

Our Outlook for Cleantech/Medtech Stocks

Quarterly Report—September 2015

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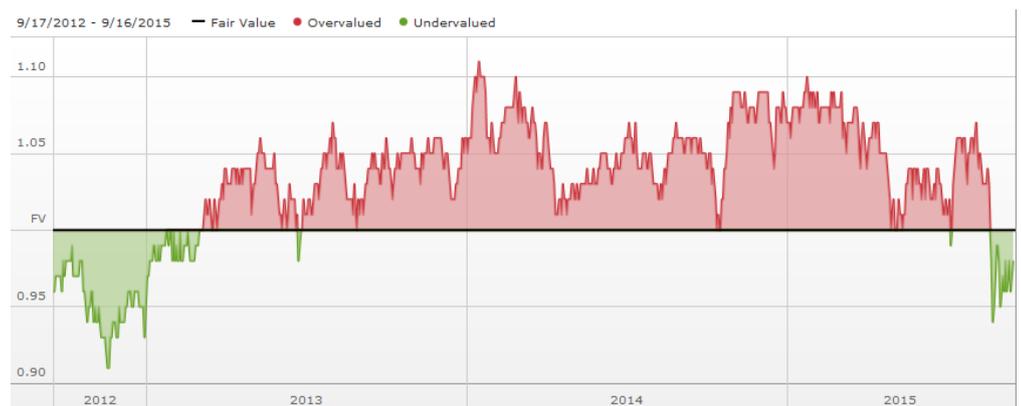
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Summary of Morningstar's Analysts Views

- ▶ While we view the health-care sector as slightly overvalued, with the group trading close to 5% above our fair value estimates in aggregate, some stocks still look undervalued, including Amgen AMGN, Baxter BAX, and Elekta EKTA B.
- ▶ Overall health-care utilization is increasing slightly after a prolonged pullback due to lingering impacts from the recession and insurance pushing more costs to patients. We expect this trend to continue because of a strengthening economy and increased insurance coverage driven partly by health-care reform in the United States.
- ▶ Further adding to health-care valuations (especially smaller potential health-care targets), mergers and acquisitions continue at a rapid pace, as large conglomerates are looking for growth avenues and opportunities to cut costs, partially through lowering taxes.
- ▶ Strong drug launches and excellent clinical data in specialty-care areas, such as oncology, is increasing the productivity of drug and biotech companies.

Exhibit 1 Valuation of the HealthCare Sector Covered by Morningstar's Equity Research Team



Source: Morningstar Direct. Data as of 9/16/2015.

The Biosimilar Market

Underappreciated Pressure on Moats Must Be Countered By Pipelines

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Summary

We expect that global sales for the top ten biologics facing biosimilar competition will decline from \$62 billion in 2014 to \$35 billion in 2020, a more aggressive decline than is reflected in consensus expectations for 2020 sales of \$49 billion. In isolation, progress with biosimilar regulatory pathways and upcoming patent expirations weaken the moats of both Big Biotech and Big Pharma.

However, we also forecast the emergence of a \$14 billion biosimilar market, led by Novartis, Pfizer, and Amgen, which partly mitigates branded sales losses at these firms. Of firms with significant biologics exposure, we think Amgen and Roche trade at the most compelling valuations, largely due to pipeline potential at both firms. AbbVie looks the most exposed given its reliance on Humira, and trades slightly above our fair value estimate.

Biosimilar Market Potential Sees Dramatic Acceleration Over a Five-Year Horizon

According to IMS, the global biologics market that stands at almost \$200 billion today, and the U.S. constitutes half of this spending. Focusing on top biologic therapies—the products that have biosimilar competition in some stage of development—we estimate that almost \$50 billion in sales will be vulnerable to biosimilar competition by the end of 2017, as patents expire, and more than \$70 billion by the end of 2019.

