**ENCE Energia y Celulosa SA ENC ★★★ Q 4-Aug-2023, 22:38 UTC**

### Economic Moat

<table>
<thead>
<tr>
<th>Economic Moat</th>
<th>Uncertainty</th>
<th>Price/Fair Value</th>
<th>ESG Risk Rating Assessment</th>
<th>Trading Dividend Yield</th>
<th>Market Cap</th>
<th>Investment Style</th>
<th>Sector</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>High</td>
<td>0.8</td>
<td>30-Jun-2023</td>
<td>29.41</td>
<td>663.8593</td>
<td>Small Value</td>
<td>Basic Materials</td>
<td>Paper &amp; Paper Products</td>
</tr>
</tbody>
</table>

### Key Metrics as of 3-Aug-2023

- **Earnings Yield (%):** 27.4
- **Sales Yield (%):** 132.4
- **Book Value Yield (%):** 84.1
- **Return on Assets (%):** 11.7
- **Revenue/MV:*** 993.2
- **Market Value (MV):** 725.8
- **Enterprise Value (EV):** 688.7
- **EV/Receivables:** 1.2
- **Volatility TTM (%):** 31.9
- **Drawdown TTM (%):** 20.2
- **Volume (Mili):** 1.0

*30-Jun-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 as of 4-Aug-2023

Morningstar maintains a 3-star quantitative star rating for ENCE Energia y Celulosa, derived from the firm’s valuation and uncertainty scores.

The company’s shares last closed at 2.74, below our quantitative fair value estimate of 3.24. These shares have traded between 26.24% and 11.74% 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 70th percentile; in the basic materials sector, the firm’s score lies at the 85th percentile (meaning the shares are more undervalued than 85% of stocks in the sector).

Furthermore, ENCE Energia y Celulosa 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 06/30/2023. The uncertainty rating for ENCE Energia y Celulosa has remained High since the previous rating of Very High, which was last assigned on 08/02/2023. The key factors behind these ratings are the company’s earnings yield and volume. The earnings yield is 27.39%, and its maximum trailing 12-month average volume (primary share) is 1,045,718 shares. The earnings yield falls above the 95th percentile in the basic materials sector while the volume is at the 74th percentile. Over the past year, the company’s earnings yield has ranged between 37.21% and 5.32%, its volume has ranged between 1,045,718 shares and 880,262 shares.

### Economic Moat

Morningstar maintains a quantitative moat rating of None on the company. The firm’s quantitative moat score of 0.16 sits at the 16th percentile in the basic materials sector. This is a decrease from 0.21, 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 31st percentile in the universe and 35th percentile in the sector.

The significant drivers of these ratings are the company’s book value yield and enterprise value-to-market value ratio. The book value yield for ENCE Energia y Celulosa is 84.07%, and its enterprise value-to-market value ratio is 1.22. They sit at the 65th and 65th percentile in the global equity universe, respectively.

### Fundamentals as of 4-Aug-2023

ENCE Energia y Celulosa reports earnings per share of 0.82. Its return on invested capital is 21.57%. The company maintains a dividend yield of 28.9%, paying out 106.67% 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 3.65, falling at the 8th percentile in its sector (where a lower percentile means a lower ratio) and ranging between 2.69 and 18.0 over the past year. The company’s price-to-free cash flow ratio is 32.87, falling at the 76th percentile.

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### Earnings as of 3 Aug 2023

<table>
<thead>
<tr>
<th>Earnings</th>
<th>%</th>
<th>Percentile in Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend*</td>
<td>28.9</td>
<td>99.0</td>
</tr>
<tr>
<td>Payout Ratio*</td>
<td>106.7</td>
<td>88.0</td>
</tr>
<tr>
<td>Price to Earnings</td>
<td>3.7</td>
<td>8.0</td>
</tr>
<tr>
<td>Price to Cash Flow</td>
<td>32.1</td>
<td>76.0</td>
</tr>
<tr>
<td>ROIC**</td>
<td>21.6</td>
<td>94.0</td>
</tr>
</tbody>
</table>

*31 Jul 2023  ** 30 Jun 2023

percentile in its sector and ranging between 2.1 and 33.15 over the past year.

### Valuation as of 4 Aug 2023

<table>
<thead>
<tr>
<th>Valuation</th>
<th>Stock Price</th>
<th>Payout Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair Value</td>
<td>108.00%</td>
<td>81.00%</td>
</tr>
<tr>
<td>Uncertainty</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>Last Close</td>
<td>2.82</td>
<td></td>
</tr>
</tbody>
</table>

### Financials as of 4 Aug 2023 (Fiscal Year End 31 Dec 2023)

<table>
<thead>
<tr>
<th>Fiscal</th>
<th>2023</th>
<th>2019</th>
<th>2018</th>
<th>Revenue (Mil)</th>
<th>Operating Income (Mil)</th>
<th>Operating Margin (%)</th>
<th>Net Income (Mil)</th>
<th>Diluted Earnings/Share</th>
<th>Net Income/Mil</th>
<th>Capital Spending (Mil)</th>
<th>Free Cash Flow (Mil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>653</td>
<td>580</td>
<td>522</td>
<td>325</td>
<td>155</td>
<td>29.1</td>
<td>193</td>
<td>645</td>
<td>11.4</td>
<td>364</td>
<td>40</td>
</tr>
<tr>
<td>2019</td>
<td>688</td>
<td>720</td>
<td>640</td>
<td>382</td>
<td>212</td>
<td>32.0</td>
<td>161</td>
<td>670</td>
<td>12.2</td>
<td>391</td>
<td>45</td>
</tr>
<tr>
<td>2018</td>
<td>663</td>
<td>619</td>
<td>533</td>
<td>372</td>
<td>202</td>
<td>32.4</td>
<td>146</td>
<td>650</td>
<td>12.1</td>
<td>370</td>
<td>54</td>
</tr>
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</table>

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