%	9.33%	-1.4%	0.44%	-1.3%	-0.27%	1.4%	-0.25%	8.5%	1.58%	4.6%	0.93%	5.1%	0.71%
HEALTH CARE	28.3%	11.31%	24.1%	10.66%	14.0%	5.76%	2.6%	-0.42%	6.8%	0.65%	5.0%	0.89%	3.3%	1.43%
FINANCIALS	39.0%	5.71%	-3.3%	-1.04%	7.2%	0.86%	0.9%	-1.18%	6.3%	0.43%	6.0%	0.49%	5.2%	1.06%
INFO TECH	21.1%	7.24%	8.1%	0.93%	6.6%	0.81%	2.7%	-0.75%	5.6%	0.55%	3.9%	-0.04%	4.1%	0.53%
COMM SVC	29.7%	8.47%	8.2%	6.02%	6.1%	3.16%	1.9%	-0.55%	7.0%	1.20%	9.8%	0.46%	9.2%	1.39%
UTILITIES	34.1%	7.57%	16.1%	2.94%	7.7%	0.12%	0.4%	-0.29%	2.4%	-0.28%	4.6%	0.51%	4.9%	0.53%
REAL ESTATE	30.3%	16.08%	-1.8%	1.21%	4.7%	1.80%	6.1%	2.68%	7.9%	2.31%	7.6%	2.31%	7.6%	2.31%

Figure 16: Quality Performance by Sector

Quality vs Industry	1M		3M		1Y		3Y		5Y		10Y		Since Dec 2003	
China	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
ENERGY	30.9%	5.79%	13.7%	1.37%	0.0%	2.56%	3.4%	3.05%	2.3%	1.88%	0.4%	1.23%	3.1%	1.87%
MATERIALS	-3.2%	0.57%	-1.4%	0.30%	-5.7%	-2.94%	-3.0%	-1.84%	0.2%	-1.00%	0.7%	-0.38%	0.9%	-0.41%
INDUSTRIALS	-3.9%	-2.23%	-1.4%	-0.71%	-1.6%	-0.65%	5.9%	1.09%	7.7%	1.63%	6.5%	1.27%	5.2%	0.96%
CONS DISC	6.3%	0.01%	-2.9%	-1.48%	0.9%	-0.67%	5.3%	0.20%	8.2%	1.19%	6.8%	0.95%	5.5%	0.89%
CONS STAP	-9.4%	0.42%	-9.8%	-1.99%	-4.9%	-0.72%	4.1%	0.86%	11.4%	2.27%	7.7%	1.16%	7.6%	1.21%
HEALTH CARE	-2.8%	2.89%	4.5%	4.65%	4.5%	4.08%	4.6%	1.52%	8.7%	1.86%	5.5%	0.35%	4.7%	0.31%
FINANCIALS	29.8%	4.36%	-5.6%	0.49%	2.9%	0.76%	1.8%	0.06%	5.3%	0.76%	5.1%	0.68%	3.9%	0.77%
INFO TECH	3.9%	2.13%	2.3%	0.43%	3.5%	0.21%	2.5%	0.30%	4.9%	1.22%	4.3%	0.91%	3.8%	0.57%
COMM SVC	6.9%	-1.41%	11.6%	5.69%	-0.1%	-0.18%	3.5%	0.78%	7.7%	1.86%	9.2%	1.00%	8.6%	1.41%
UTILITIES	47.0%	6.70%	16.7%	1.71%	0.2%	-2.06%	-1.8%	-1.77%	1.3%	-0.33%	3.6%	0.20%	3.6%	0.25%
REAL ESTATE	23.5%	5.48%	-8.5%	-2.80%	3.1%	0.43%	4.7%	1.50%	4.6%	0.80%	4.2%	0.96%	4.2%	0.96%

