

Talgo SA XTG ★★★ Q 8 May 2024, 22:42 UTC

Economic Moat ^Q	Uncertainty ^Q	Price/Fair Value ^Q	ESG Risk Rating Assessment ¹	Trailing Dividend Yield %	Market Cap	Investment Style	Sector	Industry
—	—	—	1 May 2024 05:00, UTC	2.14	537.0875 Mil	Small Growth	Industrials	Railroads

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
Price/Fair Value ^Q	—	0.79	0.93	0.94	0.84	0.95	1.06	1.00	0.69	0.94	—
Total Return %	—	—	-20.36	-5.16	26.28	13.53	-31.37	28.35	-36.31	36.78	-1.12
+/- Index	—	—	-23.39	-16.78	37.84	-1.73	-19.46	17.64	-35.10	9.88	-17.00

As of 24 May 2024 | Index: Morningstar Spain GR EUR. Fair Value data as of 8 May 2024, 22:42 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 23 May 2024

Metrics	Value	Percentile in Sector
Earnings Yield (%)	2.5	38.0
Sales Yield (%)	119.9	61.0
Book Value Yield (%)	51.8	47.0
Return on Assets (%)*	1.2	31.0
Revenue(Mil)*	705.9	58.0
Market Value (Mil)	581.5	55.0
Enterprise Value (Mil)	904.0	59.0
EV/MV Ratio	1.6	79.0
Volatility TTM (%)	24.1	35.0
Drawdown TTM (%)	13.6	17.0
Volume (K)	147.7	44.0

*31 Dec 2023

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

value-to-market value ratio is 1.55 and falls at the 79th percentile in the equity universe and at the 79th percentile in the industrials sector.

Valuation^Q as of 24 May 2024

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

The stock's last closing price was 4.34, a discount of 7.23% to its Quantitative Fair Value estimate of 4.68. This discount has ranged between 20.84% and 1.31% over the past year. The stock's price to fair value ratio is at the 81st percentile in our global equity coverage universe for this methodology and at the 69th percentile relative to its peers in the industrials sector.

Talgo furthermore holds a High quantitative uncertainty rating.

The company's quantitative star rating dates to after 12/25/2023, before which it was 4-star. Similarly, the firm's uncertainty rating changed from Very High to High after 04/01/2024.

We examine the financials and market statistics for Talgo to determine these ratings. Its enterprise

Economic Moat^Q as of 8 May 2024

With a Morningstar quantitative moat rating of None, the quantitative moat score for Talgo falls at the 22nd percentile in the industrials sector and at the 28th in the equity coverage universe. The company has maintained its None quantitative moat rating for the last year.

We also assign a Moderate quantitative financial health rating to Talgo. The company's raw score on this metric, termed Distance to Default, ranks at the 39th percentile overall and 38th in the industrials sector. Furthermore, this financial health rating has stayed Moderate over the last year.

Supporting these ratings are the company's book value yield and annualized trailing 12-month volatility. The book value yield of 51.76%, ranks at the 45th percentile in the covered equity universe and at the 47th percentile among its peers. Meanwhile, its annualized trailing 12-month volatility of 24.09%, falls at the 32nd percentile in the universe and the 35th percentile in the industrials sector.

Fundamentals as of 24 May 2024


The earnings per share for Talgo is 0.11. The company earns a return on invested capital of 5.97%, falling at the 47th percentile in the industrials sector. The firm maintains a dividend yield of 2.11%. We calculate the above figures over a trailing 12-month period.

Examining valuation further, we find Talgo holds a price-to-earnings ratio of 39.45, a figure greater than 83% of its sector peers.

Contact

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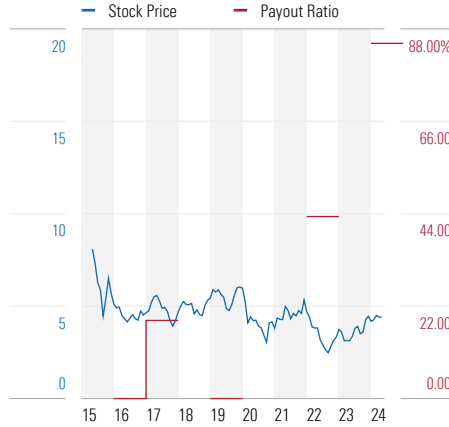
Economic Moat ^Q	Uncertainty ^Q	Price/Fair Value ^Q	ESG Risk Rating Assessment ¹	Trailing Dividend Yield %	Market Cap	Investment Style	Sector	Industry
—	—	—	 1 May 2024 05:00, UTC	2.14	537.0875 Mil	Small Growth	Industrials	Railroads

