Construcciones y Auxiliar de Ferrocarriles SA (CAF) Q 4 Aug 2023, 22:39 UTC

Business Description
Construcciones y Auxiliar de Ferrocarriles SA is a Spain-based company that offers comprehensive railway solutions. The company’s train-related products comprise high-speed rolling stock, wheelsets, traction and communication systems, signaling systems, and related services including vehicle maintenance, vehicle upgrading and refurbishment, and aftersales technical supports. In addition to supplying train-related products, the company also helps customers conduct viability studies, civil work, electrification projects, and system operation. The company operates under concession or turnkey models. Construcciones y Auxiliar de Ferrocarriles has a global presence, with Europe and Brazil being the two largest markets.

Key Metrics as of 3 Aug 2023

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<tbody>
<tr>
<td>Earnings Yield (%)</td>
<td>1.10</td>
<td>0.95</td>
<td>0.82</td>
<td>0.88</td>
<td>1.07</td>
<td>1.02</td>
<td>0.99</td>
<td>1.02</td>
<td>0.91</td>
<td>0.76</td>
<td>0.85</td>
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<td>Sales Yield (%)</td>
<td>13.12</td>
<td>12.58</td>
<td>10.59</td>
<td>13.76</td>
<td>51.96</td>
<td>8.24</td>
<td>5.91</td>
<td>15.37</td>
<td>-4.27</td>
<td>-25.30</td>
<td>72.00</td>
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<tr>
<td>Book Value Yield (%)</td>
<td>48.52</td>
<td>48.92</td>
<td>29.88</td>
<td>6.69</td>
<td>17.48</td>
<td>17.48</td>
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<td>Revenue/SH*</td>
<td>35.6</td>
<td>36.0</td>
<td>35.6</td>
<td>36.0</td>
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<tr>
<td>Market Value (SH)</td>
<td>1.2</td>
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<tr>
<td>Enterprise Value (SH)</td>
<td>1.6</td>
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<tr>
<td>EV/SH Ratio</td>
<td>1.4</td>
<td>1.2</td>
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<tr>
<td>Volatility TTM (%)</td>
<td>22.5</td>
<td>28.0</td>
<td>22.5</td>
<td>28.0</td>
<td>22.5</td>
<td>28.0</td>
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<td>28.0</td>
<td>22.5</td>
<td>28.0</td>
<td>22.5</td>
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<tr>
<td>Drawdown TTM (%)</td>
<td>18.3</td>
<td>38.0</td>
<td>18.3</td>
<td>38.0</td>
<td>18.3</td>
<td>38.0</td>
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<tr>
<td>Volume (K)</td>
<td>50.4</td>
<td>33.0</td>
<td>50.4</td>
<td>33.0</td>
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<td>33.0</td>
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Valuation as of 4 Aug 2023
Morningstar affirms a 4-star quantitative rating for CAF. We calculate this outcome using the company’s underlying model-driven valuation and uncertainty scores. The stock’s last closing price was 31.70, a discount of 14.2% to its Quantitative Fair Value estimate of 36.95. This discount has ranged between 40.43% and 5.54% over the past year. The stock’s price to fair value ratio is at the 73rd percentile in our global equity universe for this methodology and at the 60th percentile relative to its peers in the industrials sector. CAF furthermore holds a High quantitative uncertainty rating.

Fundamentals as of 4 Aug 2023
The earnings per share for CAF is 1.63. The company earns a return on invested capital of 5.24%, falling at the 43rd percentile in the industrials sector. The firm maintains a dividend yield of 2.78%. We calculate the above figures over a trailing 12-month period. The earnings per share for CAF is 1.63. The company earns a return on invested capital of 5.24%, falling at the 43rd percentile in the industrials sector. The firm maintains a dividend yield of 2.78%. We calculate the above figures over a trailing 12-month period. The earnings per share for CAF is 1.63. The company earns a return on invested capital of 5.24%, falling at the 43rd percentile in the industrials sector. The firm maintains a dividend yield of 2.78%. We calculate the above figures over a trailing 12-month period. The earnings per share for CAF is 1.63. The company earns a return on invested capital of 5.24%, falling at the 43rd percentile in the industrials sector. The firm maintains a dividend yield of 2.78%. We calculate the above figures over a trailing 12-month period. The earnings per share for CAF is 1.63. The company earns a return on invested capital of 5.24%, falling at the 43rd percentile in the industrials sector. The firm maintains a dividend yield of 2.78%. We calculate the above figures over a trailing 12-month period. The earnings per share for CAF is 1.63. The company earns a return on invested capital of 5.24%, falling at the 43rd percentile in the industrials sector. The firm maintains a dividend yield of 2.78%. We calculate the above figures over a trailing 12-month period.

Economic Moat as of 4 Aug 2023
Morningstar maintains a quantitative moat rating of None on the company. The firm’s quantitative moat score of 0.2 sits at the 21st percentile in the industrials sector. This is a decrease from 0.52, the maximum of its moat scores over the past year. The quantitative financial health rating for CAF is Moderate. Its financial health score, termed Distance to Default, sits at the 51st percentile in the universe and 50th percentile in the sector.

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http://www.caf.net
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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 delivered from the analyst-driven ratings of a company’s peers as defined 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 somewhat undervalued.
   - ★★ - the stock is undervalued with a reasonable margin of safety.
   - ★★★ - the stock is approximately fairly valued.
   - ★★★★ - the stock is overvalued with a reasonable margin of safety.
   - ★★★★★ - the stock is somewhat undervalued.

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 measure 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
The quantitative equity ratings are not a suitability assessment; such assessments take into account factors including a person’s investment objective, personal and financial situation, and risk tolerance all of which are factors the quantitative equity rating statistical model does not and did not consider.

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