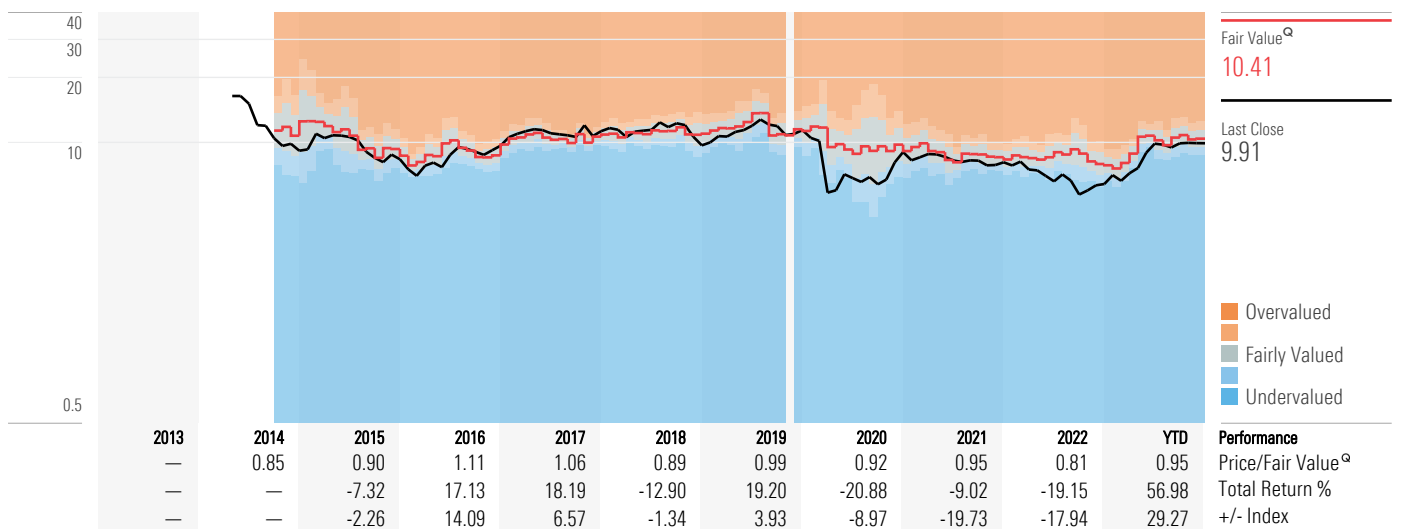


Applus Services SA APPS ★★★ Q 4 Dec 2023, 23:42 UTC

Economic Moat ^Q	Uncertainty ^Q	Price/Fair Value ^Q	ESG Risk Rating Assessment ¹	Trailing Dividend Yield %	Market Cap	Investment Style	Sector	Industry
None	High	1.0	1 Nov 2023 05:00, UTC	1.61	1.2822 Bil	Small Core	Industrials	Specialty Business Services



As of 4 Dec 2023 | Index: Morningstar Spain GR EUR. Fair Value data as of 4 Dec 2023, 23:42 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 30 Nov 2023

Metrics	Value	Percentile in Sector
Earnings Yield (%)	4.1	50.0
Sales Yield (%)	157.0	66.0
Book Value Yield (%)	43.8	38.0
Return on Assets (%)*	2.2	39.0
Revenue(Bil)*	2.3	73.0
Market Value (Bil)	1.4	68.0
Enterprise Value (Bil)	2.4	71.0
EVMV Ratio	1.7	82.0
Volatility TTM (%)	22.1	29.0
Drawdown TTM (%)	7.9	5.0
Volume (K)	301.0	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.

12-month volatility is 22.09%. These fall at the 59th and 26th percentiles in the equity universe and at the 50th and 29th in the industrials sector, respectively.

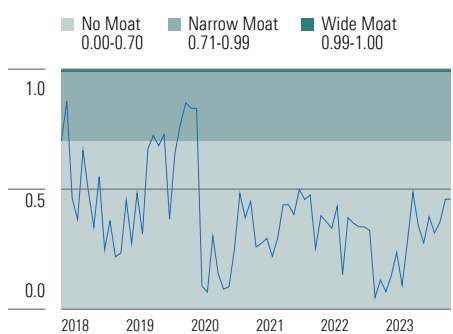
Economic Moat ^Q as of 4 Dec 2023

Quantitatively, we do not believe Applus Services has an economic moat. Its moat score of 0.4 corresponds to the 37th percentile in the industrials sector. Furthermore, this rating has not changed over the past year, while the company's moat score fell from its maximum of 0.54 in this period (score of 1 indicates greatest economic moat).

The company also maintains a quantitative financial health rating of Moderate. Its score sits at the 41st percentile in both the universe and sector.

Examining the company's financials and market statistics, we find these ratings are principally driven by its book value yield and enterprise value-to-market value ratio. The book value yield is 43.70%, sitting at the 38th percentile in the industrials sector. The company's enterprise value-to-market value ratio is 1.70, corresponding to the 82nd percentile in the equity coverage universe and the 82nd percentile in the sector.

