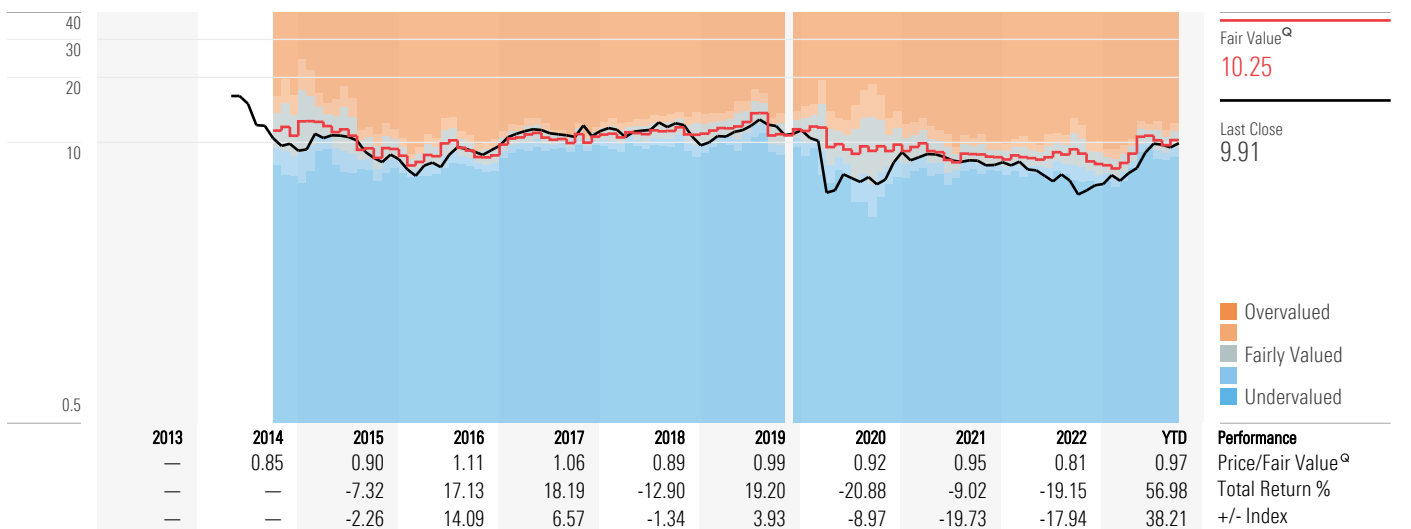


# Applus Services SA APPS ★★★ Q 20 Sep 2023, 22:37 UTC

|                                   |                                 |                                      |  |                                  |                   |                         |               |                             |
|-----------------------------------|---------------------------------|--------------------------------------|--|----------------------------------|-------------------|-------------------------|---------------|-----------------------------|
| <b>Economic Moat</b> <sup>Q</sup> | <b>Uncertainty</b> <sup>Q</sup> | <b>Price/Fair Value</b> <sup>Q</sup> | <b>ESG Risk Rating Assessment</b> <sup>1</sup> | <b>Trailing Dividend Yield %</b> | <b>Market Cap</b> | <b>Investment Style</b> | <b>Sector</b> | <b>Industry</b>             |
| None                              | High                            | 1.0                                  | 6 Sep 2023 05:00, UTC                          | 1.61                             | 1.2790 Bil        | Small Core              | Industrials   | Specialty Business Services |



As of 20 Sep 2023 | Index: Morningstar Spain GR EUR. Fair Value data as of 20 Sep 2023, 22:37 UTC.

<sup>1</sup>The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating. Lee Davidson, Chief Analytics Officer for Morningstar, Inc, oversees the methodology that supports Quantitative Fair Value Estimates and Quantitative Star Ratings. Mr. Davidson is guided by the Morningstar, Inc. Code of Ethics in carrying out his responsibilities. For information regarding Conflicts of Interests, visit <http://global.morningstar.com/equitydisclosures>.

