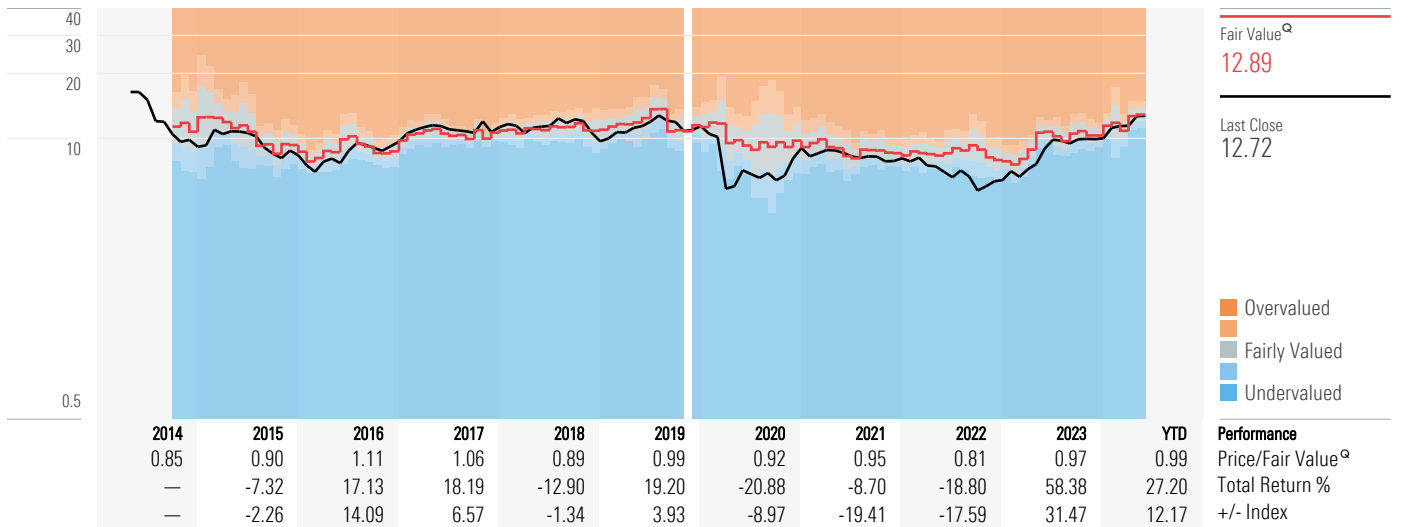


Applus Services SA APPS ★★★ Q 20 May 2024, 22:37 UTC

Economic Moat ◊	Uncertainty ◊	Price/Fair Value ◊	ESG Risk Rating Assessment †	Trailing Dividend Yield %	Market Cap	Investment Style	Sector	Industry
None	Medium	1.0	1 May 2024 05:00, UTC	1.26	1.6400 Bil	Small Core	Industrials	Specialty Business Services



As of 20 May 2024 | Index: Morningstar Spain GR EUR. Fair Value data as of 20 May 2024, 22:37 UTC.

†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 17 May 2024

Metrics	Value	Percentile in Sector
Earnings Yield (%)	1.6	30.0
Sales Yield (%)	124.1	62.0
Book Value Yield (%)	32.8	31.0
Return on Assets (%)*	0.8	29.0
Revenue(Bil)*	2.2	72.0
Market Value (Bil)	1.8	70.0
Enterprise Value (Bil)	2.7	72.0
EVMV Ratio	1.5	79.0
Volatility TTM (%)	13.4	6.0
Drawdown TTM (%)	3.9	3.0
Volume (K)	489.1	61.0

*31 Dec 2023

Business Description

Applus Services SA is a Spain-based company that provides testing, inspection and certification services. The company operates through four divisions. Applus+ Energy & Industry, Applus+ Laboratories, Applus+ Automotive, Applus+ IDIADA and Other. Applus+ Energy & Industry provides non-destructive testing, quality control and accreditation services, project management, supplier inspection, facility inspection and asset certification and integrity services. Applus+ Laboratories offers variety of laboratory testing, system certification, product development services. Applus+ Automotive offers vehicle roadworthiness testing services, verifying vehicles' compliance with safety. Applus+ IDIADA offers design, engineering, testing and certification services to car manufacturers.

