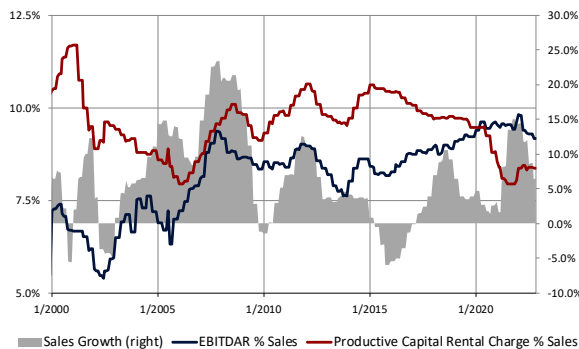


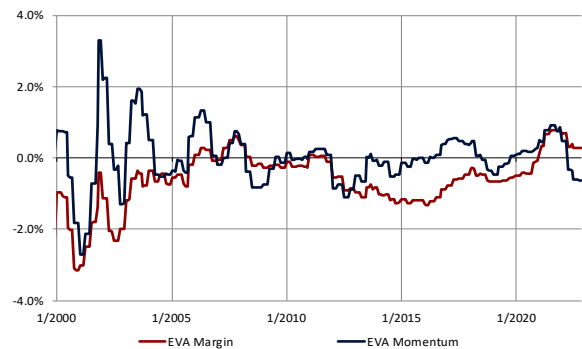
Industry Snapshot: Global Construction & Engineering

- Similar to our observations in [January](#), the industry continues to have low levels of Profitability, while expectations have continued to correct from the latter half of 2021. Globally, PRVit performance is unchanged compared to early 2022, with moderate Profitability, Risk, and Valuation levels. On average, Asian firms achieve the highest PRVit scores, driven by lower Valuation levels.
- EVA Drivers:** Sales Growth reached an 11-year high in October 2021, but rolled over from November 2021 onwards; the metric contracted by a further 800 basis points year-to-date. EBITDAR Margin increased to an historical high of 9.8% at year-end 2021; however, with the slowdown in Sales Growth, the metric contracted by 60 basis points from March through to October. Relative to sales, increases in adjusted COGS have also added downward pressure to EBITDAR Margin. The Productive Capital Charge (higher is less favored) bottomed near 8% by mid-year 2021 but increased by 40 basis points from October 2021 to January 2022, driven by higher Working Capital and Intangible Capital charges. The metric remains 70 basis points below its 5-year average.
- EVA Fundamentals:** EVA Margin (profitability) plateaued around 0.8% from June 2021, then contracted from year-end 2021. EVA Margin decreased by 40 basis points year-to-date, but continues to remain positive, above the levels witnessed from 2011 to 2020. EVA Momentum (growth) decelerated from year-end 2021, turned negative in March, and is currently at -0.6%, close to the prior lows of 2014.
- Expectations:** Future Value Added (FVA) turned negative from October 2021 as investors priced in future value destruction, at a time when Current Value Added (CVA) was increasing; CVA rolled over from March 2022, while FVA remains negative. Market Value Added (MVA) Spread, our version of a price-to-book ratio, trended downwards from September 2021, and currently trades at a premium of 3.3%. MVA Spread remains at the lower-end of its 5-year range.

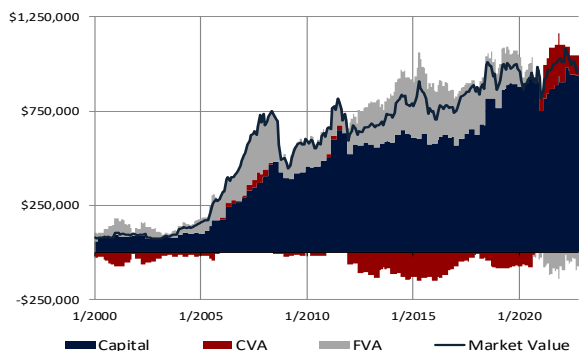
EVA Drivers



EVA Fundamentals



Enterprise Value Components



Market Value Added (MVA) Spread



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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.

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Top 10 Largest Firms by Market Cap

- On average, the large cap firms look attractive in the PRVit framework, with moderate Risk-adjusted Profitability (Quality) and moderate Valuation scores.
- DG FP**, **FER SM**, and **WSP.**, achieve an ISS ESG Prime rating (≥ 50), while the average score for the group is below the Prime threshold.
- Compared to our [November 2021](#) large cap list, **601186 CH** is a new entrant. The firm obtains the highest PRVit score within the cohort, driven by low Risk and a very low Valuation score.

