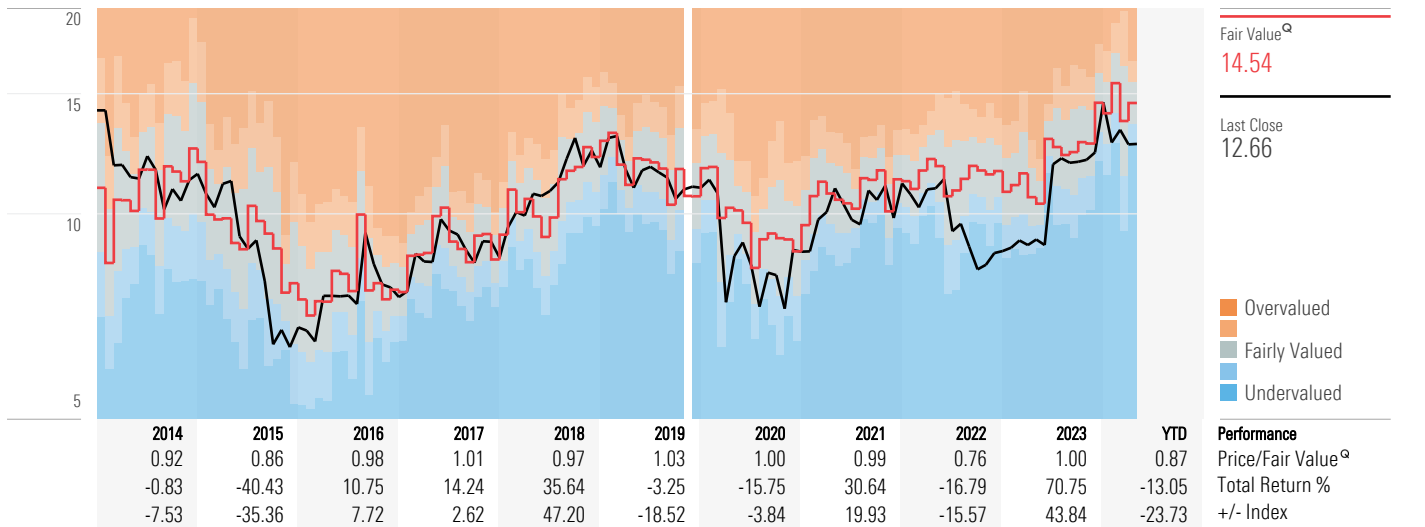


# Fomento de Construcciones y Contratas SA FCC ★★★★★ Q 24 Apr 2024, 22:35 UTC

<b>Economic Moat</b> <sup>Q</sup>	<b>Uncertainty</b> <sup>Q</sup>	<b>Price/Fair Value</b> <sup>Q</sup>	<b>ESG Risk Rating Assessment</b> <sup>1</sup>	<b>Trailing Dividend Yield %</b>	<b>Market Cap</b>	<b>Investment Style</b>	<b>Sector</b>	<b>Industry</b>
None	Medium	0.9	3 Apr 2024 05:00, UTC	3.95	5.5560 Bil	Mid Core	Industrials	Waste Management



As of 24 Apr 2024 | Index: Morningstar Spain GR EUR. Fair Value data as of 24 Apr 2024, 22:35 UTC.

<sup>1</sup>The 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 Apr 2024

Metrics	Value	Percentile in Sector
Earnings Yield (%)	6.1	67.0
Sales Yield (%)	151.7	68.0
Book Value Yield (%)	65.6	57.0
Return on Assets (%)*	2.2	38.0
Revenue(Bil)*	9.0	88.0
Market Value (Bil)	5.9	83.0
Enterprise Value (Bil)	9.6	85.0
EV/MV Ratio	1.6	80.0
Volatility TTM (%)	30.9	55.0
Drawdown TTM (%)	22.6	42.0
Volume (K)	48.7	32.0

\*30 Jun 2023

## Business Description

Fomento de Construcciones y Contratas SA is in the business of environmental services, end to end water management, construction and cement. The company's activities include services related to urban water treatment, waste recovery, end to end water cycle and also infrastructure construction projects, building construction, manufacturing of cement and concrete and operation of quarries and mineral deposits. The firm derives majority of its revenues from environmental services segment. It carries out international operations in European, the US and Latin American markets.