Valuation ◊ as of 18 May 2024

Morningstar maintains a 3-star quantitative star rating for Applus Services, derived from the firm's valuation and uncertainty scores. The company's shares last closed at 12.72, in-line with our quantitative fair value estimate of 12.80. These shares have traded between a 15.89% discount and 5.51% premium 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 88th percentile; in the industrials sector, the firm's score lies at the 81st percentile (meaning the shares are more undervalued than 81% of stocks in the sector). Furthermore, Applus Services maintains a quantitative valuation uncertainty rating of Medium. The company has held this star rating since the previous rating of 4, which was last assigned on 07/04/2023. The uncertainty rating for Applus Services has remained Medium since the previous rating of High, which was last assigned on 05/10/

2024.

The key factors behind these ratings are the company's earnings yield and volatility. The earnings yield is 1.57%, and its maximum annualized trailing 12-month volatility is 27.61%. The earnings yield falls at the 30th percentile in the industrials sector while the volatility is at the 6th percentile. Over the past year, the company's earnings yield has been between 1.57% and 4.29%; its volatility has ranged between 8.62% and 27.61%.

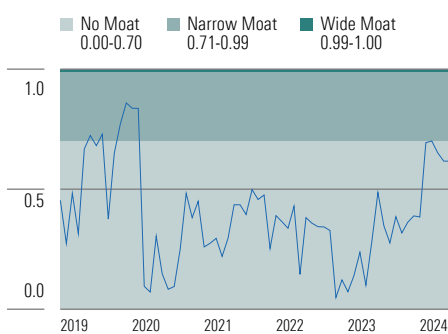
Economic Moat ◊ as of 18 May 2024

Morningstar maintains a quantitative moat rating of None on the company. The firm's quantitative moat score of 0.54 sits at the 50th percentile in the industrials sector. This is a decrease from 0.82, the maximum of its moat scores over the past year. The quantitative financial health rating for Applus Services is Moderate. Its financial health score, termed Distance to Default, sits at the 64th percentile in both the universe and 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 Applus Services is 32.83%, and its enterprise value-to-market value ratio is 1.53. They sit at the 31st and 79th percentile in the global equity universe, respectively.

Fundamentals as of 18 May 2024

The earnings per share for Applus Services is 0.16. The company earns a return on invested capital of 2.71%, falling at the 29th percentile in the industrials sector. The firm maintains a dividend yield of 1.26%. We calculate the above figures over a trailing 12-month period. Examining valuation further, we find Applus Services holds a price-to-earnings ratio of 63.6, a fig-

Economic Moat ◊ History as of 18 May 2024



Applus Services SA APPS ★★★ Q 20 May 2024, 22:37 UTC

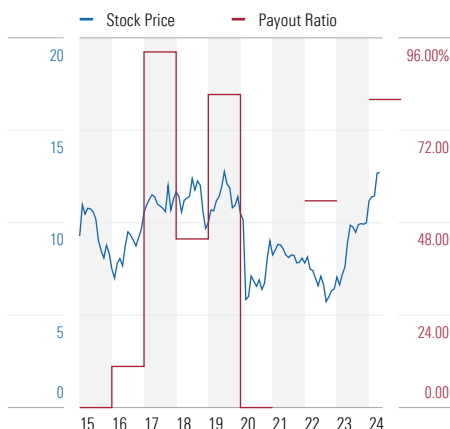
Economic Moat ^Q	Uncertainty ^Q	Price/Fair Value ^Q	ESG Risk Rating Assessment ¹	Trailing Dividend Yield %	Market Cap	Investment Style	Sector	Industry
None	Medium	1.0	1 May 2024 05:00, UTC	1.26	1.6400 Bil	Small Core	Industrials	Specialty Business Services

Earnings as of 17 May 2024


Earnings	%	Percentile in Sector
Dividend Yield*	1.3	25.0
Payout Ratio*	80.0	85.0
Price to Earnings	63.6	91.0
Price to Cash Flow	6.8	20.0
ROIC**	2.7	29.0

*30 Apr 2024
**31 Dec 2023

Dividends as of 20 May 2024



Valuation ^Q as of 20 May 2024



Fair Value ^Q
12.89

Uncertainty ^Q :
Medium

Last Close
12.72

APPS is trading within a range we consider fairly valued..

