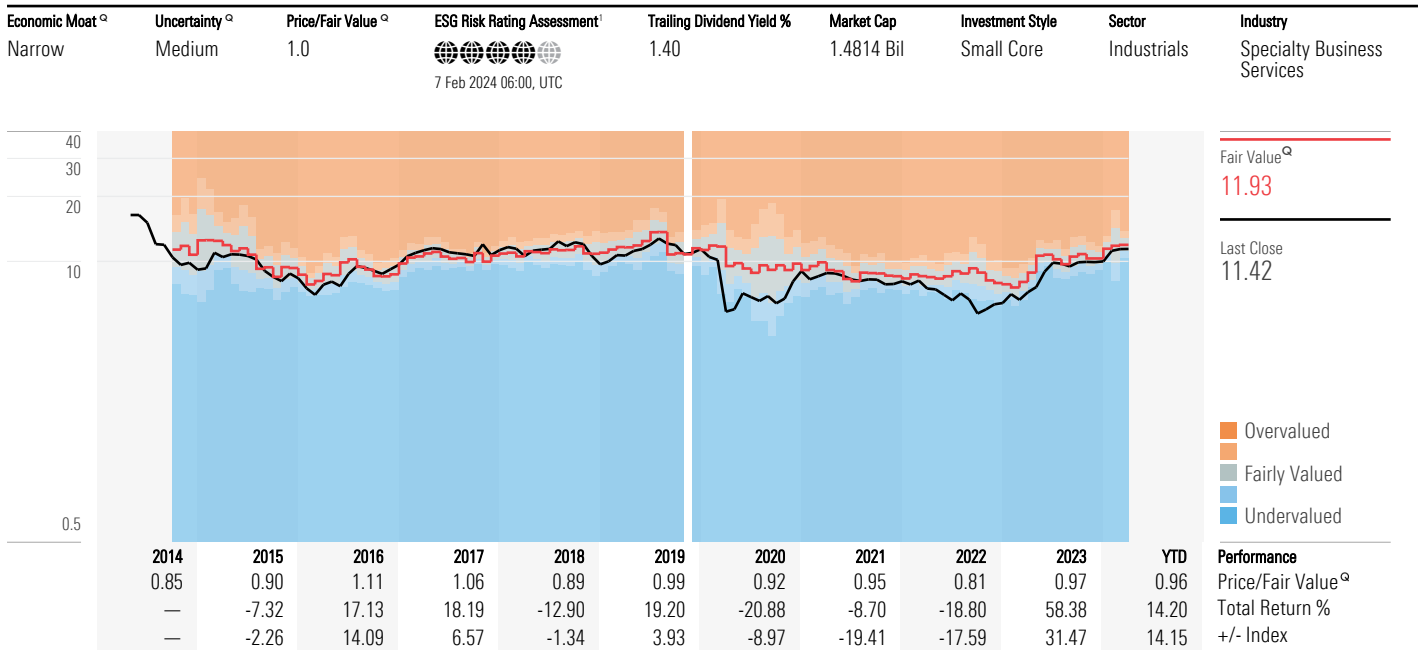


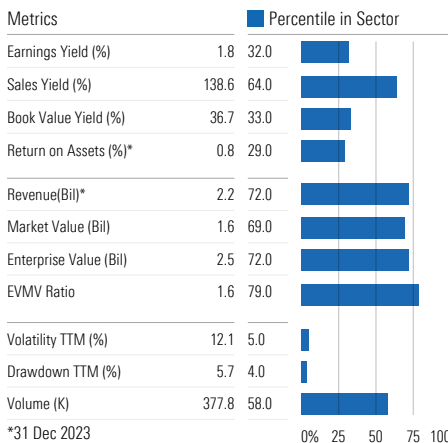
Applus Services SA APPS ★★★ Q 4 Mar 2024, 23:36 UTC



As of 4 Mar 2024 | Index: Morningstar Spain GR EUR. Fair Value data as of 4 Mar 2024, 23:36 UTC.

¹The 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 1 Mar 2024



Business Description

Applus Services SA is a Spain-based company that provides testing, inspection and certification services. The company operates through four divisions. Applus+ Energy & Industry, Applus+ Laboratories, Applus+ Automotive, Applus+ IDIADA and Other. Applus+ Energy & Industry provides non-destructive testing, quality control and accreditation services, project management, supplier inspection, facility inspection and asset certification and integrity services. Applus+ Laboratories offers variety of laboratory testing, system certification, product development services. Applus+ Automotive offers vehicle roadworthiness testing services, verifying vehicles' compliance with safety. Applus+ IDIADA offers design, engineering, testing and certification services to car manufacturers.

earnings yield of 1.75% falls at the 45th percentile in the equity universe and the 32nd percentile in its sector. The annualized trailing 12-month volatility of 12.07% corresponds to the 6th percentile overall and the 5th percentile in the industry.

