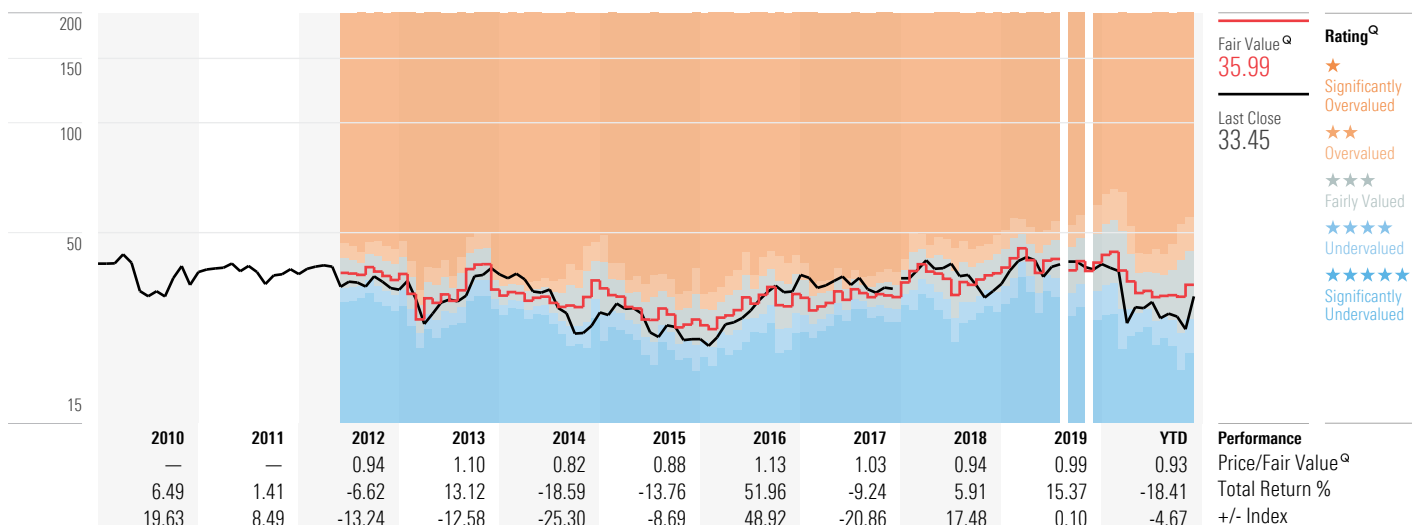


Construcciones y Auxiliar de Ferrocarriles SA CAF ★★★

Q 21 Nov 2020, 00:36 UTC

Economic Moat ^Q	Uncertainty ^Q	Price/Fair Value ^Q	Trailing Dividend Yield %	Market Cap	Investment Style	Sector	Industry
None	Very High	0.9	2.49	1.1467 Bil	Small Core	Industrials	Specialty Industrial Machinery



Total Return % as of 20 Nov 2020. Last Close as of 20 Nov 2020. Fair Value as of 21 Nov 2020, 00:36 UTC. Index: Morningstar Spain GR EUR.

There is no one analyst in which a Quantitative Fair Value Estimate and Quantitative Star Rating are attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative fair value. 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. For information regarding Conflicts of Interests, visit <http://global.morningstar.com/equitydisclosures>

Valuation^Q as of 20 Nov 2020

Fair Value^Q

35.99

Uncertainty^Q:
Very High

Last Close

33.45

CAF is undervalued at a 7% discount.

