

CPI, for corporate performance index, is a summary score of financial excellence that rates a company against its industry peers on a percentile scale. It tends to confirm a company's TSR rank when the rank is right, challenges TSR when it is wrong, and explains the factors that are determining TSR in any case.

Free CPI reports on 20,000 global tickers are available at <http://pub.evadimensions.com/cpiexpress>

The Rodney Dangerfield's of Corporate America. The comedian was famous for tugging his collar and pronouncing with a bug-eyed stare, "I don't get no respect" – while implying he deserved at least some. Here we present the corporate equivalent – the 50 companies suffering the largest perception gap between how bad TSR says they are and how good they really are as indicated by their CPI scores.

	Ticker	Name	Sub-Industry	Sales	CPI Score	3-Year TSR Rank	CPI 3 Yr TSR Rank	MVA Margin /Sales	% tile	EVA Margin /Sales	% tile	3 Yr Trend EVA Mo	% tile	Mkt Impl EVA Mo	% tile
1	SFM	SPROUTS FARMERS MARKET	Food & Staples Retailing	\$3858	100	0	100	66%	95	2.5%	100	0.80%	100	0.04%	59
2	PINC	PREMIER INC	Health Care Services	\$1163	100	23	77	295%	97	14.2%	97	10.88%	96	0.36%	70
3	FAST	FASTENAL CO	Trading Companies & Distributors	\$3937	100	25	75	234%	100	8.3%	100	0.23%	81	0.52%	78
4	LVS	LAS VEGAS SANDS CORP	Hotels Resorts & Cruise lines	\$11122	79	7	73	360%	97	5.9%	89	0.17%	25	1.70%	97
5	EXP	EAGLE MATERIALS INC	Construction Materials	\$1156	70	0	70	236%	83	7.7%	100	2.10%	80	0.75%	67
6	FCX	FREEPORT-MCMORAN INC	Diversified Metals & Mining	\$14052	70	0	70	131%	60	-13.7%	20	-3.79%	60	2.88%	100
7	MJN	MEAD JOHNSON NUTRITION CO	Food & Beverage	\$3848	79	12	67	379%	92	15.3%	97	1.13%	86	0.03%	19
8	SIRI	SIRIUS XM HOLDINGS INC	Broadcasting & Cable & Satellite	\$4802	100	37	63	328%	85	7.3%	74	2.97%	91	1.20%	85
9	CNX	CONSOL ENERGY INC	Coal & Consumable Fuels	\$2196	100	37	63	38%	100	-27.9%	0	1.07%	100	3.76%	100
10	BF.B	BROWN FORMAN CORP	Food & Beverage	\$3051	92	30	62	538%	98	16.1%	98	0.65%	70	1.14%	92
11	NE	NOBLE CORP PLC	Oil & Gas Drilling	\$2583	76	14	62	-198%	31	-15.8%	54	-0.57%	83	0.28%	38
12	WDAY	WORKDAY INC	Software	\$1352	86	24	62	1198%	97	-1.4%	51	1.33%	76	11.05%	97
13	KSU	KANSAS CITY SOUTHERN	Freight Transportation	\$2361	70	10	60	296%	98	7.1%	95	-0.79%	19	1.07%	93
14	PPG	PPG INDUSTRIES INC	Specialty Chemicals	\$15304	77	20	57	103%	50	4.3%	72	0.86%	81	0.21%	39
15	MA	MASTERCARD INC	Data Processing Services	\$10187	93	37	56	1002%	97	30.4%	100	2.52%	92	3.61%	95
16	BEAV	B/E AEROSPACE INC	Aerospace & Defense	\$2809	76	19	56	145%	89	6.6%	95	0.54%	71	0.08%	27
17	WAT	WATERS CORP	Life Sciences Tools & Services	\$2099	91	36	55	480%	80	17.8%	100	1.52%	77	1.00%	44
18	SRCL	STERICYCLE INC	Facilities Services	\$3373	55	0	55	123%	87	3.5%	93	-0.61%	33	0.24%	27
19	HXL	HEXCEL CORP	Aerospace & Defense	\$1934	78	26	52	117%	78	3.6%	70	0.49%	69	0.40%	62
20	OII	OCEANERING INTERNATIONAL	Oil & Gas Equipment & Services	\$2700	67	16	51	43%	68	-0.7%	85	-1.66%	76	0.37%	18
