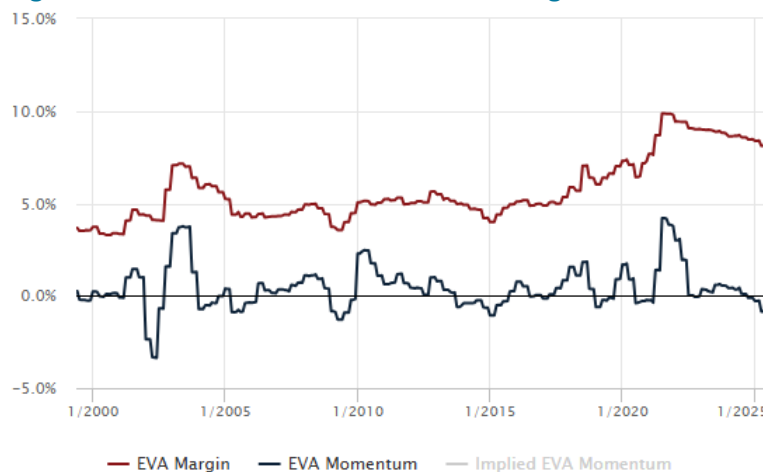


## Global Beverages: EVA Fundamentals Still Searching for a Bottom

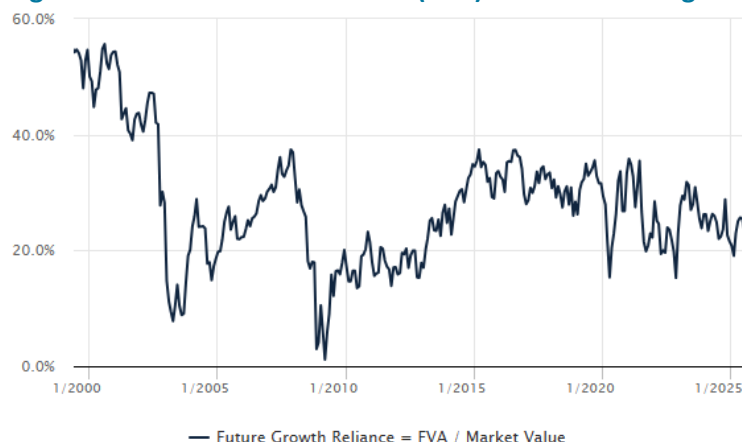
Aggregate economic profitability for the Global Beverages industry is currently higher than pre-COVID levels (**Figure 1**, red line); however, both the level and the trend of economic profitability have continued to face downward pressure over the last two years. The deteriorating EVA Momentum (growth) has been partially driven by a declining top-line growth, which turned negative in December last year, and a sustained deterioration in asset efficiency. Large cap firms attribute the declining volumes in the North American and European markets to a weaker consumer backdrop across all three segments of the industry: Soft Drinks & Non-alcoholic Beverages, Brewers, and Distilleries & Vintners.

**Figure 1: EVA Fundamentals – Global Beverages**



Future Growth Reliance (FGR) was trading at 24% at the end of June (**Figure 2**), near the 10-year mid-range. While the absolute valuation level looks somewhat cheap relative to history, we think this is due to the market's lower expectations of incremental EVA creation going forward at a time when EVA Fundamentals are still searching for a bottom.

**Figure 2: Future Growth Reliance (FGR) – Global Beverages**



We now look at EVA trends as of Q2 2025 for the following U.S. large-cap names: **KO**, **PEP**, **KDP**, and **STZ**. Subsequently, we run two screens to search for names within the industry that look attractive in the PRVit framework across DM and EM, respectively.

### Key Summary

- Aggregate economic profitability for the Global Beverages industry is currently higher than pre-COVID levels; however, both the level and the trend of economic profitability have continued to face downward pressure over the last two years.
- We look at EVA trends as of Q2 2025 for the following U.S. large-cap names: **KO**, **PEP**, **KDP**, and **STZ** to form a bottom-up view on the industry.
- Finally, we run two screens to search for names within the industry that look attractive in the PRVit framework across DM and EM, respectively.

