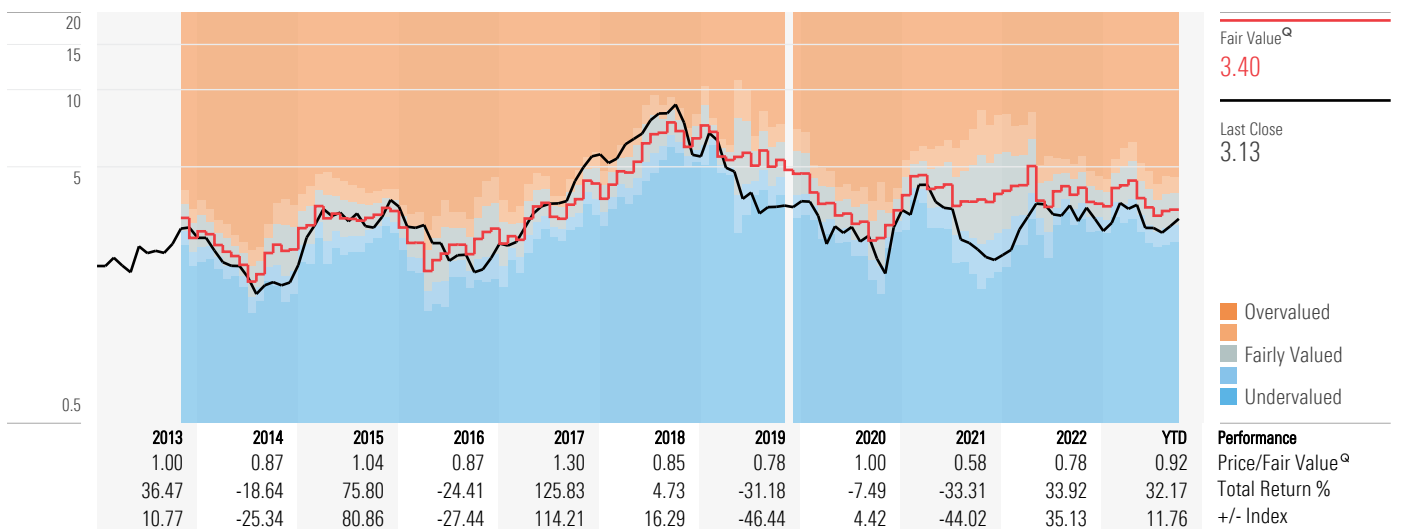


ENCE Energia y Celulosa SA ENC ★★★ Q 20 Sep 2023, 22:34 UTC

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	0.9	6 Sep 2023 05:00, UTC	25.53	749.6906 Mil	Small Value	Basic Materials	Paper & Paper Products



As of 20 Sep 2023 | Index: Morningstar Spain GR EUR. Fair Value data as of 20 Sep 2023, 22:34 UTC.

¹The 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 19 Sep 2023

Metrics	Value	Percentile in Sector
Earnings Yield (%)	24.3	97.0
Sales Yield (%)	117.3	75.0
Book Value Yield (%)	74.4	50.0
Return on Assets (%)*	11.7	92.0
Revenue(Mil)*	971.2	79.0
Market Value (Mil)	801.4	76.0
Enterprise Value (Mil)	960.8	76.0
EV/MV Ratio	1.2	73.0
Volatility TTM (%)	32.8	35.0
Drawdown TTM (%)	19.6	17.0
Volume (Mil)	1.0	74.0

*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 ^Q as of 21 Sep 2023

ENCE Energia y Celulosa achieves a 3-star quantitative star rating based on Morningstar's equity model. This reflects the company's valuation and uncertainty scores under this assessment system. The Quantitative Fair Value estimate is 3.40, above the previous closing price of 3.13. The stock has been trading between a 26.24% and 7.93% discount to its quantitative fair value over the past year. The stock's current valuation rating sits at the 88th percentile in the coverage universe and 95th percentile in the basic materials sector (higher percentile indicates more undervalued). The quantitative uncertainty rating for ENCE Energia y Celulosa is High. Our quantitative star rating last differed from the current rating on 08/21/2023; the uncertainty rating last differed on 08/28/2023. The previous ratings were 4 and Very High, respectively. The main drivers of the company's valuation and uncertainty are its earnings yield and volume. The earnings yield of 23.93% falls at the 95th percentile in the equity universe and the 95th percentile in its sector. The trailing 12-month average volume (primary share) of 1,004,029 shares corresponds to the 70th percentile overall and the 74th percentile

in the industry.

Economic Moat ^Q as of 20 Sep 2023

Morningstar maintains a quantitative moat rating of None on the company. The firm's quantitative moat score of 0.15 sits at the 17th percentile in the basic materials sector. This is a decrease from 0.35, 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 33rd percentile in the universe and 38th 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 73.45%, and its enterprise value-to-market value ratio is 1.20. They sit at the 58th and 63rd percentile in the global equity universe, respectively.

