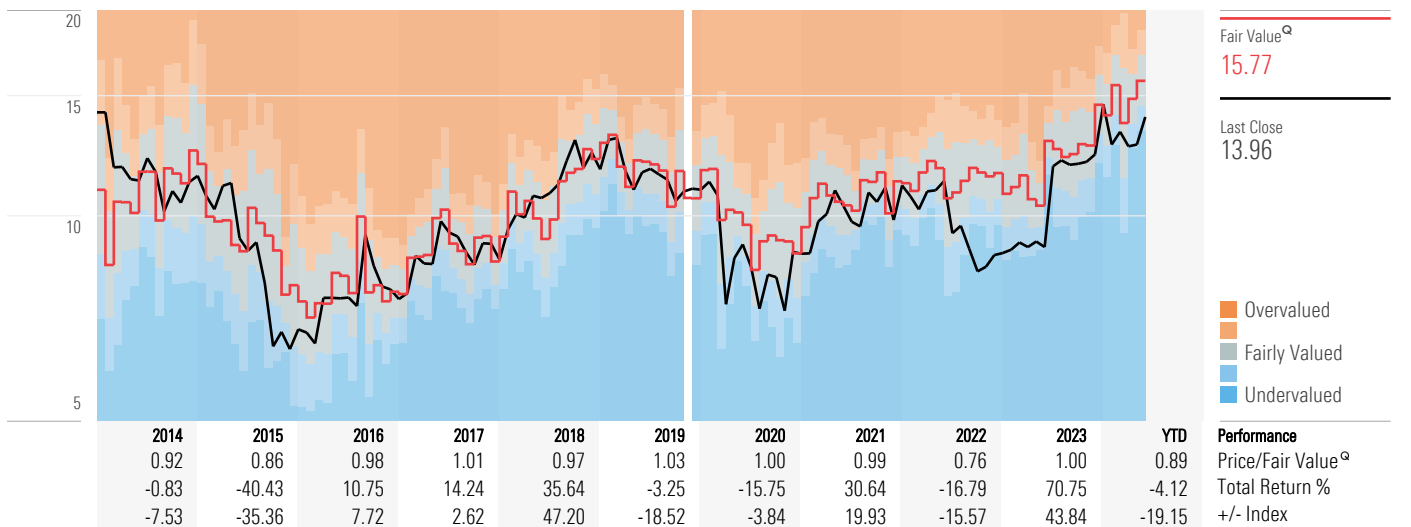


# Fomento de Construcciones y Contratas SA FCC ★★★★★ Q 20 May 2024, 22:35 UTC

<b>Economic Moat</b> <sup>Q</sup>	<b>Uncertainty</b> <sup>Q</sup>	<b>Price/Fair Value</b> <sup>Q</sup>	<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	1 May 2024 05:00, UTC	3.58	6.0613 Bil	Mid Core	Industrials	Waste Management



As of 20 May 2024 | Index: Morningstar Spain GR EUR. Fair Value data as of 20 May 2024, 22:35 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 17 May 2024

Metrics	Value	Percentile in Sector
Earnings Yield (%)	5.6	64.0
Sales Yield (%)	139.1	66.0
Book Value Yield (%)	60.1	55.0
Return on Assets (%)*	2.2	39.0
Revenue(Bil)*	9.2	88.0
Market Value (Bil)	6.6	83.0
Enterprise Value (Bil)	10.3	85.0
EV/MV Ratio	1.6	80.0
Volatility TTM (%)	18.0	16.0
Drawdown TTM (%)	22.6	43.0
Volume (K)	44.4	31.0

\*30 Jun 2023

## Business Description

Fomento de Construcciones y Contratas SA is in the business of environmental services, end to end water management, construction and cement. The company's activities include services related to urban water treatment, waste recovery, end to end water cycle and also infrastructure construction projects, building construction, manufacturing of cement and concrete and operation of quarries and mineral deposits. The firm derives majority of its revenues from environmental services segment. It carries out international operations in European, the US and Latin American markets.

