Names in the News: WDAY & BYD (1211 HK)

Workday, Inc. (WDAY) & BYD Company Limited (1211 HK)

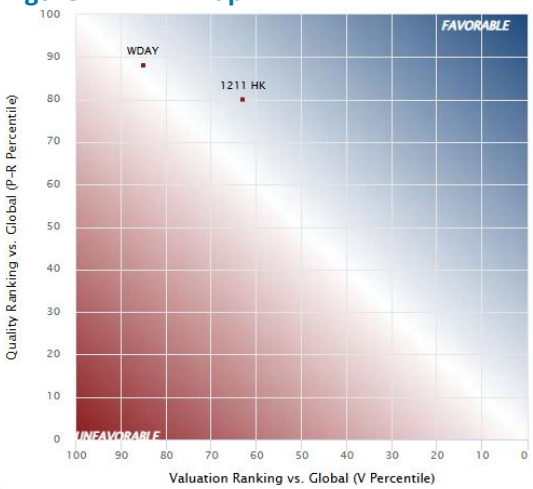
This week, we cover two 'Expensive but Worth It' large cap names, **Workday, Inc.** (**WDAY**, rated '**Overweight**') and **BYD Company Limited** (**1211 HK**, rated '**Overweight**'). **WDAY** posted strong numbers last week, with EVA Momentum seeing further acceleration, and announced the acquisition of Paradox, a candidate experience agent that uses conversational AI to simplify the recruitment journey. **1211 HK**, ahead of quarterly earnings scheduled to be announced tomorrow, saw a 225% increase in the number of cars sold in Europe for the month of July (year-on-year), continuing to take share away from **TSLA** (rated '**Sell**'). **WDAY** has seen EVA Momentum (growth) accelerate further to 1.2% as of the quarter ending July after inflecting upward in the previous quarter, driven by slowing but strong top-line growth, EBITDAR Margin expansion, and improving asset efficiency. While FGR is currently at the lowest level compared to its historical range, Valuation for the firm is still very high, with more than 80% of the current market value dependent on future EVA creation. We keep a positive outlook on **WDAY**, given its very strong Quality (P-R) and improving EVA Fundamentals backdrop, but remain cognizant of very high expectations being already baked into the stock price at this stage.

We also look at **BYD (1211 HK)**. EVA Momentum (growth) bottomed out in Q4 2024 and inflected positive in Q1 2025, led by strong top-line growth and EBITDAR Margin expansion. EVA Margin deteriorated through 2024 but has recovered back to the recent peak of 5.2% as of the March quarter and is near the highest level in 15 years. FGR has continued to trade below its long-term range since Q3 2023 as investors turn less bullish on the firm's ability to maintain its current level of economic profitability and EVA growth going forward. **BYD (1211 HK)** currently has very strong Risk-Adjusted Profitability (Quality), with EVA Momentum having just turned positive and EVA Margin being near the highest level in 15 years. Valuations also do not look overly stretched at this stage. We keep a positive view on the firm.

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
WORKDAY INC	WDAY	U.S.	61,556	1.2%	1.2%	61	88	85	-11.0%	69.25
BYD COMPANY LTD	1211 HK	China	138,503	5.2%	2.4%	78	80	63	28.3%	47.20

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.

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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.

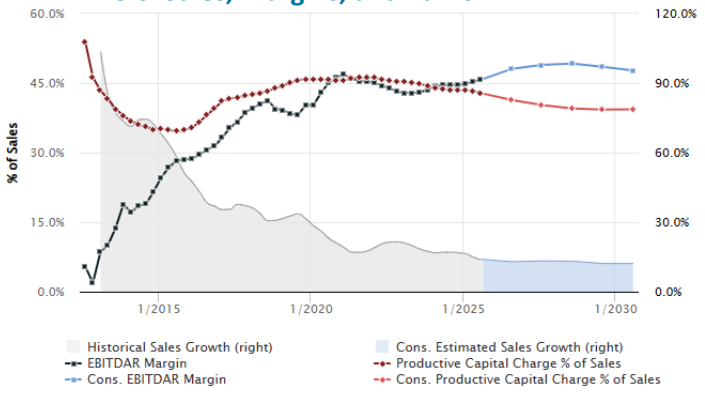
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Workday, Inc. (WDAY)

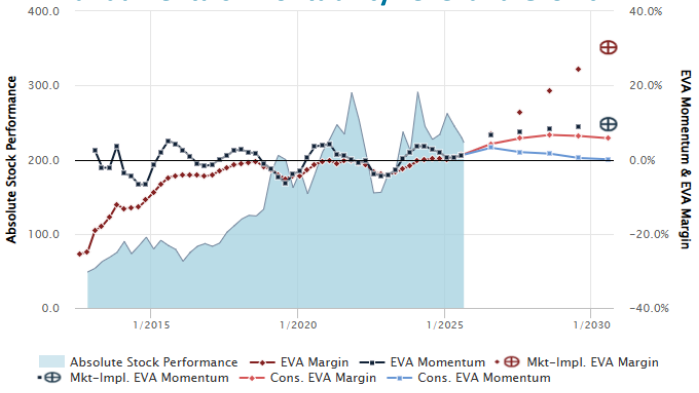
PRVit Recommendation: 'Overweight' – Expensive but Worth It