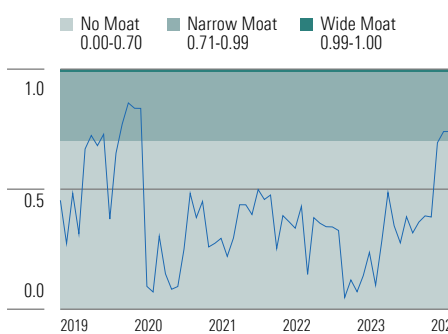
Economic Moat^Q as of 4 Mar 2024

With a Narrow Morningstar quantitative moat rating, the quantitative moat score for Applus Services falls at the 65th percentile in the industrials sector and at the 69th in the equity coverage universe. The company has maintained its Narrow quantitative moat rating since after 02/29/2024, when it was upgraded from None.

We also assign a Moderate quantitative financial health rating to Applus Services. The company's raw score on this metric, termed Distance to Default, ranks at the 64th percentile overall and 63rd in the industrials sector. Furthermore, this financial health rating has stayed Moderate over the last year.

Supporting these ratings are the company's enterprise value and enterprise value-to-market value ratio. The enterprise value of 2.53 billion, ranks at the 74th percentile in the covered equity universe and at the 72nd percentile among its peers. Meanwhile, its enterprise value-to-market value ratio of 1.59, falls at the 80th percentile in the universe and the 79th percentile in the industrials sector.

Economic Moat^Q History as of 4 Mar 2024



Valuation^Q as of 2 Mar 2024

Applus Services achieves a 3-star quantitative star rating based on Morningstar's equity model. This reflects the company's valuation and uncertainty scores under this assessment system.

The Quantitative Fair Value estimate is 12.02, in-line with the previous closing price of 11.49. The stock has been trading between a 17.2% and 0.92% discount to its quantitative fair value over the past year. The stock's current valuation rating sits at the 84th percentile in the coverage universe and 77th percentile in the industrials sector (higher percentile indicates more undervalued).

The quantitative uncertainty rating for Applus Services is High.

Our quantitative star rating last differed from the current rating on 07/04/2023; the uncertainty rating last differed on 02/29/2024. The previous ratings were 4 and Very High, respectively.


The main drivers of the company's valuation and uncertainty are its earnings yield and volatility. The

Fundamentals as of 2 Mar 2024

The earnings per share for Applus Services is 0.16. The company earns a return on invested capital of 2.71%, falling at the 28th percentile in the industrials sector. The firm maintains a dividend yield of 1.4%. We calculate the above figures over a trailing 12-month period.

Examining valuation further, we find Applus Ser-

Applus Services SA APPS ★★★ Q 4 Mar 2024, 23:36 UTC

Economic Moat ^Q	Uncertainty ^Q	Price/Fair Value ^Q	ESG Risk Rating Assessment ¹	Trailing Dividend Yield %	Market Cap	Investment Style	Sector	Industry
Narrow	Medium	1.0	 7 Feb 2024 06:00, UTC	1.40	1.4814 Bil	Small Core	Industrials	Specialty Business Services

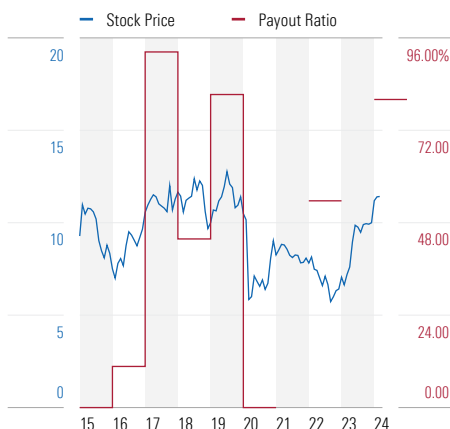
Earnings as of 1 Mar 2024

Earnings	%	■ Percentile in Sector
Dividend Yield*	1.4	28.0
Payout Ratio*	80.0	86.0
Price to Earnings	57.5	89.0
Price to Cash Flow	6.1	22.0
ROIC**	2.7	28.0