### EVA Primer

1. EVA measures the true economic profit of a business after compensating shareholders for use of their capital and is therefore superior to standard accounting measures.
2. The value of a company is the capital invested plus the present value of future EVA generation. The math is like a DCF:  $\text{Market Value} = \text{Capital} + \text{PV}(\text{EVA})$ .
3. Therefore, more Economic Value Added (EVA) is better.

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**KO:** The company was upgraded to 'Underweight' in the PRVit framework on Tuesday, driven by improved Quality (P-R), but the firm continues to score poorly in the PRVit model, given the very high Valuation levels. EVA Momentum (growth) saw an upward inflection as of the quarter ending June as top-line growth remained positive despite continued deceleration, while EBITDAR Margin has seen a third sequential quarter of expansion and is now at the highest level since Q3 2021. KO is the only firm of the four covered in this section to see an improvement in EVA Momentum as of the latest reported financials and has also seen the highest returns on a year-to-date basis.

**PEP:** EVA Momentum (growth) deteriorated further in Q2 as top-line growth has continued to trend negatively for the second quarter in a row. EBITDAR Margin saw a small contraction from its recent 15-year highs in the latest quarter. **PEP** has very strong Risk-Adjusted Profitability (Quality) but looks relatively unattractive in the PRVit framework on expensive Valuation levels.

**KDP:** The company, an attractive PRVit name in the DM screen below, has seen top-line growth accelerate further as of the quarter ending June, driven by strong volume/mix growth in the U.S. Refreshment Beverages segment. Asset efficiency is relatively weak, given high Ad&Promo charges (% of Sales), but has shown some signs of peaking out recently. EBITDAR Margin has remained pressured over the last five quarters, putting further pressure on incremental EVA creation. The firm looks strong in the PRVit framework, being rated 'Overweight,' given its favorable Quality-Valuation profile.

**STZ:** The parent company of the Corona brand reported a decline in shipments for both its Beer and Wine & Spirits segments in the quarter ending May, reflected in EVA Momentum (growth) inflecting negative after trending above 4% in the preceding 4 quarters. The firm was impacted by top-line growth turning negative and EBITDAR Margin rolling over after 7 consecutive quarters of expansion.

Figure 3: EVA Metrics – KO, PEP, KDP, and STZ

Name	Ticker	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	EVA Shock (1 Qtr.)(%)	EVA Mo Post-Inflection Count	PRVit Score	Quality (P-R)	Profitability Score (P)	Risk Score (R)	Valuation Score (V)	Returns YTD (%)	ESG Perf Score
COCA-COLA CO	KO	298,038	19.7%	-1.6%	0.5%	1	24	76	86	63	87	12.7%	45.48
PEPSICO INC	PEP	196,533	9.5%	-1.1%	-0.3%	-7	47	81	80	41	69	-3.8%	57.46
KEURIG DR PEPPER INC	KDP	45,202	1.2%	-0.4%	-0.1%	-2	60	69	55	17	46	6.4%	49.72
CONSTELLATION BRANDS	STZ	30,993	9.5%	-0.1%	-5.0%	-2	43	63	74	67	53	-19.7%	36.15

