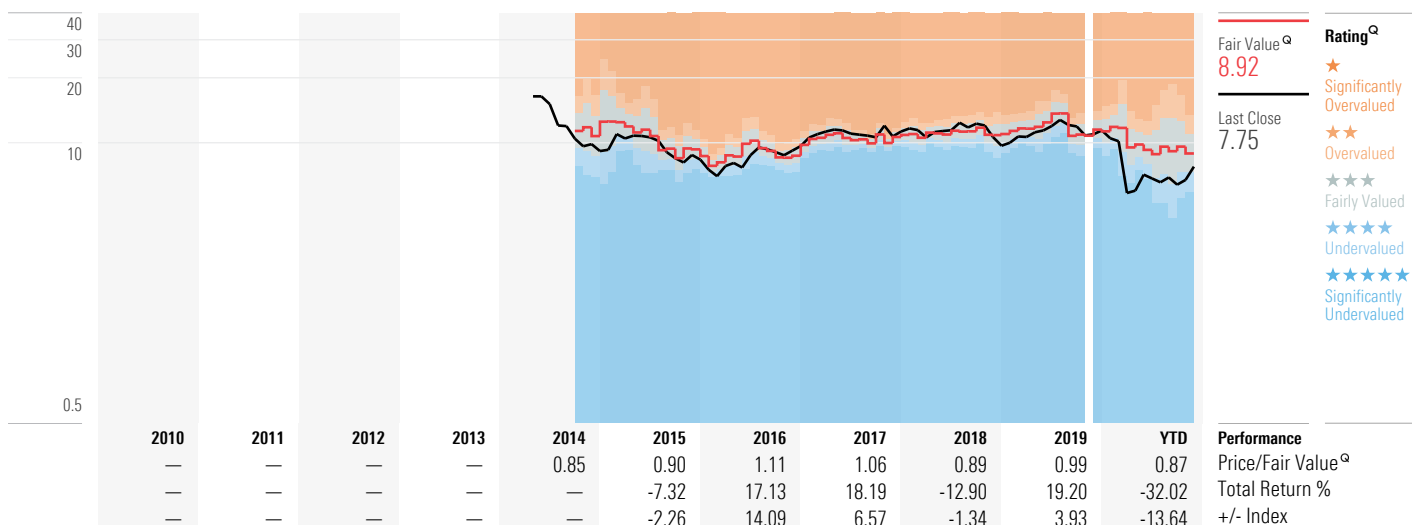


Applus Services SA APPS ★★★ Q 23 Nov 2020, 23:37 UTC

Economic Moat ^Q	Uncertainty ^Q	Price/Fair Value ^Q	Trailing Dividend Yield %	Market Cap	Investment Style	Sector	Industry
None	Very High	0.9	2.05	1.1075 Bil	Small Value	Industrials	Specialty Business Services



Total Return % as of 23 Nov 2020. Last Close as of 23 Nov 2020. Fair Value as of 23 Nov 2020, 23:37 UTC. Index: Morningstar Spain GR EUR.

There is no one analyst in which a Quantitative Fair Value Estimate and Quantitative Star Rating are attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative fair value. 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. For information regarding Conflicts of Interests, visit <http://global.morningstar.com/equitydisclosures>

Valuation^Q as of 23 Nov 2020



Fair Value^Q
8.92

Uncertainty^Q:
Very High

Last Close
7.75

APPS is undervalued at a 13% discount.

Economic Moat^Q
⊖ None

Financial Health^Q
Moderate

1-Star Price^Q
> 13.39

5-Star Price^Q
< 5.94

Financials as of 23 Nov 2020 (Fiscal Year End 31 Dec 2019)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD	Fiscal
Revenue (Mil)	—	981	1,193	1,581	1,619	1,701	1,586	1,583	1,676	1,778	741	Revenue (Mil)
Operating Income (Mil)	—	54	66	92	93	101	82	89	112	138	5	Operating Income (Mil)
Operating Margin (%)	—	5.48	5.56	5.81	5.77	5.91	5.2	5.64	6.66	7.76	0.72	Operating Margin (%)
Net Income (Mil)	—	-91	-69	-170	24	38	20	36	41	56	-170	Net Income (Mil)
Diluted Earnings/Share	—	-0.15	-0.11	-0.28	0.20	0.30	0.15	0.27	0.29	0.39	-1.19	Diluted Earnings/Share
Operating Cash Flow (Mil)	—	—	133	155	123	160	169	137	159	248	101	Operating Cash Flow (Mil)
Capital Spending (Mil)	—	—	-55	-52	-48	-51	-54	-59	-51	-71	-17	Capital Spending (Mil)
Free Cash Flow (Mil)	—	—	77	103	75	109	116	78	108	178	83	Free Cash Flow (Mil)
Avg Shares Outstand(Mil)	—	604	604	604	123	130	130	133	143	143	143	Avg Shares Outstand(Mil)
Dividend Per Share	—	—	—	—	—	0.13	0.13	0.13	0.13	0.15	—	Dividend Per Share

Valuation as of 23 Nov 2020

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Current	Calendar
Price/Fair Value ^Q	—	—	—	—	0.85	0.90	1.11	1.06	0.89	0.99	0.87	Price/Fair Value ^Q
Price/Sales	—	—	—	—	0.74	0.64	0.77	0.92	0.84	0.94	0.67	Price/Sales
Price/Earnings	—	—	—	—	14.38	24.42	40.74	80.08	32.64	33.10	16.63	Price/Earnings
Price/Cash Flow	—	—	—	—	8.36	8.60	7.58	9.10	8.78	8.14	4.40	Price/Cash Flow
Price/Book	—	—	—	—	2.01	1.75	2.07	2.64	1.87	2.17	1.87	Price/Book

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Q3	Fiscal (%)
Return on Assets	—	-4.66	-3.35	0.22	1.19	1.91	0.97	1.78	2.06	2.67	—	Return on Assets
Return on Equity	—	—	-41.13	1.42	5.39	6.38	3.21	5.25	5.5	7.26	—	Return on Equity
Rtn on Invested Capital	—	—	0.01	0.31	3.16	3.62	2.15	3.48	3.85	4.69	—	Rtn on Invested Capital

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Business Description

Applus Services SA is a Spain-based company that provides testing, inspection and certification services. The company operates through four divisions. The energy and industry division, which accounts for the majority of revenue, is primarily engaged in industrial and environmental inspection,

technical assistance, technical staffing, and others. The automotive division conducts statutory vehicle inspection services for safety and emissions. The IDIADA division provides vehicle proving ground, engineering, design and other services. The laboratories division conducts product testing and certification services for laboratories. Europe, North

America, Asia Pacific are the three biggest markets for the company.

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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.

One-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*

Two-Star - 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)*

Three-Star – 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)*

Four-Star – 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)*

Five-Star – 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

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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.

This Report **has not been made available** to the issuer of the security prior to publication.

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