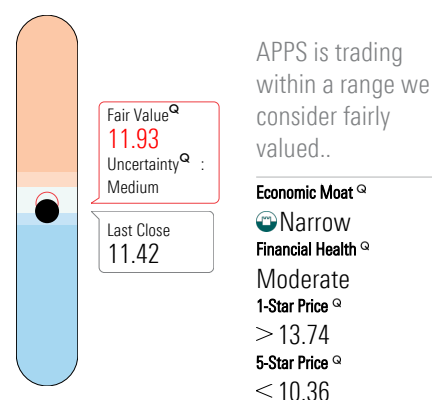
*29 Feb 2024

**31 Dec 2023

Dividends as of 4 Mar 2024



Valuation ^Q as of 4 Mar 2024



vices holds a price-to-earnings ratio of 57.45, a figure greater than 89% of its sector peers. The company's price-to-free cash flow ratio is 6.1, greater than 22% of its sector peers. These values are calculated using the stock's price at last market close.

Contact

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Financials as of 4 Mar 2024 (Fiscal Year End 31 Dec 2024)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	Fiscal
Revenue (Mil)	1,619	1,701	1,586	1,583	1,676	1,778	1,558	1,777	1,899	2,058	2,058	Revenue (Mil)
Operating Income (Mil)	99	111	81	89	112	135	55	117	146	152	152	Operating Income (Mil)
Operating Margin (%)	6.09	6.55	5.09	5.6	6.66	7.61	3.55	6.61	7.7	7.39	7.39	Operating Margin (%)
Net Income (Mil)	24	38	20	36	41	56	-158	32	49	20	20	Net Income (Mil)
Diluted Earnings/Share	0.20	0.30	0.15	0.27	0.29	0.39	-1.11	0.23	0.36	0.16	0.16	Diluted Earnings/Share
Operating Cash Flow (Mil)	123	160	169	137	159	248	282	188	249	324	324	Operating Cash Flow (Mil)
Capital Spending (Mil)	-48	-51	-54	-59	-51	-71	-56	-63	-66	-79	-79	Capital Spending (Mil)
Free Cash Flow (Mil)	75	109	116	78	108	178	227	125	183	245	245	Free Cash Flow (Mil)
Avg Shares Outstand(Mil)	123	130	130	133	143	143	143	143	137	130	130	Avg Shares Outstand(Mil)

Valuation as of 4 Mar 2024

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar
Price/Fair Value ^Q	0.85	0.90	1.11	1.06	0.89	0.99	0.92	0.95	0.81	0.97	0.96	Price/Fair Value ^Q
Price/Sales	0.74	0.64	0.77	0.92	0.84	0.94	0.78	0.70	0.48	0.64	0.72	Price/Sales
Price/Earnings	14.38	24.42	40.74	80.08	32.64	33.10	—	44.92	22.96	24.69	57.10	Price/Earnings
Price/Cash Flow	8.36	8.60	7.58	9.10	8.78	8.14	5.12	4.78	4.12	5.29	4.58	Price/Cash Flow
Price/Book	2.01	1.75	2.07	2.64	1.87	2.17	2.17	1.95	1.46	2.30	2.72	Price/Book

Operating Performance as of 4 Mar 2024 (Fiscal Year End 31 Dec 2024)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Q3	Fiscal (%)
Return on Assets	1.19	1.91	0.97	1.78	2.06	2.67	-7.31	1.44	2.05	0.83	—	Return on Assets
Return on Equity	5.39	6.38	3.21	5.25	5.5	7.26	-23.25	5.36	7.94	3.52	—	Return on Equity
Rtn on Invested Capital	3.06	3.44	2.09	3.42	3.73	4.63	-9.62	2.88	4.0	2.71	—	Rtn on Invested Capital

Dividends as of 4 Mar 2024

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar (%)
Dividend Per Share	—	0.13	0.13	0.13	0.13	0.15	—	0.15	0.15	0.16	0.16	Dividend Per Share
Trailing Dividend Yield	—	0.3	1.35	1.15	1.34	1.32	—	—	2.34	—	1.4	Trailing Dividend Yield
Buyback Yield	—	0.03	—	—	—	—	—	—	—	—	2.45	Buyback Yield

Appendix

Economic Moat [®]History as of 4 Mar 2024 (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
2024	0.38	0.69	0.74	—	—	—	—	—	—	—	—	—
2023	0.07	0.14	0.24	0.10	0.28	0.49	0.35	0.28	0.39	0.32	0.36	0.39
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

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Quantitative Equity Ratings

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.

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.

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Sustainalytics analyzes over 1,300 data points to assess a company's exposure to and management of ESG risks. In other words, ESG Risk Ratings measures a company's unmanaged ESG Risks represented as a quantitative score. Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) with lower scores representing less unmanaged risk and, for 95% of cases, the unmanaged ESG Risk score is below 50.

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/

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