Economic Moat ^Q
None

Financial Health ^Q
Moderate

1-Star Price ^Q
> 14.90

5-Star Price ^Q
< 11.14

ure greater than 91% of its sector peers. The company's price-to-free cash flow ratio is 6.75, greater than 20% of its sector peers. These values are calculated using the stock's price at last market close.

Contact

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<https://www.applus.com>

Financials as of 20 May 2024 (Fiscal Year End 31 Dec 2024)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	Fiscal
Revenue (Mil)	1,619	1,701	1,586	1,583	1,676	1,778	1,558	1,777	1,899	2,058	2,058	Revenue (Mil)
Operating Income (Mil)	99	111	81	89	112	135	55	117	146	152	152	Operating Income (Mil)
Operating Margin (%)	6.09	6.55	5.09	5.6	6.66	7.61	3.55	6.61	7.7	7.39	7.39	Operating Margin (%)
Net Income (Mil)	24	38	20	36	41	56	-158	32	49	20	20	Net Income (Mil)
Diluted Earnings/Share	0.20	0.30	0.15	0.27	0.29	0.39	-1.11	0.23	0.36	0.16	0.16	Diluted Earnings/Share
Operating Cash Flow (Mil)	123	160	169	137	159	248	282	188	249	324	324	Operating Cash Flow (Mil)
Capital Spending (Mil)	-48	-51	-54	-59	-51	-71	-56	-63	-66	-79	-79	Capital Spending (Mil)
Free Cash Flow (Mil)	75	109	116	78	108	178	227	125	183	245	245	Free Cash Flow (Mil)
Avg Shares Outstand(Mil)	123	130	130	133	143	143	143	143	137	130	130	Avg Shares Outstand(Mil)

Valuation as of 20 May 2024

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar
Price/Fair Value ^Q	0.85	0.90	1.11	1.06	0.89	0.99	0.92	0.95	0.81	0.97	0.99	Price/Fair Value ^Q
Price/Sales	0.74	0.64	0.77	0.92	0.84	0.94	0.78	0.70	0.48	0.64	0.80	Price/Sales
Price/Earnings	14.38	24.42	40.74	80.08	32.64	33.10	—	44.92	22.96	24.69	63.60	Price/Earnings
Price/Cash Flow	8.36	8.60	7.58	9.10	8.78	8.14	5.12	4.78	4.12	5.29	5.10	Price/Cash Flow
Price/Book	2.01	1.75	2.07	2.64	1.87	2.17	2.17	1.95	1.46	2.30	3.03	Price/Book

Operating Performance as of 20 May 2024 (Fiscal Year End 31 Dec 2024)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Q3	Fiscal (%)
Return on Assets	1.19	1.91	0.97	1.78	2.06	2.67	-7.31	1.44	2.05	0.83	—	Return on Assets
Return on Equity	5.39	6.38	3.21	5.25	5.5	7.26	-23.25	5.36	7.94	3.52	—	Return on Equity
Rtn on Invested Capital	3.06	3.44	2.09	3.42	3.73	4.63	-9.62	2.88	4.0	2.71	—	Rtn on Invested Capital

Dividends as of 20 May 2024

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar (%)
Dividend Per Share	—	0.13	0.13	0.13	0.13	0.15	—	0.15	0.15	0.16	0.16	Dividend Per Share
Trailing Dividend Yield	—	0.3	1.35	1.15	1.34	1.32	—	—	2.34	—	1.26	Trailing Dividend Yield
Buyback Yield	—	0.03	—	—	—	—	—	—	—	—	2.2	Buyback Yield

Appendix

Economic Moat [®]History as of 18 May 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	0.38	0.69	0.70	0.65	0.62	—	—	—	—	—	—	—
2023	0.07	0.14	0.24	0.10	0.28	0.49	0.35	0.28	0.39	0.32	0.36	0.39
2022	0.39	0.36	0.34	0.43	0.15	0.38	0.36	0.34	0.34	0.33	0.05	0.12
2021	0.26	0.27	0.30	0.22	0.30	0.44	0.44	0.39	0.50	0.46	0.48	0.25
2020	0.84	0.84	0.10	0.07	0.30	0.15	0.08	0.09	0.25	0.48	0.38	0.45
2019	0.45	0.27	0.48	0.31	0.67	0.72	0.68	0.73	0.38	0.65	0.77	0.86

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/

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