21	FOXA	TWENTY-FIRST CENTURY FOX INC	Movies & Entertainment	\$27326	55	4	50	80%	60	4.7%	87	0.70%	67	-0.10%	7
22	WMB	WILLIAMS COS INC	Oil&Gas Storage&Transportation	\$7201	82	32	50	185%	86	2.1%	67	0.62%	61	0.81%	71
23	PAYX	PAYCHEX INC	Data Processing Services	\$3014	90	40	50	610%	92	21.0%	92	1.97%	81	2.13%	90
24	ECL	ECOLAB INC	Specialty Chemicals	\$13273	72	25	48	196%	83	2.4%	56	0.23%	55	1.01%	78
25	GGG	GRACO INC	Industrial Machinery	\$1298	79	31	48	257%	90	10.2%	92	0.26%	56	0.59%	63
26	LULU	LULULEMON ATHLETICA INC	Textiles Apparel & Luxury Goods	\$2194	65	17	48	309%	97	7.3%	100	-0.96%	25	1.29%	93
27	HSY	HERSHEY CO	Food & Beverage	\$7336	57	9	48	234%	81	8.6%	86	0.07%	36	0.34%	49
28	ADP	AUTOMATIC DATA PROCESSING	Data Processing Services	\$11668	76	29	46	303%	79	9.9%	79	1.40%	78	1.18%	69
29	JBHT	HUNT (JB) TRANSPRT SVCS INC	Freight Transportation	\$6351	79	33	46	122%	74	4.9%	79	0.41%	74	0.22%	56
30	VMW	VMWARE INC -CLA	Software	\$6821	58	12	46	315%	46	14.0%	94	1.35%	78	1.21%	11
31	ABT	ABBOTT LABORATORIES	Health Care Equipment	\$20556	63	18	45	185%	24	6.1%	77	3.18%	96	0.55%	11
32	RMD	RESMED INC	Health Care Equipment	\$1839	57	12	44	393%	65	12.6%	92	0.35%	59	1.24%	31
33	CTSH	COGNIZANT TECH SOLUTIONS	IT Consulting & Other Services	\$12991	76	31	44	167%	84	8.4%	100	0.86%	88	0.24%	36
34	KATE	KATE SPADE & CO	Textiles Apparel & Luxury Goods	\$1300	52	9	43	-5%	14	-6.0%	7	2.16%	96	0.64%	79
35	CHK	CHESAPEAKE ENERGY CORP	Oil&Gas Exploration&Production	\$9600	52	11	41	231%	25	-10.9%	83	-0.72%	85	2.96%	7
36	XLNX	XILINX INC	Semiconductors	\$2240	55	14	41	432%	80	22.5%	96	0.88%	52	1.30%	24
37	JCI	JOHNSON CONTROLS INTL PLC	Auto & Suppliers	\$36225	61	21	40	34%	54	1.5%	51	0.57%	69	0.07%	43
38	BMJ	BRISTOL-MYERS SQUIBB CO	Pharmaceuticals	\$17618	62	24	38	334%	43	16.0%	92	2.70%	60	0.50%	25
39	FLIR	FLIR SYSTEMS INC	Electronic Equipment	\$1602	55	17	38	133%	69	3.8%	81	-0.10%	50	0.69%	38
40	PAY	VERIFONE SYSTEMS INC	Electronic Equipment	\$2042	41	4	38	14%	19	-5.5%	13	0.58%	80	0.78%	50
41	PDCO	PATTERSON COMPANIES INC	Health Care Distributors	\$5576	44	7	37	55%	86	1.6%	71	-0.38%	14	0.10%	71
42	CL	COLGATE-PALMOLIVE CO	Household & Personal Products	\$15505	70	34	36	377%	100	10.7%	96	-0.87%	24	0.86%	85
43	WYNN	WYNN RESORTS LTD	Hotels Resorts & Cruise lines	\$3999	37	2	35	258%	87	3.0%	68	-1.61%	9	1.08%	84
44	KO	COCA-COLA CO	Food & Beverage	\$43248	48	14	35	347%	90	13.0%	95	-0.19%	27	0.28%	39
45	TOL	TOLL BROTHERS INC	Homebuilders	\$5015	70	35	35	14%	67	-1.5%	46	0.88%	79	0.24%	54
46	SATS	ECHOSTAR CORP	Communications Equipment	\$3125	57	23	34	3%	32	-4.8%	44	1.22%	82	0.56%	29
47	CLH	CLEAN HARBORS INC	Facilities Services	\$2940	41	7	34	46%	53	-1.1%	40	-0.54%	40	0.36%	53
48	LECO	LINCOLN ELECTRIC HLDGS INC	Industrial Machinery	\$2356	52	19	33	116%	68	8.3%	90	0.36%	61	-0.08%	8
49	TRIP	TRIPADVISOR INC	Internet & Catalog Retail	\$1467	46	14	32	498%	86	6.9%	90	-1.38%	0	3.78%	90
50	ADS	ALLIANCE DATA SYSTEMS CORP	Data Processing & Outsourced Ser	\$6763	34	3	31	143%	33	6.5%	64	0.27%	47	0.31%	28

