

# Talgo SA XTG ★★★★★ Q 31 May 2023, 22:47 UTC

Economic Moat <sup>Q</sup>	Uncertainty <sup>Q</sup>	Price/Fair Value <sup>Q</sup>	ESG Risk Rating Assessment <sup>1</sup>	Trailing Dividend Yield %	Market Cap	Investment Style	Sector	Industry
None	High	0.8	3 May 2023 05:00, UTC	2.34	385.3006 Mil	Small Value	Industrials	Railroads

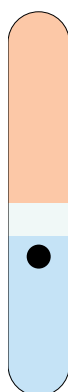
  

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD
Price/Fair Value <sup>Q</sup>	—	—	0.79	0.93	0.94	0.84	0.95	1.06	1.00	0.69	0.82
Total Return %	—	—	—	-20.36	-5.16	26.28	13.53	-31.37	28.35	-36.31	-6.17
+/- Index	—	—	—	-23.39	-16.78	37.84	-1.73	-19.46	17.64	-35.10	-20.61

As of 31 May 2023 | Index: Morningstar Spain GR EUR. Fair Value data as of 31 May 2023, 22:47 UTC.

<sup>1</sup>The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating. Lee Davidson, Head of Manger and Quantitative Research, oversees the methodology that supports Quantitative Fair Value Estimates and Quantitative Star Ratings. Mr. Davidson is guided by the Code of Ethics and Investment Research Integrity Policy of Morningstar Research Services LLC, a subsidiary of Morningstar, Inc. Morningstar's Quantitative Research team, which consist of employees of Morningstar, Inc., are guided by Morningstar, Inc.'s Code of Ethics. For information regarding Conflicts of Interests, visit <http://global.morningstar.com/equitydisclosures>.

## Valuation <sup>Q</sup> as of 31 May 2023



XTG is Under Valued at a 18% discount.

**Economic Moat <sup>Q</sup>**  
 None  
**Financial Health <sup>Q</sup>**  
 Moderate  
**1-Star Price <sup>Q</sup>**  
 > —  
**5-Star Price <sup>Q</sup>**  
 < —

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD	Fiscal
Revenue (Mil)	327	384	521	580	384	324	402	487	555	469	469	Revenue (Mil)
Operating Income (Mil)	56.39	50.18	78.50	88.82	59.42	40.72	46.39	0.90	37.03	24.00	24.00	Operating Income (Mil)
Operating Margin (%)	17.26	13.06	15.08	15.32	15.46	12.55	11.55	0.18	6.67	5.12	5.12	Operating Margin (%)
Net Income (Mil)	30.98	38.48	59.58	61.85	34.30	17.71	38.47	-17.45	27.56	1.44	1.44	Net Income (Mil)
Diluted Earnings/Share	0.45	28.12	0.58	0.45	0.25	0.13	0.30	-0.14	0.22	0.01	0.01	Diluted Earnings/Share
Operating Cash Flow (Mil)	154.83	0.56	-20.41	-57.79	184.87	151.64	46.37	-85.56	29.65	-25.26	-25.26	Operating Cash Flow (Mil)
Capital Spending (Mil)	-35.95	-23.89	-10.27	-9.04	-11.54	-9.57	-18.71	-24.70	-25.15	-22.38	-22.38	Capital Spending (Mil)
Free Cash Flow (Mil)	118.88	-23.33	-30.68	-66.83	173.32	142.06	27.66	-110.26	4.50	-47.64	-47.64	Free Cash Flow (Mil)
Avg Shares Outstand (Mil)	69.10	1.37	102.97	136.83	136.70	136.45	129.86	123.57	122.92	122.03	122.03	Avg Shares Outstand (Mil)
Dividend Per Share	—	—	—	—	0.07	—	—	—	—	0.08	—	Dividend Per Share

## Valuation as of 31 May 2023

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Current	Calendar
Price/Fair Value <sup>Q</sup>	—	—	0.79	0.93	0.94	0.84	0.95	1.06	1.00	0.69	0.82	Price/Fair Value <sup>Q</sup>
Price/Sales	—	—	1.61	1.02	1.32	2.26	2.12	1.09	1.14	0.85	0.82	Price/Sales
Price/Earnings	—	—	11.64	8.50	10.88	53.76	27.87	96.32	58.96	18.47	314.50	Price/Earnings
Price/Cash Flow	—	—	—	—	—	4.67	4.20	30.60	—	—	11.38	Price/Cash Flow
Price/Book	—	—	3.97	2.33	1.96	2.23	2.46	1.87	2.44	1.42	1.37	Price/Book

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Q3	Fiscal (%)
Return on Assets	5.77	6.81	9.42	8.62	4.27	2.03	4.3	-1.95	2.85	0.13	0.66	Return on Assets
Return on Equity	16.28	17.5	24.79	23.57	11.3	5.52	12.41	-6.35	10.12	0.51	2.39	Return on Equity
Rtn on Invested Capital	13.77	14.35	17.5	14.25	6.95	3.91	7.61	-1.83	5.78	1.33	1.56	Rtn on Invested Capital

## Business Description

Talgo SA is a Spain-based company engaged in the design and manufacture of rolling stock. It operates in three business segments: Rolling stock, which accounts for the majority of revenue; Auxiliary machines & Others; and General. The Rolling stock segment is responsible for train production,

as well as for the maintenance of trains that use the company's technology. The Auxiliary Machines & Others segment provides the manufacture and technical service of lathes, as well as the sale of related spare parts. The company's product range comprises high-speed rolling stock, intercity trains, and locomotives, among others. Talgo's geograph-

ical segments are Spain, the Rest of Europe, America, the Middle East & North Africa, the Commonwealth of Independent States, and APAC.

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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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- 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

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- i. **Last Close** – Price of the stock as of the close of the market of the last trading day before date of the report.
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**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

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