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# *Analysis of the Investment Value of the Global Capitalization*

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***Abstract:*** Value investing, as the name implies, will take advantage of the ups and downs of the stock market to gain income, and a successful value investor needs to look deeper and longer term. Therefore, when investors choose many stocks, the article usually pay attention to the P/E ratio, PEG valuation, price-to-book valuation, revenue growth rate, and the future development of the Company's industry. Based on the financial data from 2015 to 2021, this paper mainly analyzes four typical companies with global capitalization: HERC HOLDINGS INC (HRI); CUSTOM TRUCK ONE SOURCE INC (CTOS); EURO TECH HOLDINGS CO LTD (CLWT), and INDIA GLOBALIZATION CAPITAL (IGC). Because capital globalization companies are paid less attention to in the field of value investment, their value is vastly underestimated and capital globalization itself is an essential direction of future development, such as in this paper: HRI has excellent profitability and stable stock market among the four capital globalization companies, and has a good development prospect.

***Keywords:*** global capitalization, HERC HOLDINGS INC, stock valuation

## 1. Introduction

Value investment has become an essential presence in today's financial market [1]. Buffett, the former shareholder, has achieved economic freedom through successful value investment and is famous overseas [2]. Later, Li Lu, Dan Bin, Duan Yongping, Dong Baocheng, and other followers broke through difficulties on the road of value investment, which not only made value investment develop rapidly in the financial field but also made it occupy an increasingly important position in the field of public financial management [3]. The research on value investment has changed from dividend discount and value liquidation in the industrial era to Tobin's Q theory, that is, replacement cost, and to today's more detailed investigation of enterprises and evaluation of the stock market as a whole, so that investors can have a deeper understanding of the value market.

The globalization of financial capitalism refers to the global expansion of financial capitalism as an economic system. Under financial capitalism, financial capital dominates a country's economy and influences society, politics, and law. However, the production process is slowly being changed by a financial system dominated by money and wealth accumulation. Financial capitalism has not only brought a lot of new opportunities for financial activities and much economic growth to the world but also brought a new social outlook, improved politics and law, and changed the view of the financial economy in people's hearts. On the one hand, in the world, the economic and financial markets of each country and region began to communicate with each other, win-win cooperation, mutual penetration of business culture, and eventually become a unified international market.

On the other hand, the rules of economic and financial behavior in the global scope have been gradually established. A more perfect international financial and economic operation mechanism has been progressively based. However, in 2020, the novel coronavirus pneumonia epidemic suddenly broke out worldwide, which was fierce and spread very fast. The cross-border economic cooperation that globalizes capital, the movement of goods and prosperity, and the movement of people have been greatly affected. The globalization of money under the epidemic quickly went wrong, and the global supply chain gradually broke down. Due to COVID-19, upstream supply companies and demand financial companies need help to complete a good connection [4]. The absence of a source supplier will paralyze the entire supply chain. Through this epidemic, one investor can find that if the international trade chain is broken, for countries that are highly dependent on global material exports or urgently need import supply chains, the disruption of overseas supply chains has also severely impacted domestic industrial production chains and economic and commercial development. As a result, the current fragile global supply chain has attracted wide attention in the international market, and countries that hope for long-term stable economic growth must build supply chains to ensure the stability of their domestic markets. While the pandemic has strengthened past anti-globalization forces and generated new ones, it has also given rise to and maintained some of the muscles supporting globalization's advance. In the context of emphasis on economic globalization, it is urgent and crucial to analyze representative enterprises and develop marketing scale.

This paper selects four representative global capitalization companies. INDIA GLOBALIZATION CAPITAL IGC, a traditional health tech company, operates as a biopharmaceutical company [5]. The Company develops proprietary cannabinoid-based biopharmaceutical therapies for supportive end-of-life care, hospice care, and chronic neurological and oncological diagnosis. IGC serves the healthcare sector in the United States; EURO TECH HOLDINGS CO LTD (CLWT)'s main products are chemical analyzers, test kits, laboratory equipment, advanced chlorination equipment, water treatment equipment, and various related products [6]. CUSTOM TRUCK ONE SOURCE INC(CTOS), as a distributor, will provide sales of the product as a third party to commercial companies and governments in China, as well as Hong Kong, China [7]; HERC HOLDINGS INC (HRI), a traditional industrial company, provides specialized equipment leasing services for electric utility transmission and distribution, telecommunications, rail, and other infrastructural related industries in North America [8-11]. It operates through equipment leasing solutions, truck and equipment sales, and aftermarket parts and service segments. Equipment rental solutions have special equipment, including onboard lifts, cranes, service trucks, dump trucks, trailers, excavator derricks, and other machinery and equipment. The Truck and equipment sales segment provides sales of new equipment for end markets, which can be modified to meet the specific needs of customers. The aftermarket Parts and service segment includes truck and equipment maintenance and repair services and sells specialized aftermarket parts. HRI in North America has a vast scale and a broad footprint, a high-quality team for individual and government buildings, construction facilities, manufacturing industry to provide services, such as the four global capitalization companies. In contrast, this paper will be following the company valuation, the valuation, and the prospects, as the key. Among them, HRI is not only a stable stock market but also far ahead in the industry, which is the object investors should focus on.