Steep price reductions for generic drugs have saved more than \$1.5 trillion in the U.S. over the past decade. Depending on assumptions for biosimilar discounts and continued net price increases for branded products, estimates for U.S. cost savings from biologics over the next decade have ranged from \$25 billion (Congressional Budget Office) to \$250 billion (Express Scripts).

Global biosimilar sales today are only around \$1 billion in total, despite off-patent sales of top biologics of close to \$12 billion outside the U.S. Market leader Sandoz (Novartis) reported biosimilar sales of \$514 million in 2014, with roughly a 50% share of the global market. This compares with less than a \$500 million global market in 2010, but still pales in comparison with development costs, assuming roughly \$200 million per application and at least 20 separate applications to date.

However, as biosimilars begin to affect the U.S. market and patent expirations continue for some of the top biologics, this growth is set to accelerate. IMS estimates that the 2020 biosimilar market could be \$11 billion–\$25 billion, depending on U.S. uptake and the success of the next wave of more complex biosimilars, while Pfizer sees a \$20 billion global biosimilar market in 2020. We expect sales to surpass \$14 billion in 2020, with sales reaching almost \$20 billion by 2024.

Defining Biologics

Biologics are typically enzymes or proteins produced in a living cell. As a rule, biologics are more complex than traditional small-molecule drugs, and this complexity only grows with the molecule's size; a small-molecule drug like aspirin may have a molecular weight of 180 daltons, compared with biologics that can be 200–1,000 times the size of small molecules. Proteins can be composed of a varying number of amino acid chains, which are linked together in a way that can reduce their stability. Because proteins are also digestible, the typical route of administration for biologics is via injection.

Biologics are usually produced in *E. coli*, yeast, or mammalian (Chinese hamster ovary) cells. Some biologics require glycosylation (a specific pattern of carbohydrates attached to the protein) to effectively function, and these must be produced in yeast or mammalian cell systems. Any variation in glycosylation patterns can have effects on the stability, activity, and immunogenicity of the final product, which conveys the complexity of biologics manufacturing. In general, we think the manufacturing of biologics involves unique processes of production that can be difficult to replicate. However, biosimilar makers have greater flexibility to move to more modern techniques that can lower costs and create a more consistent product.

In general, monoclonal antibodies are seen as a more complex category of biologics. While recombinant proteins like Epogen only require small doses, antibodies generally require larger doses and larger, more complex manufacturing facilities. Products like antibodies can't be produced in simpler cell lines like *E. coli* (because they require glycosylation) or yeast (because of fears of immunogenicity). Most antibodies are made in Chinese hamster ovary cells.

Biosimilar Market Dynamics Remain Much More Complex Than Traditional Generics

Biosimilar drugmakers face many new challenges not seen with small-molecule generics, such as steeper costs related to manufacturing, development, and marketing. Patients and physicians could be hesitant to switch to biosimilars because of quality and efficacy concerns. Insurers could even have a hard time encouraging their use; biologics are usually reimbursed as medical benefits, not pharmacy benefits, and therefore don't have the tiered formularies and copays that pharmacy drugs do. We think all of these challenges will conspire to allow branded biotech to retain significant market share beyond patent expirations.

Pricing: Discounts Leave Room for Branded and Biosimilar Players to See Strong Margins

While small-molecule generics are generally priced at an 80% discount to branded alternatives, discounts for biosimilars in Europe now average above 30%, and we are likely to see similar discounts in the U.S. market. Because biosimilar entrants need to pay for more complex manufacturing, clinical trials, and in some cases a sales force, an upper limit on average biosimilar discounting will remain. We see operating margins for biosimilar entrants between those of generics (20%) and branded biologics (35%).

We've assigned price and volume declines annually to each of the top biosimilar targets, as shown in Exhibit A. We expect price discounts to vary between 5% and 15% annually over the first years of biosimilar launch. We think this is roughly in line with market expectations, but the duration of price and volume declines could be longer than the market currently anticipates, resulting in cumulative price hits ranging from 20%–40% by 2020.