Fundamentals as of 20 Sep 2023

The earnings per share for ENCE Energia y Celulosa is 0.82. The company earns a return on invested capital of 21.57%, falling at the 95th percentile in the basic materials sector. The firm maintains a dividend yield of 27.23%. We calculate the above figures over a trailing 12-month period. Examining valuation further, we find ENCE Energia y Celulosa holds a price-to-earnings ratio of 4.12, a figure greater than 8% of its sector peers. The company's price-to-free cash flow ratio is 36.22, greater than 78% of its sector peers. These values are calculated using the stock's price at last market close.

Contact

Beatriz de Bobadilla, 14, Madrid, — 28040
+34 913378500

ENCE Energia y Celulosa SA ENC ★★★ Q 20 Sep 2023, 22:34 UTC

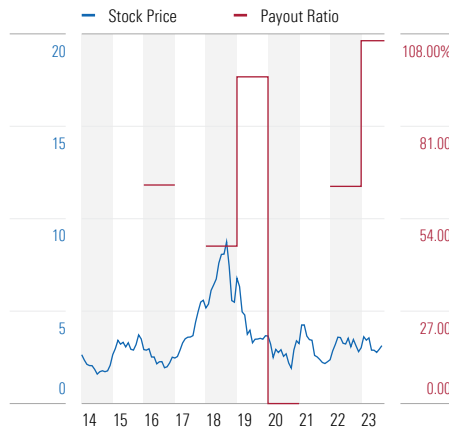
Economic Moat ^Q	Uncertainty ^Q	Price/Fair Value ^Q	ESG Risk Rating Assessment ¹	Trailing Dividend Yield %	Market Cap	Investment Style	Sector	Industry
None	High	0.9	6 Sep 2023 05:00, UTC	25.53	749.6906 Mil	Small Value	Basic Materials	Paper & Paper Products

Earnings as of 19 Sep 2023

Earnings	%	Percentile in Sector
Dividend Yield*	27.2	99.0
Payout Ratio*	106.7	89.0
Price to Earnings	4.1	8.0
Price to Cash Flow	36.2	78.0
ROIC**	21.6	96.0

*31 Aug 2023
**30 Jun 2023

Dividends as of 20 Sep 2023



Valuation ^Q as of 20 Sep 2023

ENC is Under Valued at a 8% discount.

Fair Value ^Q
3.40

Uncertainty ^Q :
High

Last Close
3.13

Economic Moat ^Q
None

Financial Health ^Q
Moderate

1-Star Price ^Q
> 4.55

5-Star Price ^Q
< 2.55

Contact
<https://www.ence.es>

Financials as of 20 Sep 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	459	Revenue (Mil)
71	-41	138	63	142	212	68	-21	94	177	20	Operating Income (Mil)
8.35	-6.03	20.72	10.46	19.21	25.51	9.27	-2.97	11.42	17.67	4.4	Operating Margin (%)
4.31	-140.91	49.86	38.48	91.79	129.13	9.21	-26.43	-190.41	247.22	-4.17	Net Income (Mil)
0.02	-0.56	0.20	0.15	0.37	0.48	0.04	-0.11	-0.78	0.95	-0.02	Diluted Earnings/Share
175.86	9.46	110.62	122.81	176.31	227.26	185.08	62.36	141.29	303.68	-68.74	Operating Cash Flow (Mil)
-114	-60	-59	-67	-52	-188	-292	-97	-71	-55	-30	Capital Spending (Mil)
62	-50	51	55	124	39	-107	-35	70	249	-99	Free Cash Flow (Mil)
258	250	250	250	245	263	266	264	262	261	243	Avg Shares Outstand(Mil)

Valuation as of 20 Sep 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	0.92	Price/Fair Value ^Q
0.78	0.62	1.31	1.03	1.95	1.63	1.14	1.22	0.71	0.67	0.86	Price/Sales
12.61	—	—	16.03	17.76	10.97	16.68	—	—	9.69	4.18	Price/Earnings
3.76	2.98	11.41	6.46	8.40	5.81	5.26	7.85	7.41	1.85	10.33	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 20 Sep 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	-1.95	Return on Assets
0.6	-22.49	8.97	6.9	15.47	19.69	1.38	-3.86	-31.06	40.74	-5.58	Return on Equity
1.73	-12.99	7.1	5.43	10.58	12.02	1.45	-0.92	-15.13	27.06	-2.72	Rtn on Invested Capital

Dividends as of 20 Sep 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	25.53	Trailing Dividend Yield
1.93	—	—	1.47	—	—	3.11	0.14	—	—	0.12	Buyback Yield

Appendix

Economic Moat [®]History as of 20 Sep 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	0.15	—	—	—
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

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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.

Overvalued – Last Price is above 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

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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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