All data as of October 13, 2016

The companies on the Dangerfield list are the result of filtering the Russell 1000 universe of stocks by:

1. Excluding financials, utilities, and real estate firms, and companies with less than \$1 billion in revenues over the most recent four quarters.
2. Setting aside firms with grim outlooks. Companies that the market is projecting will experience a deterioration in EVA of more than 0.1% of current sales each year were purged. Those outfits are so strategically vulnerable that they cannot earn our respect even if their CPI to TSR gaps are large.
3. Purging companies with 3-year TSR ranks above 40th percentile. Our net is trawling for firms that TSR rated as truly weak.

The final table consists of the 50 remaining companies with the largest gap between CPI score and TSR rank. Even the least misalignment – represented by Alliance Data Systems – is quite sizable: There’s a full 31-point discrepancy between its 3rd percentile TSR rank and its 34th percentile CPI score. What TSR casts as a real loser in fact has notable redeeming qualities that CPI detects. Taking the list as a whole, these are the firms where CPI can be used to greatest advantage to answer pay critics, fend off activists, or simply to give directors another, much more reassuring perspective on the company’s performance.

The winner, if the label applies, is Sprouts Farmer’s Markets, a natural foods retailer. It’s 3-year TSR averaged *minus* 22.2% per annum, the absolute worst among all food and staples retailers. Yet, CPI considers it to be the best firm in its business, a function of:

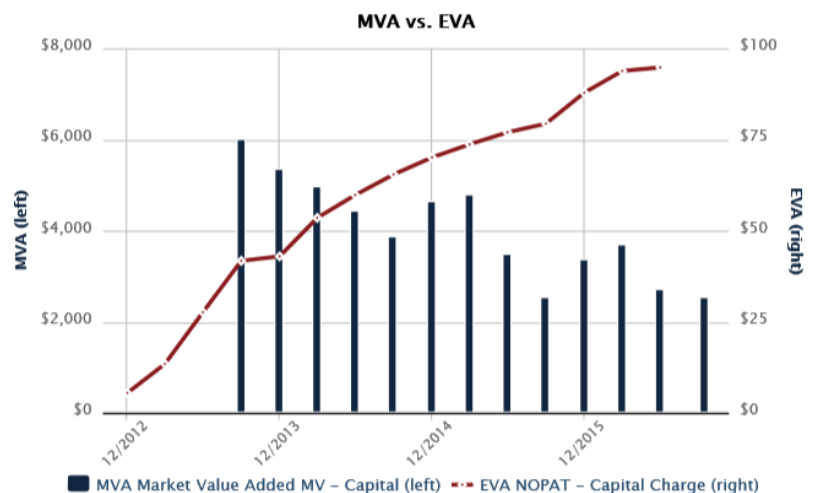
SFM	USA	CPI Score: 100
Sales	Sales Growth	3-Year Trend Growth
\$ 3,858	18.3%	20.5%
EVA ?	EVA Margin ?	3-Yr Trend EVA Mo ?
\$ 95	2.5% (100)	0.80% (100)
MVA ?	MVA Margin ?	Mkt-Imp Mo ?
\$ 2,545	66% (95)	0.04% (59)

