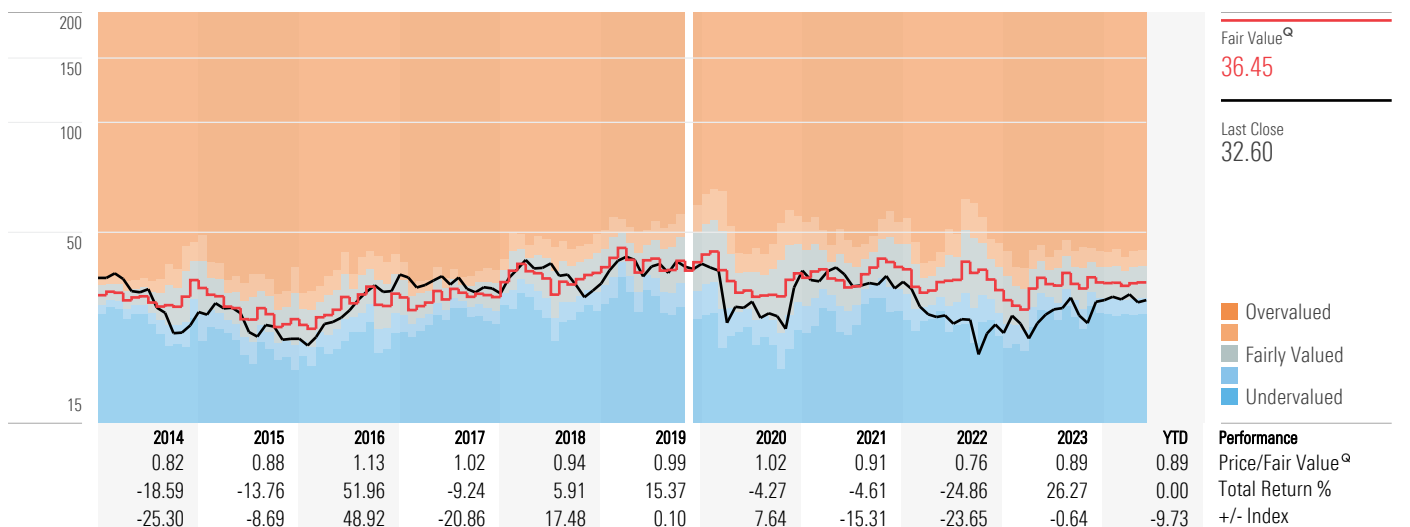


# Construcciones y Auxiliar de Ferrocarriles SA CAF ★★★ Q 3 May 2024, 22:45 UTC

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	0.9	1 May 2024 05:00, UTC	2.64	1.1211 Bil	Small Core	Industrials	Railroads



As of 3 May 2024 | Index: Morningstar Spain GR EUR. Fair Value data as of 3 May 2024, 22:45 UTC.

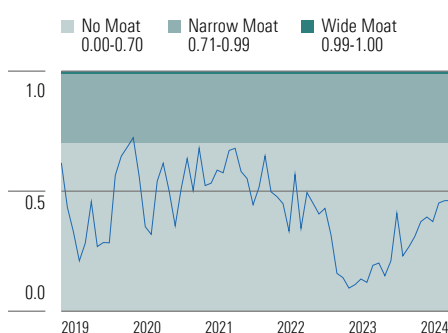
<sup>1</sup>The ESG Risk Rating Assessment is a representation of Sustainability's ESG Risk Rating. Lee Davidson, Chief Analytics Officer for Morningstar, Inc, oversees the methodology that supports Quantitative Fair Value Estimates and Quantitative Star Ratings. Mr. Davidson is guided by the Morningstar, 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 2 May 2024

Metrics		Percentile in Sector
Earnings Yield (%)	7.9	77.0
Sales Yield (%)	341.2	88.0
Book Value Yield (%)	76.3	66.0
Return on Assets (%)*	1.8	35.0
Revenue(Bil)*	4.1	80.0
Market Value (Bil)	1.2	66.0
Enterprise Value (Bil)	1.5	65.0
EV/MV Ratio	1.2	62.0
Volatility TTM (%)	17.8	15.0
Drawdown TTM (%)	17.8	29.0
Volume (K)	33.1	28.0

\*31 Dec 2023

## Economic Moat<sup>Q</sup> History as of 3 May 2024



## 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.

## Valuation<sup>Q</sup> as of 3 May 2024

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

The company's shares last closed at 32.75, below our quantitative fair value estimate of 37.71. These shares have traded between a 23.22% and 4.17% 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 72nd percentile; in the industrials sector, the firm's score lies at the 58th percentile (meaning the shares are more undervalued than 58% of stocks in the sector).