Economic Moat ^Q History as of 4 Dec 2023



Valuation ^Q as of 2 Dec 2023

Morningstar affirms a 3-star quantitative rating for Applus Services. We calculate this outcome using the company's underlying model-driven valuation and uncertainty scores.

The stock's last closing price was 9.95, in-line with its Quantitative Fair Value estimate of 10.31. This discount has ranged between 27.56% and 2.01% over the past year. The stock's price to fair value ratio is at the 91st percentile in our global equity coverage universe for this methodology and at the 87th percentile relative to its peers in the industrials sector.

Applus Services furthermore holds a High quantitative uncertainty rating.

The company's quantitative star rating dates to after 07/04/2023, before which it was 4-star. Similarly, the firm's uncertainty rating changed from Medium to High after 07/04/2023.

We examine the financials and market statistics for Applus Services to determine these ratings. Its earnings yield is 4.07% and its annualized trailing


Fundamentals as of 2 Dec 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 1.61%. These values are calculated over a trailing 12-month period.

As of last market close, Applus Services has a price-to-earnings ratio of 24.55, falling below the 69th percentile in its sector (where a lower percentile means a lower ratio) and ranging between 18.7 and 27.87 over the past year. The company's price-to-free cash flow ratio is 7.12, falling at the

Applus Services SA APPS ★★★

Q 4 Dec 2023, 23:42 UTC

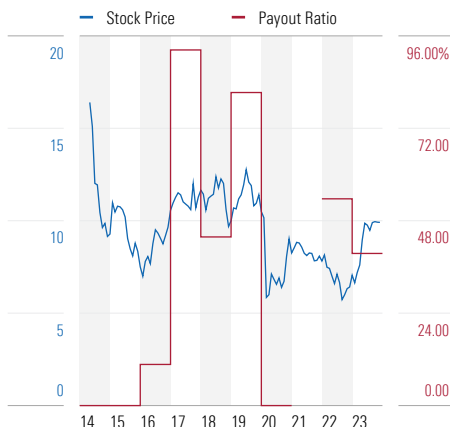
Economic Moat ^Q	Uncertainty ^Q	Price/Fair Value ^Q	ESG Risk Rating Assessment ¹	Trailing Dividend Yield %	Market Cap	Investment Style	Sector	Industry
None	High	1.0	 1 Nov 2023 05:00, UTC	1.61	1.2822 Bil	Small Core	Industrials	Specialty Business Services

Earnings as of 30 Nov 2023

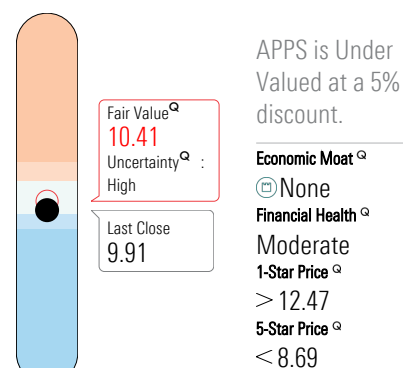
Earnings	%	Percentile in Sector
Dividend Yield*	1.6	30.0
Payout Ratio*	39.5	55.0
Price to Earnings	24.5	67.0
Price to Cash Flow	7.1	27.0
ROIC**	4.4	37.0

*30 Nov 2023
**30 Jun 2023

Dividends as of 4 Dec 2023



Valuation ^Q as of 4 Dec 2023

Economic Moat ^Q

None

Financial Health ^Q

Moderate

1-Star Price ^Q

> 12.47

5-Star Price ^Q

< 8.69

26th percentile in its sector and ranging between 4.97 and 7.41 over the past year.

Contact

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Financials as of 4 Dec 2023 (Fiscal Year End 31 Dec 2023)

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

Valuation as of 4 Dec 2023

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Current	Calendar
Price/Fair Value ^Q	—	0.85	0.90	1.11	1.06	0.89	0.99	0.92	0.95	0.81	0.95	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	Price/Sales
Price/Earnings	—	14.38	24.42	40.74	80.08	32.64	33.10	—	44.92	22.96	24.47	Price/Earnings
Price/Cash Flow	—	8.36	8.60	7.58	9.10	8.78	8.14	5.12	4.78	4.12	5.24	Price/Cash Flow
Price/Book	—	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 4 Dec 2023 (Fiscal Year End 31 Dec 2023)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Q3	Fiscal (%)
Return on Assets	0.22	1.19	1.91	0.97	1.78	2.06	2.67	-7.31	1.44	2.05	—	Return on Assets
Return on Equity	1.42	5.39	6.38	3.21	5.25	5.5	7.26	-23.25	5.36	7.94	—	Return on Equity
Rtn on Invested Capital	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 4 Dec 2023

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

Appendix

Economic Moat [®]History as of 4 Dec 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	0.39	0.32	0.36	0.46
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

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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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