Ebro Foods SA EBRO *** Q 4 Aug 2023, 22:39 UTC

Economic Moat | Uncertainty | Price/Fair Value | ESG Risk Rating Assessment | Trading Dividend Yield % | Market Cap | Investment Style | Sector | Industry
--- | --- | --- | --- | --- | --- | --- | --- | ---
Narrow | High | 0.9 | **E** | 4.53 | 2.5911 Bil | Mid Core | Consumer Defensive | Packaged Foods

### 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 (Billions)</th>
<th>Market Value (Billions)</th>
<th>Enterprise Value (Billions)</th>
<th>EV/NI Ratio</th>
<th>Volatility TTM (%)</th>
<th>Drawdown TTM (%)</th>
<th>Volume (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6.2</td>
<td>118.2</td>
<td>83.3</td>
<td>4.1</td>
<td>3.3</td>
<td>2.8</td>
<td>3.4</td>
<td>1.2</td>
<td>11.5</td>
<td>7.8</td>
<td>40.4</td>
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<td></td>
<td>72.0</td>
<td>58.0</td>
<td>68.0</td>
<td>55.0</td>
<td>75.0</td>
<td>74.0</td>
<td>73.0</td>
<td>52.0</td>
<td>8.0</td>
<td>9.0</td>
<td>34.0</td>
</tr>
</tbody>
</table>

### Business Description

Ebro Foods SA is a Spanish international food group operating in the pasta, rice, and sauces segments. The company is present in more than 25 countries in Europe, North America, Asia, and Africa, through its wide network of subsidiaries and brands. The core businesses are rice and pasta, offered in dry, fresh, precooked, and frozen varieties. Aside from pasta and rice, Ebro Foods offers ready meals, fresh potato, sauces among others. The largest geographical segment for the rice division is in Europe, followed by North America, Asia, and Africa. Pasta, sauces, and other products, accounting for almost half of revenue, are mainly present in Europe and North America.

### Valuation

Morningstar maintains a 3-star quantitative star rating for Ebro Foods, derived from the firm’s valuation and uncertainty scores.

The company’s shares last closed at 16.84, below our quantitative fair value estimate of 18.21. These shares have traded between a 17.34% and 0.4% 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 89th percentile; in the consumer defensive sector, the firm’s score lies at the 81st percentile (meaning the shares are more undervalued than 81% of stocks in the sector).

Furthermore, Ebro Foods 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 04/10/2023. The uncertainty rating for Ebro Foods has remained High since the previous rating of Very High, which was last assigned on 04/10/2023. The key factors behind these ratings are the company’s earnings yield and volatility. The earnings yield is 6.15%, and its maximum annualized trailing 12-month volatility is 14.35%. The earnings yield falls at the 72nd percentile in the consumer defensive sector while the volatility is at the 8th percentile. Over the past year, the company’s earnings yield has been between 4.63% and 6.17%; its volatility has ranged between 11.49% and 14.35%.

### Economic Moat

Morningstar maintains a Narrow quantitative moat rating on the company. The firm’s quantitative moat score of 0.73 sits at the 63rd percentile in the consumer defensive sector. This is a decrease from 0.89, the maximum of its moat scores over the past year.

The quantitative financial health rating for Ebro Foods is Strong. Its financial health score, termed Distance to Default, sits at the 79th percentile in the universe and 78th percentile in the sector. The significant drivers of these ratings are the company’s enterprise value and annualized trailing 12-month volatility. The enterprise value for Ebro Foods is 3.40 billion, and its annualized trailing 12-month volatility is 11.49%. They sit at the 77th and 5th percentile in the global equity universe, respectively.

### Fundamentals

Ebro Foods maintains earnings per share of 1.03. The company further earns a return on invested capital of 5.45%. The shares offer a dividend yield of 4.53%. These values are calculated over a trailing 12-month period.

