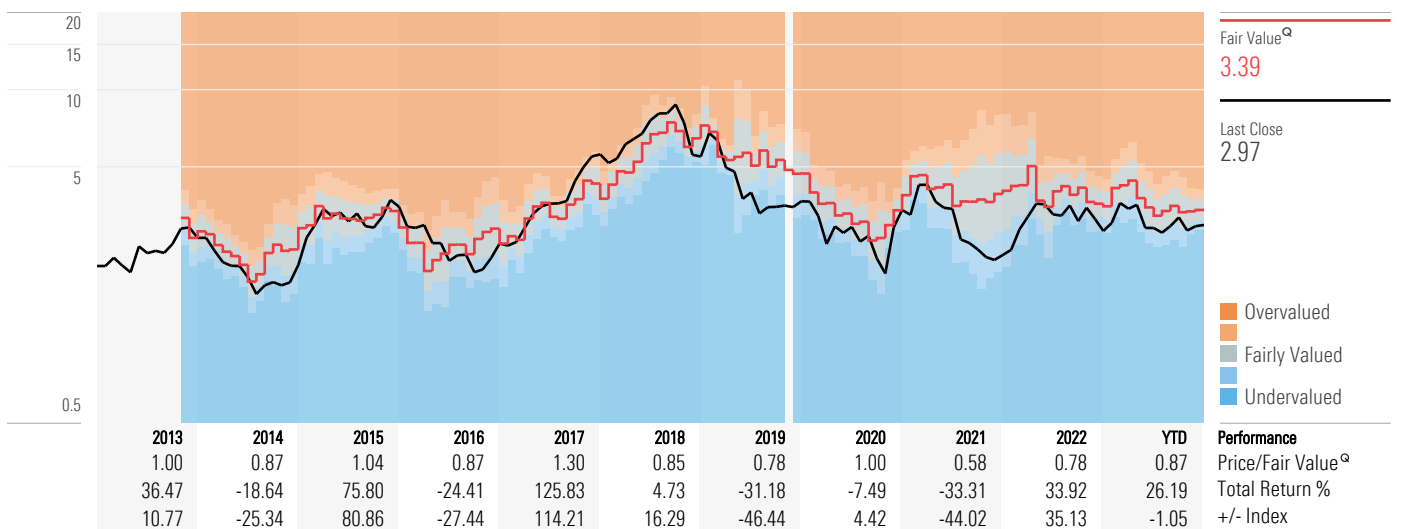


# ENCE Energia y Celulosa SA ENC ★★★★★ Q 1 Dec 2023, 23:40 UTC

<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	High	0.9	1 Nov 2023 05:00, UTC	22.59	711.3817 Mil	Small Core	Basic Materials	Paper & Paper Products



As of 1 Dec 2023 | Index: Morningstar Spain GR EUR. Fair Value data as of 1 Dec 2023, 23:40 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 30 Nov 2023

Metrics		Percentile in Sector
Earnings Yield (%)	18.8	95.0
Sales Yield (%)	118.9	76.0
Book Value Yield (%)	74.6	49.0
Return on Assets (%)*	9.2	90.0
Revenue(Mil)*	922.9	78.0
Market Value (Mil)	776.2	76.0
Enterprise Value (Bil)	1.1	77.0
EVMV Ratio	1.4	83.0
Volatility TTM (%)	33.5	36.0
Drawdown TTM (%)	19.6	16.0
Volume (K)	968.9	74.0

\*30 Sep 2023

## Business Description

ENCE Energia y Celulosa SA produces and sells pulp. The company owns and manages eucalyptus forests throughout Spain and harvests timber. The timber is transported to the firm's mills, where it produces pulp for sale to paper manufacturers. Over half of the company's pulp is sold to tissue paper producers. Other customers include manufacturers of specialty paper, printing and writing paper, and packaging paper. Ence also generates and sells electricity from forest biomass. The vast majority of revenue comes from Europe.