Screen 1: Attractive DM Names – Global Beverages Industry

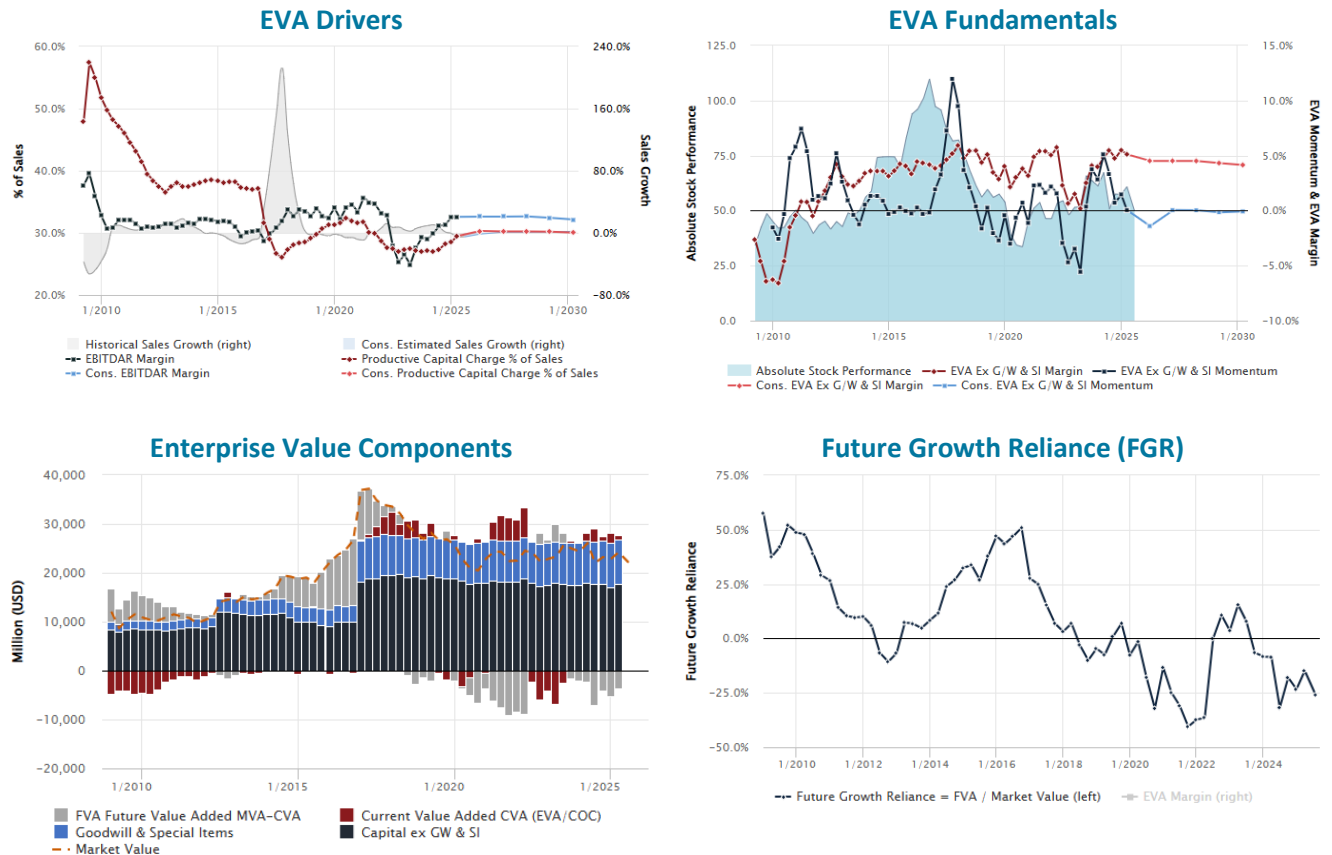
In this screen, we look at attractive PRVit-rated firms (≥ 50) within the Developed Markets (Market Cap ≥ \$1B).

Name	Ticker	Sub-Industry	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)	Returns YTD (%)	ESG Perf Score
KEURIG DR PEPPER INC	KDP	Soft Drinks & Non-alc Bvgs	U.S.	45,202	1.2%	-0.4%	-2	60	69	55	17	46	6.4%	49.72
HEINEKEN HOLDING NV	HEIO NA	Brewers	Netherlands	22,414	-1.5%	-0.8%	6	66	58	38	6	33	16.6%	53.88
ASAHI GROUP HOLDINGS LTD	2502 JP	Brewers	Japan	19,916	-2.0%	-0.7%	2	52	65	45	5	26	18.3%	48.50
COCA-COLA HBC AG -ADR	CCHGY	Soft Drinks & Non-alc Bvgs	Switzerland	19,435	5.9%	-0.5%	-4	72	89	77	14	57	37.8%	53.85
MOLSON COORS BEVERAGE CO	TAP	Brewers	U.S.	10,378	0.0%	-0.4%	-1	89	63	55	29	8	-9.1%	47.81
SUNTORY BEVERAGE & FOOD LTD	2587 JP	Soft Drinks & Non-alc Bvgs	Japan	9,555	1.5%	0.1%	-2	78	83	62	0	24	-7.7%	46.25
NATIONAL BEVERAGE CORP	FIZZ	Soft Drinks & Non-alc Bvgs	U.S.	4,389	13.5%	1.0%	-1	62	99	94	5	90	9.8%	14.28
COCA-COLA BOTTLERS JAPAN	2579 JP	Soft Drinks & Non-alc Bvgs	Japan	2,886	-3.2%	0.7%	-2	60	68	48	5	23	-5.8%	48.58
BOSTON BEER INC -CL A	SAM	Brewers	U.S.	2,357	2.9%	1.9%	1	95	95	83	2	37	-28.3%	23.36
VITA COCO COMPANY INC	COCO	Soft Drinks & Non-alc Bvgs	U.S.	2,227	9.9%	1.7%	-4	56	98	97	13	92	2.7%	24.25
BARR (AG) PLC	BAG LN	Soft Drinks & Non-alc Bvgs	U.K.	1,063	5.6%	0.9%	6	67	93	77	1	57	18.2%	42.73
Average				12,711	3.1%	0.3%		69	80	66	9	45	5.4%	41.20

