

ENCE Energia y Celulosa SA ENC ★★★^Q 18 Nov 2019 02:00 UTC

Last Close
18 Nov 2019
3.77

Fair Value^Q
18 Nov 2019 02:00 UTC
5.39

Market Cap
18 Nov 2019
905.1 Mil

Sector
Basic Materials

Industry
Paper & Paper Products

Country of Domicile
ESP Spain

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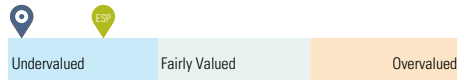
Company Profile

ENCE Energia y Celulosa SA produces and sells pulp. The company owns and manages eucalyptus forests throughout Spain and harvests timber. The timber is transported to the firm's mills, where it produces pulp for sale to paper manufacturers. Over half of the company's pulp is sold to tissue paper producers. Other customers include manufacturers of specialty paper, printing and writing paper, and packaging paper. Ence also generates and sells electricity from forest biomass. The vast majority of revenue comes from

Quantitative Scores

		Scores		
		All	Rel Sector	Rel Country
Quantitative Moat	None	55	65	36
Valuation	Undervalued	66	53	90
Quantitative Uncertainty	Very High	68	75	56
Financial Health	Moderate	46	28	12

ENC



Source: Morningstar Equity Research

Valuation

	Current	5-Yr Avg	Sector Median	Country Median
Price/Quant Fair Value	0.70	1.01	0.78	0.87
Price/Earnings	9.9	21.6	13.3	15.0
Forward P/E	—	—	10.4	12.5
Price/Cash Flow	4.6	9.9	8.0	8.8
Price/Free Cash Flow	—	27.5	14.7	15.2
Trailing Dividend Yield %	5.56	3.52	2.43	3.93
Price/Book	1.3	1.5	1.4	1.9
Price/Sales	1.2	1.3	1.0	1.4

Profitability

	Current	5-Yr Avg	Sector Median	Country Median
Return on Equity %	15.4	5.7	11.5	12.9
Return on Assets %	6.7	2.4	5.7	3.3
Revenue/Employee (K)	748.2	886.8	857.4	240.3

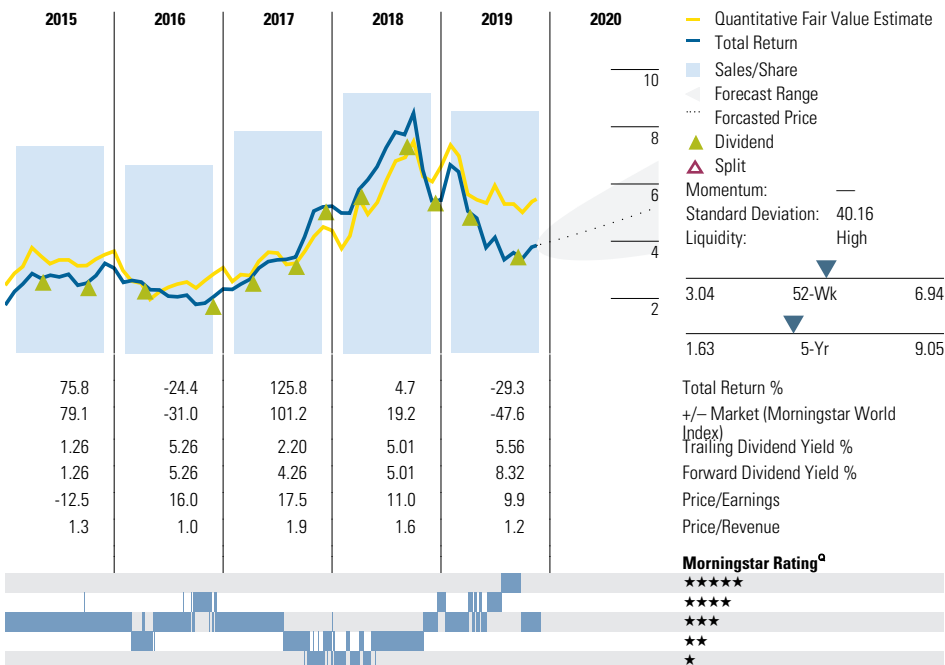
Financial Health

	Current	5-Yr Avg	Sector Median	Country Median
Distance to Default	0.4	0.5	0.6	0.7
Solvency Score	408.4	—	474.7	556.5
Assets/Equity	2.5	2.2	1.4	2.7
Long-Term Debt/Equity	0.7	0.7	0.2	0.4

