CIE Automotive SA CIE ★★★ 4 Aug 2023, 22:39 UTC

Economic Moat ¹¹ Economic Moat

| None |
| High |
| 1.0 |

Price/Fair Value ¹¹

| None |
| High |
| 1.0 |

ESG Risk Rating Assessment ¹¹

| 3.0 |

Trading Dividend Yield % ¹¹

| 3.06 |

Market Cap ¹¹

| 3.2140 Bil |

Investment Style ¹¹

| Mid Core |

Sector ¹¹

| Consumer Cyclical |

Industry ¹¹

| Auto Parts |

Key Metrics as of 3 Aug 2023

<table>
<thead>
<tr>
<th>Metrics</th>
<th>Earnings Yield (%)</th>
<th>Sales Yield (%)</th>
<th>Book Value Yield (%)</th>
<th>Return on Assets (%)</th>
<th>Revenue(%)</th>
<th>Market Value (Bil)</th>
<th>Enterprise Value (Bil)</th>
<th>EV/EBIT</th>
<th>Volatility TTM (%)</th>
<th>Drawdown TTM (%)</th>
<th>Volume (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>9.4</td>
<td>124.2</td>
<td>38.2</td>
<td>5.6</td>
<td>4.4</td>
<td>3.5</td>
<td>4.9</td>
<td>1.4</td>
<td>19.9</td>
<td>14.3</td>
<td>610</td>
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<tr>
<td>2019</td>
<td>81.0</td>
<td>53.0</td>
<td>37.0</td>
<td>71.0</td>
<td>80.0</td>
<td>77.0</td>
<td>78.0</td>
<td>66.0</td>
<td>17.0</td>
<td>21.0</td>
<td>340</td>
</tr>
<tr>
<td>1.10</td>
<td>0.98</td>
<td>0.96</td>
<td>1.00</td>
<td>0.86</td>
<td>0.95</td>
<td>Price/Fair Value ²²</td>
<td>28.49</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.98</td>
<td>0.96</td>
<td>1.00</td>
<td>0.86</td>
<td>0.95</td>
<td>2.66</td>
<td>Total Return %</td>
<td>2.66</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>0.95</td>
<td>0.96</td>
<td>1.00</td>
<td>0.86</td>
<td>0.95</td>
<td>2.66</td>
<td>+/- Index</td>
<td>0.5</td>
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</tbody>
</table>

Business Description

CIE Automotive SA is a supplier of components and subassemblies for the automotive market. CIE Automotive produces components for engines, gearboxes, transmissions, chassis, interior and exterior trims, and roof systems. The company’s clients include Renault, Magna, Chrysler, Daimler, Schaeffler, Ford, Nexteer, Volkswagen, and Faurecia. Next to its core automotive business, CIE Automotive operates a process improvement service through a subsidiary. The majority of revenue and operating profits are generated in CIE Automotive’s core segment automotive components. Geographically, Europe and NAFTA are the largest sources of operating profits for the company.

Valuation ²²

Morningstar affirms a 3-star quantitative rating for CIE Automotive. We calculate this outcome using the company’s underlying model-driven valuation and uncertainty scores. The stock’s last closing price was 28.49, a discount of 4.79% to its Quantitative Fair Value estimate of 28.19. This discount has ranged between 26.4% and 1.06% over the past year. The stock’s price to fair value ratio is at the 89th percentile in our global equity coverage universe for this methodology and at the 88th percentile relative to its peers in the consumer cyclical sector. CIE Automotive furthermore holds a High quantitative uncertainty rating. The company’s quantitative star rating dates to after 07/24/2023.

We examine the financials and market statistics for CIE Automotive to determine these ratings. Its earnings yield is 9.37% and its annualized trailing 12-month volatility is 19.85%. These fall at the 82nd and 18th percentiles in the equity universe and at the 81st and 17th in the consumer cyclical sector, respectively.