Despite these significant price declines, we still think operating margins will remain healthy for branded incumbents and biosimilar entrants. Manufacturing costs (cost of goods sold) for branded biologics is typically 10%–15% before biosimilar entry, and this could double in a scenario with heavy 50% price declines upon biosimilar entry. However, lower needs for R&D to support new indications and minimal selling, general, and administrative expenses (as sales forces shrink) should allow for continued strong returns, even in a competitive pricing scenario. For example, we think AbbVie's Humira could be among the most vulnerable to biosimilar competition, given its pharmacy benefit reimbursement and the number and quality of potential biosimilar entrants. However, AbbVie's operating margins on branded Humira should hover around 50% after biosimilars enter the market, as no research and development and minimal selling, general, and administrative expense allow for continued strong returns (albeit well below our assumed operating margin of around 70% in 2018). Using a constant 20% lower price for biosimilar Humira, this implies that Humira biosimilar makers could also be capable of 40% operating margins, assuming minimal cost advantages for higher-scale branded Humira manufacturing, similar marketing investments as a percentage of sales, and limited regulatory requirements for post-marketing trials.

As shown in Exhibit 2, several dynamics create a push-and-pull dynamic on biosimilar pricing, and we expect it will fall between branded competitor pricing (often at par or at a 10% discount) and generic pricing.

Exhibit 2 Biosimilar Pricing Dynamics: Support for Branded and Generic Pricing Models

	Branded Pricing	Generic Pricing
Margin Floor	Cost of clinical trials, marketing and education costs, legal costs, and costs related to manufacturing and storing a complex biologic prevent extreme discounts to pricing that are typical for small molecule generics.	Manufacturing costs for biosimilar makers could be lower than for branded firms using older facilities.
Interchangeability	Firms hoping for interchangeability will need to conduct more extensive studies, as this is widely seen as a higher hurdle than biosimilar approval, and legislation on pharmacy substitution is a state by state process. Once interchangeable, won't need steep discounts to entice payers.	Prior to interchangeability, biosimilar makers could need to charge steep discounts to encourage uptake, and once interchangeable, marketing and education costs would shrink dramatically.
Biosimilar Entry Profile	Leaders (Pfizer, Novartis, Amgen) don't want to dilute margins or create appealing alternatives to newer, branded therapies.	Market is expanding to include credible non-branded firms, like Samsung.

Exhibit 2 Biosimilar Pricing Dynamics: Support for Branded and Generic Pricing Models (Continued)

	Branded Pricing	Generic Pricing
Medical Benefit Dynamics	Medical benefit channels aren't as responsive to pricing competition, and the ASP formula does not give biosimilar makers an incentive to start low with price.	Some players are encouraging "white-bagging", or the use of specialty pharmacies that bypass the medical benefit.
Pharmacy Benefit Dynamics	Without interchangeability, PBMs are reluctant to give exclusivity to biosimilars, and high costs of biologics could make tiering ineffective.	Step edits and prior authorization could make it difficult for new patients to access branded medicines without trying a biosimilar first.

Source: Morningstar, Company Reports

Development and Manufacturing Complexity

Manufacturing alone is a large up-front cost, and most companies developing biosimilars have formed partnerships to patch internal manufacturing or development gaps. Hospira, for example, has licensed molecules in development from South Korean biotech company Celltrion. Pfizer, Merck, Mylan, and Allergan have similar partnerships. Starting from scratch, biologic manufacturing facilities can take three to five years to build and can cost anywhere from \$250 million to \$450 million. Even with this expense, achieving the ability to create a product that will pass regulatory hurdles is far from guaranteed. Roche argues that even if a biosimilar manufacturer creates a protein using the same human gene, differences in the host cell used to express the protein, different production methods, and even purification and formulation (for example, a formulation change in Eprex led to cases of pure red cell aplasia over a decade ago) could ultimately create a product that behaves differently as a drug therapy. On the other hand, biosimilar makers argue that some variability in product is allowed from branded firms, such as when a firm changes manufacturing techniques (for example, when Amgen switched Aranesp production from roller bottles to bioreactors). Biosimilar makers think similar standards should be applied for comparing biosimilars with their branded counterparts.