## Valuation <sup>Q</sup> as of 1 Dec 2023

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 2.93, a discount of 12.48% to its Quantitative Fair Value estimate of 3.35. This discount has ranged between 26.24% and 7.62% over the past year. The stock's price to fair value ratio is at the 79th percentile in our global equity coverage universe for this methodology and at the 89th 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 11/07/2023, before which it was 3-star. Similarly, the firm's uncertainty rating changed from Very High to High after 08/28/2023.

We examine the financials and market statistics for ENCE Energia y Celulosa to determine these ratings. Its earnings yield is 18.75% and falls at the 94th percentile in the equity universe and at the 95th percentile in the basic materials sector.

Morningstar maintains a quantitative moat rating of None on the company. The firm's quantitative moat score of 0.3 sits at the 28th percentile in the basic materials sector. This is a decrease from 0.37, the maximum of its moat scores over the past year. The quantitative financial health rating for ENCE Energia y Celulosa is Moderate. Its financial health score, termed Distance to Default, sits at the 25th percentile in the universe and 27th percentile in the sector.

The significant drivers of these ratings are the company's book value yield and annualized trailing 12-month volatility. The book value yield for ENCE Energia y Celulosa is 74.60%, and its annualized trailing 12-month volatility is 33.47%. They sit at the 57th and 53rd percentile in the global equity universe, respectively.

## Fundamentals as of 1 Dec 2023

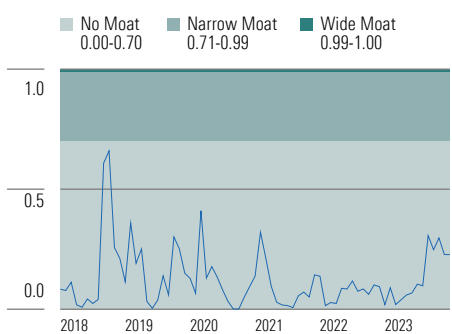
ENCE Energia y Celulosa maintains earnings per share of 0.62. The company further earns a return on invested capital of 16.73%. The shares offer a dividend yield of 22.84%. These values are calculated over a trailing 12-month period.

As of last market close, ENCE Energia y Celulosa has a price-to-earnings ratio of 5.33, falling below the 13th percentile in its sector (where a lower percentile means a lower ratio) and ranging between 2.69 and 13.31 over the past year.

## Contact

Beatriz de Bobadilla, 14, Madrid, — 28040  
+34 913378500  
—  
<https://www.ence.es>

## Economic Moat <sup>Q</sup> History as of 1 Dec 2023



## Economic Moat <sup>Q</sup> as of 1 Dec 2023

# ENCE Energia y Celulosa SA ENC ★★★★★

Q 1 Dec 2023, 23:40 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	High	0.9	1 Nov 2023 05:00, UTC	22.59	711.3817 Mil	Small Core	Basic Materials	Paper & Paper Products

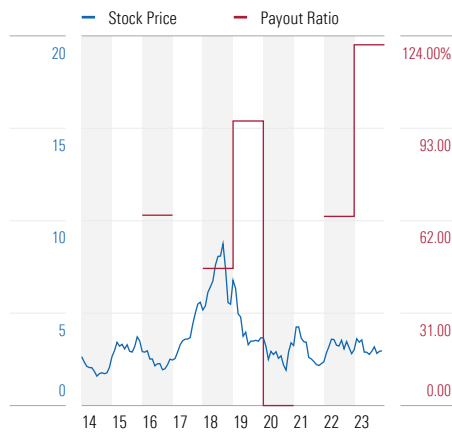
## Earnings as of 30 Nov 2023

Earnings	%	Percentile in Sector
Dividend Yield*	22.8	99.0
Payout Ratio*	121.8	90.0
Price to Earnings	5.3	13.0
Price to Cash Flow	—	—
ROIC**	16.7	93.0

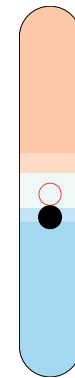
\*30 Nov 2023

\*\*30 Sep 2023

## Dividends as of 1 Dec 2023



## Valuation <sup>Q</sup> as of 1 Dec 2023



Fair Value <sup>Q</sup>  
3.39  
Uncertainty <sup>Q</sup> :  
High  
Last Close  
2.97

ENCE is Under Valued at a 13% discount.