Furthermore, CAF 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 04/30/2024. The uncertainty rating for CAF has remained High since the previous rating of Very High, which was last assigned on 05/01/2024.

The key factors behind these ratings are the com-

pany's earnings yield and volatility. The earnings yield is 7.94%, and its maximum annualized trailing 12-month volatility is 28.46%. The earnings yield falls at the 77th percentile in the industrials sector while the volatility is at the 15th percentile. Over the past year, the company's earnings yield has been between 4.68% and 8.27%; its volatility has ranged between 16.62% and 28.46%.

## Economic Moat<sup>Q</sup> as of 3 May 2024

Quantitatively, we do not believe CAF has an economic moat. Its moat score of 0.49 corresponds to the 43rd percentile in the industrials sector. Furthermore, this rating has not changed over the past year, while the company's moat score fell from its maximum of 0.55 in this period (score of 1 indicates greatest economic moat).

The company also maintains a quantitative financial health rating of Moderate. Its score sits at the 67th percentile in both the universe and sector.


Examining the company's financials and market statistics, we find these ratings are principally driven by its book value yield and enterprise value-to-market value ratio. The book value yield is 76.28%, sitting at the 66th percentile in the industrials sector. The company's enterprise value-to-market value ratio is 1.22, corresponding to the 65th percentile in the equity coverage universe and the 62nd percentile in the sector.

## Fundamentals as of 3 May 2024

CAF reports earnings per share of 2.6. Its return on invested capital is 6.82%. The company maintains a dividend yield of 2.68%, paying out 33.12% of earnings. These values are calculated over a trailing 12-month period.

As of last market close, CAF has a price-to-earnings ratio of 12.6, falling at the 32nd percentile in its

# Construcciones y Auxiliar de Ferrocarriles SA CAF ★★★ Q 3 May 2024, 22:45 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	0.9	 1 May 2024 05:00, UTC	2.64	1.1211 Bil	Small Core	Industrials	Railroads

## Earnings as of 2 May 2024

Earnings	%	Percentile in Sector
Dividend Yield*	2.7	55.0
Payout Ratio*	33.1	45.0
Price to Earnings	12.6	32.0
Price to Cash Flow	41.2	83.0
ROIC**	6.8	53.0

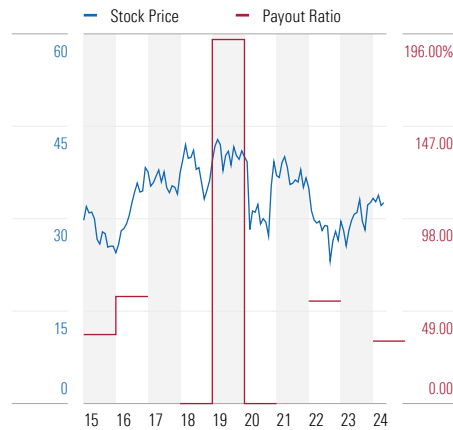
\*30 Apr 2024  
\*\*31 Dec 2023

sector (where a lower percentile means a lower ratio) and ranging between 12.1 and 21.35 over the past year. The company's price-to-free cash flow ratio is 41.24, falling at the 83rd percentile in its sector and ranging between 28.13 and 43.57 over the past year.

