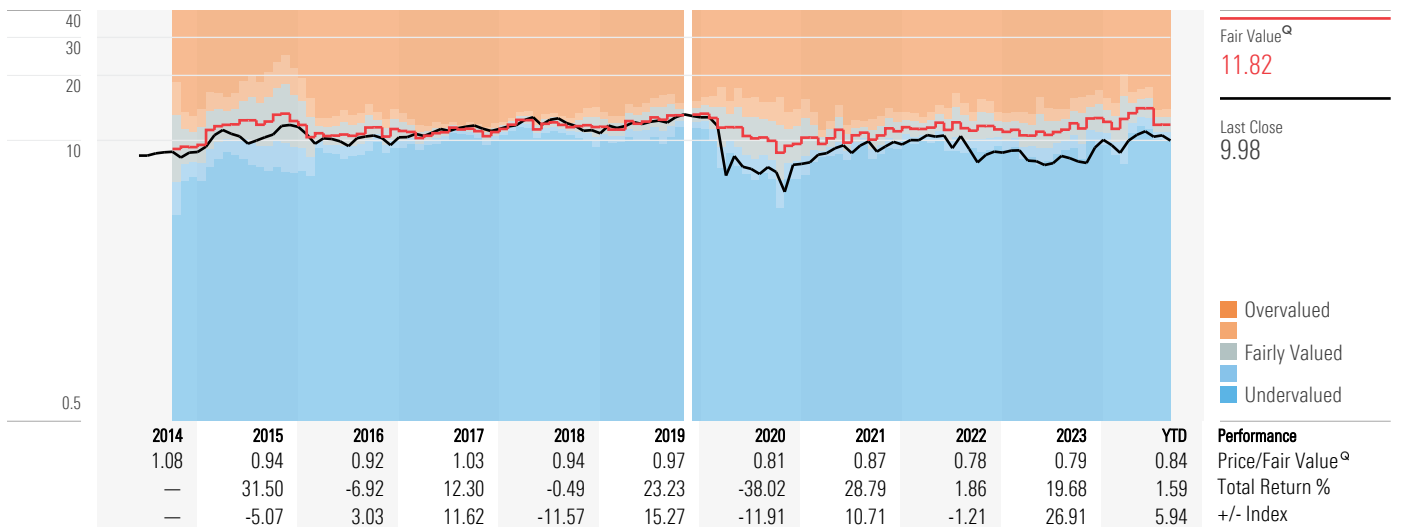


Merlin Properties SOCIMI SA MRL ★★★★★ Q 6 Aug 2024 22:46, UTC

Economic Moat ◊	Uncertainty ◊	Price/Fair Value ◊	ESG Risk Rating Assessment †	Trailing Dividend Yield %	Market Cap	Investment Style	Sector	Industry
None	High	0.84		4.41	—	Mid Blend	Real Estate	REIT - Office



As of 06 Aug 2024 | Index: Morningstar Spain GR EUR. Fair Value data as of 6 Aug 2024 00:00, UTC.

†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 5 Aug 2024

Metrics		Percentile in Sector
Earnings Yield (%)	2.0	48.0
Sales Yield (%)	10.2	17.0
Book Value Yield (%)	116.6	52.0
Return on Assets (%)*	0.8	47.0
Revenue(Mil)*	524.7	73.0
Market Value (Bil)	6.2	88.0
Enterprise Value (Bil)	10.8	87.0
EVMV Ratio	1.7	50.0
Volatility TTM (%)	20.4	33.0
Drawdown TTM (%)	13.5	27.0
Volume (K)	768.1	66.0

*30 Jun 2024

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 ◊ as of 6 Aug 2024

Morningstar maintains a 4-star quantitative star rating for Merlin Properties SOCIMI, derived from the firm's valuation and uncertainty scores. The company's shares last closed at 10.04, below our quantitative fair value estimate of 11.67. These shares have traded between a 34.45% and 10.67% 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 79th percentile; in the real estate sector, the firm's score lies at the 78th percentile. Furthermore, Merlin Properties SOCIMI maintains a quantitative valuation uncertainty rating of High. The company has held this star rating since the previous rating of 5, which was last assigned on 07/16/2024. 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 1.74, and its maximum annualized trailing 12-month volatility is 21.65%. The EV-MV ratio falls at the 50th percent-

ile in the real estate sector while the volatility is at the 33rd percentile. Over the past year, the company's EV-MV ratio has been between 1.70 and 2.12; its volatility has ranged between 17.98% and 21.65%.

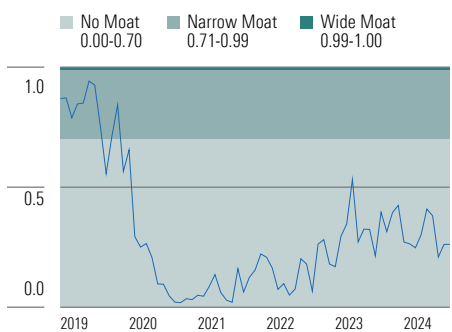
Economic Moat ◊ as of 6 Aug 2024

Morningstar maintains a quantitative moat rating of None on the company. The firm's quantitative moat score of 0.22 sits at the 36th percentile in the real estate sector. This is a decrease from 0.53, the maximum of its moat scores over the past year. The quantitative financial health rating for Merlin Properties SOCIMI is Moderate. Its financial health score, termed Distance to Default, sits at the 47th percentile in the universe and 56th percentile in the sector. The significant drivers of these ratings are the company's book value yield and enterprise value-to-market value ratio. The book value yield for Merlin Properties SOCIMI is 116.55%, and its enterprise value-to-market value ratio is 1.74. They sit at the 75th and 83rd percentile in the global equity universe, respectively.

