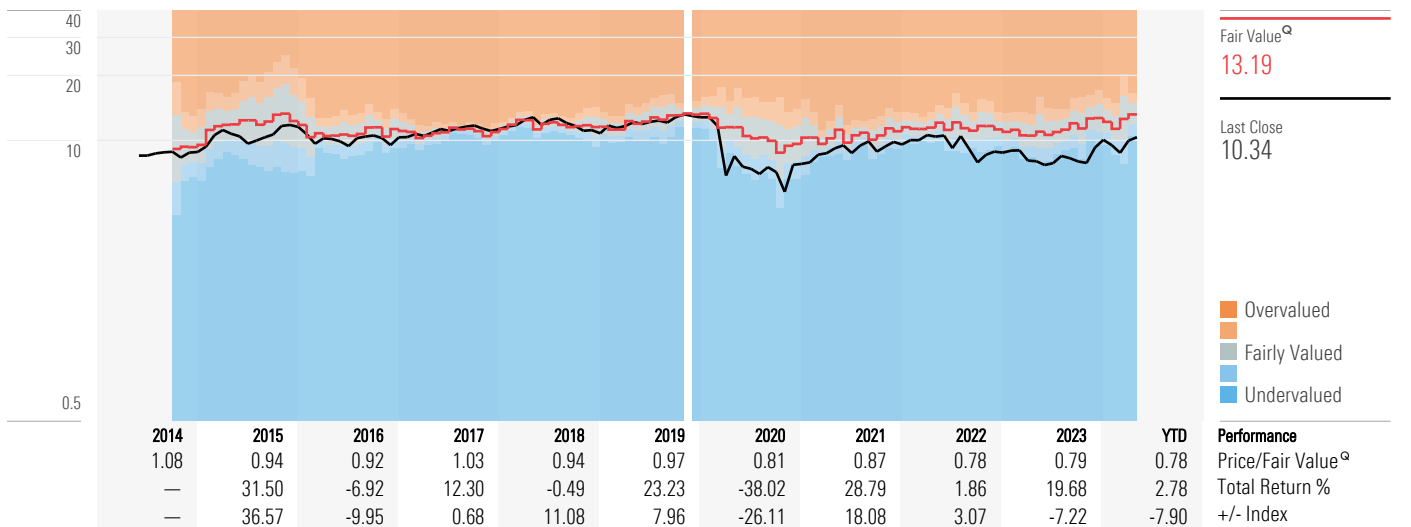


Merlin Properties SOCIMI SA MRL ★★★★★ Q 24 Apr 2024, 22:36 UTC

| | | | | | | | | |
|-----------------------------------|---------------------------------|--------------------------------------|--|----------------------------------|-------------------|-------------------------|---------------|-----------------|
| Economic Moat ^Q | Uncertainty ^Q | Price/Fair Value ^Q | ESG Risk Rating Assessment ¹ | Trailing Dividend Yield % | Market Cap | Investment Style | Sector | Industry |
| None | High | 0.8 | 3 Apr 2024 05:00, UTC | 4.27 | 4.8898 Bil | Mid Core | Real Estate | REIT - Office |



As of 24 Apr 2024 | Index: Morningstar Spain GR EUR. Fair Value data as of 24 Apr 2024, 22:36 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 23 Apr 2024

| Metrics | | Percentile in Sector |
|------------------------|-------|----------------------|
| Earnings Yield (%) | -1.7 | 34.0 |
| Sales Yield (%) | 9.5 | 16.0 |
| Book Value Yield (%) | 133.7 | 59.0 |
| Return on Assets (%)* | -0.7 | 33.0 |
| Revenue(Mil)* | 497.2 | 72.0 |
| Market Value (Bil) | 5.2 | 87.0 |
| Enterprise Value (Bil) | 9.6 | 86.0 |
| EVMV Ratio | 1.8 | 55.0 |
| Volatility TTM (%) | 20.3 | 34.0 |
| Drawdown TTM (%) | 13.5 | 23.0 |
| Volume (K) | 700.1 | 65.0 |

*31 Dec 2023

Business Description

Merlin Properties SOCIMI SA is a Spain-based company engaged in the operation of the real estate investment trust. The main activity of the company is the acquisition, active management, operation and selective rotation of quality commercial real estate assets in the "Core" and "Core-Plus" investment segments, mainly in Spain and, to a lesser extent, in Portugal. Its segments are based on the type of assets namely Office buildings, Data Centers, Shopping centers, Logistics assets, and others. The company generates the maximum revenue from the Office buildings segment.

Valuation ^Q as of 24 Apr 2024

Morningstar maintains a 5-star quantitative star rating for Merlin Properties SOCIMI, derived from the firm's valuation and uncertainty scores. The company's shares last closed at 10.44, below our quantitative fair value estimate of 13.22. These shares have traded between a 34.45% and 17.18% 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 59th percentile; in the real estate sector, the firm's score lies at the 68th percentile (meaning the shares are more undervalued than 68% of stocks in the sector). Furthermore, Merlin Properties SOCIMI 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 04/02/2024. The uncertainty rating for Merlin Properties SOCIMI has remained High since the previous rating of Very High, which was last assigned on 04/01/2024.