- Sales Growth (TFQ) has decelerated within the last three quarters but remains favorable at 13.9% as of the quarter ending July, driven by growth in Subscription revenues.
- EBITDAR Margin is currently at 45.7% after seeing a 280bps expansion over 9 consecutive quarters, now only 120bps away from record highs of 2021. This was driven by a strong improvement in adjusted SG&A expenses, relative to sales.
- The Productive Capital Charge (lower is more favorable) has continued to improve since peaking out in late 2021, led by moderation in the R&D and PP&E charges, partly offset by a slight increase in the Working Capital charge over the last three quarters.
- EVA Margin turned positive for the first time ever in Q1 of fiscal 2025 but moved sideways through the year. The metric expanded by 110bps within the last two quarters, H1 of fiscal 2026, and is currently at 1.2% as of the quarter ending July.
- EVA Momentum (growth) bottomed out in Q1 FY2026 and accelerated further in Q2 to 1.2%, driven by favorable top-line growth, EBITDAR Margin expansion, and improving asset efficiency.
- Embedded expectations for growth (FVA) have become less bullish over the first two quarters of the current fiscal but are still elevated relative to history. Future Growth Reliance (FGR) has continued to trend lower throughout its history and is currently at record lows of 84%. While FGR is currently at the lowest level compared to its historical range, Valuation for the firm is still very high, with more than 80% of the current market value dependent on future EVA creation.
- We keep a positive outlook on **WDAY**, given its very strong Quality (P-R) and improving EVA Fundamentals backdrop, but remain cognizant of very high expectations being already baked into the stock price at this stage.

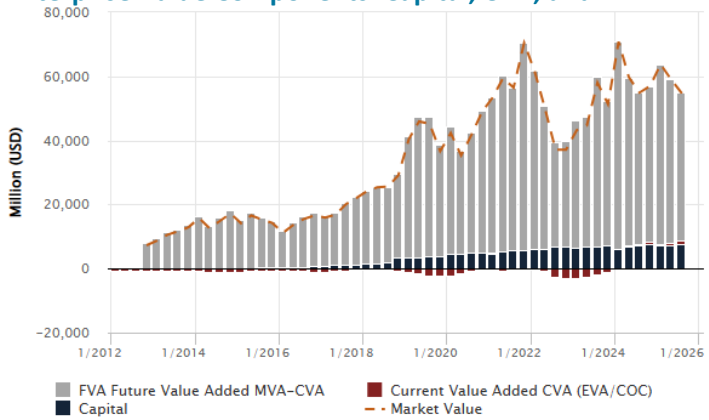
EVA Drivers: Sales, Margins, and Turns



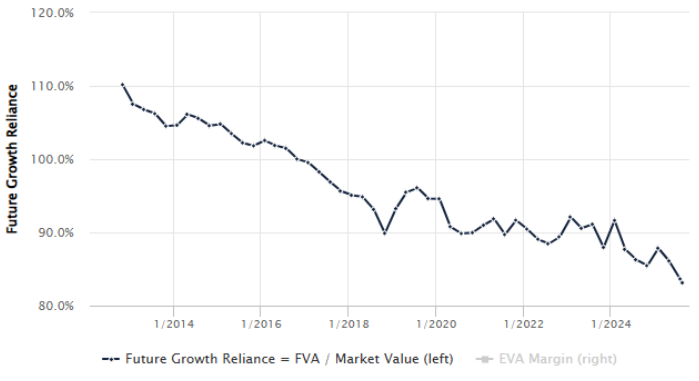
EVA Fundamentals: Profitability Level and Growth



Enterprise Value Components: Capital, CVA, and FVA



Future Growth Reliance (FGR): Market Expectations

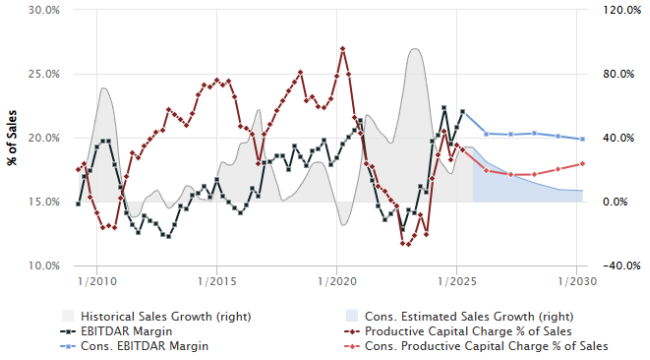


BYD Company Limited (1211 HK)