Fundamentals as of 6 Aug 2024

The earnings per share for Merlin Properties SOCIMI is 0.2. The company earns a return on invested capital of 1.77%, falling at the 44th percentile in the real estate sector. The firm maintains a dividend yield of 4.17%. We calculate the above figures over a trailing 12-month period. Examining valuation further, we find Merlin Properties SOCIMI holds a price-to-earnings ratio of 50.2, a figure greater than 85% of its sector peers. The company's price-to-free cash flow ratio is 21.89, greater than 76% of its sector peers. These values are calculated using the stock's price at last market

Economic Moat ◊ History as of 6 Aug 2024



Merlin Properties SOCIMI SA MRL ★★★★★ Q 6 Aug 2024 22:46, UTC

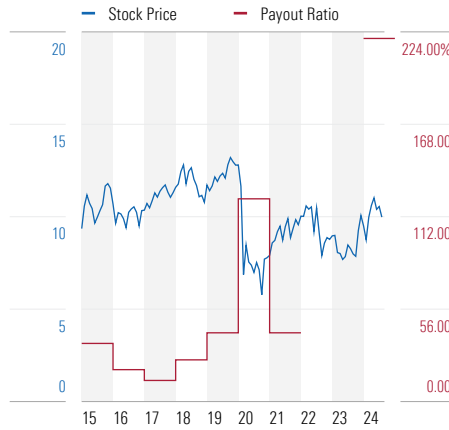
Economic Moat ^Q	Uncertainty ^Q	Price/Fair Value ^Q	ESG Risk Rating Assessment ¹	Trailing Dividend Yield %	Market Cap	Investment Style	Sector	Industry
None	High	0.84	3 Jul 2024 05:00, UTC	4.41	—	Mid Blend	Real Estate	REIT - Office

Earnings as of 5 Aug 2024

Earnings	%	Percentile in Sector
Dividend Yield*	4.2	43.0
Payout Ratio*	220.0	86.0
Price to Earnings	50.2	85.0
Price to Cash Flow	21.9	76.0
ROIC**	1.8	44.0

*31 Jul 2024
**30 Jun 2024

Dividends as of 6 Aug 2024



Valuation ^Q as of 6 Aug 2024

Fair Value ^Q
11.82

Uncertainty ^Q :
High

Last Close
9.98

MRL is Undervalued at a -15% discount.

Economic Moat ^Q

⊖ None

1-Star Price ^Q

> 13.89

5-Star Price ^Q

< 10.06

close.

Contact

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<https://www.merlinproperties.com>

Financials (Fiscal Year End 31 Dec 2024)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	06/2024	Fiscal
56.62	214.43	351.65	463.29	590.43	514.85	446.13	468.20	439.04	464.78	477.90	Revenue (Mil)
38.55	162.03	255.88	335.62	484.40	379.26	345.22	367.20	328.78	354.06	357.78	Operating Income (Mil)
68.08	75.56	72.77	72.44	82.04	73.66	77.38	78.43	74.89	76.18	76.18	Operating Margin (%)
49.67	49.08	582.65	1,100.42	854.88	563.64	56.36	512.22	263.09	-83.50	96.80	Net Income (Mil)
0.51	0.22	1.62	2.35	1.82	1.20	0.12	1.08	0.56	-0.18	0.20	Diluted Earnings/Share
27.93	67.30	-81.47	695.83	254.44	294.86	134.66	230.47	222.16	227.97	221.43	Operating Cash Flow (Mil)
1.08	0.00	3.66	6.58	1.90	9.92	2.57	3.67	1.72	2.01	5.69	Capital Spending (Mil)
7.69	101.85	173.21	224.10	282.56	295.54	229.81	248.80	230.08	261.04	268.41	Free Cash Flow (Mil)
0.15	0.32	0.47	0.47	0.46	0.46	0.46	0.47	0.47	0.47	0.47	Avg Shares Outstand(Bil)

Valuation as of 6 Aug 2024

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar
1.08	0.94	0.92	1.03	0.94	0.97	0.81	0.87	0.78	0.79	0.84	Price/Fair Value ^Q
16.11	15.54	7.71	11.22	10.43	9.79	7.24	10.18	9.69	10.28	9.87	Price/Sales
—	—	7.33	6.14	4.55	8.75	10.13	22.79	6.87	—	49.90	Price/Earnings
—	36.68	19.33	23.11	22.44	19.28	13.32	18.52	15.04	18.17	17.21	Price/Cash Flow
1.01	1.34	1.09	1.02	0.83	0.91	0.54	0.65	0.57	0.70	0.71	Price/Book

Operating Performance (Fiscal Year End 31 Dec 2024)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	06/2024	Fiscal (%)
2.06	1.05	6.53	9.60	6.96	4.36	0.42	3.69	2.00	-0.69	0.80	Return on Assets
3.80	2.32	15.05	20.89	14.11	8.60	0.84	7.47	3.79	-1.25	1.46	Return on Equity
2.94	2.28	8.36	11.56	8.45	5.61	1.27	4.99	2.87	-0.08	1.77	Rtn on Invested Capital

Dividends as of 6 Aug 2024

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar (%)
—	0.08	0.31	0.30	0.46	0.50	0.15	0.45	1.20	0.44	0.44	Dividend Per Share
0.00	0.67	1.98	2.66	4.27	3.91	1.89	4.70	13.68	4.39	4.41	Trailing Dividend Yield
—	—	—	0.67	0.00	0.95	0.00	—	0.00	0.00	—	Buyback Yield

Appendix

Economic Moat [®]History as of 6 Aug 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	0.30	0.41	0.38	0.21	0.26	—	—	—	—
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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