

Merlin Properties SOCIMI SA MRL ★★★^Q 20 Nov 2019 02:00 UTC

Last Close
20 Nov 2019
13.10

Fair Value^Q
20 Nov 2019 02:00 UTC
13.29

Market Cap
20 Nov 2019
6,087.5 Mil

Sector
Real Estate

Industry
REIT - Diversified

Country of Domicile
ESP Spain

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Company Profile

Merlin Properties SOCIMI SA is a Spain-based company engaged in the operation of real estate investment trust. The main activity of the Company is the acquisition, active management, operation and selective rotation of quality commercial real estate assets in the "Core" and "Core-Plus" investment segments, mainly in Spain and, to a lesser extent, in Portugal. Its segments are based on the type of assets namely Office buildings, High Street retail assets, Shopping centres, Logistics assets, and others. The company generates

Quantitative Scores

		Scores		
		All	Rel Sector	Rel Country
Quantitative Moat	Narrow	81	90	66
Valuation	Fairly Valued	19	30	33
Quantitative Uncertainty	High	96	90	92
Financial Health	Moderate	80	59	50



Undervalued Fairly Valued Overvalued

Source: Morningstar Equity Research

Valuation

	Current	5-Yr Avg	Sector Median	Country Median
Price/Quant Fair Value	0.99	0.98	0.85	0.87
Price/Earnings	9.2	—	11.0	15.0
Forward P/E	20.9	—	14.2	12.5
Price/Cash Flow	14.8	—	13.7	8.8
Price/Free Cash Flow	15.1	—	15.6	15.2
Trailing Dividend Yield %	3.82	—	4.08	3.93
Price/Book	0.9	—	1.0	1.9
Price/Sales	10.0	—	4.6	1.4

Profitability

	Current	5-Yr Avg	Sector Median	Country Median
Return on Equity %	10.6	11.2	9.7	12.9
Return on Assets %	5.2	5.2	4.1	3.3
Revenue/Employee (Mil)	3.5	21.6	2.0	0.2

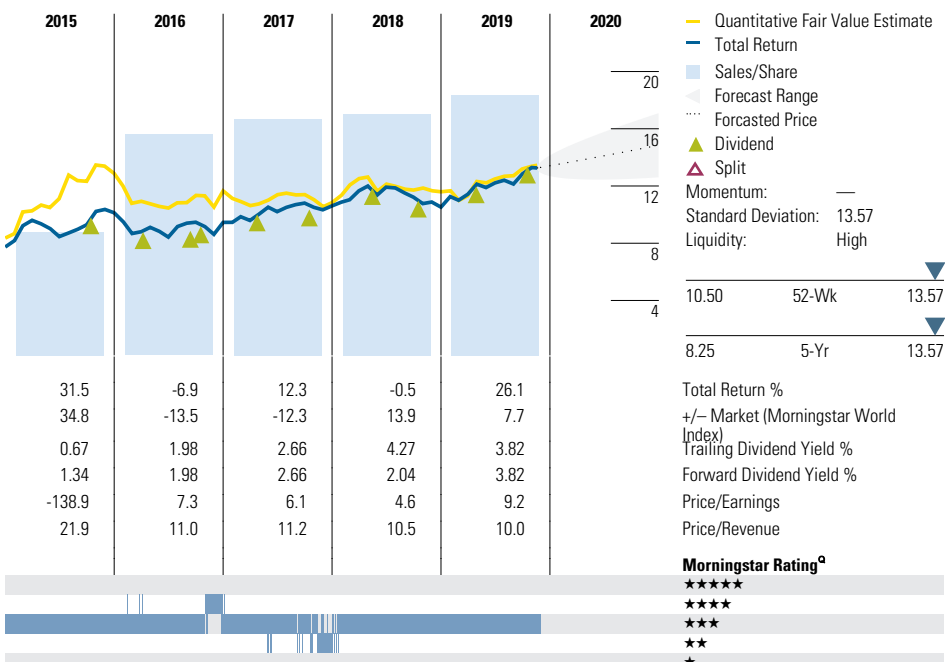
Financial Health

	Current	5-Yr Avg	Sector Median	Country Median
Distance to Default	0.7	0.6	0.6	0.7
Solvency Score	486.8	—	529.7	556.5
Assets/Equity	2.0	2.1	2.0	2.7
Long-Term Debt/Equity	0.8	0.8	0.6	0.4