1. **EVA Margin** is 2.5%, low versus the S&P500, but currently largest in its food retailing peer group
2. **MVA** is \$0.66 per \$1 of sales, once again not so impressive against the broader market, but 95th percentile in industry
3. **Trend EVA Momentum** has been 0.80% of sales over the past three years, besting all peers
4. The implied buy-side **consensus for long-run EVA growth** is the one unexceptional value. Investors are currently projecting Sprouts’ EVA will grow modestly, at a rate of just 0.04% of sales a year; yet, in light of the intensifying competition in natural foods and the prospect of Amazon’s entry into groceries, both of which are weighting down the sector, Sprout’s forecast growth profile is still fairly impressive, nearly 60th percentile, and doubly so because the growth comes on top of the very best EVA Margin in the business.

Given these rave reviews from the EVA crowd, why has Sprouts’ TSR been so disappointing? Like Sonic, discussed in the prior issue, Sprouts is a classic example of how TSR is more a function of when the market begins to forecast value will be created than the actual creation of value. Investors three years back simply miscalculated and overestimated the firm’s long-run potential.

1. Three years ago Sprout’s MVA stood at \$6 billion at a time when it was earning \$42 million in EVA profits.
2. Sonic’s EVA profits are now running at the annual rate of \$95 million – doubling in 3 years.
3. Even so, MVA is now sharply lower, just \$2.5 billion. \$4.5 billion in owner wealth vanished into thin air and took TSR down with it.

By any objective reckoning, though, Sprouts is still standing in a very good place. It still possesses the most sterling set of profitability, growth, and valuation metrics in its sector. It remains an excellent company. It is like an expert mountain climber that ascended a tall summit then took a few steps down. TSR says it is falling, but it still enjoys the best view in the business.

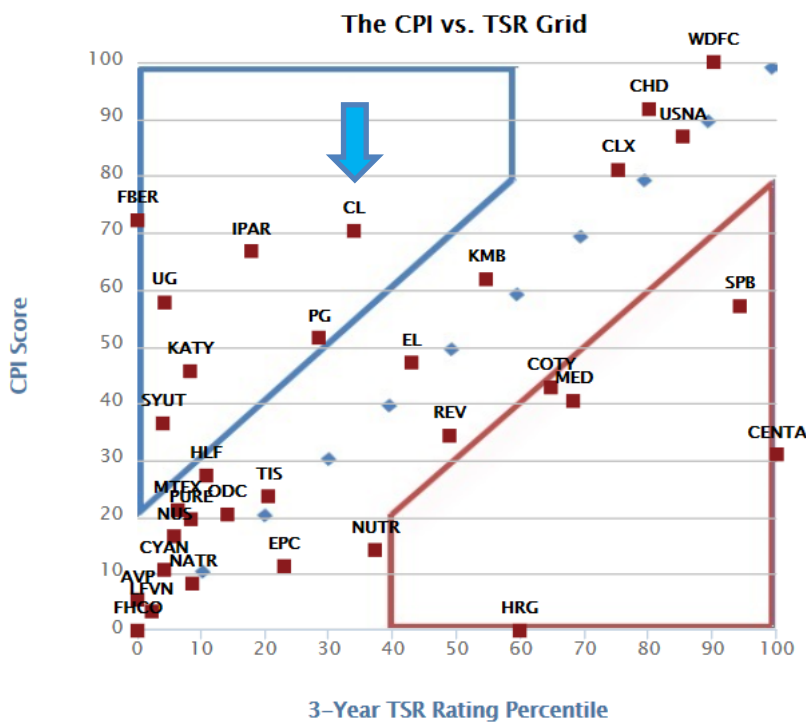


Outliers like Sprouts exist in every sector and size range. Consider Colgate-Palmolive, #42 on the list, and currently posting revenues of \$15.5 billion. Its CPI score is 70 among household and personal products firms, but its 3-year TSR rank is just 34th percentile, not half as good. A glance at the table reveals that:

CL	USA	CPI Score: 70
Sales	Sales Growth	3-Year Trend Growth
\$ 15,505	-7.4%	-3.5%
EVA ?	EVA Margin ?	3-Yr Trend EVA Mo ?
\$ 1,653	10.7% (96)	-0.87% (24)
MVA ?	MVA Margin ?	Mkt-Imp Mo ?
\$ 58,478	377% (100)	0.86% (85)

1. Colgate is very profitable, and very highly valued relative to its book capital.
2. The company suffered along with many other global companies from a strengthening dollar that weakened its EVA in recent years. Colgate's EVA growth trend has been negative, only 24th percentile.
3. Countering that weakness, investors foresee substantial EVA growth for years to come: The EVA Momentum implied by Colgate's current share price is +0.86%, 85th percentile in its business. Whereas Sprouts' CPI score is depressed by unappealing prospects, Colgate's is strongly supported by the outlook.