## Valuation <sup>Q</sup> as of 18 May 2024

Morningstar affirms a 4-star quantitative rating for Fomento de Constr. We calculate this outcome using the company's underlying model-driven valuation and uncertainty scores. The stock's last closing price was 13.90, a discount of 10.92% to its Quantitative Fair Value estimate of 15.60. The stock has been trading between a 18.77% discount and 1.62% premium to its quantitative fair value over the past year. The stock's price to fair value ratio is at the 72nd percentile in our global equity coverage universe for this methodology and at the 58th percentile relative to its peers in the industrials sector.

Fomento de Constr furthermore holds a High quantitative uncertainty rating.

The company's quantitative star rating dates to after 04/11/2024, before which it was 3-star. Similarly, the firm's uncertainty rating changed from Medium to High after 05/16/2024.

We examine the financials and market statistics for Fomento de Constr to determine these ratings. Its earnings yield is 5.61% and its annualized trailing 12-month volatility is 18.00%. These fall at the 70th and 16th percentiles in the equity universe and at

the 64th and 16th in the industrials sector, respectively.

## Economic Moat <sup>Q</sup> as of 20 May 2024

Quantitatively, we believe Fomento de Constr has a Narrow economic moat. Its moat score of 0.72 corresponds to the 68th percentile in the industrials sector. Furthermore, this rating last differed from its previous rating of None on 05/16/2024, when the company's moat score fell from its maximum of 0.76 (score of 1 indicates greatest economic moat). The company also maintains a quantitative financial health rating of Moderate. Its score sits at the 54th percentile in both the universe and sector.

Examining the company's financials and market statistics, we find these ratings are principally driven by its enterprise value and enterprise value-to-market value ratio. The enterprise value is 10 billion, sitting at the 85th percentile in the industrials sector. The company's enterprise value-to-market value ratio is 1.56, corresponding to the 80th percentile in the equity coverage universe and the 80th percentile in the sector.


## Fundamentals as of 18 May 2024

Fomento de Constr reports earnings per share of 0.78. Its return on invested capital is 5.17%. The company maintains a dividend yield of 3.93%, paying out 64.1% of earnings. These values are calculated over a trailing 12-month period.

As of last market close, Fomento de Constr has a price-to-earnings ratio of 17.82, falling at the 49th percentile in its sector (where a lower percentile means a lower ratio) and ranging between 12.33 and 19.74 over the past year. The company's price-to-free cash flow ratio is 11.26, falling at the 37th percentile in its sector and ranging between 4.19 and 12.47 over the past year.

# Fomento de Construcciones y Contratas SA FCC ★★★★★

Q 20 May 2024, 22:35 UTC

<b>Economic Moat</b> <sup>Q</sup>	<b>Uncertainty</b> <sup>Q</sup>	<b>Price/Fair Value</b> <sup>Q</sup>	<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	 1 May 2024 05:00, UTC	3.58	6.0613 Bil	Mid Core	Industrials	Waste Management

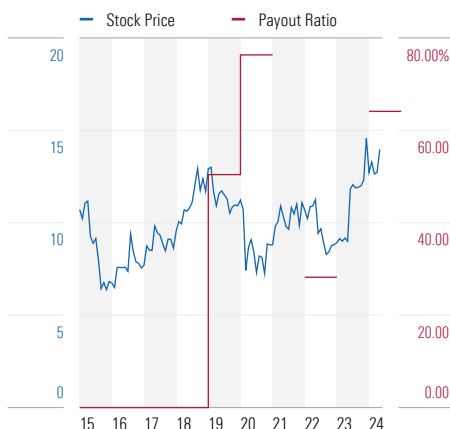
## Earnings as of 17 May 2024

Earnings	%	Percentile in Sector
Dividend Yield*	3.9	73.0
Payout Ratio*	64.1	78.0
Price to Earnings	17.8	49.0
Price to Cash Flow	11.3	37.0
ROIC**	5.2	42.0