Growth Per Share

	1-Year	3-Year	5-Year	10-Year
Revenue %	27.4	40.2	44.6	—
Operating Income %	44.3	44.1	67.4	—
Earnings %	-22.6	129.8	—	—
Dividends %	53.0	81.1	—	—
Book Value %	12.9	15.1	—	—
Stock Total Return %	26.6	15.3	11.2	—

Price vs. Quantitative Fair Value



	2014	2015	2016	2017	2018	TTM	Financials (Fiscal Year in K)
Revenue	56,616	214,429	351,646	463,294	590,431	614,338	Revenue
% Change	-39.4	278.7	64.0	31.8	27.4	4.0	% Change
Operating Income	38,546	162,026	255,877	335,621	484,402	503,242	Operating Income
% Change	4.6	320.3	57.9	31.2	44.3	3.9	% Change
Net Income	49,670	49,078	582,645	1,100,418	854,878	666,240	Net Income
Operating Cash Flow	27,928	67,299	-81,466	695,830	254,437	413,779	Operating Cash Flow
Capital Spending	-1,078	—	-3,664	-6,576	-1,900	-7,150	Capital Spending
Free Cash Flow	26,850	67,299	-85,130	689,254	252,537	406,629	Free Cash Flow
% Sales	47.4	31.4	-24.2	148.8	42.8	66.2	% Sales
EPS	0.51	0.22	1.62	2.35	1.82	1.42	EPS
% Change	—	-57.0	635.9	45.1	-22.6	-22.0	% Change
Free Cash Flow/Share	—	0.07	0.41	0.76	0.45	0.87	Free Cash Flow/Share
Dividends/Share	—	0.08	0.31	0.30	0.46	0.50	Dividends/Share
Book Value/Share	8.79	8.60	6.54	11.09	13.17	13.95	Book Value/Share
Shares Outstanding (K)	146,633	323,030	469,761	467,451	463,621	464,693	Shares Outstanding (K)

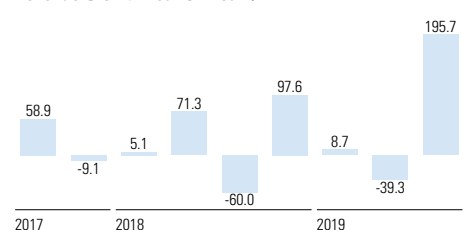
	2014	2015	2016	2017	2018	TTM	Profitability
Return on Equity %	3.8	2.3	15.1	20.9	14.1	10.6	Return on Equity %
Return on Assets %	2.1	1.1	6.5	9.6	7.0	5.2	Return on Assets %
Net Margin %	87.7	22.9	165.7	237.5	144.8	108.5	Net Margin %
Asset Turnover	0.02	0.05	0.04	0.04	0.05	0.05	Asset Turnover
Financial Leverage	1.8	2.4	2.3	2.1	2.0	2.0	Financial Leverage
Gross Margin %	95.4	95.2	94.4	92.3	92.9	93.1	Gross Margin %
Operating Margin %	68.1	75.6	72.8	72.4	82.0	81.9	Operating Margin %
Long-Term Debt	973,935	1,249,187	4,980,004	5,219,817	5,118,201	5,460,171	Long-Term Debt
Total Equity	1,308,679	2,925,339	4,819,458	5,717,659	6,401,836	6,523,894	Total Equity
Fixed Asset Turns	63.3	219.9	152.1	124.4	165.2	94.1	Fixed Asset Turns

Quarterly Revenue & EPS

Revenue (Mil)	Mar	Jun	Sep	Dec	Total
2019	131.7	122.7	140.5	—	—
2018	121.2	202.3	47.5	219.5	590.4
2017	115.3	118.1	118.9	111.0	463.3
2016	76.8	77.9	74.8	122.1	351.6

Earnings Per Share (€)	2019	2018	2017	2016
2019	0.13	0.43	0.10	—
2018	0.24	0.73	0.05	0.80
2017	0.14	0.76	0.11	1.34
2016	0.14	0.51	0.14	0.70

Revenue Growth Year On Year %



Quantitative Equity Reports Overview

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Morningstar's quantitative equity ratings consist of: (i) Quantitative Fair Value Estimate, (ii) Quantitative Star Rating, (iii) Quantitative Uncertainty, (iv) Quantitative Economic Moat, and (v) Quantitative Financial Health (collectively the "Quantitative Ratings").

