

# Melia Hotels International SA MEL ★★★<sup>Q</sup> 17 Sep 2020 02:00 UTC

**Last Close**  
17 Sep 2020  
3.36

**Fair Value<sup>Q</sup>**  
17 Sep 2020 02:00 UTC  
5.02

**Market Cap**  
17 Sep 2020  
740.1 Mil

**Sector**  
Consumer Cyclical

**Industry**  
Lodging

**Country of Domicile**  
ESP Spain

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## Company Profile

Melia Hotels International SA is a Spanish owner and operator of hotels. The company operates midscale, upscale, and premium hotels across several brands, including Sol Hotels & Resorts, Melia Hotels & Resorts, and Gran Melia. Melia may either own or lease the hotels it operates, and hotel operation contributes the majority of company revenue. In addition, hotel owners may operate hotels under a Melia brand in a franchise agreement, or can contract Melia's management services to operate the hotel on its behalf. The

## Quantitative Scores

		Scores		
		All	Rel Sector	Rel Country
Quantitative Moat	None	10	9	7
Valuation	Undervalued	85	86	94
Quantitative Uncertainty	Very High	52	53	57
Financial Health	Moderate	25	9	4

MEL



Source: Morningstar Equity Research

## Valuation

	Current	5-Yr Avg	Sector Median	Country Median
Price/Quant Fair Value	0.67	0.91	0.80	0.87
Price/Earnings	—	29.4	16.2	15.0
Forward P/E	14.6	—	12.3	12.5
Price/Cash Flow	9.9	9.3	10.2	8.8
Price/Free Cash Flow	—	17.4	17.7	15.2
Trailing Dividend Yield %	—	1.23	2.46	3.93
Price/Book	1.0	1.7	1.6	1.9
Price/Sales	0.6	1.3	0.9	1.4

## Profitability

	Current	5-Yr Avg	Sector Median	Country Median
Return on Equity %	-31.6	8.9	12.2	12.9
Return on Assets %	-6.7	2.6	5.4	3.3
Revenue/Employee (K)	115.8	68.3	566.3	240.3

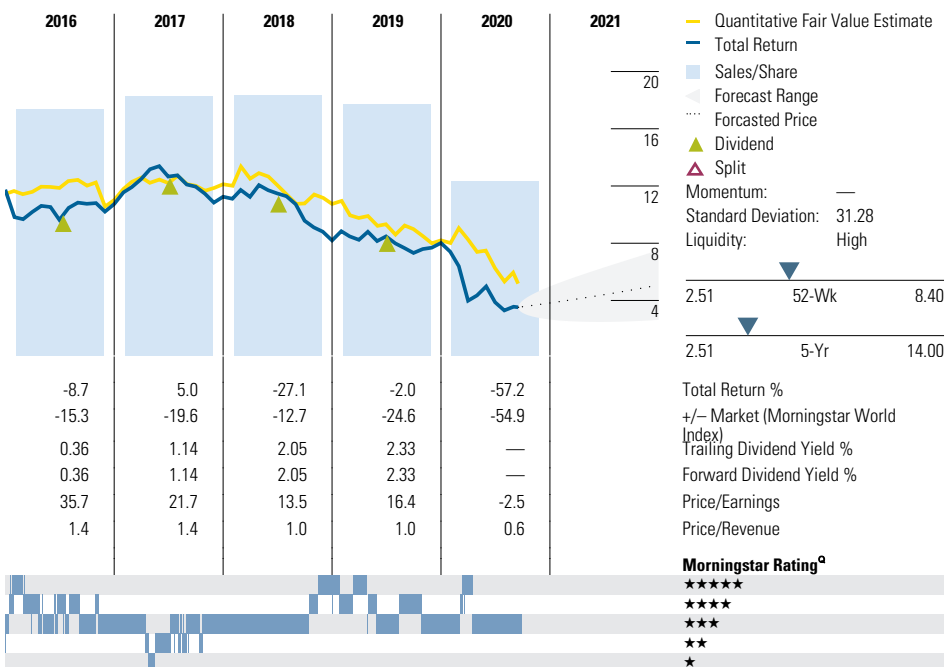
## Financial Health

	Current	5-Yr Avg	Sector Median	Country Median
Distance to Default	0.2	0.6	0.6	0.7
Solvency Score	905.0	—	486.0	556.5
Assets/Equity	3.8	2.7	1.8	2.7
Long-Term Debt/Equity	0.7	0.5	0.2	0.4

