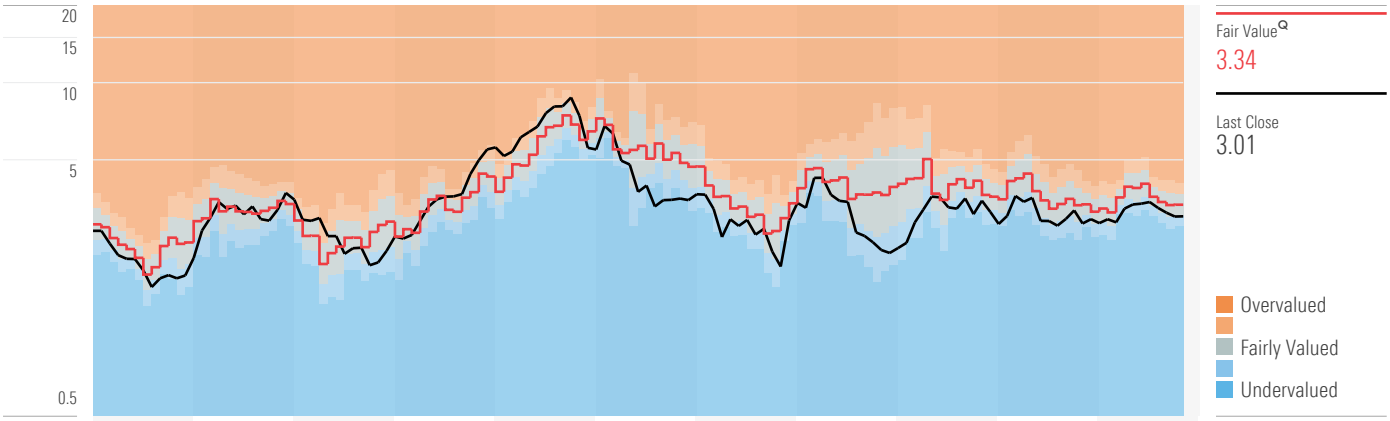
ENCE Energia y Celulosa SA ENC ★★★★ Q 10 Oct 2024 22:43, UTC

Economic Moat Q	Uncertainty Q	Price/Fair Value Q	ESG Risk Rating Assessment[1]	Trailing Dividend Yield %	Market Cap	Investment Style	Sector	Industry
None	High	0.90	2 Oct 2024 05:00, UTC	3.55	—	Small Blend	Basic Materials	Paper & Paper Products



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
Price/Fair Value Q	0.87	1.04	0.87	1.30	0.85	0.78	1.00	0.58	0.78	0.90	0.90
Total Return %	-18.64	75.80	-24.41	125.83	4.73	-31.18	-7.49	-33.31	36.22	21.42	10.06
+/- Index	6.71	-5.07	3.03	11.62	-11.57	15.27	-11.91	10.71	-1.21	26.91	18.65

As of 10 Oct 2024 | Index: Morningstar Spain GR EUR. Fair Value data as of 10 Oct 2024 00:00, UTC.

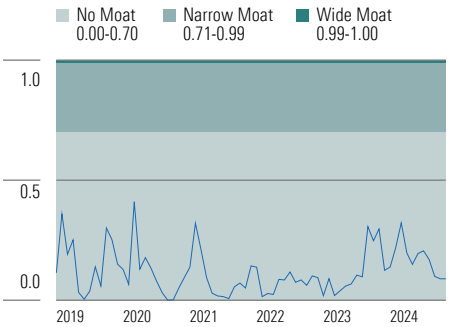
[1]The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating. Lee Davidson, Chief Analytics Officer for Morningstar, Inc, oversees the methodology that supports Quantitative Fair Value Estimates and Quantitative Star Ratings. Mr. Davidson is guided by the Morningstar, Inc. Code of Ethics in carrying out his responsibilities. For information regarding Conflicts of Interests, visit http://global.morningstar.com/equitydisclosures.

