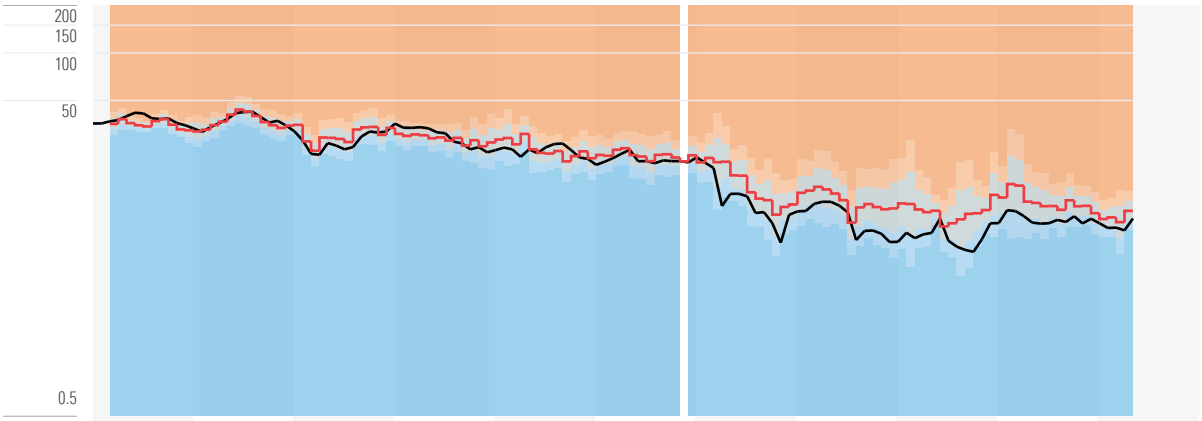
Tecnicas Reunidas SA TRE ★★★ Q 18 Apr 2024, 22:45 UTC

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	3 Apr 2024 05:00, UTC	2.65	689.4810 Mil	Small Value	Industrials	Engineering & Construction



Fair Value Q
10.00

Last Close
8.94

Overvalued
Fairly Valued
Undervalued

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	Performance
1.03	0.92	1.06	0.89	0.91	0.97	0.90	0.61	0.66	0.86	0.89	Price/Fair Value Q
-4.56	-0.12	15.81	-28.51	-15.83	11.53	-54.54	-35.77	31.22	-0.08	7.07	Total Return %
-11.26	4.94	12.78	-40.13	-4.27	-3.74	-42.63	-46.48	32.44	-26.98	-0.98	+/- Index

As of 18 Apr 2024 | Index: Morningstar Spain GR EUR. Fair Value data as of 18 Apr 2024, 22:45 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.

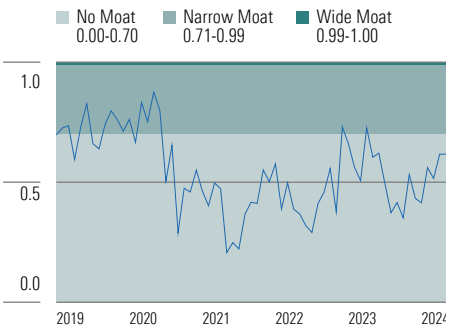
Key Metrics as of 12 Apr 2024

Metrics		Percentile in Sector
Earnings Yield (%)	9.5	83.0
Sales Yield (%)	643.3	95.0
Book Value Yield (%)	43.3	40.0
Return on Assets (%)*	1.3	31.0
Revenue(Bil)*	4.4	81.0
Market Value (Mil)	769.9	59.0
Enterprise Value (Mil)	634.4	55.0
EVMV Ratio	0.8	14.0
Volatility TTM (%)	26.5	44.0
Drawdown TTM (%)	26.8	51.0
Volume (K)	199.4	49.0

*31 Dec 2023

0% 25 50 75 100

Economic Moat Q History as of 18 Apr 2024



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 Q as of 18 Apr 2024

Morningstar affirms a 3-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 8.84, a discount of 11.19% to its Quantitative Fair Value estimate of 9.95. This discount has ranged between 32.96% and 7.18% over the past year. The stock's price to fair value ratio is at the 77th percentile in our global equity coverage universe for this methodology and at the 63rd 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 02/19/2024, before which it was 4-star. Similarly, the firm's uncertainty rating changed from Very High to High after 04/05/2024.

We examine the financials and market statistics for Tecnicas Reunidas to determine these ratings. Its earnings yield is 9.96% and falls at the 84th percentile in the equity universe and at the 84th percentile in the industrials sector.

Economic Moat Q as of 18 Apr 2024

Morningstar maintains a quantitative moat rating of None on the company. The firm's quantitative moat score of 0.55 sits at the 48th percentile in the industrials sector. This is a decrease from 0.77, the maximum of its moat scores over the past year.