This paper selects four representative global capitalization companies. For the four globally capitalized companies, this paper will analyze the data from 2015 to 2021 in terms of P/E ratio, EPS, EBIT, EBITDA, and Revenue growth rate. For the best-operating conditions, the future planning and prospects of HRI companies with the highest return on value are an outlook.

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## 2. Data and Method

This paper obtained analytical data from S&P Global from 2015 to 2021. This paper focus on four companies, IGC, CLWT, CTOS, and HRI. These companies are well-known companies with global capitalization and are also competitors of HRI, and compare their average stock market conditions and operating performance benchmarks with the situation of HRI. This paper found the share price, EBIT, EBITDA, and dividend mainly from the annual reports of these four companies from 2015 to 2021 and subsequently calculated the earnings per share, P/E ratio, profitability, and dividend yield of each Company. Finally, the average of these ratios for the four companies is calculated and used as the industry average. The reason for our selection of these four companies is that all the selected companies are globally capitalized large companies in traditional industries. This paper use the annual sales growth rate, annual earnings per share growth rate, and annual EBITDA growth rate to calculate growth. This paper also apply EBITDA margin, gross margin, net margin, and gross margin to assets ratio to measure profitability. Then, the dividend yield is used to calculate the payout.

### 2.1. P/E Ratio

The academic definition of the price-earnings ratio (P/E) is one of the tools for the valuation of stock value. Under normal circumstances, analysts can examine the earnings of a company and the development prospects of its stock through the P/E ratio.

$$\text{PE Ratio} = \text{Price Per Share/Earnings Per Share} \tag{1}$$

Under normal circumstances, the data of high p/e ratio on behalf of the investors for the company's future earning power, the higher expectation for the development of prospects, and very low or even negative p/e ratio have said that there was a problem in the company's operating performance, slightly lower in the reasonable p/e value, is a better choice for investors, because it represents, the value of a stock is undervalued, there will be the excellent upside. The P/E ratio of HRI in 2021 is the highest among IGC, CLWT, and CTOS, which indicates that HRI has an excellent operating situation. The market and investors highly expect it, and HRI's P/E ratio ranks lower and middle in the US stock market in 2021, indicating that it has a stable value proposition.

Table 1: P/E indicator of the selected assets.

| P/E | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| HRI | -57 | 11 | 11 | 30 | 26.5 | 21 |
| IGC | -6.7 | -9 | -16 | 2.6 | -8.5 | -3 |
| CLWT | -9.6 | -9.6 | 71 | 37.7 | 12.9 | 17 |
| CTOS | | | | -5 | -17 | -10.6 |

In addition, the average P/E ratio in the five-year financial data is about 25, which shows that HRI is in good operating condition and that its strength will be underestimated in many cases. Hence, it is a good choice for value investors.

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## 2.2. Eamings Per Share

Generally, earnings per share (EPS) is academically defined as the sum of a company's net income divided by the number of common shares outstanding. Usually, how much money a company makes over a while, whether it is profitable or not, can be judged by EPS, is the most efficient way to value a company. Typically, the higher the earnings per share, the more a company is worth because investors will pay more for a company's stock if they believe it is highly profitable relative to its share price. Earnings per share can be derived in various forms, such as excluding extraordinary items, termination of operations, or dilution.

As with other financial data, earnings per share are most valuable compared to competitor companies, companies in the same industry, or over time. Generally, the better the ability to make money for shareholders, the higher the EPS will perform. The usual way to calculate earnings per share is to divide the sum of payments, also known as profit or net income, by the remaining available shares. Of course, it can also be expressed in more advanced academic calculations as the numerator and denominator of claims created by adjusting options, convertible debt, or warrants. The numerator of the equation is also more relevant if further adjustments to subsequent operations are required.

$$\text{Earnings per Share} = \text{Net Income} - \text{Preferred Dividends/End} - \text{of} - \text{Period Common Shares Outstanding} \tag{2}$$

Table 2: EPS of the selected assets.

| EPS | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| HRI | 2.51 | 5.6 | 2.39 | 1.63 | 2.51 | 7.37 |
| IGC | -0.07 | -0.06 | -0.13 | -0.19 | -0.21 | -0.17 |
| CLWT | 0.11 | 0.23 | 0.04 | -0.06 | 0.25 | 0.19 |
| CTOS | | | | -0.82 | -0.43 | -0.75 |

It could be seen that from 2016 to 2021, the EPS of HRI companies was the highest among the four globally capitalized companies and remained stable even if the value declined during the epidemic.