Marketing Requirements

Because biosimilars are not automatically substituted for branded biologics in Europe—and are not expected to be in the U.S.—they require additional investment in marketing, making them more like branded drugs than typical generics. Unlike conventional drugs, which are sold through retail pharmacies and largely self-administered in pill form, more than half of biologics are distributed through hospitals and clinics (medical benefit) as opposed to retail pharmacies (pharmacy benefit). While rheumatoid arthritis is largely treated through a pharmacy benefit (applicable to top biologic therapies like Humira and Remicade), the vast majority of biologics that are confronting patent expiration today are either in oncology or kidney disease, with both heavily paid for via medical benefits.

The larger role of hospitals and clinics in disbursement of biologic drugs will force greater emphasis on physician acceptance of the safety and efficacy of biosimilars while downplaying the role of pharmacies and pharmacy benefit managers, which are key players in conventional generic drug markets as they earn strong margins on generic drugs. Companies hoping to

develop biosimilars will need to develop marketing tactics for hospital formularies, oncology clinics, and dialysis providers—segments unfamiliar to most generic drug manufacturers. Payers will also play a large role in accelerating the acceptance of biosimilars in an effort to bring down costs, but we expect significant biosimilar utilization will evolve over a period of several years. ■■■

Europe's Biosimilar Market: Still Highly Varied Uptake, but a Window Into the Evolving U.S. Market

After creating a biosimilar pathway in 2005, Europe has seen the first biosimilar drugs launched, including versions of Amgen's Epogen and Neupogen. Large generic companies such as Teva, Sandoz (as a subsidiary of Novartis), and Hospira have dominated the European biosimilar market, but market share gains have been slow primarily due to low physician acceptance and guidelines against automatic substitution.

Europe's approach to biosimilars has involved general guidelines on quality and clinical requirements, but also specific data requirements based on the class of biologics. While a couple of products have been withdrawn, at least 20 biosimilars have been approved in Europe since 2006. The somatotropin biosimilar market never gained traction, as convenience of the branded version and the presence of only one biosimilar today creates limited pressure on sales. The remaining established European biosimilars compete with Epogen/Epex and Neupogen, and while discounts vary by country and sales channel, branded products continue to retain sales, and only 2% of the \$21 billion EU5 biologics market stems from sales of biosimilars. That said, competition is just starting for key drug classes, including insulin (Lantus) and monoclonal antibodies (Remicade).

Biosimilar Success Varies Within Europe; More Regulated Markets Have Less Uptake

While European Medicines Agency approval allows a biosimilar access to most of the European continent, marketing varies substantially by country. Some nations enforce biosimilar pricing discounts, with pricing approvals taking weeks or even months. Biosimilar manufacturers must also exercise different sales tactics in each country based on the country's retail pharmacy or clinical market sizes. According to Hospira, Germany, France, Sweden, Finland, and Norway have substantial retail pharmacy biosimilar markets, while England, Spain, Portugal, Denmark, and Greece are mostly hospital- and clinic-based. Every European country also either prohibits or provides guidance preventing pharmacy-level substitution, but prescribers can request interchange between the innovator drug and its biosimilar. (We note that France has passed legislation for pharmacy substitution in 2014, but this has not yet been implemented, and physicians can specify no substitution on the prescription. The Netherlands also has a new position allowing biosimilar substitution as of 2015, with physician and pharmacist involvement.) This policy adds to the costs of commercializing biosimilars, as it requires firms to organize a salesforce to market their product to physicians.

