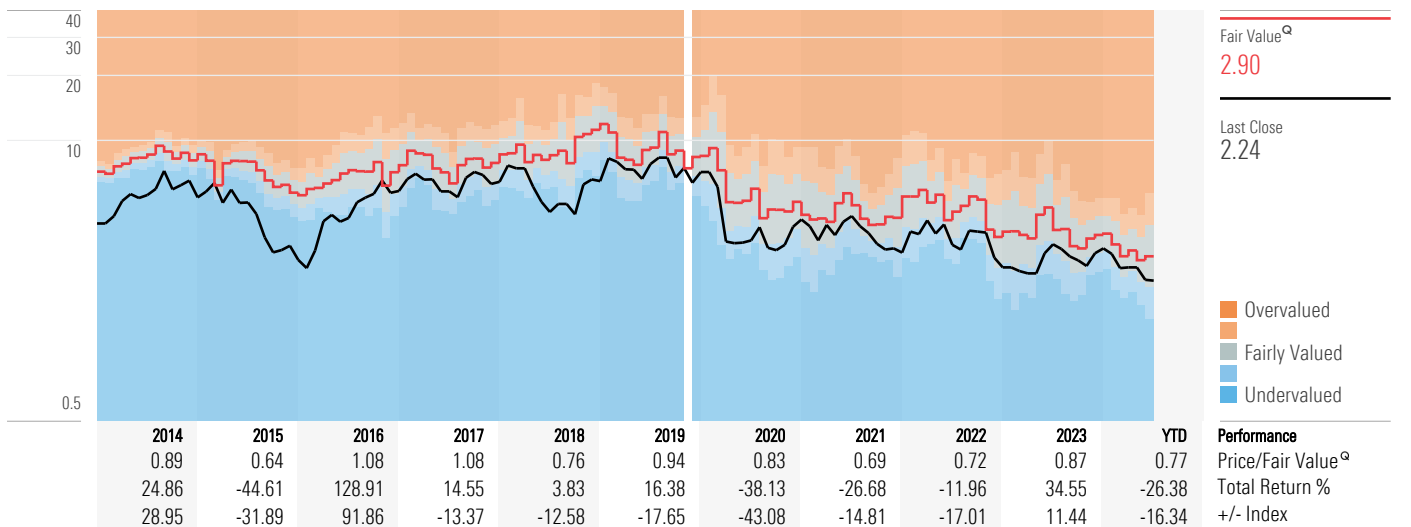


# Bank Bradesco SA XBBDC ★★★ Q 14 Jun 2024, 22:36 UTC

<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	Very High	0.8	5 Jun 2024 05:00, UTC	8.29	21.7689 Bil	Large Value	Financial Services	Banks - Regional



As of 14 Jun 2024 | Index: Morningstar Brazil GR BRL. Fair Value data as of 14 Jun 2024, 22:36 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 13 Jun 2024

Metrics	Value	Percentile in Sector
Earnings Yield (%)	9.0	65.0
Sales Yield (%)	72.9	77.0
Book Value Yield (%)	121.9	71.0
Return on Assets (%)*	0.7	37.0
Revenue(Bil)*	18.4	91.0
Market Value (Bil)	23.7	88.0
Enterprise Value (Mil)	27.9	50.0
EV/MV Ratio	0.0	17.0
Volatility TTM (%)	27.4	62.0
Drawdown TTM (%)	32.7	77.0
Volume (Mil)	17.6	94.0

\*31 Mar 2024

## Business Description

Banco Bradesco is Brazil's second-largest private bank, with about 15% of deposits, and the largest insurance provider in Brazil, with roughly 20%-25% market share. The bank is majority controlled by the Bradesco foundation—a private nonprofit institution focused on education. Banking provides roughly 70% of profits, while the insurance segment contributes the remaining 30%. The bank is also a major asset manager with high-single-digit market share. In 2016, Bradesco acquired the Brazilian operations of HSBC.

