

Energy Company of Minas Gerais XCMIG ★★★^Q 22 Sep 2020 02:00 UTC

Last Close
22 Sep 2020
1.62

Fair Value^Q
22 Sep 2020 02:00 UTC
2.10

Market Cap
22 Sep 2020
2,500.2 Mil

Sector
Utilities

Industry
Utilities - Diversified

Country of Domicile
BRA Brazil

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Company Profile

Energy Company of Minas Gerais is a Brazilian power company that generates, transmits, and distributes electricity. As one of the largest power companies in Brazil, the firm operates across the majority of Brazilian states and also operates in Chile. The company has various subsidiaries and operates chiefly through its generation, transmission, distribution, telecom, and gas segments. The majority of the company's revenue is derived from electricity sales to consumers. Cemig generates power primarily through

Quantitative Scores

		Scores		
		All	Rel Sector	Rel Country
Quantitative Moat	None	11	10	9
Valuation	Undervalued	59	78	76
Quantitative Uncertainty	High	85	67	85
Financial Health	Moderate	47	15	22

CMIG



Undervalued Fairly Valued Overvalued

Source: Morningstar Equity Research

Valuation

	Current	5-Yr Avg	Sector Median	Country Median
Price/Quant Fair Value	0.77	0.94	0.89	0.84
Price/Earnings	7.7	15.8	14.8	13.7
Forward P/E	6.2	—	13.7	11.4
Price/Cash Flow	7.7	5.9	6.5	7.3
Price/Free Cash Flow	144.1	12.5	13.1	11.6
Trailing Dividend Yield %	2.42	5.26	3.68	2.55
Price/Book	1.0	1.0	1.4	1.3
Price/Sales	0.6	0.6	1.4	1.1

Profitability

	Current	5-Yr Avg	Sector Median	Country Median
Return on Equity %	20.5	12.5	9.8	12.0
Return on Assets %	5.7	3.7	3.3	4.8
Revenue/Employee (Mil)	4.5	3.5	1.3	1.0

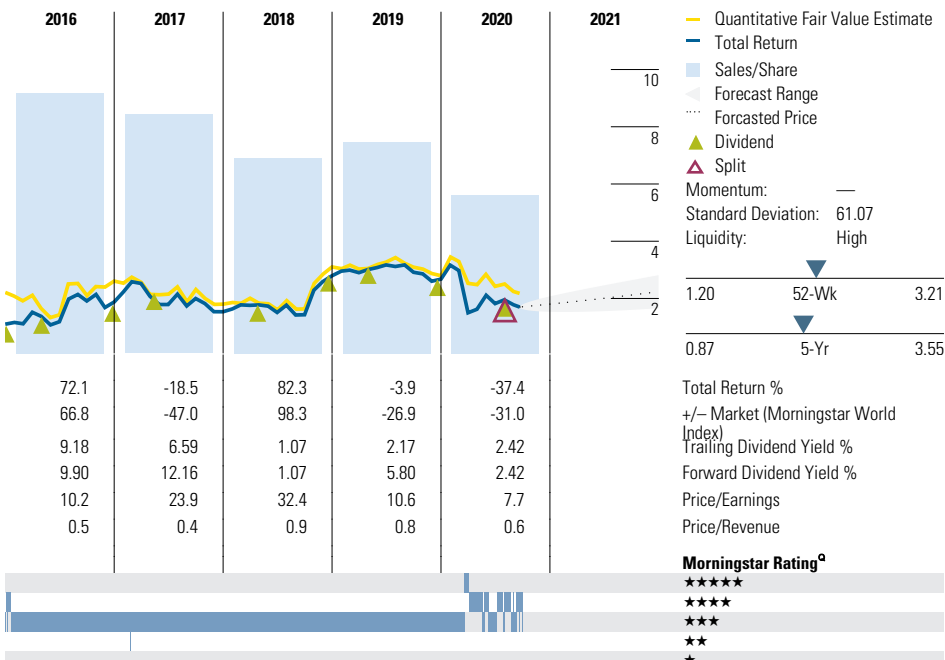
Financial Health

	Current	5-Yr Avg	Sector Median	Country Median
Distance to Default	0.4	0.4	0.6	0.6
Solvency Score	499.0	—	584.9	530.5
Assets/Equity	3.1	3.3	2.6	2.1
Long-Term Debt/Equity	0.8	0.8	0.7	0.3

