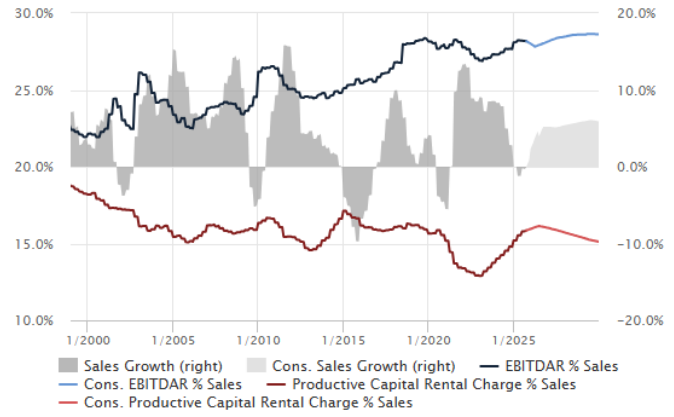
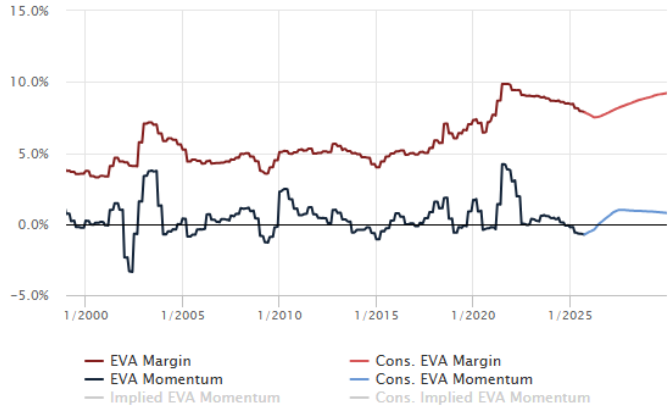
Industry Snapshot: Global Beverages

- **Summary:** EVA Momentum (growth) for the industry has been pressured since H2 2023, at a time when EVA growth for the Consumer Staples sector has recovered close to positive territory. Embedded growth expectations have moved lower over the past two years but relative Valuation levels, especially for the Large Cap names, remain elevated. With P&L Profitability already near historic highs, we expect the recovery in top-line growth to drive the next leg of growth in EVA.
- **EVA Drivers:** Sales growth (TFQ) was pressured through H1 this year but has recovered very close to 0% as of September after bottoming out at -1.2% in May. EBITDAR Margin has plateaued since March near historically high levels of 28.2%, only 20bps away from the all-time highs in 2019. The Productive Capital Charge (higher is less favorable) has trended to the highest level in 5 years, due to weak top-line growth and increases in PP&E and Intangible Capital charges (% of sales).
- **EVA Fundamentals:** EVA Margin has seen a 200bps contraction since peaking out in Q3 2021, to 7.9% as of September. This is higher than the pre-COVID highs but the lowest in 5 years. EVA Momentum (growth) turned negative in September last year and has continued to deteriorate over the past 12 months, trending at the lowest level since 2015, at -0.7%.
- **Expectations:** Embedded growth expectations (Future Value Added, FVA) have turned less bullish over the last two years, at a time when Current Value Added (CVA) has contracted back to five-year lows. Future Growth Reliance (FGR) was trading at 23% in September, down from the 2023 highs of 31% and near the 15-year mid-range. Investors, however, are more hopeful of a potential bottoming in EVA growth now than they were at the start of the year, but that is yet to materialize.

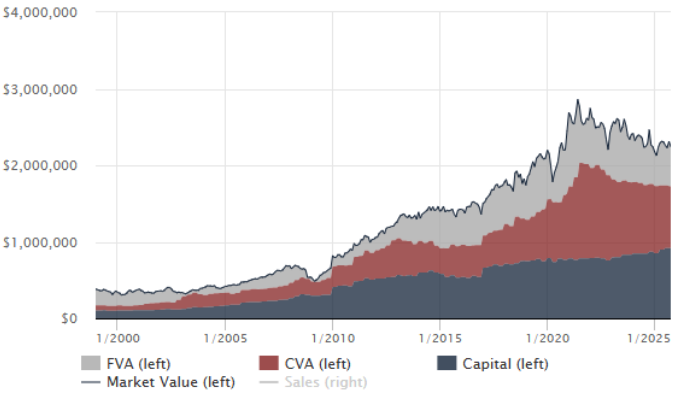
EVA Drivers



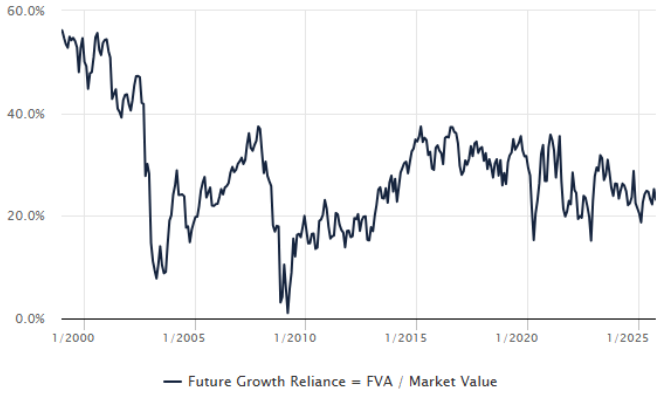
EVA Fundamentals



Enterprise Value Components



Future Growth Reliance (FGR)