Economic Moat^Q

None

Financial Health^Q

Moderate

1-Star Price^Q

> 55.20

5-Star Price^Q

< 23.47

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Financials as of 20 Nov 2020 (Fiscal Year End 31 Dec 2019)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD	Fiscal
2	2	2	2	1	1	1	1	2	3	2	Revenue (Bil)
171	192	143	180	104	128	101	146	155	125	74	Operating Income (Mil)
10.94	11.13	8.29	11.75	7.19	9.94	7.63	9.86	7.55	4.82	4.07	Operating Margin (%)
130	146	99	90	60	41	35	42	43	25	-21	Net Income (Mil)
3.78	4.26	2.90	2.63	1.74	1.20	1.02	1.24	1.27	0.72	-0.61	Diluted Earnings/Share
-24	68	105	-43	62	96	335	165	389	129	6	Operating Cash Flow (Mil)
-65	-45	-56	-49	-24	-19	-27	-51	-91	-72	-22	Capital Spending (Mil)
-89	23	49	-93	38	76	308	114	299	57	-15	Free Cash Flow (Mil)
34	34	34	34	34	34	34	34	34	34	34	Avg Shares Outstand(Mil)
1.05	1.05	1.05	1.05	1.05	0.53	0.53	0.58	—	0.77	0.84	Dividend Per Share

Valuation as of 20 Nov 2020

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Current	Calendar
—	—	0.94	1.10	0.82	0.88	1.13	1.03	0.94	0.99	0.93	Price/Fair Value ^Q
0.97	0.88	0.70	0.84	0.69	0.64	—	—	0.69	0.55	0.45	Price/Sales
10.59	9.67	12.03	15.08	12.48	17.80	41.42	31.95	27.27	103.83	644.00	Price/Earnings
5.48	—	11.40	—	—	8.17	3.94	6.97	6.20	4.49	7.40	Price/Cash Flow
2.69	2.27	1.70	1.88	1.41	1.19	1.78	1.57	1.71	1.97	1.90	Price/Book

Operating Performance as of 20 Nov 2020 (Fiscal Year End 31 Dec 2019)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Q3	Fiscal (%)
5.67	6.35	3.94	3.29	2.07	1.41	1.15	1.34	1.22	0.59	-0.1	Return on Assets
25.34	23.81	14.56	12.69	8.2	5.7	4.75	5.57	5.79	3.33	-0.73	Return on Equity
19.49	18.07	9.67	8.6	5.87	4.68	4.67	5.5	5.37	3.64	-0.24	Rtn on Invested Capital

Business Description

Construcciones y Auxiliar de Ferrocarriles SA is a Spain-based company that offers comprehensive railway solutions. The company's train-related products comprise high-speed rolling stock, wheelsets, traction and communication systems, signaling systems, and related services including vehicle

maintenance, vehicle upgrading and refurbishment, and aftersales technical supports. In addition to supplying train-related products, the company also helps customers conduct viability studies, civil work, electrification projects, and system operation. The company operates under concession or turnkey models. Construcciones y Auxiliar de Ferro-

carriles has a global presence, with Europe and Brazil being the two largest markets.

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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, Quantitative Uncertainty Rating, and momentum. 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*

*Micro-Caps: Log (Quant FVE/Price) < -1.5*Quantitative Uncertainty*

Two-Star - the stock is somewhat overvalued.

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

*Micro-Caps: Log (Quant FVE/Price) between (-1.5*Quantitative Uncertainty, -0.75*Quantitative Uncertainty)*

Three-Star – the stock is approximately fairly valued.

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

*Micro-Caps: Log (Quant FVE/Price) between (-0.75*Quantitative Uncertainty, 0.75*Quantitative Uncertainty)*

Four-Star – the stock is somewhat undervalued.

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

Uncertainty)

*Micro-Caps: Log (Quant FVE/Price) between (0.75*Quantitative Uncertainty, 1.5*Quantitative Uncertainty)*

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

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

*Micro-Caps: Log (Quant FVE/Price) > 1.5*Quantitative Uncertainty*

After the initial calculation for the star rating, there is a final filtering step based on the momentum of the company. We rank the companies based on their 12-1 month momentum, then restrict those below the 30th percentile to a maximum of 3 stars.

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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

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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.

Fairly Valued – Last Price is in line with Morningstar's quantitative fair value estimate.

Overvalued – Last Price is above Morningstar's quantitative fair value estimate.

This Report **has not been made available** to the issuer of the security prior to publication.

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