## Valuation <sup>Q</sup> as of 24 Apr 2024

Morningstar affirms a 4-star quantitative rating for Fomento de Constr. We calculate this outcome using the company's underlying model-driven valuation and uncertainty scores.

The stock's last closing price was 12.74, a discount of 13.38% to its Quantitative Fair Value estimate of 14.71. The stock has been trading between a 18.77% discount and 1.62% premium to its quantitative fair value over the past year. The stock's price to fair value ratio is at the 73rd percentile in our global equity coverage universe for this methodology and at the 57th percentile relative to its peers in the industrials sector.

Fomento de Constr furthermore holds a High quantitative uncertainty rating.

The company's quantitative star rating dates to after 04/11/2024, before which it was 3-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 Fomento de Constr to determine these ratings. Its earnings yield is 6.12% and falls at the 71st percentile in the equity universe and at the 67th percentile in the industrials sector.

## Economic Moat <sup>Q</sup> as of 24 Apr 2024

Quantitatively, we do not believe Fomento de Constr has an economic moat. Its moat score of 0.54 corresponds to the 49th percentile in the industrials sector. Furthermore, this rating last differed from its previous rating of Narrow on 04/05/2024, when the company's moat score fell from its maximum of 0.76 (score of 1 indicates greatest economic moat).

The company also maintains a quantitative financial health rating of Moderate. Its score sits at the 26th percentile overall and the 24th percentile in the sector.

Examining the company's financials and market statistics, we find these ratings are principally driven by its book value yield and annualized trailing 12-month volatility. The book value yield is 65.59%, sitting at the 57th percentile in the industrials sector. The company's annualized trailing 12-month volatility is 30.88%, corresponding to the 48th percentile in the equity coverage universe and the 55th percentile in the sector.


## Fundamentals as of 24 Apr 2024

The earnings per share for Fomento de Constr is 0.78. The company earns a return on invested capital of 5.17%, falling at the 42nd percentile in the industrials sector. The firm maintains a dividend yield of 3.96%. We calculate the above figures over a trailing 12-month period.

Examining valuation further, we find Fomento de Constr holds a price-to-earnings ratio of 16.33, a figure greater than 46% of its sector peers. The company's price-to-free cash flow ratio is 10.32, greater than 35% of its sector peers. These values are calculated using the stock's price at last market close.

# Fomento de Construcciones y Contratas SA FCC ★★★★★

Q 24 Apr 2024, 22:35 UTC

<b>Economic Moat</b> <sup>Q</sup>	<b>Uncertainty</b> <sup>Q</sup>	<b>Price/Fair Value</b> <sup>Q</sup>	<b>ESG Risk Rating Assessment</b> <sup>1</sup>	<b>Trailing Dividend Yield</b> %	<b>Market Cap</b>	<b>Investment Style</b>	<b>Sector</b>	<b>Industry</b>
None	Medium	0.9	 3 Apr 2024 05:00, UTC	3.95	5.5560 Bil	Mid Core	Industrials	Waste Management

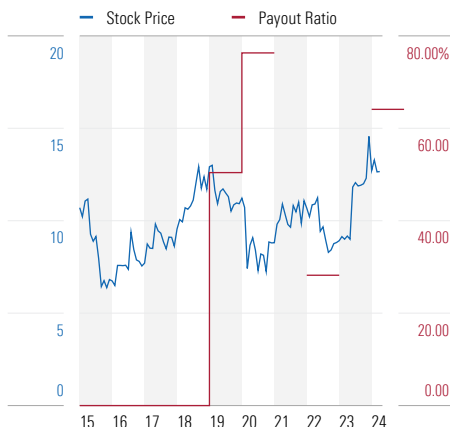
## Earnings as of 23 Apr 2024

Earnings	%	Percentile in Sector
Dividend Yield*	4.0	73.0
Payout Ratio*	64.1	79.0
Price to Earnings	16.3	46.0
Price to Cash Flow	10.3	35.0
ROIC**	5.2	42.0

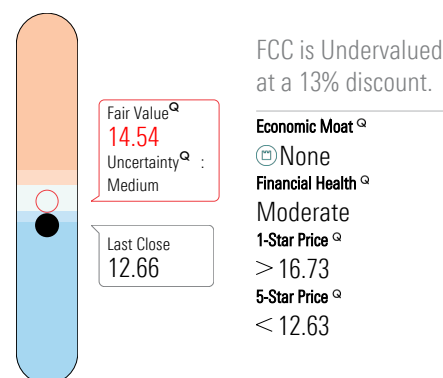
\*28 Mar 2024

\*\*30 Jun 2023

## Dividends as of 24 Apr 2024



## Valuation <sup>Q</sup> as of 24 Apr 2024



FCC is Undervalued at a 13% discount.