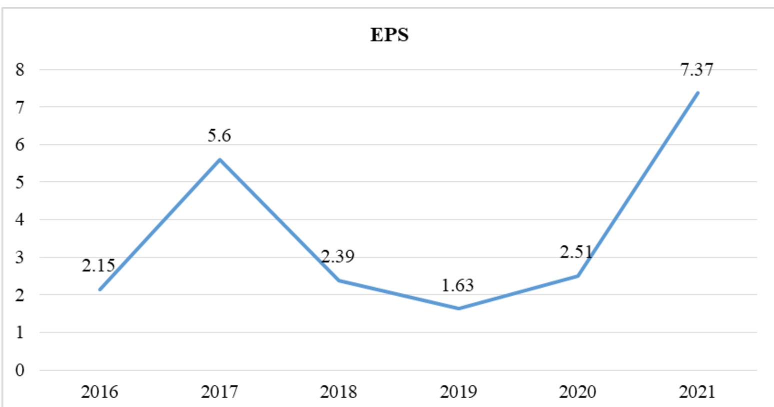


Figure 1: The trends of DPS.

As shown in Figure 1, it can see that EPS shows a straight-line recovery trend in 2020 and 2021 after experiencing the fluctuations of COVID-19.

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### 2.3. EBIT and EBITDA

EBIT is the full name of earnings before interest and tax, and it is usually possible to observe the operating status and profitability of a company through the data of EBIT. EBIT can be calculated by subtracting expenses from income, but this does not include taxes and stocks. EBIT income tax and expense before interest, also known as the profit and operating profit. So, under normal circumstances, there are two formulas to calculate EBIT:

$$\text{EBIT} = \text{net profit} + \text{income tax} + \text{interest} \tag{3}$$

Or

$$\begin{aligned}\text{EBIT} = {} & \text{operating profit} + \text{investment income} + \text{non} - \text{operating income} \\ & - \text{non} - \text{operating expenses} \\ & + \text{profit and loss adjustment for previous years}\end{aligned} \tag{4}$$

Table 3: EBIT of the selected assets.

| EBIT | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| HRI | 207.3 | 142.6 | 225.4 | 248.2 | 207.3 | 377.7 |
| ICG | -2 | -1.79 | -4.6 | -6.9 | -0.82 | -2.6 |
| CLWT | -0.65 | -0.56 | -1 | 0.43 | -1.68 | 0.78 |
| CTOS | | | | 44.3 | 23.87 | 9.8 |

It can be seen from the data in Table 3 that the EBIT value of HRI is much higher than that of the other three economic globalization companies, and it is the company with the best-operating conditions. EBITDA is usually a critical measure of the profitability of a company's net income. At the same time, it can also calculate the cash profit generated by the company's operation through data, which can more clearly show a company's core business capabilities and future development and operating capabilities. In academic terms, EBITDA is calculated by adding taxes, interest, depreciation, and amortization expenses to total net income. By excluding non-cash depreciation, amortization expenses, capital structure-dependent taxes, and cost of debt. Therefore, there are two different EBITDA formulas, one based on net income and the other based on operating income. The corresponding EBITDA formula is as follows:

$$\text{EBITDA} = \text{Net Income} + \text{Taxes} + \text{Interest Expense} + \text{Depreciation \& Amortization} \tag{5}$$

$$\text{EBITDA} = \text{Operating Income} + \text{Depreciation \& Amortization} \tag{6}$$

Table 4: EBITDA of the selected assets.

| EBITDA | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| HRI | 673.7 | 573 | 670.2 | 718.3 | 673.7 | 866.4 |
| IGC | -1.7 | -1.77 | -4.6 | -6.72 | -7.7 | -1.9 |
| CLWT | -0.6 | -0.5 | -1 | -0.36 | -1.64 | 0.82 |
| CTOS | | | | 118 | 105.6 | 211.3 |

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Through the data in Table 4, it can be concluded that the EBITDA index of HRI is far ahead, which means that HRI has good cash flow and is an essential indicator for value evaluation in recent years.