Economic Moat ²²

Morningstar maintains a quantitative moat rating of None on the company. The firm’s quantitative moat score of 0.46 sits at the 53rd percentile in the consumer cyclical sector. This is a decrease from 0.89, the maximum of its moat scores over the past year. The quantitative financial health rating for CIE Automotive is Moderate. Its financial health score, termed Distance to Default, sits at the 56th percentile in the universe and 61st 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 CIE Automotive is 38.16%, and its enterprise value-to-market value ratio is 1.39. They sit at the 35th and 74th percentile in the global equity universe, respectively.

Fundamentals ²²

Morningstar maintains earnings per share of 2.66. The company further earns a return on invested capital of 11.34%. The shares offer a dividend yield of 2.91%. These values are calculated over a trailing 12-month period. As of last market close, CIE Automotive has a price-to-earnings ratio of 10.67, falling below the 27th percentile in its sector (where a lower percentile means a lower ratio) and ranging between 9.17 and 12.88 over the past year. The company’s price-to-free cash flow ratio is 8.5, falling at the 31st percentile in its sector and ranging between 7.81 and 10.79 over the past year.

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**Earnings as of 3 Aug 2023**
- Dividend Yield*: 2.9 %
- Payout Ratio*: 33.0 %
- Price to Earnings: 10.7
- Price to Cash Flow: 8.5
- ROIC**: 11.3

**Valuation as of 4 Aug 2023**
- **Price/Fair Value**: 28.49
- **Uncertainty**: High

**Financials as of 4 Aug 2023 (Fiscal Year End 31 Dec 2021)**
- Revenue (Mil): 1,723
- Operating Income (Mil): 155
- Diluted Earnings/Share: 60
- ROIC: 0.56
- Net Income (Mil): 352
- Capital Spending (Mil): 152
- Free Cash Flow (Mil): 45
- Avg Shares Outstanding (Mil): 107

**Operating Performance as of 4 Aug 2023 (Fiscal Year End 31 Dec 2021)**
- Return on Assets: 1.13
- Price/Sales: 0.51
- Price/Earnings: 8.9
- Price/Cash Flow: 13.15
- Price/Book: 2.61

**Dividends as of 4 Aug 2023**
- Dividend Per Share: 0.18
- Trailing Dividend Yield: 2.25
- Buyback Yield: 1.75

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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/eqtystockquotes 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 99% but less than 70%.
- 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, or Five-Star.

- ★ — the stock is overvalued with a reasonable margin of safety.
- ★★ — the stock is overvalued.
- ★★★— the stock is undervalued with a reasonable margin of safety.

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.

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.
- 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 a scale of 0 to 4 (zero risk) with lower scores representing less unmanaged risk and, for 95% of cases, the unmanaged ESG Risk score is below 0.5.

Based on their quantitative scores, companies are grouped into one of five Risk Rating Categories: Very High, High, Moderate, Weak, and Low Risk.

- Very High — the stock is significantly undervalued.
- High — the stock is slightly undervalued.
- Moderate — the stock is in line with Morningstar’s quantitative fair value estimate.
- Weak — the stock is somewhat overvalued.
- Low — the stock is overvalued with a reasonable margin of safety.

Notes:

- Micro-Caps: Log (Quant FVE/Price) between (-0.75*Quantitative Uncertainty, 0.75*Quantitative Uncertainty)
- Widely Held: Log (Quant FVE/Price) between (-1.5*Quantitative Uncertainty, -0.5*Quantitative Uncertainty)
- Undervalued: Log (Quant FVE/Price) between (-1.5*Quantitative Uncertainty, -0.5*Quantitative Uncertainty)
- Fairly Valued: Log (Quant FVE/Price) between (-0.5*Quantitative Uncertainty, 0.5*Quantitative Uncertainty)
- Overvalued: Log (Quant FVE/Price) between (0.5*Quantitative Uncertainty, 1*Quantitative Uncertainty)
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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