## Key Metrics as of 19 Sep 2023

| Metrics                | Value | Percentile in Sector |
|------------------------|-------|----------------------|
| Earnings Yield (%)     | 4.1   | 50.0                 |
| Sales Yield (%)        | 157.0 | 67.0                 |
| Book Value Yield (%)   | 43.8  | 39.0                 |
| Return on Assets (%)*  | 2.2   | 39.0                 |
| Revenue(Bil)*          | 2.3   | 73.0                 |
| Market Value (Bil)     | 1.4   | 68.0                 |
| Enterprise Value (Bil) | 2.3   | 71.0                 |
| EVMV Ratio             | 1.7   | 82.0                 |
| Volatility TTM (%)     | 24.4  | 39.0                 |
| Drawdown TTM (%)       | 7.9   | 6.0                  |
| Volume (K)             | 299.2 | 55.0                 |

\*30 Jun 2023

## Business Description

Applus Services SA is a Spain-based company that provides testing, inspection and certification services. The company operates through four divisions. The energy and industry division, which accounts for the majority of revenue, is primarily engaged in industrial and environmental inspection, technical assistance, technical staffing, and others. The automotive division conducts statutory vehicle inspection services for safety and emissions. The IDIADA division provides vehicle proving ground, engineering, design and other services. The laboratories division conducts product testing and certification services for laboratories. Europe, North America, Asia Pacific are the three biggest markets for the company.

## Valuation <sup>Q</sup> as of 21 Sep 2023

Morningstar maintains a 3-star quantitative star rating for Applus Services, derived from the firm's valuation and uncertainty scores. The company's shares last closed at 9.91, in-line with our quantitative fair value estimate of 10.25. These shares have traded between a 38.61% and 2.01% discount to their fair value estimate over the past year. In Morningstar's equity coverage universe for this methodology, the company's valuation rating lands at the 94th percentile; in the industrials sector, the firm's score lies at the 89th percentile (meaning the shares are more undervalued than 89% of stocks in the sector). Furthermore, Applus Services maintains a quantitative valuation uncertainty rating of High. The company has held this star rating since the previous rating of 4, which was last assigned on 07/04/2023. The uncertainty rating for Applus Services has remained High since the previous rating of Medium, which was last assigned on 07/04/2023.

The key factors behind these ratings are the company's earnings yield and EV-MV ratio. The earnings yield is 4.09%, and its maximum enterprise value-to-market value ratio is 2.12. The earnings yield falls at the 50th percentile in the industrials sector while the EV-MV ratio is at the 82nd percentile. Over the past year, the company's earnings yield has been between 2.82% and 4.99%; its EV-MV ratio has ranged between 1.67 and 2.12.


## Economic Moat <sup>Q</sup> as of 20 Sep 2023

Morningstar maintains a quantitative moat rating of None on the company. The firm's quantitative moat score of 0.29 sits at the 33rd percentile in the industrials sector. This is a decrease from 0.54, the maximum of its moat scores over the past year. The quantitative financial health rating for Applus Services is Moderate. Its financial health score, termed Distance to Default, sits at the 35th percentile in both the universe and sector. The significant drivers of these ratings are the company's book value yield and annualized trailing 12-month volatility. The book value yield for Applus Services is 43.85%, and its annualized trailing 12-month volatility is 24.36%. They sit at the 39th and 33rd percentile in the global equity universe, respectively.

## Fundamentals as of 20 Sep 2023

Applus Services maintains earnings per share of 0.4. The company further earns a return on invested capital of 4.35%. The shares offer a dividend yield of 1.69%. These values are calculated over a trailing 12-month period. As of last market close, Applus Services has a price-to-earnings ratio of 24.49, falling below the 67th percentile in its sector (where a lower percentile means a lower ratio) and ranging between

# Applus Services SA APPS ★★★ Q 20 Sep 2023, 22:37 UTC

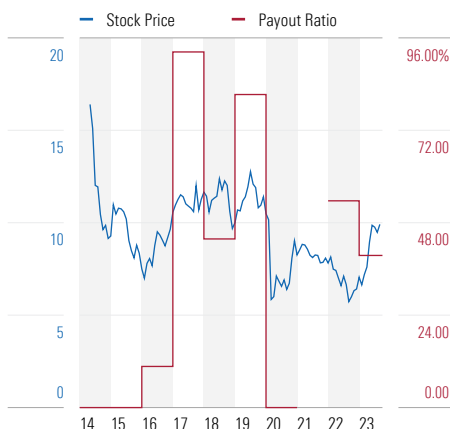
|                                   |                                 |                                      |  |                                  |                   |                         |               |                             |
|-----------------------------------|---------------------------------|--------------------------------------|--|----------------------------------|-------------------|-------------------------|---------------|-----------------------------|
| <b>Economic Moat</b> <sup>Q</sup> | <b>Uncertainty</b> <sup>Q</sup> | <b>Price/Fair Value</b> <sup>Q</sup> | <b>ESG Risk Rating Assessment</b> <sup>1</sup>   | <b>Trailing Dividend Yield %</b> | <b>Market Cap</b> | <b>Investment Style</b> | <b>Sector</b> | <b>Industry</b>             |
| None                              | High                            | 1.0                                  | <br>6 Sep 2023 05:00, UTC | 1.61                             | 1.2790 Bil        | Small Core              | Industrials   | Specialty Business Services |