Name	Ticker	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	PRVit Score	Quality (P-R)	Profitability Score (P)	Risk Score (R)	Valuation Score (V)	ESG Perf Score	Return YTD
VINCI SA	DG FP	France	60,365	2.4%	1.4%	40	51	56	56	54	56	8.0%
LARSEN & TOUBRO LTD	LT IN	India	35,462	5.8%	-0.2%	65	82	67	16	76	36	10.0%
CHINA STATE CONSTRUCT ENG CO	601668 CH	China	33,569	0.4%	-0.6%	88	43	41	42	13	21	19.8%
QUANTA SERVICES INC	PWR	US	21,233	0.0%	-1.9%	10	22	27	65	74	28	29.8%
FERROVIAL SA	FER SM	Spain	20,167	-3.0%	5.6%	9	33	42	64	84	50	-3.6%
CHINA RAILWAY GROUP LTD	601390 CH	China	19,003	-0.7%	-1.1%	77	28	30	55	11	25	4.1%
CHINA COMM CONSTR CO LTD	1800 HK	China	16,486	-3.5%	-1.9%	75	28	18	32	13	20	5.0%
POWER CONST CORP OF CHINA	601669 CH	China	16,243	-2.4%	-1.1%	70	31	24	34	22	13	-3.6%
WSP GLOBAL INC	WSP.	Canada	15,338	0.6%	-0.7%	18	42	38	37	74	51	-9.5%
CHINA RAILWAY CONSTRUCTION	601186 CH	China	13,806	-0.7%	-1.0%	89	38	26	21	6	22	3.8%
Average				-0.1%	-0.2%	54	40	37	42	43	32	6.4%

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 group achieves strong Profitability, low Risk, and very low Valuation scores, generally supported by underlying positive EVA Fundamentals.
- Compared to our [previous list](#), there are five new entrants: **600820 CH**, **000720 KS**, **000928 CH**, **1799 HK**, and **600970 CH**.
- For the firms under coverage, ESG Performance is below Prime; **000720 KS** achieves the highest ESG Performance Score within the group.

Name	Ticker	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	PRVit Score	Quality (P-R)	Profitability Score (P)	Risk Score (R)	Valuation Score (V)	ESG Perf Score	Return YTD
SHANGHAI TUNNEL ENGR CO LTD	600820 CH	China	2,434	1.7%	2.6%	100	83	62	3	10		7.4%
SINOPEC ENGINEERING (GROUP)	2386 HK	China	1,779	0.8%	-2.0%	99	66	44	1	2	30	2.8%
CHINA COMMUNICATION SVCS	552 HK	China	2,322	0.9%	-0.5%	99	66	48	10	4	19	-16.8%
DAEWOO ENGINEERING CONSTRU	047040 KS	South Korea	1,525	2.1%	0.6%	98	81	66	15	7	30	-15.1%
CHINA RAILWAY HI-TECH IND	600528 CH	China	2,519	0.3%	-0.2%	98	67	45	1	11		0.8%
HYUNDAI ENGR & CONSTR CO	000720 KS	South Korea	3,345	1.8%	2.3%	98	79	68	24	7	40	-9.8%
SINOSTEEL ENG & TECH CO LTD	000928 CH	China	1,120	2.0%	-0.3%	97	73	53	8	18		-29.9%
XINTE ENERGY CO LTD	1799 HK	China	3,194	22.5%	36.5%	96	70	97	100	21		45.5%
CHINA NATIONAL CHEMICAL ENG	601117 CH	China	7,208	2.2%	0.2%	96	63	67	55	15		-28.3%
SINOMA INTL ENGR CO LTD	600970 CH	China	2,982	3.5%	1.2%	95	73	71	41	28		-15.4%
Average				3.8%	4.0%	98	72	62	26	12	30	-5.9%

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 Score, however, is 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.