The quantitative financial health rating for Tecnicas Reunidas is Strong. Its financial health score, termed Distance to Default, sits at the 86th percentile in the universe and 88th 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 Tecnicas Reunidas is 45.49%, and its enterprise value-to-market value ratio is 0.82. They sit at the 40th and 20th percentile in the global equity universe, respectively.

Fundamentals as of 18 Apr 2024

The earnings per share for Tecnicas Reunidas is 0.88. The company earns a return on invested capital of 6.15%, falling at the 48th percentile in the industrials sector. The company did not report a dividend. We calculate the above figures over a trailing 12-month period.

Examining valuation further, we find Tecnicas Reunidas holds a price-to-earnings ratio of 10.04, a figure greater than 23% of its sector peers. The company's price-to-free cash flow ratio is 8.85, greater than 31% of its sector peers. These values are calculated using the stock's price at last market close.

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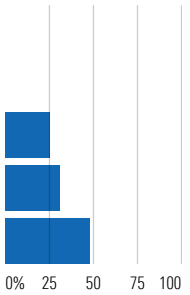
Tecnicas Reunidas SA TRE ★★★ 18 Apr 2024, 22:45 UTC

Economic Moat	Uncertainty	Price/Fair Value	ESG Risk Rating Assessment[1]	Trailing Dividend Yield %	Market Cap	Investment Style	Sector	Industry
None	High	0.9	3 Apr 2024 05:00, UTC	2.65	689.4810 Mil	Small Value	Industrials	Engineering & Construction

Earnings as of 12 Apr 2024

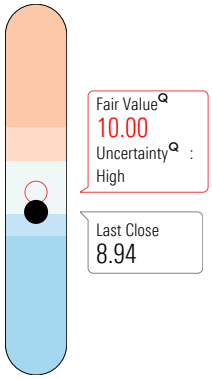
Earnings	%	Percentile in Sector
Dividend Yield*	—	—
Payout Ratio*	—	—
Price to Earnings	10.6	25.0
Price to Cash Flow	9.3	31.0
ROIC**	6.2	48.0



*—
**31 Dec 2023

Dividends as of 18 Apr 2024

Valuation as of 18 Apr 2024



TRE is Undervalued at a 11% discount.

Economic Moat
None
Financial Health
Strong
1-Star Price
> 13.33
5-Star Price
< 7.49

Financials as of 18 Apr 2024 (Fiscal Year End 31 Dec 2019)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	Fiscal
3,149	4,188	4,793	5,068	4,396	4,699	3,521	2,806	4,233	4,135	4,135	Revenue (Mil)
187.46	116.73	226.48	121.30	81.61	111.95	83.91	-163.28	7.16	156.60	156.60	Operating Income (Mil)
5.95	2.79	4.73	2.39	1.86	2.38	2.38	-5.82	0.17	3.79	3.79	Operating Margin (%)
135.59	59.36	128.85	39.53	11.97	-9.23	11.05	-190.44	-37.13	60.95	60.95	Net Income (Mil)
2.31	1.02	2.20	0.67	0.20	-0.16	0.19	-3.25	-0.69	0.88	0.88	Diluted Earnings/Share
138	-18	59	-169	108	151	-117	-267	84	83	83	Operating Cash Flow (Mil)
-21.65	-37.99	-16.70	-13.88	-6.04	-13.89	-4.05	-2.98	-2.76	-14.01	-14.01	Capital Spending (Mil)
116	-56	42	-183	102	137	-121	-270	81	69	69	Free Cash Flow (Mil)
59	59	59	59	59	59	59	59	54	69	69	Avg Shares Outstand(Mil)

Valuation as of 18 Apr 2024

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar
1.03	0.92	1.06	0.89	0.91	0.97	0.90	0.61	0.66	0.86	0.89	Price/Fair Value
0.64	0.49	0.45	0.27	0.26	0.28	0.14	0.13	0.14	0.14	0.15	Price/Sales
15.51	12.38	45.72	15.11	132.49	40.56	—	—	—	11.25	10.16	Price/Earnings
12.79	—	10.76	—	16.21	12.78	—	38.32	—	—	7.44	Price/Cash Flow
4.21	4.04	4.33	2.98	3.13	3.69	2.08	2.85	8.97	2.28	2.22	Price/Book

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

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Q3	Fiscal (%)
5.65	1.96	3.57	1.06	0.31	-0.23	0.27	-4.87	-0.85	1.31	0.4	Return on Assets
30.56	14.02	30.99	8.96	3.03	-2.79	3.75	-103	-44.77	31.71	6.15	Return on Equity
28.25	10.37	19.61	5.53	1.76	-0.68	1.92	-18.86	-2.71	6.15	2.3	Rtn on Invested Capital

Dividends as of —

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

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Appendix

Economic Moat History as of 18 Apr 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	0.41	0.56	0.52	0.62	—	—	—	—	—	—	—	—
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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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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