The key factors behind these ratings are the company's EV-MV ratio and volatility. The enterprise value-to-market value ratio is 1.83, and its maxim-

um annualized trailing 12-month volatility is 23.12%. The EV-MV ratio falls at the 55th percentile in the real estate sector while the volatility is at the 34th percentile. Over the past year, the company's EV-MV ratio has been between 1.83 and 2.13; its volatility has ranged between 17.98% and 23.12%.

Economic Moat ^Q as of 24 Apr 2024

Quantitatively, we do not believe Merlin Properties SOCIMI has an economic moat. Its moat score of 0.35 corresponds to the 45th percentile in the real estate sector. Furthermore, this rating has not changed over the past year, while the company's moat score fell from its maximum of 0.53 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 45th percentile overall and the 55th percentile in the 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 133.73%, sitting at the 59th percentile in the real estate sector. The company's enterprise value-to-market value ratio is 1.83, corresponding to the 84th percentile in the equity coverage universe and the 55th percentile in the sector.

Fundamentals as of 24 Apr 2024

Merlin Properties SOCIMI reports losses per share of -0.18. Its return on invested capital is -0.08%. The company maintains a dividend yield of 4.43%. These values are calculated over a trailing 12-month period.

As of last market close, the company's price-to-free

Merlin Properties SOCIMI SA MRL ★★★★★ Q 24 Apr 2024, 22:36 UTC

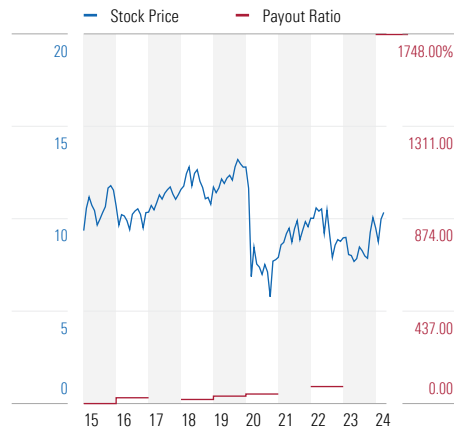
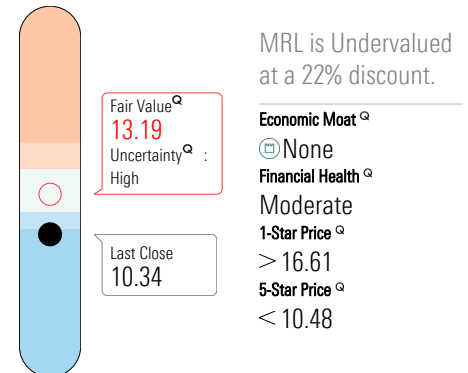
| | | | | | | | | |
|-----------------------------------|---------------------------------|--------------------------------------|--|----------------------------------|-------------------|-------------------------|---------------|-----------------|
| Economic Moat ^Q | Uncertainty ^Q | Price/Fair Value ^Q | ESG Risk Rating Assessment ¹ | Trailing Dividend Yield % | Market Cap | Investment Style | Sector | Industry |
| None | High | 0.8 |  3 Apr 2024 05:00, UTC | 4.27 | 4.8898 Bil | Mid Core | Real Estate | REIT - Office |

Earnings as of 23 Apr 2024

| Earnings | % | Percentile in Sector |
|--------------------|------|----------------------|
| Dividend Yield* | 4.4 | 45.0 |
| Payout Ratio* | — | — |
| Price to Earnings | — | — |
| Price to Cash Flow | 21.6 | 76.0 |
| ROIC** | -0.1 | 32.0 |

*28 Mar 2024

**31 Dec 2023

Dividends as of 24 Apr 2024**Valuation** ^Q as of 24 Apr 2024**Economic Moat** ^Q

None

Financial Health ^Q

Moderate

1-Star Price ^Q

> 16.61

5-Star Price ^Q

< 10.48

cash flow ratio is 21.64, falling at the 76th percentile in its sector and ranging between 13.89 and 21.64 over the past year.

Contact

Paseo de la Castellana 257, Madrid, — 28046

+34 917691900

<https://www.merlinproperties.com>**Financials** as of 24 Apr 2024 (Fiscal Year End 31 Dec 2024)