Growth Per Share

	1-Year	3-Year	5-Year	10-Year
Revenue %	14.0	10.6	5.3	7.6
Operating Income %	2.3	1.5	-10.6	-2.4
Earnings %	109.5	205.2	-4.4	-0.1
Dividends %	12.5	5.0	-22.8	3.8
Book Value %	9.0	2.9	4.6	1.3
Stock Total Return %	-43.1	-4.2	8.9	-1.7

Price vs. Quantitative Fair Value

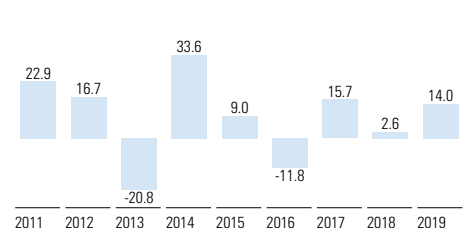


	2015	2016	2017	2018	2019	TTM	Financials (Fiscal Year in Mil)
Revenue	21,292	18,773	21,712	22,266	25,390	25,390	Revenue
% Change	9.0	-11.8	15.7	2.6	14.0	0.0	% Change
Operating Income	2,891	2,781	2,841	2,778	2,911	2,911	Operating Income
% Change	-42.8	-3.8	2.2	-2.2	4.8	0.0	% Change
Net Income	2,469	334	1,001	1,742	3,127	3,127	Net Income
Operating Cash Flow	3,008	1,213	580	1,008	2,036	2,036	Operating Cash Flow
Capital Spending	-1,083	-1,141	-1,117	-107	-1,927	-1,927	Capital Spending
Free Cash Flow	1,925	72	-537	901	109	109	Free Cash Flow
% Sales	9.0	0.4	-2.5	4.0	0.4	0.4	% Sales
EPS	1.88	0.07	0.36	1.12	2.06	2.06	EPS
% Change	-21.3	-96.4	428.6	216.2	82.9	0.0	% Change
Free Cash Flow/Share	0.31	0.41	0.38	-0.21	0.30	0.01	Free Cash Flow/Share
Dividends/Share	0.49	0.60	0.11	0.62	0.70	0.70	Dividends/Share
Book Value/Share	2.45	3.07	2.23	2.19	2.25	1.58	Book Value/Share
Shares Outstanding (Mil)	1,348	1,348	1,518	1,519	1,518	1,518	Shares Outstanding (Mil)
Return on Equity %	20.4	2.6	7.4	11.8	20.5	20.5	Profitability
Return on Assets %	6.5	0.8	2.4	3.3	5.7	5.7	Return on Assets %
Net Margin %	11.6	1.8	4.6	7.6	12.3	12.3	Net Margin %
Asset Turnover	0.56	0.45	0.52	0.44	0.46	0.46	Asset Turnover
Financial Leverage	3.1	3.3	2.9	4.1	3.1	3.7	Financial Leverage
Gross Margin %	25.9	23.1	19.5	20.6	22.8	22.8	Gross Margin %
Operating Margin %	13.6	14.8	13.1	12.5	11.5	11.5	Operating Margin %
Long-Term Debt	8,867	10,342	12,027	12,574	12,030	10,927	Long-Term Debt
Total Equity	12,984	12,930	14,326	14,579	15,887	17,490	Total Equity
Fixed Asset Turns	4.5	4.9	6.6	8.2	9.8	9.8	Fixed Asset Turns

Annual Revenue & EPS

Revenue (Mil)	Mar	Jun	Sep	Dec	Total
2019	5,913.0	7,016.8	—	—	25,390.0
2018	4,935.4	5,606.5	6,252.3	5,471.7	22,266.0
2017	4,812.9	5,205.0	5,135.8	6,558.2	21,712.0
2016	4,452.0	4,754.1	4,894.3	4,666.3	18,773.0
Earnings Per Share (€)					
2019	0.52	1.39	—	—	2.06
2018	0.31	-0.01	0.16	0.66	1.12
2017	0.25	0.10	-0.06	0.05	0.36
2016	0.00	0.15	0.32	-0.39	0.07

Revenue Growth Year On Year %



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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.

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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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