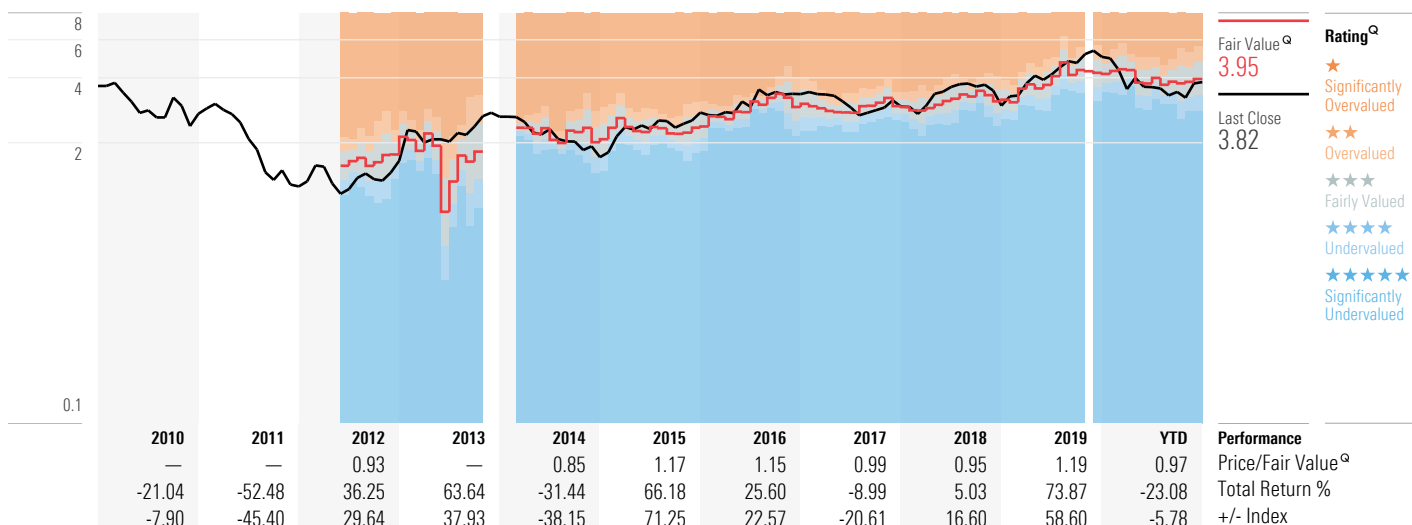


Faes Farma SA FAE ★★★ Q 3 Dec 2020, 23:32 UTC

| | | | | | | | |
|---------------------------------------------|-----------------------------------------|---------------------------------------------|------------------------------------------|---------------------------------|---------------------------------------|-----------------------------|-------------------------------------------------------------|
| Economic Moat ^Q Narrow | Uncertainty ^Q High | Price/Fair Value ^Q 1.0 | Trailing Dividend Yield % 4.40 | Market Cap 1.0741 Bil | Investment Style Small Core | Sector Healthcare | Industry Drug Manufacturers - Specialty & Generic |
|---------------------------------------------|-----------------------------------------|---------------------------------------------|------------------------------------------|---------------------------------|---------------------------------------|-----------------------------|-------------------------------------------------------------|



Total Return % as of 3 Dec 2020. Last Close as of 3 Dec 2020. Fair Value as of 3 Dec 2020, 23:32 UTC. Index: Morningstar Spain GR EUR.

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Valuation^Q as of 3 Dec 2020



Fair Value^Q
3.95

Uncertainty^Q:
High

Last Close
3.82

FAE is trading within a range we consider fairly valued.