**Economic Moat** <sup>Q</sup>  
None  
**Financial Health** <sup>Q</sup>  
Moderate  
**1-Star Price** <sup>Q</sup>  
> 4.09  
**5-Star Price** <sup>Q</sup>  
< 2.82

## Financials as of 1 Dec 2023 (Fiscal Year End 31 Dec 2023)

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD	Fiscal
853	688	664	605	740	832	735	708	820	1,003	630	Revenue (Mil)
71	-41	138	63	142	212	68	-21	94	177	-36	Operating Income (Mil)
8.35	-6.03	20.72	10.46	19.21	25.51	9.27	-2.97	11.42	17.67	-5.67	Operating Margin (%)
4.31	-140.91	49.86	38.48	91.79	129.13	9.21	-26.43	-190.41	247.22	-28.20	Net Income (Mil)
0.02	-0.56	0.20	0.15	0.37	0.48	0.04	-0.11	-0.78	0.95	-0.12	Diluted Earnings/Share
175.86	9.46	110.62	122.81	176.31	227.26	185.08	62.36	141.29	303.68	-96.00	Operating Cash Flow (Mil)
-114	-60	-59	-67	-52	-188	-292	-97	-71	-55	-54	Capital Spending (Mil)
62	-50	51	55	124	39	-107	-35	70	249	-150	Free Cash Flow (Mil)
258	250	250	250	245	263	266	264	262	261	235	Avg Shares Outstand(Mil)

## Valuation as of 1 Dec 2023

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Current	Calendar
1.00	0.87	1.04	0.87	1.30	0.85	0.78	1.00	0.58	0.78	0.87	Price/Fair Value <sup>Q</sup>
0.78	0.62	1.31	1.03	1.95	1.63	1.14	1.22	0.71	0.67	0.85	Price/Sales
12.61	—	—	16.03	17.76	10.97	16.68	—	—	9.69	5.39	Price/Earnings
3.76	2.98	11.41	6.46	8.40	5.81	5.26	7.85	7.41	1.85	9.24	Price/Cash Flow
0.87	0.94	1.57	1.11	2.21	1.99	1.35	1.34	0.90	1.27	1.36	Price/Book

## Operating Performance as of 1 Dec 2023 (Fiscal Year End 31 Dec 2023)

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Q3	Fiscal (%)
0.31	-11.2	4.22	3.17	7.24	8.53	0.53	-1.41	-10.62	14.57	-1.4	Return on Assets
0.6	-22.49	8.97	6.9	15.47	19.69	1.38	-3.86	-31.06	40.74	-4.41	Return on Equity
1.73	-12.99	7.1	5.43	10.58	12.02	1.45	-0.92	-15.13	27.06	-1.49	Rtn on Invested Capital

## Dividends as of 1 Dec 2023

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Current	Calendar (%)
0.07	0.08	0.14	0.13	0.17	0.27	0.11	—	—	0.27	1.16	Dividend Per Share
2.57	3.86	1.26	5.26	—	5.01	5.72	—	—	9.75	22.59	Trailing Dividend Yield
1.93	—	—	1.47	—	—	3.11	0.14	—	—	0.14	Buyback Yield

# Appendix

**Economic Moat** <sup>®</sup>History as of 1 Dec 2023 (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
2023	0.02	0.09	0.02	0.04	0.06	0.07	0.10	0.10	0.31	0.25	0.30	0.23
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
2018	0.08	0.08	0.11	0.02	0.01	0.04	0.02	0.04	0.61	0.66	0.26	0.21

## 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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