Summary Firm-Level Commentary on the Next Page

- **TAP, rated 'Buy':** TAP, a 'High Quality and Cheap' U.S. large-cap name, saw EVA ex Goodwill and Special Items Momentum (growth) deteriorate to 0.1% as of the quarter ending March, impacted by a further weakening in top-line growth, while asset efficiency deteriorated on higher PP&E and Ad&Promo charges (% of Sales). This was offset by a sustained expansion in EBITDAR Margin between Q1 2023 and Q1 2025. EVA ex Goodwill and Special Items Margin saw some reduction in the March quarter but continues to trend at the upper end of the historical range. We like the firm, given its strong economic profitability and a very favorable Quality-Value tradeoff.

*Note: Goodwill has constituted a significant portion of TAP's Capital base since 2016. We use the 'ex Goodwill and Special Items' EVA measures here to evaluate the EVA performance of TAP after removing the effects of its acquisitions, i.e., Goodwill, from nearly 10 years ago.*



Screen 2 on the next page

## Screen 2: Attractive EM Names – Global Beverages Industry

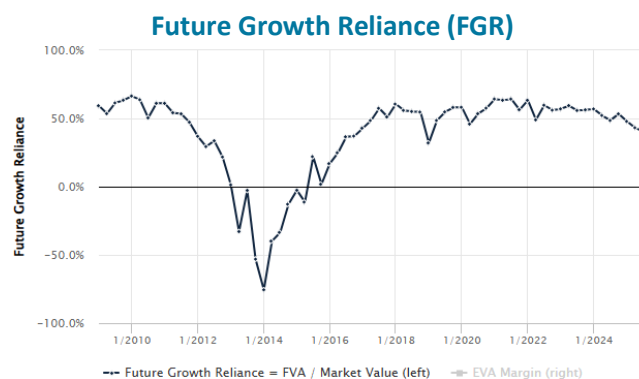
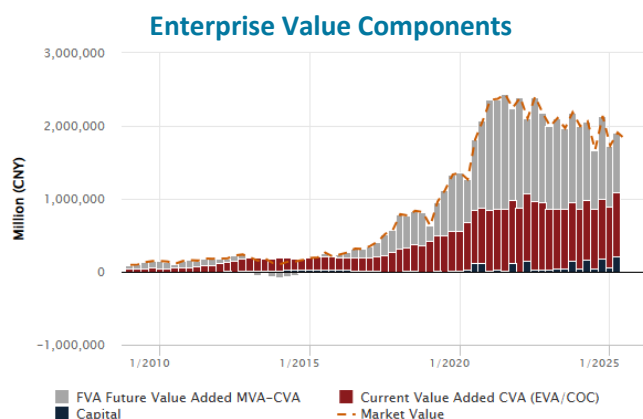
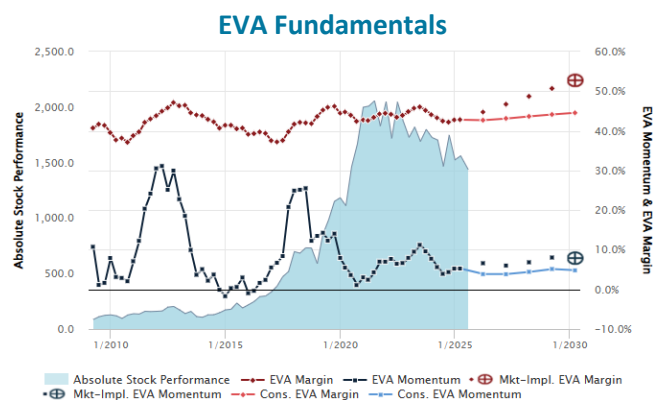
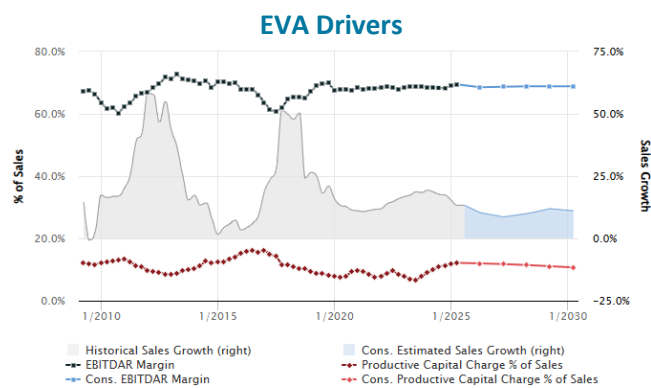
In the screen below, we look at attractive PRVit-rated firms (≥ 50) within the Emerging Markets (Market Cap ≥ \$1B).