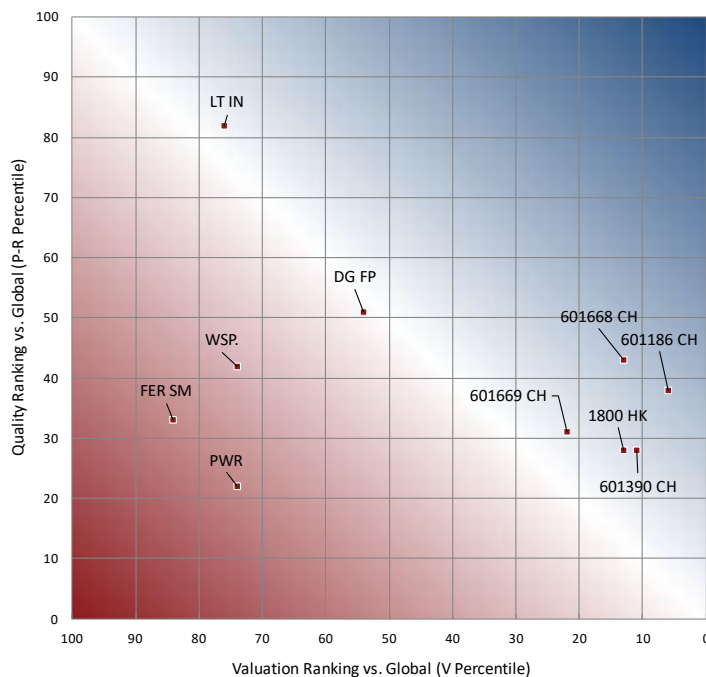
See page 3 for HEAT Maps of the Largest Firms and the Most Attractive Firms.

HEAT Maps

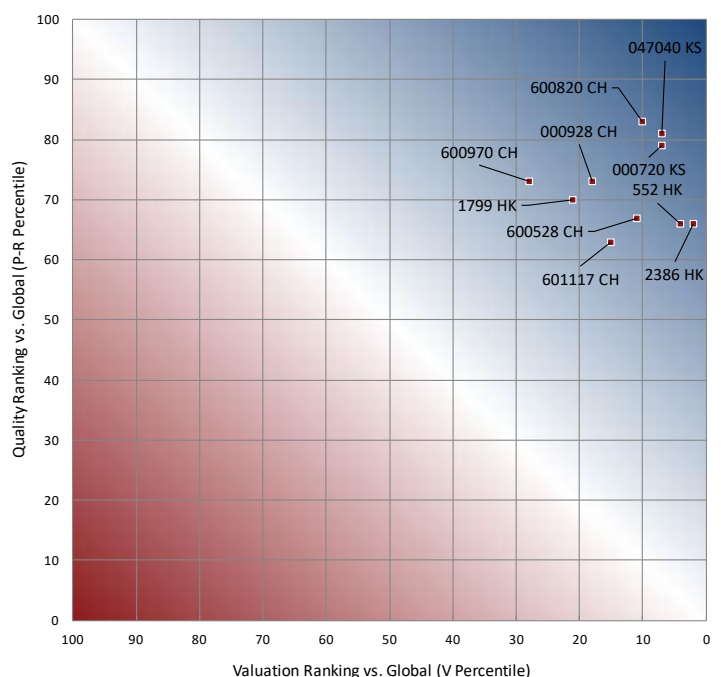
Our HEAT Map shows the visual trade-off between Quality (y-axis) and Value (x-axis). Higher Quality firms will be found at the top of the HEAT Map and cheaper Valuation firms will be further to the right. The companies in the upper-right corner are high Quality, cheap Value names with the highest PRVIt scores.

- The HEAT Map on the left illustrates the largest firms in the industry, individually placed as a function of Quality and Valuation Rankings.
 - The firms tend to live either in the lower-right 'Attractive Value' zone or further left in the 'Low Quality Expensive' area of the HEAT Map.
 - **Vinci (DG FP)** obtains moderate Quality and Valuation ratings. The firm gets an industry-relative 'Hold' rating.
 - Indian firm **Larsen & Toubro (LT IN)** gets a relatively higher Quality ranking, while having a comparatively higher (expensive) Valuation ranking. Within the PRVIt framework, the company gets an industry-relative 'Overweight' rating, driven by strong Profitability and low Risk.
 - There are four names within the bottom-right 'Attractive Value' HEAT Map zone: **601390 CH**, **1800 HK**, **601669 CH**, and **601186 CH**.
- The HEAT Map on the right shows the most attractive names of the industry.
 - All 10 firms are bound to the top-right 'Best of the Best' HEAT Map zone. They achieve strong levels of Risk-adjusted Profitability (Quality), while getting comparatively low Valuation rankings.
 - While **Hyundai Engineering & Construction Co. (000720 KS)** achieves the highest ESG Performance score of the group, we note that the firm significantly improved its Quality score in 2022, driven by increases in Profitability Level (P1) and Profitability Trend (P2). The Korean firm also receives a low Risk score, driven by low cash flow Vulnerability (R2).

Top 10 Largest Firms HEAT Map



Top 10 PRVIt Firms HEAT Map



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 + 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 are a powerful signal within our framework, with a 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 percentage 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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