## Valuation <sup>Q</sup> as of 14 Jun 2024

Morningstar maintains a 3-star quantitative star rating for Bank Bradesco, derived from the firm's valuation and uncertainty scores. The company's shares last closed at 2.24, below our quantitative fair value estimate of 2.90. These shares have traded between a 33.69% and 7.76% discount to their fair value estimate over the past year. In Morningstar's equity coverage universe for this methodology, the company's valuation rating lands at the 55th percentile; in the financial services sector, the firm's score lies at the 38th percentile (higher percentile indicates more undervalued). Furthermore, Bank Bradesco maintains a quantitative valuation uncertainty rating of Very High. The company has held this star rating since the previous rating of 4, which was last assigned on 02/29/2024. The uncertainty rating for Bank Bradesco has remained Very High since the previous rating of High, which was last assigned on 02/01/2024.

The key factors behind these ratings are the company's earnings yield and drawdown. The earnings yield is 9.04%, and its maximum trailing 12-month maximum drawdown is 39.59%. The earnings yield

falls at the 65th percentile in the financial services sector while the drawdown is at the 77th percentile. Over the past year, the company's earnings yield has been between 6.60% and 10.82%; its drawdown has ranged between 19.37% and 39.59%.

## Economic Moat <sup>Q</sup> as of 14 Jun 2024

With a Morningstar quantitative moat rating of None, the quantitative moat score for Bank Bradesco falls at the 19th percentile in both the financial services sector and equity coverage universe. The company has maintained its None quantitative moat rating for the last year.

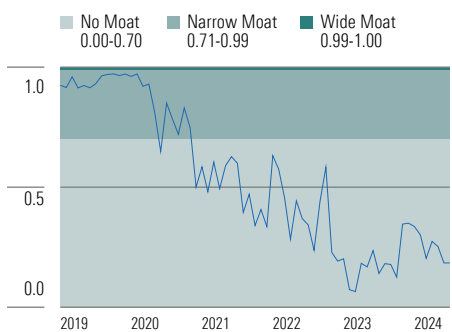
We also assign a Strong quantitative financial health rating to Bank Bradesco. The company's raw score on this metric, termed Distance to Default, ranks at the 94th percentile overall and 65th in the financial services sector. Furthermore, this financial health rating has stayed Strong over the last year. Supporting these ratings are the company's book value yield and enterprise value-to-market value ratio. The book value yield of 121.87%, ranks at the 79th percentile in the covered equity universe and at the 71st percentile among its peers. Meanwhile, its enterprise value-to-market value ratio of 0.00, falls at the 5th percentile in the universe and the 17th percentile in the financial services sector.

## Fundamentals as of 14 Jun 2024

The earnings per share for Bank Bradesco is 1.16. The firm maintains a dividend yield of 5.14%. We calculate the above figures over a trailing 12-month period.

Examining valuation further, we find Bank Bradesco holds a price-to-earnings ratio of 11.13, a figure greater than 49% of its sector peers.

## Economic Moat <sup>Q</sup> History as of 14 Jun 2024





# Appendix

**Economic Moat** <sup>®</sup>History as of 14 Jun 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	0.34	0.30	0.20	0.27	0.25	0.18	—	—	—	—	—	—
2023	0.20	0.07	0.07	0.18	0.17	0.24	0.14	0.18	0.18	0.13	0.35	0.35
2022	0.63	0.58	0.46	0.28	0.44	0.37	0.34	0.24	0.44	0.58	0.23	0.19
2021	0.58	0.48	0.60	0.49	0.59	0.63	0.60	0.40	0.47	0.34	0.41	0.34
2020	0.96	0.97	0.92	0.93	0.81	0.65	0.85	0.78	0.72	0.83	0.75	0.50
2019	0.92	0.92	0.96	0.91	0.92	0.91	0.93	0.96	0.97	0.97	0.96	0.97

## 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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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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