Earnings as of 23 May 2024

Earnings	%	Percentile in Sector
Dividend Yield*	2.1	44.0
Payout Ratio*	84.6	87.0
Price to Earnings	39.5	83.0
Price to Cash Flow	—	—
ROIC**	6.0	47.0

*30 Apr 2024
**31 Dec 2023

Dividends as of 24 May 2024



Valuation ^Q as of —

Fair Value ^Q
4.67

Uncertainty ^Q :
—

Last Close
4.41

XTG is — at a —%
—

Economic Moat ^Q
—

Financial Health ^Q
Moderate

1-Star Price ^Q
> —

5-Star Price ^Q
< —

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Financials as of — (Fiscal Year End 31 Dec 2024)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	Fiscal
384	521	580	384	324	402	487	555	469	652	652	Revenue (Mil)
50.71	78.98	89.23	59.72	41.12	46.82	1.19	37.69	25.17	69.72	69.72	Operating Income (Mil)
13.19	15.17	15.39	15.54	12.67	11.66	0.24	6.79	5.37	10.69	10.69	Operating Margin (%)
38.48	59.58	61.85	34.30	17.71	38.47	-17.45	27.56	1.44	13.69	13.69	Net Income (Mil)
28.12	0.58	0.45	0.25	0.13	0.30	-0.14	0.22	0.01	0.11	0.11	Diluted Earnings/Share
0.56	-20.41	-57.79	184.87	151.64	46.37	-85.56	29.65	-25.26	-115.76	-115.76	Operating Cash Flow (Mil)
-23.89	-10.27	-9.04	-11.54	-9.57	-18.71	-24.70	-25.15	-22.38	-26.47	-26.47	Capital Spending (Mil)
-23.33	-30.68	-66.83	173.32	142.06	27.66	-110.26	4.50	-47.64	-142.22	-142.22	Free Cash Flow (Mil)
1.37	102.97	136.83	136.70	136.45	129.86	123.57	122.92	122.03	124.44	124.44	Avg Shares Outstand(Mil)

Valuation as of —

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar
—	0.79	0.93	0.94	0.84	0.95	1.06	1.00	0.69	0.94	—	Price/Fair Value ^Q
—	1.61	1.02	1.32	2.26	2.12	1.09	1.14	0.85	1.01	0.83	Price/Sales
—	11.64	8.50	10.88	53.76	27.87	96.32	58.96	18.47	148.50	39.45	Price/Earnings
—	—	—	—	4.67	4.20	30.60	—	—	38.71	35.67	Price/Cash Flow
—	3.97	2.33	1.96	2.23	2.46	1.87	2.44	1.41	1.91	1.92	Price/Book

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

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Q3	Fiscal (%)
6.81	9.42	8.62	4.27	2.03	4.3	-1.95	2.85	0.13	1.22	0.66	Return on Assets
17.5	24.79	23.57	11.3	5.52	12.41	-6.35	10.12	0.51	4.9	2.39	Return on Equity
14.35	17.5	14.25	6.95	3.91	7.61	-1.82	5.75	1.61	5.97	1.56	Rtn on Invested Capital

Dividends as of 24 May 2024

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar (%)
—	—	—	0.07	—	—	—	—	0.08	0.09	0.09	Dividend Per Share
—	—	—	1.71	—	—	—	—	2.35	—	2.14	Trailing Dividend Yield
—	—	—	0.0	—	4.97	—	—	1.14	—	1.63	Buyback Yield

Appendix

Economic Moat [®]History as of 8 May 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	0.15	0.20	0.06	0.23	0.25	—	—	—	—	—	—	—
2023	0.05	0.08	0.10	0.05	0.02	0.03	0.05	0.06	0.11	0.10	0.39	0.22
2022	0.41	0.25	0.29	0.49	0.28	0.30	0.13	0.13	0.15	0.15	0.03	0.03
2021	0.26	0.25	0.40	0.20	0.25	0.31	0.41	0.29	0.22	0.40	0.43	0.62
2020	0.91	0.81	0.93	0.90	0.90	0.92	0.83	0.79	0.48	0.30	0.41	0.36
2019	0.71	0.47	0.42	0.23	0.54	0.49	0.25	0.52	0.56	0.65	0.80	0.77

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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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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

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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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