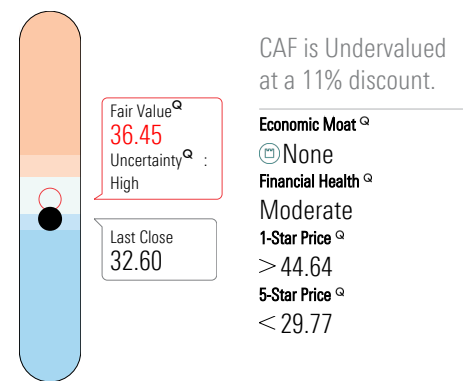
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—  
<http://www.caf.net>

## Dividends as of 3 May 2024



## Valuation<sup>Q</sup> as of 3 May 2024



## Financials as of 3 May 2024 (Fiscal Year End 31 Dec 2019)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	Fiscal
1,447	1,284	1,318	1,477	2,048	2,598	2,762	2,943	3,165	3,825	3,825	Revenue (Mil)
104	128	101	146	155	125	112	168	137	181	181	Operating Income (Mil)
7.19	9.94	7.63	9.86	7.55	4.82	4.05	5.7	4.32	4.74	4.74	Operating Margin (%)
59.68	41.04	35.01	42.41	43.46	24.75	9.01	85.92	52.19	89.16	89.16	Net Income (Mil)
1.74	1.20	1.02	1.24	1.27	0.72	0.26	2.51	1.52	2.60	2.60	Diluted Earnings/Share
62	96	335	165	389	129	177	154	111	106	106	Operating Cash Flow (Mil)
-24	-19	-27	-51	-91	-72	-49	-45	-78	-79	-79	Capital Spending (Mil)
38	76	308	114	299	57	128	109	33	27	27	Free Cash Flow (Mil)
34	34	34	34	34	34	35	34	34	34	34	Avg Shares Outstand(Mil)

## Valuation as of 3 May 2024

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar
0.82	0.88	1.13	1.02	0.94	0.99	1.02	0.91	0.76	0.89	0.89	Price/Fair Value <sup>Q</sup>
0.69	0.64	—	—	0.69	0.55	0.53	0.42	0.29	0.32	0.29	Price/Sales
12.48	17.80	41.42	31.78	27.27	103.83	—	14.44	14.40	20.01	12.54	Price/Earnings
—	8.17	3.94	6.94	6.20	4.49	8.69	5.33	7.51	24.09	10.52	Price/Cash Flow
1.41	1.19	1.78	1.56	1.71	1.97	2.23	1.82	1.19	1.38	1.30	Price/Book

## Operating Performance as of 3 May 2024 (Fiscal Year End 31 Dec 2019)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Q3	Fiscal (%)
2.07	1.41	1.15	1.34	1.22	0.59	0.21	2.06	1.14	1.79	0.37	Return on Assets
8.2	5.7	4.75	5.57	5.79	3.33	1.32	12.64	6.95	10.93	2.34	Return on Equity
5.87	4.68	4.67	5.5	5.37	3.64	2.27	6.48	4.78	6.82	1.54	Rtn on Invested Capital

## Dividends as of 3 May 2024

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar (%)
1.05	0.53	0.53	—	—	0.77	—	—	1.00	0.86	0.86	Dividend Per Share
3.47	2.05	1.37	—	—	1.87	—	—	3.77	—	2.64	Trailing Dividend Yield
—	—	—	—	0.22	0.03	—	—	—	—	0.13	Buyback Yield

Appendix

Economic Moat <sup>®</sup> History as of 3 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	0.37	0.39	0.37	0.45	0.46	—	—	—	—	—	—	—
2023	0.10	0.11	0.13	0.12	0.19	0.20	0.15	0.21	0.41	0.23	0.27	0.31
2022	0.48	0.45	0.33	0.57	0.35	0.49	0.45	0.41	0.43	0.32	0.16	0.14
2021	0.52	0.53	0.59	0.58	0.67	0.68	0.58	0.55	0.44	0.52	0.65	0.50
2020	0.72	0.56	0.35	0.32	0.54	0.62	0.50	0.36	0.51	0.64	0.50	0.68
2019	0.62	0.43	0.33	0.21	0.28	0.46	0.27	0.29	0.29	0.57	0.65	0.68

# Quantitative Equity Report Overview

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.

## 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 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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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 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 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/](https://sustainalytics.com/esg-ratings/)

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