The only thing holding Colgate's CPI score down is the decay in EVA in recent years, and even that will reverse if expectations are realized. TSR, of course, sees none of this, and simplistically casts Colgate into a pauperish 34th percentile rank, which is hardly a full and fair assessment.



The CPI vs. TSR grid shown at left plots all the U.S. household and personal products companies that make up Colgate's peer set. It's worth noting that the dots tend to plot along the diagonal. For the bulk of stocks, and in essentially every sector, EVA and CPI do tend to confirm and explain TSR. But there are exceptions. Firms like Colgate, and all those on the Dangerfield list, that CPI rates considerably more highly than TSR plot off axis and in the upper left blue zone. Those are precisely the companies that can use CPI to greatest advantage to counter an excessively harsh TSR verdict. They should also face facts. They should look into the four individual metrics that go into their CPI scores. Usually they'll find there is a weak one worth noting and debating among the strong points.

Up next – an examination of red-zone stocks, corporate dandies that look good, even great, on TSR, but that EVA and CPI reveal to be lacking in a solid foundation. Central Garden and Pet, CENTA on the chart above, is a good example. It has racked up the industry's highest 3-year TSR, but its CPI/EVA score raises real concerns.

Want a fuller explanation of EVA and CPI? Then tune into a 30 minute video-cast conducted by our CEO, Bennett Stewart. Click here: [Using the CPI Corporate Performance Index to Fix TSR Flaws](#)

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Go Enter a company name or ticker to access the CPI Snapshot Report and EVA vs. MVA chart

CPI Express Corporate Performance Index

Ranking Company Performance by Economic Value

CATERPILLAR INC. - CAT

October 25, 2015			
CPI Score: 29			
Sales	USA	Sales Growth	5-Year Trend Growth
\$ 39,024		-21.6%	-10.8%
EVA		EVA Margin	5-Yr Trend EVA Mo
\$ 248		-0.6% (7%)	-1.2% (8%)
MVA		MVA Margin	Mkt Imp Mo
\$ 26,785		89% (7%)	0.74% (7%)
Leverage		MVA Margin (3 Yr)	Mkt Imp Mo (3 Yr)
0.7 (1.1)		8.9% (10)	0.0 (0.1)
100th (11)		3 Year (10)	3 Year (10)
0.69 (11)		4.8% (14)	7.2% (11)

CAT: 44 TSR rank and 29 CPI score agree -- is sub-par on the Financial Times table. Long-term TSR rank, EVA must be up as growth path.

The CPI vs. TSR Grid

Weak TSR ← Strong TSR →
EVA EVA Score Low Double better than EVA than by 1% Double generating more TSR than EVA

EVA Dimensions

- Bennett Stewart launches EVA with 1991 book, *The Quest for Value*
- *Fortune* magazine editors feature EVA on September, 1993 cover with headline, "EVA – It's the Real key to Creating Wealth"
- Hundreds of companies adopt EVA globally – Coca-Cola, AT&T, Equifax, Eli Lilly & Herman Miller, Monsanto, Halliburton, Brahma Beer (now AB InBev), Kao Brands (Japan), Lafarge, Port of Singapore Authority, Temasek, TATA Group, CEMEX, FEMSA, are a few
- EVA Dimensions spins out in 2006 to convert EVA to a new ratio framework, automate it with software and data, and serve corporations and investors
- Enhanced EVA model presented in the 2013 book, *Best-Practice EVA*
- Early corporate adopters include Dow Chemical, PepsiCo



EVA Dimensions is a financial technology and advisory firm. We help our clients to make better decisions and create more value with the power of EVA.

We license software that companies use to compute, analyze, benchmark and value EVA in reporting, planning and M&A applications, and that investors use to pick stocks and manage portfolios.

We also provide the training and support needed to transition management teams and directors onto EVA.