Economic Moat^Q
Narrow

Financial Health^Q
Strong

1-Star Price^Q
> 5.59

5-Star Price^Q
< 2.79

Contact

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Financials as of 3 Dec 2020 (Fiscal Year End 31 Dec 2019)

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | YTD | Fiscal |
|-------|------|-------|-------|-------|-------|------|------|-------|-------|-------|---------------------------|
| 203 | 190 | 176 | 180 | 192 | 205 | 229 | 275 | 324 | 357 | 291 | Revenue (Mil) |
| 23 | 17 | 23 | 29 | 36 | 42 | 48 | 50 | 63 | 75 | 77 | Operating Income (Mil) |
| 11.13 | 8.82 | 13.25 | 16.14 | 18.96 | 20.37 | 21.1 | 18.1 | 19.28 | 21.12 | 26.39 | Operating Margin (%) |
| 20 | 14 | 20 | 23 | 25 | 30 | 37 | 41 | 52 | 64 | 63 | Net Income (Mil) |
| 0.10 | 0.07 | 0.09 | 0.10 | 0.10 | 0.12 | 0.15 | 0.16 | 0.20 | 0.23 | 0.22 | Diluted Earnings/Share |
| 15 | 20 | 24 | 32 | 32 | 41 | 50 | 42 | 59 | 68 | 50 | Operating Cash Flow (Mil) |
| -10 | -8 | -3 | -4 | -4 | -10 | -12 | -12 | -20 | -21 | -9 | Capital Spending (Mil) |
| 5 | 12 | 21 | 27 | 28 | 31 | 38 | 30 | 40 | 46 | 41 | Free Cash Flow (Mil) |
| 203 | 203 | 218 | 233 | 245 | 252 | 252 | 258 | 266 | 273 | 285 | Avg Shares Outstand(Mil) |
| 0.09 | 0.04 | 0.06 | 0.06 | 0.10 | 0.09 | 0.11 | 0.12 | 0.12 | 0.16 | 0.19 | Dividend Per Share |

Valuation as of 3 Dec 2020

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Current | Calendar |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|-------------------------------|
| — | — | 0.93 | — | 0.85 | 1.17 | 1.15 | 0.99 | 0.95 | 1.19 | 0.97 | Price/Fair Value ^Q |
| 3.73 | 1.29 | 1.90 | 3.16 | 2.12 | 3.37 | 3.83 | 2.95 | 2.50 | 3.89 | 2.82 | Price/Sales |
| 27.02 | 15.19 | 17.12 | 24.84 | 18.15 | 25.16 | 23.96 | 18.93 | 15.56 | 21.74 | 14.36 | Price/Earnings |
| 28.95 | 15.08 | 14.00 | 18.78 | 20.19 | 16.00 | 21.01 | 17.54 | 13.55 | 18.30 | 13.83 | Price/Cash Flow |
| 3.99 | 1.70 | 1.81 | 2.91 | 1.82 | 2.81 | 3.15 | 2.52 | 2.30 | 3.51 | 2.39 | Price/Book |

Operating Performance as of 3 Dec 2020 (Fiscal Year End 31 Dec 2019)

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Q3 | Fiscal (%) |
|-------|------|-------|-------|-------|-------|-------|-------|-------|-------|------|-------------------------|
| 7.5 | 4.82 | 6.75 | 7.9 | 9.17 | 10.88 | 11.77 | 11.09 | 11.33 | 13.13 | 4.58 | Return on Assets |
| 13.87 | 8.51 | 11.08 | 11.82 | 11.88 | 12.57 | 13.57 | 13.95 | 15.17 | 16.55 | 5.51 | Return on Equity |
| 10.02 | 5.83 | 8.67 | 9.93 | 10.85 | 12.34 | 13.49 | 12.88 | 13.22 | 15.22 | 5.44 | Rtn on Invested Capital |

Business Description

Faes Farma SA is a pharmaceutical company that specializes in the research, production, distribution, and sale of prescription and generic drugs, over-the-counter medicines, food supplements and personal care treatments, as well as raw materials for the pharmaceutical use. The company develops

new drugs for the treatment of allergy, venous insufficiency, and irritable bowel syndrome. It also provides animal nutrition products. Faes Farma exports its products to more than 60 countries and has operations in Spain, Portugal, Chile, and Mexico, among others.

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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.

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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.

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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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