Figure 17: Value Performance by Sector

Value vs Industry	1M		3M		1Y		3Y		5Y		10Y		Since Dec 2003	
China	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
ENERGY	42.8%	11.05%	12.0%	3.06%	13.0%	2.62%	7.5%	2.10%	8.6%	2.00%	5.0%	0.77%	2.1%	0.33%
MATERIALS	49.9%	13.42%	19.2%	2.48%	7.5%	1.29%	-1.6%	-1.23%	4.3%	1.65%	3.2%	0.95%	3.2%	1.06%
INDUSTRIALS	51.0%	13.01%	23.5%	6.25%	9.4%	2.12%	-2.6%	-1.30%	1.8%	-0.16%	1.4%	-0.19%	1.4%	0.06%
CONS DISC	21.4%	4.31%	12.6%	4.57%	10.5%	3.14%	-0.7%	-0.67%	0.0%	-0.45%	0.1%	-0.48%	0.9%	-0.24%
CONS STAP	49.2%	16.97%	20.0%	2.91%	9.9%	0.44%	-3.5%	-0.75%	-6.3%	-1.54%	-4.6%	-0.93%	-4.4%	-1.31%
HEALTH CARE	45.5%	12.90%	31.8%	10.67%	15.5%	3.66%	-3.5%	-1.77%	-4.1%	-1.48%	-1.2%	-0.71%	-1.9%	-0.77%
FINANCIALS	30.2%	7.13%	-1.7%	0.56%	6.0%	1.18%	-0.7%	-1.39%	4.4%	1.31%	3.4%	1.06%	2.7%	1.17%
INFO TECH	28.5%	7.95%	11.3%	1.26%	5.0%	0.17%	-1.7%	-0.79%	0.6%	0.18%	-0.3%	-0.17%	0.9%	0.02%
COMM SVC	38.7%	16.98%	3.6%	6.16%	10.7%	5.06%	-1.7%	-1.56%	5.5%	-1.42%	7.2%	-1.40%	6.7%	-0.58%
UTILITIES	-1.3%	-2.04%	7.1%	2.16%	10.3%	4.34%	2.2%	2.14%	0.4%	1.28%	0.0%	0.67%	1.9%	0.51%
REAL ESTATE	19.4%	2.72%	3.2%	5.60%	0.1%	5.27%	1.5%	2.48%	4.1%	2.21%	4.6%	2.23%	4.6%	2.23%

What is PRVit?

PRVit is a platform that translates underlying EVA Fundamentals into EVA metrics (Profitability, Risk, Value) that can be ranked and then compared relative to the broader market or intra-industry. To be clear, PRVit is not a black box ranking system. PRVit systematically links company fundamentals and market values to economic (EVA) metrics and the resulting score is a percentile rank. In other words, a company with a PRVit rank of 80 is in the 80th percentile in its industry with respect to its underlying economics relative to the price of the stock in the market. Higher PRVit is better. When fundamentals exceed valuation, the overall PRVit ranking will move higher. See below for more including the individual factors which comprise the PRVit score.

Profitability Score (“P”) is a percentile rank from 0-100 (higher is better) that ranks all companies vs. industry. Consists of current EVA Profitability Level metrics (“P1”) and EVA Profitability Trends (“P2”) over the last quarter, year, and three years. These two components are then re-ranked vs. the industry to calculate an overall EVA Profitability score (“P”). EVA Profitability is then scaled to Risk to determine level of confidence that EVA Profitability is sustainable.

Risk Score (“R”) is scaled from 0-100 where lower is less risky. Volatility (“R1”) measures the 3-year standard deviations of stock price and EVA Margin; Vulnerability (“R2”) measures FCF and leverage. FCF Rate = (ROC – Capital Growth Rate). Op Cash Gen. Return = FCF before Capex, but net of working capital.

Quality (“P – R”) combines EVA Profitability (“P”) and Risk (“R”) scores to form the **Risk-adjusted Profitability** ranking.

We compare the **Quality** to the **Valuation Score (“V”)**, a composite of EVA-centric valuation multiples (lower means cheaper) to compute our PRVit score.

