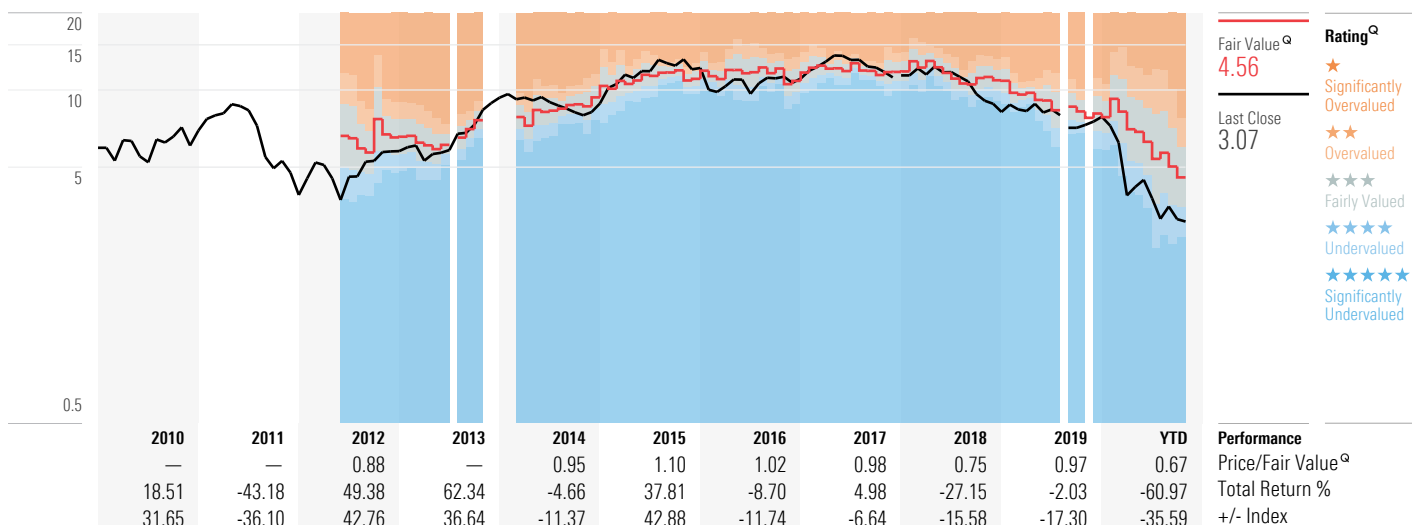


Melia Hotels International SA MEL ★★★ 20 Oct 2020, 22:39 UTC

Economic Moat ☐	Uncertainty ☐	Price/Fair Value ☐	Trailing Dividend Yield %	Market Cap	Investment Style	Sector	Industry
None	Very High	0.7	5.45	674.9872 Mil	Small Value	Consumer Cyclical	Lodging



Total Return % as of 20 Oct 2020. Last Close as of 20 Oct 2020. Fair Value as of 20 Oct 2020, 22:39 UTC. Index: Morningstar Spain GR EUR.

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Valuation ☐ as of 20 Oct 2020



MEL is undervalued at a 33% discount.

Fair Value ☐
4.56
Uncertainty ☐:
Very High

Economic Moat ☐
None
Financial Health ☐
Moderate

Last Close
3.07

1-Star Price ☐
> 7.80
5-Star Price ☐
< 2.67

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Financials as of 20 Oct 2020 (Fiscal Year End 31 Dec 2019)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD	Fiscal
1,251	1,335	1,330	1,369	1,495	1,738	1,802	1,859	1,820	1,790	319	Revenue (Mil)
142	165	174	158	151	223	203	218	269	229	-113	Operating Income (Mil)
11.34	12.34	13.06	11.53	10.07	12.81	11.26	11.7	14.8	12.77	-35.37	Operating Margin (%)
50	40	37	-73	30	36	101	124	147	113	-359	Net Income (Mil)
0.28	0.23	0.21	-0.41	0.15	0.18	0.44	0.54	0.65	0.50	-1.61	Diluted Earnings/Share
177	142	156	118	188	271	257	259	571	383	-111	Operating Cash Flow (Mil)
-165	-135	-40	-35	-41	-64	-138	-153	-230	-108	-39	Capital Spending (Mil)
13	7	116	83	148	206	119	107	341	275	-151	Free Cash Flow (Mil)
177	174	175	179	199	198	228	228	228	228	223	Avg Shares Outstand(Mil)
0.04	0.05	0.04	0.04	0.04	0.03	0.04	0.13	0.17	0.18	—	Dividend Per Share

Valuation as of 20 Oct 2020

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Current	Calendar
—	—	0.88	—	0.95	1.10	1.02	0.98	0.75	0.97	0.67	Price/Fair Value ☐
0.98	0.55	0.72	1.14	1.13	1.45	1.42	1.41	1.00	0.99	0.56	Price/Sales
19.89	45.55	26.25	65.91	—	33.32	35.74	21.70	13.46	16.38	39.83	Price/Earnings
14.12	—	6.28	10.74	13.59	9.76	10.61	10.11	6.27	4.98	9.04	Price/Cash Flow
1.14	0.70	0.90	1.50	1.55	1.85	1.76	1.74	1.47	1.56	0.95	Price/Book

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

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Q3	Fiscal (%)
1.54	1.19	1.09	-2.14	0.92	1.13	3.1	3.93	4.18	2.74	-6.64	Return on Assets
4.96	3.84	3.47	-6.66	2.63	2.9	7.23	8.53	9.9	8.76	-39.12	Return on Equity
4.41	3.56	1.38	-2.7	4.07	3.55	4.1	5.2	7.05	5.58	-8.14	Rtn on Invested Capital

Business Description

Melia Hotels International SA is a Spanish owner and operator of hotels. The company operates mid-scale, 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 oper-

ation 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 company generates approximately half of its revenue in Spain, and the rest from America and the EMEA region.

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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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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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