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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

Top 10 Largest Firms by Market Cap

- The cohort is moderately rated in the PRVit framework, as very strong Risk-Adjusted Profitability is offset by relatively high Valuations. **000858 CH** is the most attractive name within the cohort (rated '**Buy**'). **600519 CH** and **9633 HK** also look strong (rated '**Overweight**').
- The cohort has a very strong average EVA Margin of 16.8%, with all firms exhibiting positive economic profitability and 60% of names also demonstrating positive EVA Momentum (growth) as of the latest financials.
- **KO**, **9633 HK**, **MNST**, **DEO**, **HEINY**, and **CCEP** have seen an improving EVA Momentum (growth) trend through one or more quarters.
- **PEP**, **DEO**, **HEINY**, and **CCEP** currently achieve an ISS ESG Prime rating (ISS ESG Performance score ≥ 50).

Name	Ticker	Country	Mkt Cap ($mm)	EVA Margin (%)	EVA Momentum (%)	EVA Momentum Post-Inflection Count	PRVit Score	Quality (P-R)	Profitability Score (P)	Risk Score (R)	Valuation Score (V)	Return YTD	ESG Perf Score
COCA-COLA CO	KO	U.S.	294,907	19.7%	-1.5%	1	23	79	86	57	87	12.4%	44.27
KWEICHOW MOUTAI CO LTD	600519 CH	China	255,687	42.3%	4.8%	-1	79	100	98	6	95	-2.7%	39.23
PEPSICO INC	PEP	U.S.	210,351	9.1%	-1.2%	-8	39	80	79	39	72	3.9%	57.46
ANHEUSER-BUSCH INBEV -ADR	BUD	Belgium	125,800	6.7%	0.4%	-2	50	66	69	51	44	26.9%	44.75
NONGFU SPRING CO LTD	9633 HK	China	77,169	24.3%	0.6%	2	61	96	97	30	99	55.6%	42.22
MONSTER BEVERAGE CORP	MNST	U.S.	69,077	17.8%	1.1%	1	49	99	95	5	97	33.6%	21.93
YIBIN WULIANGYE CO LTD	000858 CH	China	65,947	32.1%	1.2%	-4	92	100	96	2	76	-9.4%	27.81
DIAGEO PLC -ADR	DEO	U.K.	54,467	14.2%	-1.9%	4	25	67	72	54	59	-26.8%	58.74
HEINEKEN NV -ADR	HEINY	Netherlands	47,308	0.2%	-1.5%	2	25	44	46	54	49	5.3%	54.55
COCA-COLA EUROPACIFIC PARTNE	CCEP	U.K.	41,720	1.2%	0.1%	6	39	72	59	19	49	19.1%	55.82
Average				16.8%	0.2%		48	80	80	32	73	11.8%	44.68

***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 has very strong Quality and relatively moderate Valuation levels. The cohort exhibits strong economic profitability, with 60% of firms registering above 5% and only one firm in the negative territory (**TAP**) as of the latest reported financials.
- **000858 CH** also appears in the 'Top 10 Largest Firms by Market Cap' list mentioned above.
- The following firms demonstrate positive EVA Fundamentals as of the latest quarter: **506 HK**, **SAM**, **291 HK**, **000858 CH**, **000729 CH**, and **GSMI PM**.

Name	Ticker	Country	Mkt Cap ($mm)	EVA Margin (%)	EVA Momentum (%)	EVA Momentum Post-Inflection Count	PRVit Score	Quality (P-R)	Profitability Score (P)	Risk Score (R)	Valuation Score (V)	Return YTD	ESG Perf Score
CHINA FOODS LTD	506 HK	China	1,455	3.3%	1.0%	4	99	98	89	3	35	64.2%	
BOSTON BEER INC -CL A	SAM	U.S.	2,455	2.9%	1.9%	1	92	96	84	3	40	-25.4%	23.10
ANHUI GUJING DISTILLERY CO	200596 CH	China	10,602	18.5%	-0.8%	-7	92	96	87	9	63	-6.6%	19.69
CHINA RESOURCES BEER (HLDGS)	291 HK	China	10,859	8.2%	0.4%	4	92	91	81	14	54	4.1%	37.31
YIBIN WULIANGYE CO LTD	000858 CH	China	65,947	32.1%	1.2%	-4	92	100	96	2	76	-9.4%	27.81
MOLSON COORS BEVERAGE CO	TAP	U.S.	9,386	-0.1%	-1.0%	-2	91	69	58	24	6	-15.0%	47.81
BEIJING YANJING BREWERY CO	000729 CH	China	5,015	3.7%	2.8%	-1	89	94	80	5	64	6.9%	
TSINGTAO BREWERY CO LTD	600600 CH	China	11,272	9.8%	-1.3%	-2	88	95	88	13	69	-13.7%	33.77
GINEBRA SAN MIGUEL INC	GSMI PM	Philippines	1,352	9.5%	0.8%	1	87	99	95	3	49	6.2%	
ANHUI YINGJIA DISTILLERY CO	603198 CH	China	4,534	26.7%	-5.0%	-5	85	92	81	12	68	-22.3%	4.54
Average				11.5%	-0.0%		91	93	84	9	52	-1.1%	27.72