**Economic Moat** <sup>Q</sup>

None

**Financial Health** <sup>Q</sup>

Moderate

**1-Star Price** <sup>Q</sup>

&gt; 16.73

**5-Star Price** <sup>Q</sup>

&lt; 12.63

## Contact

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## Financials as of 24 Apr 2024 (Fiscal Year End 31 Dec 2021)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	Fiscal
6,334	6,476	5,952	5,802	5,990	6,276	6,158	6,659	7,706	—	4,320	Revenue (Mil)
397	357	418	445	477	571	559	675	783	—	473	Operating Income (Mil)
6.27	5.52	7.03	7.67	7.97	9.1	9.08	10.13	10.16	—	10.94	Operating Margin (%)
-724	-46	-162	118	252	267	262	580	315	—	256	Net Income (Mil)
-5.55	-0.18	-0.45	0.31	0.66	0.69	0.66	1.40	0.73	—	0.59	Diluted Earnings/Share
609	600	1,025	769	489	631	605	746	1,546	—	171	Operating Cash Flow (Mil)
-394	-339	-303	-272	-291	-328	-408	-387	-623	—	-388	Capital Spending (Mil)
215	261	722	496	199	302	197	359	923	—	-217	Free Cash Flow (Mil)
267	264	359	378	378	385	400	414	429	—	434	Avg Shares Outstand(Mil)

## Valuation as of 24 Apr 2024

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar
0.92	0.86	0.98	1.01	0.97	1.03	1.00	0.99	0.76	1.00	0.87	Price/Fair Value <sup>Q</sup>
0.32	0.28	0.47	0.56	0.75	0.69	0.58	0.71	0.52	0.75	0.65	Price/Sales
—	4.07	—	20.05	31.45	13.76	16.79	9.71	6.22	18.67	16.23	Price/Earnings
2.48	2.98	2.45	4.03	7.09	7.57	5.28	6.92	3.74	4.85	4.22	Price/Cash Flow
—	6.04	3.76	3.60	2.73	2.33	1.72	1.67	1.17	1.74	1.52	Price/Book

## Operating Performance as of 24 Apr 2024 (Fiscal Year End 31 Dec 2021)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Q3	Fiscal (%)
-4.89	-0.34	-1.37	1.11	2.39	2.31	2.06	4.29	2.14	—	1.5	Return on Assets
-527	-16.76	-30.14	14.26	19.75	14.67	12.37	21.91	9.86	—	6.71	Return on Equity
-4.11	3.19	1.56	4.84	5.99	5.47	4.98	8.52	4.65	—	2.62	Rtn on Invested Capital

## Dividends as of 24 Apr 2024

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar (%)
—	—	—	—	—	0.40	0.40	0.42	0.40	0.50	0.50	Dividend Per Share
—	—	—	—	—	3.66	4.55	—	4.54	—	3.95	Trailing Dividend Yield
—	—	—	1.71	0.78	—	0.39	—	5.68	—	0.76	Buyback Yield

# Appendix

**Economic Moat** <sup>®</sup>History as of 24 Apr 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	0.48	0.60	0.39	0.60	—	—	—	—	—	—	—	—
2023	0.39	0.48	0.45	0.41	0.43	0.66	0.65	0.54	0.56	0.35	0.30	0.36
2022	0.61	0.54	0.41	0.45	0.36	0.44	0.58	0.61	0.54	0.61	0.48	0.54
2021	0.56	0.57	0.65	0.65	0.42	0.54	0.53	0.62	0.54	0.63	0.67	0.48
2020	0.58	0.62	0.49	0.32	0.25	0.28	0.24	0.13	0.33	0.58	0.42	0.65
2019	0.84	0.80	0.73	0.69	0.66	0.73	0.48	0.26	0.19	0.59	0.64	0.71

## 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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