Name	Ticker	Sub-Industry	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)	Returns YTD (%)	ESG Perf Score
KWEICHOW MOUTAI CO LTD	600519 CH	Distillers & Vintners	China	255,002	42.8%	5.3%	3	77	98	99	20	94	-2.7%	39.23
YIBIN WULIANGYE CO LTD	000858 CH	Distillers & Vintners	China	66,902	32.3%	2.1%	-3	94	100	98	8	73	-7.7%	16.02
FOMENTO ECONOMICO MEXICANO -ADR	FMX	Soft Drinks & Non-alc Bvgs	Mexico	33,311	1.9%	0.7%	2	53	79	76	37	51	2.7%	43.31
SHANXI XING HUA CUN FEN WINE	600809 CH	Distillers & Vintners	China	31,586	29.5%	1.9%	-1	76	95	98	35	86	4.0%	11.05
LUZHOU LAOJIAO CO LTD	000568 CH	Distillers & Vintners	China	25,635	36.1%	-1.9%	-5	90	94	92	25	67	0.8%	15.51
EASTROC BEVERAGE (GROUP) CO	605499 CH	Soft Drinks & Non-alc Bvgs	China	21,760	17.0%	10.6%	4	72	98	99	19	99	21.7%	16.29
ARCA CONTINENTAL SAB DE CV	AC* MM	Soft Drinks & Non-alc Bvgs	Mexico	18,196	4.2%	-0.1%	-4	65	85	70	9	49	18.1%	38.71
COCA-COLA FEMSA SAB DE CV -ADR	KOF	Soft Drinks & Non-alc Bvgs	Mexico	17,924	4.4%	-0.1%	1	68	79	73	30	39	0.1%	50.61
CHINA RESOURCES BEER (HLDGS)	291 HK	Brewers	China	11,242	7.1%	-0.9%	2	75	78	68	23	63	6.3%	23.83
TSINGTAO BREWERY CO LTD	600600 CH	Brewers	China	11,241	10.4%	-0.7%	-1	88	95	90	19	71	-8.9%	33.77
ANHUI GUJIING DISTILLERY CO	200596 CH	Distillers & Vintners	China	9,803	18.9%	0.8%	-6	98	99	97	8	58	0.8%	16.07
THAI BEVERAGE PCL	THBEV SP	Distillers & Vintners	Thailand	9,317	3.1%	1.1%	1	65	70	68	41	39	-7.8%	48.67
JIANGSU KING'S LUCK BREWERY	603369 CH	Distillers & Vintners	China	6,991	22.3%	0.0%	-7	92	97	93	16	68	-8.5%	20.79
BEIJING YANJING BREWERY CO	000729 CH	Brewers	China	5,077	2.4%	2.6%	2	80	85	74	17	67	7.2%	
ANHUI YINGJIA DISTILLERY CO	603198 CH	Distillers & Vintners	China	4,617	27.5%	-2.1%	-4	88	92	85	17	66	-20.5%	4.25
CHINA RESOURCES BEVERAGE	2460 HK	Soft Drinks & Non-alc Bvgs	China	3,972	11.3%	2.0%	-4	88	95	96	29	71	7.6%	
CHONG QING BREWERY CO LTD	600132 CH	Brewers	China	3,816	7.4%	-0.4%	-1	68	85	88	45	78	-8.9%	
COCA-COLA ICECEK AS	CCOLA TI	Soft Drinks & Non-alc Bvgs	Turkey	3,547	8.2%	-7.6%	-4	78	49	72	94	34	-12.5%	46.10
GUANGZHOU ZHUJIANG BREWERY	002461 CH	Brewers	China	3,307	4.6%	4.2%	-1	84	92	82	13	72	10.0%	
EMBOTELLADORA ANDINA SA -ADR	AKO.B	Soft Drinks & Non-alc Bvgs	Chile	3,248	4.5%	2.2%	-1	68	80	79	40	36	18.0%	49.20