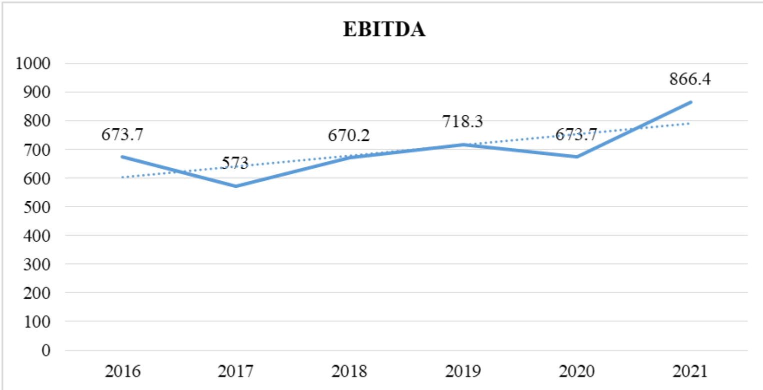


Figure 2: The trends of EBITDA.

As shown in Figure 2, the growth curve of EBITDA over the years can be better seen, as well as the growth trend.

## 2.4. Revenue Growth Rate

Revenue growth rate refers to the ratio of the total revenue of the current year's operations to the total income of the previous year's operations. Under normal circumstances, the observation of primary business data is fundamental. Comparing the current year's turnover with the last year's income shows whether a company is profitable, this is an important indicator to evaluate an enterprise's growth status and development capacity. By observing the annual revenue growth rate, the business situation of the enterprise can be quickly obtained. The higher the revenue growth rate is, the better the business situation is. It can also be used to measure the life cycle of the company's products.

Table 5: Results of revenue growth rate.

| YoY | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| HRI | | 12.84% | 12.66% | 1.13% | -10.89% | 16.38% |
| IGC | -91% | 278.1% | 133.29% | -20.41% | -77.95% | -55.79% |
| CLWT | 0% | 0% | 9.85% | -13.46% | -23.23% | 60.13% |
| CTOS | | | | | 14.66% | 285.53% |

As shown in Table 5, before the outbreak of COVID-19, HRI, IGC, and CLWT companies had a good performance. However, with the explosion of COVID-19, the data of Revenue Growth Rate entered a watershed (since the data of CTOS is less than three years, The Revenue Growth Rate of IGC and CLWT has changed significantly, while HRI remains in a relatively stable state in general, especially in the overall recovery in 2020, and the whole product life cycle remains in a regular period. That's a good thing for investing.

## 3. Results and Conclusion

From the above data, this paper can see that HRI is a company with stable operations and rising profits and a tough stock market. Even under global COVID-19, it can quickly recover the company's overall trend. Under HRI's good process, rental income from leased equipment has

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shown a steady growth trend with a compound annual growth rate of 3.4%, and HRI's EBITDA has grown by more than 6.5% during the past five years of challenging operations. Its second-quarter 2022 financial report reported sales growth of 30.5% year on year, exceeding the expected target. Its leading product leasing equipment business revenue increased 35.1% year on year. HRI's EBITDA grew 36.8 percent year over year in 2022, and its profit surged an astounding 210 basis points to 44.4 percent. Cash and equivalents totaled \$52.1 million as of June 30, 2022. Compared with industry peers, HEI companies are not only in the best state as sellers of new and old users but also in the peak state of internal management and operation. The strength of HRI, which has been keeping a low profile on EBIT, is underestimated and is a rare and good investment target. And from the EBITDA trough in 2017, through continuous efforts, innovation, and internal adjustment of the company, it finally climbed to the high point in 2021 in the above data. It rose steadily in the quarterly financial report of 2022. HRI's free cash flow of \$425 million is due to its excellent operating methods and strict internal management. Plus, far ahead of the industry's products and services. Abundant free cash flow will make De it have more excellent industrial development space, as well as capital circulation market, for investors who pay attention to value investment has a desirable prospect.

HRI can be seen from the above companies both in terms of the analysis of the financial report or calendar year of 2021 to 2022, the company as a whole, let us determine this is worth the investment of the company. In addition, the HRI company to echo the sustainable development policy, promoting the international green financial idea, will waste the product non-toxic landfill disposal. Therefore, the guarantee will be reduced to 25%, the processing intensity for the environmental protection concept also made the enterprise should bear the responsibility, develop a plan in 2030 will fall to 25% the emissions of greenhouse gases, HRI company also attaches great importance to AnQuanCheng production, dedicated to cut the accident probability of each year to 0.49, the sights more long-term business development, It is an object that investors trust more. According to the data analysis, the development of HRI is better than other companies. Not only is the profit situation stable, but the stock market is also stable and improved. Therefore, there is always a good prospect. Consequently, HRI is the best choice for value investing.

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