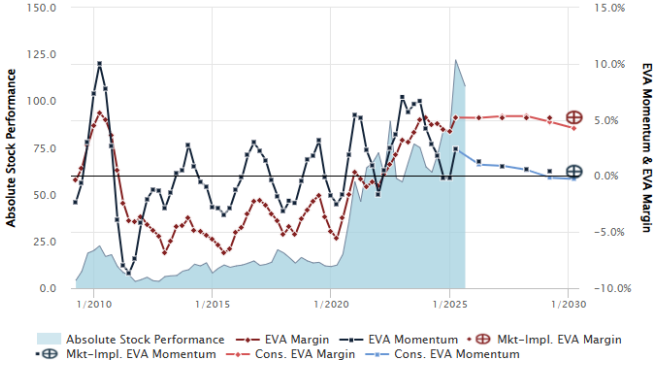
PRVit Recommendation: 'Overweight' – Expensive but Worth It

- Sales Growth (TFQ) has accelerated over the last three reported quarters and was very strong, at 34%, as of the quarter ending March 2025.
- EBITDAR Margin saw a 250bps jump within the last two quarters, to 22%, and is currently only 30 bps away from its record high seen in Q2 2024.
- The Productive Capital Charge (lower is more favorable) has trended slightly lower since peaking out in Q2 2024, led by a moderation in the PP&E Charge, offset partly by increasing R&D investment in the recent quarters.
- EVA Margin deteriorated through 2024 but has recovered back to the recent peak of 5.2% as of the March quarter and is near the highest level in 15 years.
- EVA Momentum (growth) bottomed out in Q4 2024 and inflected positive in Q1 2025, led by strong top-line growth and EBITDAR Margin expansion.
- Embedded expectations for growth (Future Value Added, FVA) have turned more bullish through the last 5 quarters at a time when Current Value Added (CVA) moved sideways through 2024, near historically high levels, before moving to a new high in Q1. FGR bottomed in Q4 2023 at 15%, rebounding to 43% in Q3 2024, but has since trended down to 32%. FGR has continued to trade below its long-term range since Q3 2023 as investors turn less bullish on the firm's ability to maintain its current level of economic profitability and EVA growth going forward.
- **BYD (1211 HK)** currently has very strong Risk-Adjusted Profitability (Quality), with EVA Momentum having turned positive and EVA Margin near the highest level in 15 years; Valuations also do not look overly stretched at this stage, leaving us with a positive outlook for the firm.

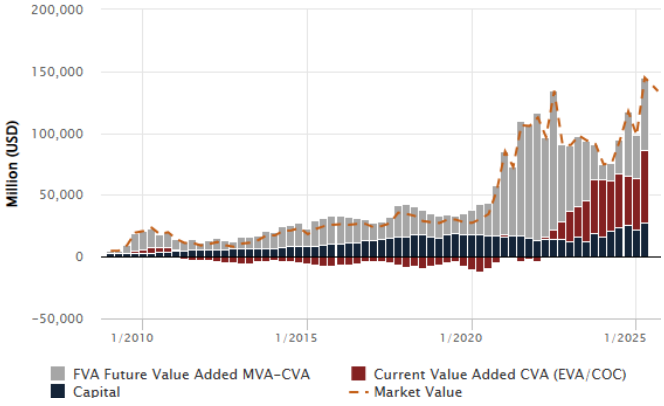
EVA Drivers: Sales, Margin, and Turns



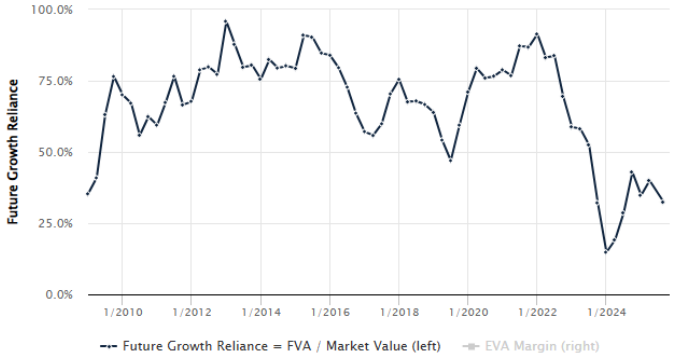
EVA Fundamentals: Profitability Level and Growth



Enterprise Value Components: Capital, CVA, and FVA



Future Growth Reliance (FGR): Market Expectations



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

ISS ESG Performance for Workday, Inc. (WDAY)

ESG RATING

B

PERFORMANCE SCORE

69.3

PRIME STATUS

Prime

PRIME THRESHOLD

C

DISTRIBUTION OF RATINGS

311 companies in the industry



ISS ESG Performance for BYD Company Limited (1211 HK)

ESG RATING

C

PERFORMANCE SCORE

47.2

PRIME STATUS

Not Prime

PRIME THRESHOLD

C+

DISTRIBUTION OF RATINGS

51 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 TRVs, including the WDAY 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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