Growth Per Share

	1-Year	3-Year	5-Year	10-Year
Revenue %	12.4	7.8	-0.5	2.3
Operating Income %	49.4	15.6	24.4	11.0
Earnings %	29.7	34.1	90.0	35.5
Dividends %	63.4	84.2	32.3	10.0
Book Value %	7.4	6.7	-0.4	-1.4
Stock Total Return %	-33.2	30.7	22.0	8.3

Price vs. Quantitative Fair Value

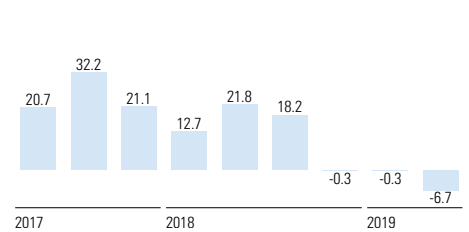


	2014	2015	2016	2017	2018	TTM	Financials (Fiscal Year in K)
Revenue	687,546	663,912	605,448	740,322	831,982	817,800	Revenue
% Change	-19.4	-3.4	-8.8	22.3	12.4	-1.7	% Change
Operating Income	-41,470	138,276	63,336	142,227	212,437	182,849	Operating Income
% Change	-158.3	—	-54.2	124.6	49.4	-13.9	% Change
Net Income	-140,909	49,855	38,711	91,786	129,130	103,792	Net Income
Operating Cash Flow	9,463	110,621	122,806	176,305	227,264	214,074	Operating Cash Flow
Capital Spending	-59,831	-59,166	-67,493	-52,464	-187,993	-270,350	Capital Spending
Free Cash Flow	-50,368	51,455	55,313	123,841	39,271	-56,276	Free Cash Flow
% Sales	-7.3	7.8	9.1	16.7	4.7	-6.9	% Sales
EPS	-0.56	0.20	0.15	0.37	0.48	0.38	EPS
% Change	-2,987.5	—	-25.0	146.7	29.7	-20.8	% Change
Free Cash Flow/Share	0.29	0.11	0.10	0.48	0.28	-0.22	Free Cash Flow/Share
Dividends/Share	0.08	0.04	0.13	0.17	0.28	0.26	Dividends/Share
Book Value/Share	2.20	2.22	2.27	2.53	2.76	2.85	Book Value/Share
Shares Outstanding (K)	247,352	248,866	244,764	244,776	244,706	239,818	Shares Outstanding (K)
Return on Equity %	-22.5	9.0	6.9	15.5	19.7	15.4	Return on Equity %
Return on Assets %	-11.2	4.2	3.2	7.2	8.5	6.7	Return on Assets %
Net Margin %	-20.5	7.5	6.4	12.4	15.5	12.7	Net Margin %
Asset Turnover	0.55	0.56	0.50	0.58	0.55	0.53	Asset Turnover
Financial Leverage	2.1	2.1	2.2	2.1	2.5	2.6	Financial Leverage
Gross Margin %	43.5	60.8	56.7	61.0	65.2	65.2	Gross Margin %
Operating Margin %	-6.0	20.8	10.5	19.2	25.5	22.4	Operating Margin %
Long-Term Debt	340,049	386,635	376,563	395,280	454,326	550,886	Long-Term Debt
Total Equity	542,928	568,218	554,331	632,331	679,024	683,791	Total Equity
Fixed Asset Turns	1.0	1.0	0.9	1.1	1.0	0.9	Fixed Asset Turns

Quarterly Revenue & EPS

Revenue (Mil)	Mar	Jun	Sep	Dec	Total
2019	195.6	190.6	—	—	—
2018	196.2	204.1	219.4	212.3	832.0
2017	174.1	167.7	185.6	212.9	740.3
2016	150.2	139.0	140.4	175.8	605.4
Earnings Per Share (€)					
2019	0.07	0.03	—	—	—
2018	0.12	0.09	0.16	0.15	0.48
2017	0.06	0.07	0.11	0.13	0.37
2016	0.06	-0.01	0.05	0.06	0.15

Revenue Growth Year On Year %



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The quantitative report on equities consists of data, statistics and quantitative equity ratings on equity securities. Morningstar, Inc.'s quantitative equity ratings are forward looking and are generated by a statistical model that is based on Morningstar Inc.'s analyst-driven equity ratings and quantitative statistics. Given the nature of the quantitative report and the quantitative ratings, there is no one analyst in which a given report is attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative equity ratings used in this report. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities.

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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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