Understanding PRVit – Screen shots from EVAexpress.com

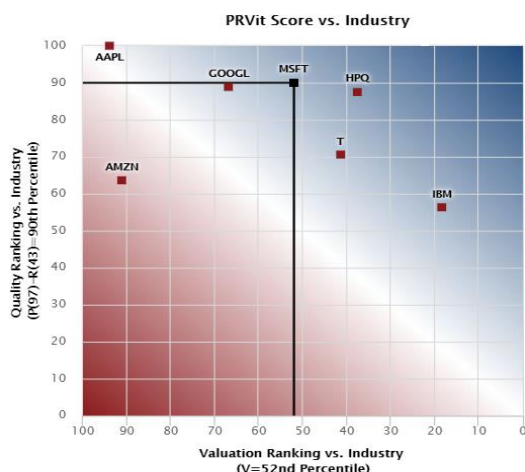
PRVit Global Score = raw percentile ranking of company vs. the market.

PRVit Prime Score = PRVit Global Score less an adjustment for country and industry-specific biases. All #'s are from 0-100 (higher is better). PRVit U.S. Score (not shown) is vs. the U.S. market. Industry score vs. its U.S. industry.

Market Cap (USD)	Share Price (USD)	PRVit Global Score	PRVit Prime Score vs. Ind Group	PRVit Prime Score vs. Country	PRVit Prime Score
1,059.0B	139.94	45	60	64	62
Sell 0-19	Underweight 20-39	Hold 40-59	Overweight 60-79	Buy 80-100	

PRVit HEAT Map. Vertical axis = **Quality** Ranking: the higher, the better. Horizontal axis = **Value** Ranking (the further left, the more expensive). **PRVit** score is ranking difference between **Quality** (“P-R”) and **Value** (“V”).

Further in the blue region, the better.



97 Profitability (P)						Higher is better
97 Profitability Level (P1)						Financial strength in generating a return on the full cost of capital
	MSFT	25th	50th	75th	% Industry	
EVA Margin (EVA/Sales)	23.3%	-16.3%	-5.3%	3.1%	98	
EVA Spread (EVA/Capital)	29.2%	-20.6%	-4.8%	2.4%	96	
90 Profitability Trend (P2)						The growth rate in the firm's economic profit (its EVA)
	MSFT	25th	50th	75th	% Industry	
1-Qtr. EVA Mo. (vs Cap)	7.8%	-9.7%	-0.6%	3.9%	84	
1-Yr. EVA Mo. (vs Cap)	6.1%	-3.9%	-0.4%	4.5%	77	
3-Yr. EVA Mo. (vs Cap)	7.9%	-2.8%	0.6%	2.7%	91	

43 Risk (R)						Lower is better
58 Volatility (R1)						Variability in stock price and the EVA profit margin
	MSFT	25th	50th	75th	% Industry	
Stock Price Volatility	24%	33.2%	40.0%	51.2%	3	
EVA Margin Volatility	2.3%	3.0%	5.1%	7.4%	7	
34 Vulnerability (R2)						Leveraged, negative cash flow firms are suspect
	MSFT	25th	50th	75th	% Industry	
Free Cash Flow / Capital	13%	-0.5%	-16.5%	-63.3%	8	
Op Cash Gen / Total Gross Cap	81%	94.6%	62.6%	33.5%	34	
Total Debt/Total Capital	38%	14.5%	28.3%	47.2%	62	
Total Debt/EBITDAR	1.3	0.8	1.9	4.3	38	

52 Valuation (V)						Lower is better
66 Price/Book (V1)						Valuation multiples to book capital (as adjusted)
	MSFT	25th	50th	75th	% Industry	
MVA Margin (MVA/Sales)	716%	243.1%	501.6%	940.0%	66	
MVA Spread (MVA/Capital)	810%	185.9%	557.4%	1,226.1%	65	
27 Price/Earnings (V2)						Valuation multiples to cash flow, earnings, EVA
	MSFT	25th	50th	75th	% Industry	
EBITDAR Multiple	13.3	11.3	21.7	40.9	33	
NOPAT Multiple	27.4	33.8	57.3	113.7	14	
Future Growth Reliance	48%	71%	90%	115%	9	

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 22,000+ 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) / 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

Best Practice EVA ([link](#)): A summary of Bennett Stewart's most recent book on EVA, available for purchase on [Amazon.com](#)

What Determines TSR ([link](#)): Insight into the relationship between EVA and stock prices

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