The Quantitative Ratings are calculated daily and derived from the analyst-driven ratings of a company's peers as determined by statistical algorithms. Morningstar, Inc. ("Morningstar", "we", "our") calculates Quantitative Ratings for companies whether or not it already provides analyst ratings and qualitative coverage. In some cases, the Quantitative Ratings may differ from the analyst ratings because a company's analyst-driven ratings can significantly differ from other companies in its peer group.

i. **Quantitative Fair Value Estimate:** Intended to represent Morningstar's estimate of the per share dollar amount that a company's equity is worth today. Morningstar calculates the Quantitative Fair Value Estimate using a statistical model derived from the Fair Value Estimate Morningstar's equity analysts assign to companies. Please go to <http://global.morningstar.com/equitydisclosures> for information about Fair Value Estimate Morningstar's equity analysts assign to companies.

ii. **Quantitative Economic Moat:** Intended to describe the strength of a firm's competitive position. It is calculated using an algorithm designed to predict the Economic Moat rating a Morningstar analyst would assign to the stock. The rating is expressed as Narrow, Wide, or None.

Narrow – assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 70% but less than 99%.

Wide – assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 99%.

None – assigned when the probability of an analyst receiving a "Wide Moat" rating by an analyst is less than 70%.

iii. **Quantitative Star Rating:** Intended to be the summary rating based on the combination of our Quantitative Fair Value Estimate, current market price, and the Quantitative Uncertainty Rating. The rating is expressed as One-Star, Two-Star, Three-Star, Four-Star, and Five-Star.

One-Star – the stock is overvalued with a reasonable margin of safety.

*Log (Quant FVE/Price) < -1*Quantitative Uncertainty*

Two-Star - the stock is somewhat overvalued.

*Log (Quant FVE/Price) between (-1*Quantitative Uncertainty, -0.5*Quantitative Uncertainty)*

Three-Star – the stock is approximately fairly valued.

*Log (Quant FVE/Price) between (-0.5*Quantitative Uncertainty, 0.5*Quantitative Uncertainty)*

Four-Star – the stock is somewhat undervalued.

*Log (Quant FVE/Price) between (0.5*Quantitative Uncertainty, 1*Quantitative Uncertainty)*

Five-Star – the stock is undervalued with a reasonable margin of safety.

*Log (Quant FVE/Price) > 1*Quantitative Uncertainty*

iv. **Quantitative Uncertainty:** Intended to represent Morningstar's level of uncertainty about the accuracy of the Quantitative Fair Value Estimate. Generally, the lower the Quantitative Uncertainty, the narrower the potential range of outcomes for that particular company. The rating is expressed as Low, Medium, High, Very High, and Extreme.

Low – the interquartile range for possible fair values is less than 10%

Medium – the interquartile range for possible fair values is less than 15% but greater than 10%

High – the interquartile range for possible fair values is less than 35% but greater than 15%

Very High – the interquartile range for possible fair values is less than 80% but greater than 35%

Extreme – the interquartile range for possible fair values is greater than 80%

v. **Quantitative Financial Health:** Intended to reflect the probability that a firm will face financial distress in the near future. The calculation uses a predictive model designed to anticipate when a company may default on its financial obligations. The rating is expressed as Weak, Moderate, and Strong.

Weak – assigned when Quantitative Financial Health < 0.2

Moderate – assigned when Quantitative Financial Health is between 0.2 and 0.7

Strong – assigned when Quantitative Financial Health > 0.7

Other Definitions

i. **Last Close** – Price of the stock as of the close of the market of the last trading day before date of the report.

ii. **Quantitative Valuation** – Using the below terms, intended to denote the relationship between the security's **Last Price** and Morningstar's quantitative fair value estimate for that security.

Undervalued – Last Price is below Morningstar's quantitative fair value estimate.

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