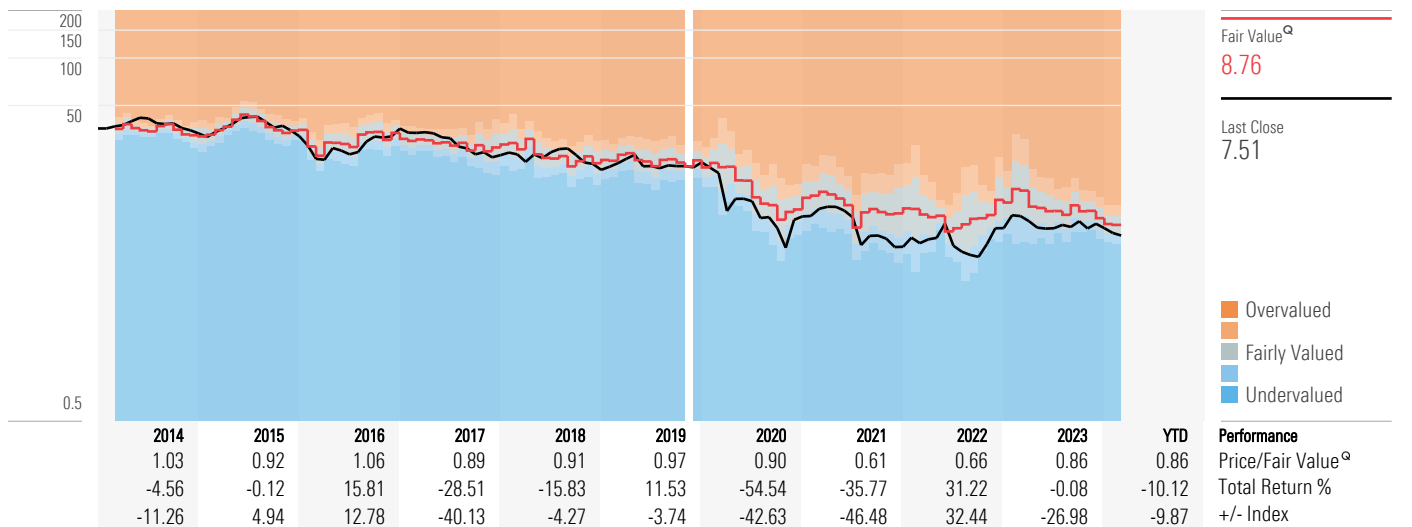


# Tecnicas Reunidas SA TRE ★★★ Q 20 Feb 2024, 23:39 UTC

<b>Economic Moat</b> ◊	<b>Uncertainty</b> ◊	<b>Price/Fair Value</b> ◊	<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	7 Feb 2024 06:00, UTC	2.65	596.6138 Mil	Small Value	Industrials	Engineering & Construction



As of 20 Feb 2024 | Index: Morningstar Spain GR EUR. Fair Value data as of 20 Feb 2024, 23:39 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 16 Feb 2024

Metrics	Value	Percentile in Sector
Earnings Yield (%)	9.7	82.0
Sales Yield (%)	778.9	96.0
Book Value Yield (%)	47.7	42.0
Return on Assets (%)*	1.1	31.0
Revenue(Bil)*	5.0	82.0
Market Value (Mil)	646.0	57.0
Enterprise Value (Mil)	582.7	54.0
EVMV Ratio	0.9	20.0
Volatility TTM (%)	25.7	41.0
Drawdown TTM (%)	23.5	43.0
Volume (K)	202.4	49.0

\*30 Sep 2023

## Business Description

Tecnicas Reunidas SA is a general contracting company. It engages in engineering, design and construction of industrial facilities for international customers including principal national oil companies and multinational companies. The firm's majority of business is focused on large turnkey industrial projects and it also offers engineering, management, start-up and operating services for industrial plants. Its business areas are oil and gas, power, infrastructures and industries. The company mainly operates in Spain, Middle East, Latin America, Asia and the Mediterranean region.

## Valuation ◊ as of 20 Feb 2024

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

The stock's last closing price was 7.65, a discount of 14.94% to its Quantitative Fair Value estimate of 8.99. This discount has ranged between 40.82% and 7.18% over the past year. The stock's price to fair value ratio is at the 67th percentile in our global equity coverage universe for this methodology and at the 58th percentile relative to its peers in the industrials sector.