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | YTD | Fiscal |
|---------------------------|--------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------------------|
| Revenue (Mil) | 57 | 214 | 352 | 463 | 590 | 515 | 446 | 383 | 439 | 465 | 465 | Revenue (Mil) |
| Operating Income (Mil) | 39 | 162 | 278 | 336 | 484 | 379 | 346 | 282 | 329 | 354 | 354 | Operating Income (Mil) |
| Operating Margin (%) | 68.08 | 75.53 | 79.19 | 72.44 | 82.04 | 73.66 | 77.58 | 73.61 | 74.89 | 76.18 | 76.18 | Operating Margin (%) |
| Net Income (Mil) | 50 | 49 | 583 | 1,100 | 855 | 564 | 56 | 512 | 263 | -83 | -83 | Net Income (Mil) |
| Diluted Earnings/Share | 0.51 | 0.15 | 1.62 | 2.35 | 1.82 | 1.20 | 0.12 | 1.10 | 0.56 | -0.18 | -0.18 | Diluted Earnings/Share |
| Operating Cash Flow (Mil) | 28 | 67 | -81 | 696 | 254 | 295 | 135 | 162 | 222 | 228 | 228 | Operating Cash Flow (Mil) |
| Capital Spending (K) | -1,078 | — | -3,664 | -6,576 | -1,900 | -9,917 | -2,568 | -3,674 | -1,715 | -2,007 | -2,007 | Capital Spending (K) |
| Free Cash Flow (Mil) | 27 | 67 | -85 | 689 | 253 | 285 | 132 | 159 | 220 | 226 | 226 | Free Cash Flow (Mil) |
| Avg Shares Outstand(Mil) | 97 | 223 | 360 | 468 | 470 | 470 | 465 | 466 | 468 | 468 | 468 | Avg Shares Outstand(Mil) |

Valuation as of 24 Apr 2024

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Current | Calendar |
|-------------------------------|-------|--------|-------|-------|-------|-------|--------|-------|-------|-------|---------|-------------------------------|
| Price/Fair Value ^Q | 1.08 | 0.94 | 0.92 | 1.03 | 0.94 | 0.97 | 0.81 | 0.87 | 0.78 | 0.79 | 0.78 | Price/Fair Value ^Q |
| Price/Sales | 16.11 | 21.92 | 10.96 | 11.22 | 10.49 | 9.74 | 7.22 | 10.18 | 8.35 | 10.23 | 10.42 | Price/Sales |
| Price/Earnings | — | — | 7.27 | 6.14 | 4.55 | 9.01 | 10.10 | 22.79 | 6.14 | — | — | Price/Earnings |
| Price/Cash Flow | — | 166.94 | 24.74 | 14.71 | 23.15 | 14.46 | 152.33 | 16.42 | 14.14 | 18.47 | 21.24 | Price/Cash Flow |
| Price/Book | 1.01 | 1.34 | 1.58 | 1.02 | 0.82 | 0.91 | 0.54 | 0.65 | 0.57 | 0.70 | 0.74 | Price/Book |

Operating Performance as of 24 Apr 2024 (Fiscal Year End 31 Dec 2024)

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Q3 | Fiscal (%) |
|-------------------------|------|------|-------|-------|-------|------|------|------|------|-------|-------|-------------------------|
| Return on Assets | 2.06 | 1.05 | 6.53 | 9.6 | 6.96 | 4.36 | 0.42 | 3.69 | 2.0 | -0.69 | -0.8 | Return on Assets |
| Return on Equity | 3.8 | 2.32 | 15.05 | 20.89 | 14.11 | 8.6 | 0.84 | 7.47 | 3.79 | -1.25 | -1.44 | Return on Equity |
| Rtn on Invested Capital | 2.94 | 2.28 | 8.36 | 11.56 | 8.45 | 5.61 | 1.27 | 4.99 | 2.87 | -0.08 | -0.86 | Rtn on Invested Capital |

Dividends as of 24 Apr 2024

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Current | Calendar (%) |
|-------------------------|------|------|------|------|------|------|------|------|-------|------|---------|-------------------------|
| Dividend Per Share | — | 0.08 | 0.42 | 0.30 | 0.46 | 0.50 | 0.15 | 0.45 | 1.20 | 0.44 | 0.44 | Dividend Per Share |
| Trailing Dividend Yield | — | 0.67 | 1.98 | — | 4.27 | 3.91 | 1.89 | — | 13.68 | — | 4.27 | Trailing Dividend Yield |
| Buyback Yield | — | — | — | — | 0.0 | 0.95 | 0.0 | — | 0.0 | — | 0.01 | Buyback Yield |

Appendix

Economic Moat [®]History as of 24 Apr 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 | 0.27 | 0.26 | 0.25 | 0.32 | — | — | — | — | — | — | — | — |
| 2023 | 0.17 | 0.30 | 0.35 | 0.53 | 0.27 | 0.33 | 0.32 | 0.21 | 0.40 | 0.31 | 0.39 | 0.42 |
| 2022 | 0.21 | 0.16 | 0.07 | 0.10 | 0.05 | 0.08 | 0.20 | 0.18 | 0.07 | 0.26 | 0.28 | 0.18 |
| 2021 | 0.05 | 0.05 | 0.09 | 0.14 | 0.06 | 0.03 | 0.02 | 0.16 | 0.06 | 0.12 | 0.15 | 0.22 |
| 2020 | 0.66 | 0.29 | 0.25 | 0.27 | 0.21 | 0.10 | 0.10 | 0.05 | 0.02 | 0.02 | 0.04 | 0.03 |
| 2019 | 0.87 | 0.87 | 0.79 | 0.85 | 0.85 | 0.94 | 0.93 | 0.75 | 0.56 | 0.71 | 0.84 | 0.57 |

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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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