## Growth Per Share

	1-Year	3-Year	5-Year	10-Year
Revenue %	-1.7	-0.2	3.7	4.5
Operating Income %	-15.1	4.1	8.7	8.1
Earnings %	-23.1	4.4	27.2	10.2
Dividends %	8.9	66.0	35.5	13.6
Book Value %	7.7	0.3	-2.7	-0.4
Stock Total Return %	-54.4	-32.9	-21.4	-4.1

## Price vs. Quantitative Fair Value

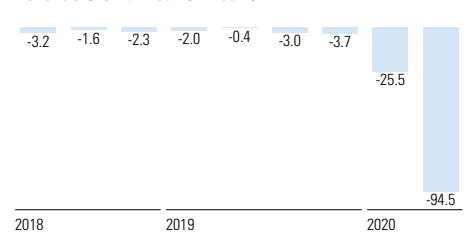


	2015	2016	2017	2018	2019	TTM	Financials (Fiscal Year in Mil)
Revenue	1,738	1,802	1,885	1,831	1,790	1,239	Revenue
% Change	18.7	3.7	4.6	-2.9	-2.3	-30.7	% Change
Operating Income	223	203	224	240	229	-261	Operating Income
% Change	47.0	-8.9	10.4	7.3	-4.8	-214.2	% Change
Net Income	36	101	129	140	113	-293	Net Income
Operating Cash Flow	—	—	259	396	383	76	Operating Cash Flow
Capital Spending	-64	-138	-153	-230	-108	-78	Capital Spending
Free Cash Flow	206	119	107	166	275	-1	Free Cash Flow
% Sales	11.9	6.6	5.7	9.1	15.4	-0.1	% Sales
EPS	0.18	0.44	0.56	0.61	0.50	-1.32	EPS
% Change	20.0	144.4	27.3	8.9	-18.0	-364.0	% Change
Free Cash Flow/Share	1.00	0.67	0.47	0.51	0.68	-0.01	Free Cash Flow/Share
Dividends/Share	0.03	0.04	0.13	0.17	0.18	0.00	Dividends/Share
Book Value/Share	6.58	6.30	6.61	5.59	5.05	3.24	Book Value/Share
Shares Outstanding (K)	194,267	228,038	227,978	227,964	226,259	220,000	Shares Outstanding (K)
Return on Equity %	2.9	7.2	8.5	9.9	8.8	-31.6	Profitability
Return on Assets %	1.1	3.1	3.9	4.2	2.7	-6.7	Return on Assets %
Net Margin %	2.1	5.6	6.8	7.7	6.3	-23.7	Net Margin %
Asset Turnover	0.55	0.56	0.58	0.55	0.43	0.28	Asset Turnover
Financial Leverage	2.5	2.2	2.2	2.6	3.8	5.9	Financial Leverage
Gross Margin %	61.0	60.5	61.9	60.8	59.6	54.7	Gross Margin %
Operating Margin %	12.8	11.3	11.9	13.1	12.8	-21.1	Operating Margin %
Long-Term Debt	711	622	641	752	820	992	Long-Term Debt
Total Equity	1,264	1,520	1,496	1,334	1,242	713	Total Equity
Fixed Asset Turns	1.1	1.1	1.1	1.0	0.7	0.4	Fixed Asset Turns

## Quarterly Revenue & EPS

Revenue (Mil)	Mar	Jun	Sep	Dec	Total
2020	292.8	26.4	—	—	—
2019	393.0	476.3	518.6	401.5	1,789.5
2018	401.0	478.2	534.9	417.1	1,831.3
2017	420.3	494.2	543.6	427.1	1,885.2
Earnings Per Share (€)					
2020	-0.36	-1.27	—	—	—
2019	0.05	0.14	0.23	0.07	0.50
2018	0.10	0.17	0.25	0.09	0.61
2017	0.09	0.17	0.23	0.07	0.56

## Revenue Growth Year On Year %



# Quantitative Equity Reports Overview

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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, and the Quantitative Uncertainty Rating. 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*

**Two-Star** - the stock is somewhat overvalued.

*Log (Quant FVE/Price) between (-1\*Quantitative Uncertainty, -0.5\*Quantitative Uncertainty)*

**Three-Star** – the stock is approximately fairly valued.

*Log (Quant FVE/Price) between (-0.5\*Quantitative Uncertainty, 0.5\*Quantitative Uncertainty)*

**Four-Star** – the stock is somewhat undervalued.

*Log (Quant FVE/Price) between (0.5\*Quantitative Uncertainty, 1\*Quantitative Uncertainty)*

**Five-Star** – the stock is undervalued with a reasonable margin of safety.

*Log (Quant FVE/Price) > 1\*Quantitative Uncertainty*

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**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

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**Fairly Valued – Last Price** is in line with Morningstar's quantitative fair value estimate.

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