Key Metrics as of 9 Oct 2024

Metrics		Percentile in Sector
Earnings Yield (%)	1.0	62.0
Sales Yield (%)	110.6	76.0
Book Value Yield (%)	77.3	54.0
Return on Assets (%)*	0.3	61.0
Revenue(Mil)*	890.7	78.0
Market Value (Mil)	799.2	75.0
Enterprise Value (Bil)	1.1	76.0
EVMV Ratio	1.3	78.0
Volatility TTM (%)	20.6	11.0
Drawdown TTM (%)	17.0	11.0
Volume (K)	538.5	67.0

*30 Jun 2024

Economic Moat Q History as of 10 Oct 2024



Business Description

ENCE Energia y Celulosa SA produces and sells pulp. The company has two segments namely ENCE Pulp and ENCE Renewables. ENCE Pulp segment includes the pulp production and sale activities. ENCE Renewables segment involves Biomass, Biogas, Energy services and generation and sale of carbon credits. The vast majority of revenue comes from Pulp Segment.

Valuation Q as of 10 Oct 2024

Morningstar affirms a 4-star quantitative rating for ENCE Energia y Celulosa. We calculate this outcome using the company's underlying model-driven valuation and uncertainty scores.

The stock's last closing price was 3.01, a discount of 9.68% to its Quantitative Fair Value estimate of 3.33. This discount has ranged between 17.57% and 8.39% over the past year. The stock's price to fair value ratio is at the 78th percentile in our global equity coverage universe for this methodology and at the 87th percentile relative to its peers in the basic materials sector.

ENCE Energia y Celulosa furthermore holds a High quantitative uncertainty rating.

The company's quantitative star rating dates to after 04/08/2024, before which it was 3-star. Similarly, the firm's uncertainty rating changed from Medium to High after 04/17/2024.

We examine the financials and market statistics for ENCE Energia y Celulosa to determine these ratings. Its enterprise value-to-market value ratio is 1.32 and its annualized trailing 12-month volatility is 20.62%. These fall at the 71st and 21st percentiles in the equity universe and at the 78th and 11th in the basic materials sector, respectively.

Economic Moat Q as of 10 Oct 2024

Quantitatively, we do not believe ENCE Energia y Celulosa has an economic moat. Its moat score of 0.11 corresponds to the 10th percentile in the basic materials sector. Furthermore, this rating has not changed over the past year, while the company's moat score fell from its maximum of 0.52 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 59th percentile overall and the 75th 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 enterprise value-to-market value ratio. The book value yield is 77.26%, sitting at the 54th percentile in the basic materials sector. The company's enterprise value-to-market value ratio is 1.32, corresponding to the 71st percentile in the equity coverage universe and the 78th percentile in the sector.

Fundamentals as of 10 Oct 2024

ENCE Energia y Celulosa reports earnings per share of 0.03. Its return on invested capital is 3.1%. The company maintains a dividend yield of 3.56%, paying out 0% of earnings. These values are calculated over a trailing 12-month period.

As of last market close, ENCE Energia y Celulosa has a price-to-earnings ratio of 100.33, falling at the 92nd percentile in its sector (where a lower percentile means a lower ratio) and ranging between 3.76 and 108.2 over the past year.

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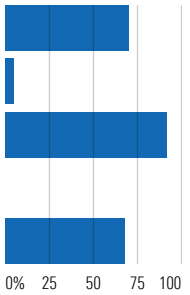
None	High	0.90	2 Oct 2024 05:00, UTC	3.55	—	Small Blend	Basic Materials	Paper & Paper Products

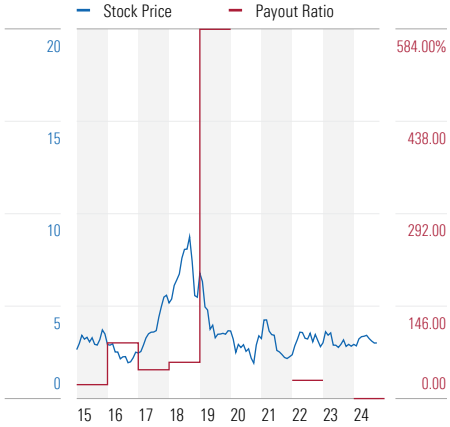
Earnings as of 9 Oct 2024

Earnings	%	Percentile in Sector
Dividend Yield*	3.6	70.0
Payout Ratio*	0.0	5.0
Price to Earnings	100.3	92.0
Price to Cash Flow	—	—
ROIC**	3.1	68.0