Tecnicas Reunidas furthermore holds a High quantitative uncertainty rating.

The company's quantitative star rating dates to after 01/31/2024, before which it was 3-star. Similarly, the firm's uncertainty rating changed from Very High to High after 01/08/2024.

We examine the financials and market statistics for Tecnicas Reunidas to determine these ratings. Its earnings yield is 9.66% and falls at the 83rd percentile in the equity universe and at the 82nd percentile in the industrials sector.

## Economic Moat ◊ as of 20 Feb 2024

With a Morningstar quantitative moat rating of None, the quantitative moat score for Tecnicas Reunidas falls at the 46th percentile in the industrials sector and at the 51st in the equity coverage universe. The company has maintained its None quantitative moat rating since after 07/26/2023, when it was downgraded from Narrow.

We also assign a Strong quantitative financial health rating to Tecnicas Reunidas. The company's raw score on this metric, termed Distance to Default, ranks at the 84th percentile overall and 86th in the industrials sector. Furthermore, this financial health rating most recently changed from Moderate after 01/08/2024.

Supporting these ratings are the company's book value yield and enterprise value-to-market value ratio. The book value yield of 47.72%, ranks at the 41st percentile in the covered equity universe and at the 42nd percentile among its peers. Meanwhile, its enterprise value-to-market value ratio of 0.90, falls at the 27th percentile in the universe and the 20th percentile in the industrials sector.

## Fundamentals as of 20 Feb 2024

Tecnicas Reunidas maintains earnings per share of 0.74. The company further earns a return on invested capital of 6.77%. These values are calculated over a trailing 12-month period.

As of last market close, Tecnicas Reunidas has a price-to-earnings ratio of 10.3, falling below the 25th percentile in its sector (where a lower percentile means a lower ratio) and ranging between 6.25 and 12.07 over the past year.

## Contact

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# Tecnicas Reunidas SA TRE ★★★ Q 20 Feb 2024, 23:39 UTC

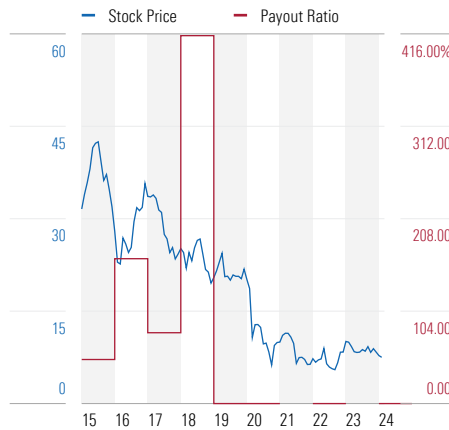
<b>Economic Moat</b> ◊	<b>Uncertainty</b> ◊	<b>Price/Fair Value</b> ◊	<b>ESG Risk Rating Assessment</b> <sup>1</sup>	<b>Trailing Dividend Yield %</b>	<b>Market Cap</b>	<b>Investment Style</b>	<b>Sector</b>	<b>Industry</b>
None	High	0.9	7 Feb 2024 06:00, UTC	2.65	596.6138 Mil	Small Value	Industrials	Engineering & Construction

## Earnings as of 16 Feb 2024

Earnings	%	Percentile in Sector
Dividend Yield*	—	—
Payout Ratio*	—	—
Price to Earnings	10.4	26.0
Price to Cash Flow	—	—
ROIC**	6.8	52.0

\*—  
\*\*30 Sep 2023

## Dividends as of 20 Feb 2024



## Valuation ◊ as of 20 Feb 2024

TRE is Undervalued at a 14% discount.