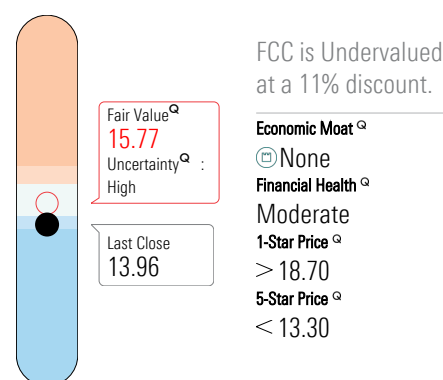
\*30 Apr 2024

\*\*30 Jun 2023

## Dividends as of 20 May 2024



## Valuation <sup>Q</sup> as of 20 May 2024



## Contact

Federico Salmon, 13, Madrid, — 28016

+34 902109845

<http://www.fcc.es>

## Financials as of 20 May 2024 (Fiscal Year End 31 Dec 2021)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	Fiscal
6,334	6,476	5,952	5,802	5,990	6,276	6,158	6,659	7,706	—	4,320	Revenue (Mil)
397	357	418	445	477	571	559	675	783	—	473	Operating Income (Mil)
6.27	5.52	7.03	7.67	7.97	9.1	9.08	10.13	10.16	—	10.94	Operating Margin (%)
-724	-46	-162	118	252	267	262	580	315	—	256	Net Income (Mil)
-5.55	-0.18	-0.45	0.31	0.66	0.69	0.66	1.40	0.73	—	0.59	Diluted Earnings/Share
609	600	1,025	769	489	631	605	746	1,546	—	171	Operating Cash Flow (Mil)
-394	-339	-303	-272	-291	-328	-408	-387	-623	—	-388	Capital Spending (Mil)
215	261	722	496	199	302	197	359	923	—	-217	Free Cash Flow (Mil)
267	264	359	378	378	385	400	414	429	—	434	Avg Shares Outstand(Mil)

## Valuation as of 20 May 2024

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar
0.92	0.86	0.98	1.01	0.97	1.03	1.00	0.99	0.76	1.00	0.89	Price/Fair Value <sup>Q</sup>
0.32	0.28	0.47	0.56	0.75	0.69	0.58	0.71	0.52	0.75	0.72	Price/Sales
—	4.07	—	20.05	31.45	13.76	16.79	9.71	6.22	18.67	17.90	Price/Earnings
2.48	2.98	2.45	4.03	7.09	7.57	5.28	6.92	3.74	4.85	4.65	Price/Cash Flow
—	6.04	3.76	3.60	2.73	2.33	1.72	1.67	1.17	1.74	1.67	Price/Book

## Operating Performance as of 20 May 2024 (Fiscal Year End 31 Dec 2021)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Q3	Fiscal (%)
-4.89	-0.34	-1.37	1.11	2.39	2.31	2.06	4.29	2.14	—	1.5	Return on Assets
-527	-16.76	-30.14	14.26	19.75	14.67	12.37	21.91	9.86	—	6.71	Return on Equity
-4.11	3.19	1.56	4.84	5.99	5.47	4.98	8.52	4.65	—	2.62	Rtn on Invested Capital

## Dividends as of 20 May 2024

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar (%)
—	—	—	—	—	0.40	0.40	0.42	0.40	0.50	0.50	Dividend Per Share
—	—	—	—	—	3.66	4.55	—	4.54	—	3.58	Trailing Dividend Yield
—	—	—	1.71	0.78	—	0.39	—	5.68	—	0.69	Buyback Yield

# Appendix

**Economic Moat** <sup>®</sup>History as of 20 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	0.48	0.60	0.39	0.70	0.58	—	—	—	—	—	—	—
2023	0.39	0.48	0.45	0.41	0.43	0.66	0.65	0.54	0.56	0.35	0.30	0.36
2022	0.61	0.54	0.41	0.45	0.36	0.44	0.58	0.61	0.54	0.61	0.48	0.54
2021	0.56	0.57	0.65	0.65	0.42	0.54	0.53	0.62	0.54	0.63	0.67	0.48
2020	0.58	0.62	0.49	0.32	0.25	0.28	0.24	0.13	0.33	0.58	0.42	0.65
2019	0.84	0.80	0.73	0.69	0.66	0.73	0.48	0.26	0.19	0.59	0.64	0.71

# 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/](https://sustainalytics.com/esg-ratings/)

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