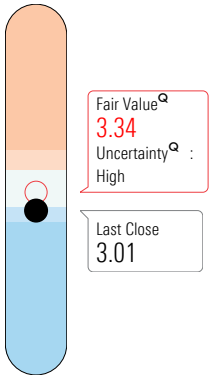


*30 Sep 2024
**30 Jun 2024

Dividends as of 10 Oct 2024



Valuation Q as of 10 Oct 2024



Undervalued (9% Discount)

Economic Moat Q
None

1-Star Price Q
>4.06

5-Star Price Q
<2.75

Financials (Fiscal Year End 31 Dec 2024)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	06/2024	Fiscal
687.55	663.91	605.45	740.32	831.98	735.35	707.71	819.68	1,003.37	829.60	813.53	Revenue (Mil)
-41.47	138.28	63.34	142.23	212.44	68.18	-21.03	95.06	179.13	-3.43	23.90	Operating Income (Mil)
-6.03	20.83	10.46	19.21	25.53	9.27	-2.97	11.60	17.85	-0.41	-0.41	Operating Margin (%)
-140.91	49.86	38.71	91.79	129.13	9.21	-26.43	-190.41	247.22	-24.72	5.92	Net Income (Mil)
-0.56	0.20	0.15	0.37	0.48	0.02	-0.11	-0.78	0.95	-0.10	0.03	Diluted Earnings/Share
9.46	110.62	122.81	176.31	227.26	176.50	62.36	141.29	303.68	-46.13	31.03	Operating Cash Flow (Mil)
59.83	59.17	67.49	52.46	187.99	292.36	97.03	70.98	54.87	95.74	101.60	Capital Spending (Mil)
-49.16	87.00	29.76	130.58	49.42	-181.35	-77.15	103.86	181.26	-63.76	-20.77	Free Cash Flow (Mil)
0.25	0.25	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	Avg Shares Outstand(Bil)

Valuation as of 10 Oct 2024

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar
0.87	1.04	0.87	1.30	0.85	0.78	1.00	0.58	0.78	0.90	0.90	Price/Fair Value Q
0.65	0.86	1.21	1.87	1.63	1.20	1.34	0.78	0.72	0.82	0.90	Price/Sales
—	—	17.96	17.74	10.97	16.97	—	—	10.63	4.92	100.33	Price/Earnings
4.73	9.83	7.61	8.08	5.90	5.63	83.84	5.71	2.51	15.61	9.10	Price/Cash Flow
0.95	1.57	1.12	2.17	1.99	1.34	1.34	0.90	1.27	1.30	1.30	Price/Book

Operating Performance (Fiscal Year End 31 Dec 2024)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	06/2024	Fiscal (%)
-11.20	4.22	3.17	7.24	8.53	0.53	-1.41	-10.62	14.57	-1.42	0.34	Return on Assets
-22.49	8.97	6.90	15.47	19.69	1.38	-3.86	-31.06	40.74	-4.00	1.05	Return on Equity
-12.99	7.10	5.43	10.58	12.02	1.45	-0.92	-15.13	27.06	-0.44	3.10	Rtn on Invested Capital

Dividends as of 10 Oct 2024

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar (%)
0.08	0.04	0.13	0.17	0.28	0.11	—	—	0.27	0.58	0.11	Dividend Per Share
3.86	1.26	5.26	2.20	5.01	5.72	0.00	0.00	9.75	20.48	3.55	Trailing Dividend Yield
—	0.22	1.47	—	—	3.12	0.14	0.15	—	—	—	Buyback Yield

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Appendix

Economic Moat History as of 10 Oct 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	0.14	0.22	0.32	0.20	0.15	0.19	0.21	0.17	0.10	0.09	—	—
2023	0.02	0.09	0.02	0.04	0.06	0.07	0.10	0.10	0.31	0.25	0.30	0.12
2022	0.14	0.01	0.03	0.02	0.09	0.08	0.12	0.07	0.08	0.06	0.10	0.09
2021	0.14	0.32	0.21	0.09	0.03	0.02	0.02	0.01	0.06	0.07	0.05	0.14
2020	0.13	0.07	0.41	0.13	0.18	0.13	0.08	0.03	0.00	0.00	0.05	0.09
2019	0.11	0.36	0.19	0.25	0.03	0.00	0.04	0.14	0.06	0.30	0.25	0.15

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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.

Farily Valued – Last Price is in line with Morningstar's quantitative fair value estimate.

Farily 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

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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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This Report **has not been made available** to the issuer of the security prior to publication.

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