SICHUAN SUIJINGFANG CO LTD	600779 CH	Distillers & Vintners	China	2,904	19.5%	0.6%	-3	51	68	83	76	72	-20.2%	55.98
ANHUI KOUZI DISTILLERY CO	603589 CH	Distillers & Vintners	China	2,830	14.8%	-4.1%	-3	90	80	63	7	46	-10.3%	
ANADOLU EFES BIRACILIK MALT	AEFES TI	Brewers	Turkey	2,224	1.7%	-7.8%	-5	75	23	43	96	7	-19.9%	33.48
HEBEI HENGSHUI LAOBAIGAN LIQ	600559 CH	Distillers & Vintners	China	2,182	9.6%	2.3%	1	83	93	92	30	74	-15.9%	
HEINEKEN MALAYSIA BHD	HEIM MK	Brewers	Malaysia	1,709	14.8%	1.6%	-1	69	100	97	2	83	3.8%	
CARABAO GROUP PUBLIC CO	CBG TB	Soft Drinks & Non-alc Bvgs	Thailand	1,643	9.7%	4.1%	-2	58	92	88	25	74	-31.3%	36.25
GINEBRA SAN MIGUEL INC	GSMI PM	Distillers & Vintners	Philippines	1,406	9.2%	0.5%	-5	71	94	88	17	54	6.9%	
T TUBORG	TBORG TI	Brewers	Turkey	1,392	4.4%	8.7%	4	71	56	75	83	49	20.8%	
CARLSBERG BREWERY MALAYSIA	CAB MK	Brewers	Malaysia	1,338	13.8%	0.1%	-1	63	99	94	2	86	-7.7%	49.40
JINHUI LIQUOR CO LTD	603919 CH	Distillers & Vintners	China	1,320	6.7%	2.8%	-2	85	92	84	15	71	-2.3%	
KUAIJISHAN SHAOXING WINE CO	601579 CH	Distillers & Vintners	China	1,268	-0.6%	3.7%	6	71	85	69	7	76	75.0%	
CHINA FOODS LTD	506 HK	Soft Drinks & Non-alc Bvgs	China	1,172	2.8%	0.2%	2	100	97	86	0	27	34.4%	
Average				17,746	12.6%	1.0%		77	85	83	28	63	1.7%	32.43

## Summary Firm-Level Commentary on the Next Page

### Summary Firm-Level Commentary:

- 600519 CH**, rated **'Overweight'**: An 'Expensive but Worth It' name that has seen a sustained period of strong and positive EVA Momentum (growth) since Q2 2016. Strong top-line growth and expansion of EBITDAR Margin towards 10-year highs has contributed to three consecutive quarters of improvement in incremental EVA creation. Future Growth Reliance (FGR), reflecting the % of current market value dependent on future EVA creation, has continued to move lower since peaking out in 2021 around 64%, but remains around 40% as investors remain bullish on the firm's prospects of continued EVA creation going forward.



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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 =  $\Delta$  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 =  $\Delta$  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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