As of last market close, Ebro Foods has a price-to-earnings ratio of 16.27, falling below the 41st percentile in its sector (where a lower percentile means a lower ratio) and ranging between 16.12 and 21.59 over the past year. The company’s price-
### Earnings as of 3 Aug 2023

<table>
<thead>
<tr>
<th></th>
<th>%</th>
<th>Percentile in Sector</th>
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</thead>
<tbody>
<tr>
<td>Dividend Yield*</td>
<td>4.5</td>
<td>78.0</td>
</tr>
<tr>
<td>Payout Ratio*</td>
<td>55.1</td>
<td>62.0</td>
</tr>
<tr>
<td>Price to Earnings</td>
<td>16.3</td>
<td>41.0</td>
</tr>
<tr>
<td>Price to Cash Flow</td>
<td>36.7</td>
<td>73.0</td>
</tr>
<tr>
<td>ROIC**</td>
<td>5.5</td>
<td>45.0</td>
</tr>
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</table>

**31 Jul 2023
**30 Jun 2023

### Dividends as of 4 Aug 2023

<table>
<thead>
<tr>
<th></th>
<th>Stock Price</th>
<th>Payout Ratio</th>
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### Valuation as of 4 Aug 2023

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<thead>
<tr>
<th></th>
<th>18.14</th>
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<tbody>
<tr>
<td>Uncertainty</td>
<td>High</td>
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<tr>
<td>Last Close</td>
<td>16.78</td>
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### Financials as of 4 Aug 2023 (Fiscal Year End 31 Dec 2019)

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<tr>
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<th>2019</th>
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<tr>
<td>Q4</td>
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<tr>
<td>Revenue (Mil)</td>
<td>2,424</td>
<td>2,424</td>
<td>2,964</td>
<td>1,558</td>
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<tr>
<td>Operating Income (Mil)</td>
<td>217</td>
<td>289</td>
<td>233</td>
<td>141</td>
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<tr>
<td>Net Income (Mil)</td>
<td>192</td>
<td>239</td>
<td>122</td>
<td>93</td>
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<tr>
<td>Diluted Earnings/Share</td>
<td>125</td>
<td>155</td>
<td>79</td>
<td>61</td>
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<tr>
<td>Operating Cash Flow (Mil)</td>
<td>252</td>
<td>103</td>
<td>133</td>
<td>99</td>
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<tr>
<td>Free Cash Flow (Mil)</td>
<td></td>
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<tr>
<td>Avg Shares Outstanding (Mil)</td>
<td>154</td>
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### Valuation as of 4 Aug 2023

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<tbody>
<tr>
<td>Price/Fair Value*</td>
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<td>Price/Sales</td>
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<tr>
<td>Price/Cash Flow</td>
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<td></td>
<td>0.29</td>
<td>Qoant</td>
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### Operating Performance as of 4 Aug 2023 (Fiscal Year End 31 Dec 2019)

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<td>0.92</td>
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<tr>
<td>Price/Sales</td>
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<td></td>
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<td>0.67</td>
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<tr>
<td>Price/Earnings</td>
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<td></td>
<td></td>
<td>0.72</td>
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<tr>
<td>Price/Cash Flow</td>
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<td>0.69</td>
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### Dividends as of 4 Aug 2023

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</thead>
<tbody>
<tr>
<td>Dividend Per Share</td>
<td>0.57</td>
<td>0.57</td>
<td>0.57</td>
<td>0.57</td>
<td>0.57</td>
<td>0.57</td>
<td>0.57</td>
<td>0.57</td>
<td>0.57</td>
<td>0.57</td>
<td>0.76</td>
<td>Buyback</td>
</tr>
<tr>
<td>Trailing Dividend Yield%</td>
<td>2.95</td>
<td>2.95</td>
<td>3.01</td>
<td>3.01</td>
<td>3.01</td>
<td>3.01</td>
<td>3.01</td>
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<td>3.01</td>
<td>3.01</td>
<td>4.53</td>
<td>—</td>
</tr>
<tr>
<td>Rtn on Invested Capital (%)</td>
<td>4.29</td>
<td>4.29</td>
<td>4.29</td>
<td>4.29</td>
<td>4.29</td>
<td>4.29</td>
<td>4.29</td>
<td>4.29</td>
<td>4.29</td>
<td>4.29</td>
<td>7.68</td>
<td>—</td>
</tr>
</tbody>
</table>

Contact
Paseo de la Castellana, n 20, Madrid, — 28046 +34 917245250

http://www.ebrofoods.es

to-free cash flow ratio is 36.7, falling at the 73rd percentile in its sector and ranging between 36.35 and 36.96 over the past year.

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- 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)

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%

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- 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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Based on their quantitative scores, companies are grouped into one of five Risk...
Categorizes (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 industries 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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