## Earnings as of 19 Sep 2023

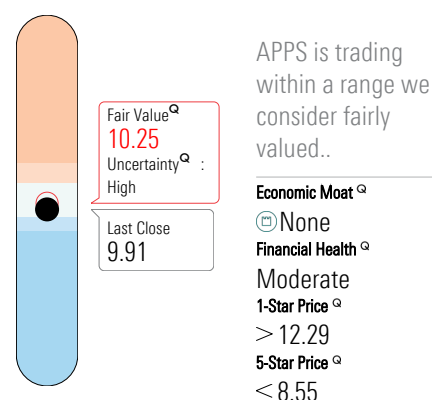
| Earnings           | %    | Percentile in Sector |
|--------------------|------|----------------------|
| Dividend Yield*    | 1.7  | 33.0                 |
| Payout Ratio*      | 39.5 | 57.0                 |
| Price to Earnings  | 24.5 | 67.0                 |
| Price to Cash Flow | 7.1  | 27.0                 |
| ROIC**             | 4.4  | 37.0                 |

\*31 Aug 2023  
\*\*30 Jun 2023

## Dividends as of 20 Sep 2023



## Valuation <sup>Q</sup> as of 20 Sep 2023



### Economic Moat <sup>Q</sup>

None

### Financial Health <sup>Q</sup>

Moderate

### 1-Star Price <sup>Q</sup>

> 12.29

### 5-Star Price <sup>Q</sup>

< 8.55

18.7 and 27.87 over the past year. The company's price-to-free cash flow ratio is 7.1, falling at the 27th percentile in its sector and ranging between 4.97 and 7.41 over the past year.

### Contact

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<https://www.applus.com>

## Financials as of 20 Sep 2023 (Fiscal Year End 31 Dec 2023)

| 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | YTD   | Fiscal                    |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------------------------|
| 1,581 | 1,619 | 1,701 | 1,586 | 1,583 | 1,676 | 1,778 | 1,558 | 1,777 | 2,050 | 1,001 | Revenue (Mil)             |
| 97    | 99    | 111   | 81    | 89    | 112   | 135   | 55    | 117   | 136   | 78    | Operating Income (Mil)    |
| 6.16  | 6.09  | 6.55  | 5.09  | 5.6   | 6.66  | 7.61  | 3.55  | 6.61  | 6.66  | 7.8   | Operating Margin (%)      |
| -170  | 24    | 38    | 20    | 36    | 41    | 56    | -158  | 32    | 49    | 26    | Net Income (Mil)          |
| -0.28 | 0.20  | 0.30  | 0.15  | 0.27  | 0.29  | 0.39  | -1.11 | 0.23  | 0.36  | 0.20  | Diluted Earnings/Share    |
| 155   | 123   | 160   | 169   | 137   | 159   | 248   | 282   | 188   | 249   | 105   | Operating Cash Flow (Mil) |
| -52   | -48   | -51   | -54   | -59   | -51   | -71   | -56   | -63   | -66   | -25   | Capital Spending (Mil)    |
| 103   | 75    | 109   | 116   | 78    | 108   | 178   | 227   | 125   | 183   | 79    | Free Cash Flow (Mil)      |
| 604   | 123   | 130   | 130   | 133   | 143   | 143   | 143   | 143   | 137   | 143   | Avg Shares Outstand(Mil)  |