Fair Value ◊ **8.76**  
Uncertainty ◊ : High

Last Close **7.51**

**Economic Moat** ◊  
⊖ None  
**Financial Health** ◊  
Strong  
**1-Star Price** ◊  
> 11.69  
**5-Star Price** ◊  
< 6.57

## Contact

<http://www.tecnicasreunidas.es>

## Financials as of 20 Feb 2024 (Fiscal Year End 31 Dec 2019)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	Fiscal
Revenue (Mil)	3,149	4,188	4,793	5,068	4,396	4,699	3,521	2,806	4,233	—	3,254	Revenue (Mil)
Operating Income (Mil)	187.46	116.73	226.48	121.30	81.61	111.95	83.91	-169.20	3.02	—	119.80	Operating Income (Mil)
Operating Margin (%)	5.95	2.79	4.73	2.39	1.86	2.38	2.38	-6.03	0.07	—	3.68	Operating Margin (%)
Net Income (Mil)	135.59	59.36	128.85	39.53	11.97	-9.23	11.05	-190.44	-37.13	—	42.50	Net Income (Mil)
Diluted Earnings/Share	2.31	1.02	2.20	0.67	0.20	-0.16	0.19	-3.25	-0.63	—	0.54	Diluted Earnings/Share
Operating Cash Flow (Mil)	138	-18	59	-169	108	151	-117	-267	84	—	-39	Operating Cash Flow (Mil)
Capital Spending (Mil)	-21.65	-37.99	-16.70	-13.88	-6.04	-13.89	-4.05	-2.98	-2.76	—	-9.67	Capital Spending (Mil)
Free Cash Flow (Mil)	116	-56	42	-183	102	137	-121	-270	81	—	-49	Free Cash Flow (Mil)
Avg Shares Outstand(Mil)	59	59	59	59	59	59	59	59	59	—	78	Avg Shares Outstand(Mil)

## Valuation as of 20 Feb 2024

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar
Price/Fair Value ◊	1.03	0.92	1.06	0.89	0.91	0.97	0.90	0.61	0.66	0.86	0.86	Price/Fair Value ◊
Price/Sales	0.64	0.49	0.45	0.27	0.26	0.28	0.14	0.13	0.14	0.14	0.13	Price/Sales
Price/Earnings	15.51	12.38	45.72	15.11	132.49	40.56	—	—	—	11.25	10.11	Price/Earnings
Price/Cash Flow	12.79	—	10.76	—	16.21	12.78	—	38.32	—	—	6.17	Price/Cash Flow
Price/Book	4.21	4.04	4.33	2.98	3.13	3.69	2.08	2.85	8.97	2.28	2.05	Price/Book

## Operating Performance as of — (Fiscal Year End 31 Dec 2019)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Q3	Fiscal (%)
Return on Assets	5.65	1.96	3.57	1.06	0.31	-0.23	0.27	-4.87	-0.85	—	0.04	Return on Assets
Return on Equity	30.56	14.02	30.99	8.96	3.03	-2.79	3.75	-103	-44.77	—	0.74	Return on Equity
Rtn on Invested Capital	28.25	10.37	19.61	5.53	1.76	-0.68	1.92	-18.86	-2.71	—	0.19	Rtn on Invested Capital

## Dividends as of —

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar (%)
Dividend Per Share	1.28	1.28	1.28	1.28	0.85	—	—	—	—	—	—	Dividend Per Share
Trailing Dividend Yield	3.85	4.0	3.58	5.28	3.13	—	—	—	—	—	2.65	Trailing Dividend Yield
Buyback Yield	—	—	0.05	—	0.04	0.04	0.0	—	0.09	—	0.07	Buyback Yield

# Appendix

**Economic Moat** <sup>®</sup>History as of 20 Feb 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
2023	0.66	0.56	0.51	0.73	0.60	0.62	0.49	0.37	0.41	0.35	0.53	0.43
2022	0.58	0.39	0.50	0.39	0.37	0.32	0.29	0.41	0.46	0.56	0.38	0.73
2021	0.46	0.40	0.50	0.47	0.21	0.25	0.22	0.37	0.42	0.41	0.55	0.50
2020	0.76	0.67	0.83	0.75	0.87	0.80	0.50	0.65	0.29	0.47	0.46	0.55
2019	0.70	0.73	0.73	0.59	0.73	0.83	0.66	0.64	0.74	0.80	0.76	0.71

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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.

**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.

**Sustainalytics ESG Risk Rating Assessment:** The ESG Risk Rating Assessment is provided by Sustainalytics; a Morningstar company.

Sustainalytics' ESG Risk Ratings measure the degree to which company's economic value at risk is driven by environment, social and governance (ESG) factors.

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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