***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.*

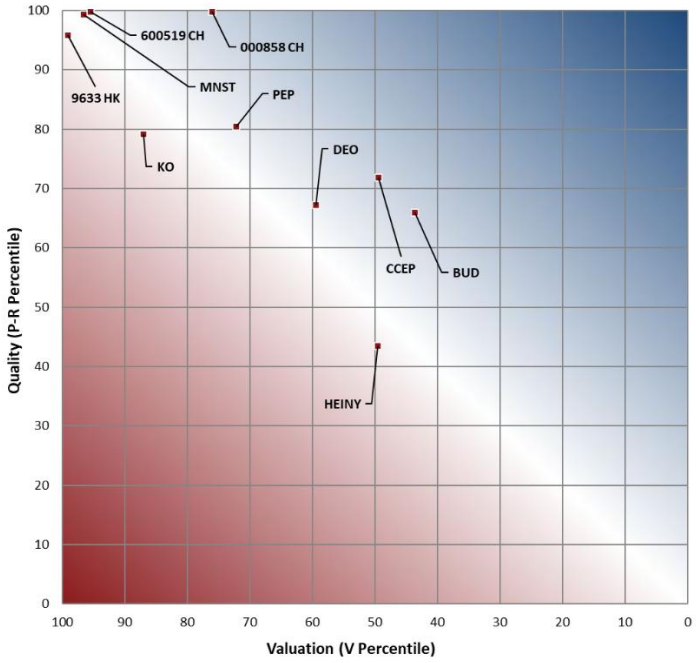
See page 3 for HEAT Maps of the Largest Firms and the Most Attractive Firms.

HEAT Maps

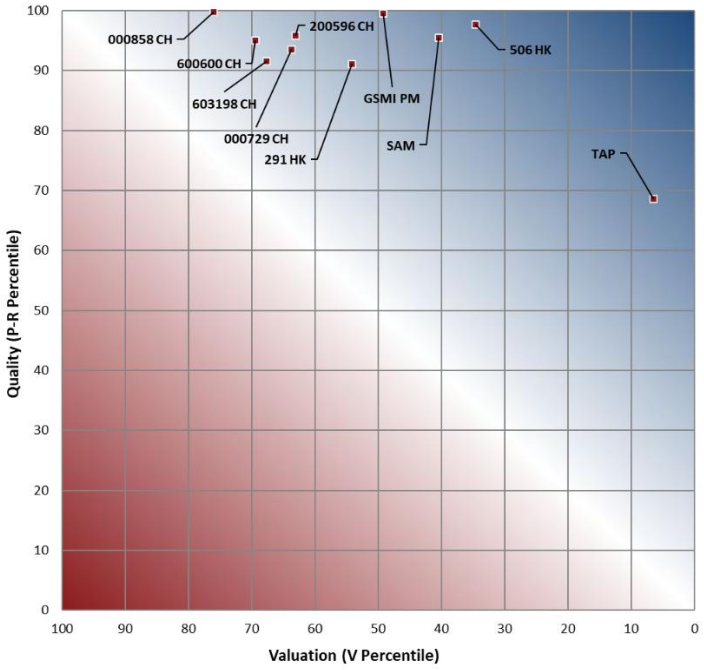
Our HEAT Map shows the visual trade-off between Quality (y-axis) and Value (x-axis). Higher Quality firms will be found at the top of the HEAT Map and cheaper Valuation firms will be further to the right. The companies in the upper-right corner are high-Quality, cheap-Value names with the most attractive 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.
  - **9633 HK** and **KO** are in the 'Overly Expensive Quality' HEAT Map zone, exhibiting strong Risk-Adjusted Profitability but at very high Valuation levels.
  - **600519 CH**, **000858 CH**, **MNST**, and **PEP** are trading in the 'Expensive but Worth It' HEAT Map zone. Firms in this zone demonstrate strong Quality, combined with relatively high Valuations.
- The HEAT Map on the right shows the most attractive names of the industry.
  - **200596 CH**, **000729 CH**, **603198 CH**, **600600 CH**, and **000858 CH** are within the 'Expensive but Worth It' HEAT Map zone.
  - **506 HK** and **TAP** are in the 'Best of the Best: High Quality & Cheap' HEAT Map zone.

Top 10 Largest Firms HEAT Map



Top 10 PRVit Firms HEAT Map



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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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