## Valuation as of 20 Sep 2023

| 2013 | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020 | 2021  | 2022  | Current | Calendar                      |
|------|-------|-------|-------|-------|-------|-------|------|-------|-------|---------|-------------------------------|
| —    | 0.85  | 0.90  | 1.11  | 1.06  | 0.89  | 0.99  | 0.92 | 0.95  | 0.81  | 0.97    | Price/Fair Value <sup>Q</sup> |
| —    | 0.74  | 0.64  | 0.77  | 0.92  | 0.84  | 0.94  | 0.78 | 0.70  | 0.48  | 0.64    | Price/Sales                   |
| —    | 14.38 | 24.42 | 40.74 | 80.08 | 32.64 | 33.10 | —    | 44.92 | 22.96 | 24.47   | Price/Earnings                |
| —    | 8.36  | 8.60  | 7.58  | 9.10  | 8.78  | 8.14  | 5.12 | 4.78  | 4.12  | 5.24    | Price/Cash Flow               |
| —    | 2.01  | 1.75  | 2.07  | 2.64  | 1.87  | 2.17  | 2.17 | 1.95  | 1.46  | 2.28    | Price/Book                    |

## Operating Performance as of 20 Sep 2023 (Fiscal Year End 31 Dec 2023)

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020   | 2021 | 2022 | Q3 | Fiscal (%)              |
|------|------|------|------|------|------|------|--------|------|------|----|-------------------------|
| 0.22 | 1.19 | 1.91 | 0.97 | 1.78 | 2.06 | 2.67 | -7.31  | 1.44 | 2.05 | —  | Return on Assets        |
| 1.42 | 5.39 | 6.38 | 3.21 | 5.25 | 5.5  | 7.26 | -23.25 | 5.36 | 7.94 | —  | Return on Equity        |
| 0.31 | 3.06 | 3.44 | 2.09 | 3.42 | 3.73 | 4.63 | -9.62  | 2.88 | 4.0  | —  | Rtn on Invested Capital |

## Dividends as of 20 Sep 2023

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Current | Calendar (%)            |
|------|------|------|------|------|------|------|------|------|------|---------|-------------------------|
| —    | —    | 0.13 | 0.13 | 0.13 | 0.13 | 0.15 | —    | 0.15 | 0.15 | 0.16    | Dividend Per Share      |
| —    | —    | 0.3  | 1.35 | 1.15 | 1.34 | 1.32 | —    | —    | 2.34 | 1.61    | Trailing Dividend Yield |
| —    | —    | 0.03 | —    | —    | —    | —    | —    | —    | —    | 3.7     | Buyback Yield           |

# Appendix

**Economic Moat** <sup>®</sup>History as of 20 Sep 2023 (No Moat: 0.00-0.70, Narrow Moat: 0.70-0.99, Wide Moat: 0.99-1.00)

| Year | January | February | March | April | May  | June | July | August | September | October | November | December |
|------|---------|----------|-------|-------|------|------|------|--------|-----------|---------|----------|----------|
| 2023 | 0.07    | 0.14     | 0.24  | 0.10  | 0.28 | 0.49 | 0.35 | 0.28   | 0.28      | —       | —        | —        |
| 2022 | 0.39    | 0.36     | 0.34  | 0.43  | 0.15 | 0.38 | 0.36 | 0.34   | 0.34      | 0.33    | 0.05     | 0.12     |
| 2021 | 0.26    | 0.27     | 0.30  | 0.22  | 0.30 | 0.44 | 0.44 | 0.39   | 0.50      | 0.46    | 0.48     | 0.25     |
| 2020 | 0.84    | 0.84     | 0.10  | 0.07  | 0.30 | 0.15 | 0.08 | 0.09   | 0.25      | 0.48    | 0.38     | 0.45     |
| 2019 | 0.45    | 0.27     | 0.48  | 0.31  | 0.67 | 0.72 | 0.68 | 0.73   | 0.38      | 0.65    | 0.77     | 0.86     |
| 2018 | 0.70    | 0.87     | 0.46  | 0.37  | 0.66 | 0.49 | 0.34 | 0.55   | 0.25      | 0.37    | 0.22     | 0.23     |

## Quantitative Equity Reports Overview

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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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, Quantitative Uncertainty Rating, and momentum. The rating is expressed as One-Star, Two-Star, Three-Star, Four-Star, and Five-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*

★★ – 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)*

★★★ – 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)*

★★★★ – 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)*

★★★★★ – 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.

- 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.

**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.

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

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Based on their quantitative scores, companies are grouped into one of five Risk

Categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all subindustries covered.

The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit [sustainalytics.com/esg-ratings/](https://sustainalytics.com/esg-ratings/)

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