The first market for biosimilars, Germany has one of the highest rates of generic drug use in Europe thanks to set physician quotas for generic prescriptions, a dominant retail channel, and a partial tender-based market system. The country has followed a similar route for biosimilars by setting utilization quotas and physician penalties for prescribing branded drugs. A large

portion of the Continent's sophisticated generic drug manufacturers are based in Germany, which may also translate to stronger physician acceptance. Nonetheless, biosimilars launched in Germany still faced slower market share gains than traditional generic drugs. The United Kingdom also tends to have higher generic penetration rates and has been more receptive to biosimilars. At the opposite end of the spectrum, more highly regulated markets like France and Italy have more restrictive branded drug pricing (that is, steeper discounts) and therefore have lower generic drug and biosimilar penetration, as price discrepancies are either small or mandated at a specific level.

Initially, biosimilar pricing concessions were minimal overall, indicating the need for biosimilar makers to recoup expenses. According to Hospira, biosimilar versions of erythropoietin (Epogen/ Eprex) were priced at a 15%–20% discount at launch. Today, Amgen maintains that Europe price discounts for biosimilars are 20%–30% of the branded product.

International Epo: Varied Biosimilar Discounts and Uptake by Market, and Safety Risks Distort Declines

Roche's Neorecormon and Johnson & Johnson's Eprex, the two branded short-acting erythropoietin (epo) products on the market in Europe, continue to dominate the market, but uptake of short-acting biosimilars since their initial approval in 2007 has led to price and volume erosion. In 2009, epo biosimilars only held about a 5% volume share of the European market, but according to IMS data, this grew to a 27% share by 2014. Epo list prices fell by a median of 35% in Europe between 2006 and 2013 (but this does not include discounts, which can be significant for hospital or payer tenders). We assume that discounts have amounted to roughly 50%, on average, based on initial uptake. Among the available biosimilars, Sandoz's Binocrit, which holds the same international nonproprietary name as Eprex (epoetin alfa), leads the market, and Hospira's Retacrit (approved with the INN epoetin zeta because of its slightly different glycosylation pattern) also holds a strong share.

Uptake has been extremely variable by country. In Germany, the first country where it was launched, biosimilar Eprex was initially sold at a 45% discount to branded short-acting products and quickly gained 50% of the short-acting market. Because of payer engagement, more than 60% of the German epo market is biosimilar today. In the U.K., on the other hand, biosimilar Epogen uptake has been low due to safety concerns (surrounding past side effects with a manufacturing change for Eprex, leading to serious cases of pure red-cell aplasia) and branded drug marketing efforts.

While Amgen's long-acting product Aranesp was differentiated from biosimilars, Amgen responded to the biosimilar Eprex launch with price cuts for Aranesp to maintain a similar premium as the product previously had to branded Eprex. According to IMS, Amgen had an initial price cut of 13% in Germany in 2008 and subsequently reduced price another 16%. This prevented Aranesp from losing a significant share of the market.

We estimate that the overall branded epo market has declined by 9% on average annually since 2008, with short-acting products down more than 16% annually and long-acting products (Aranesp and Mircera) roughly flat when combined. We think the 16% average

annual declines are slightly steeper due to the cardiovascular safety headwinds that reduced market demand for all products in the class around the time that biosimilars initially launched, making it difficult to extrapolate these results to future biosimilar models. That said, a less competitive landscape probably also acted to slow declines in branded sales. According to Hospira, competition may have been more limited as a result of lack of acceptance of epoetin zeta (biosimilars from Hospira and Stada) in some European markets such as Spain, Italy, and Romania (favoring biosimilars with the INN epoetin alfa).

International GCSF: More Competition Leads to Faster Uptake, but Strong Long-Acting Option Still Dominates

The European market for daily granulocyte-colony stimulating factor (for example, Amgen's Neupogen) biosimilars has been more competitive than the epo market for several reasons. First, there have been more entrants, all with the same filgrastim INN. Acceptance has been high, as there are not product-specific safety concerns that have weighed on the epo market. As GCSF treats neutropenia related to chemotherapy, this is largely an acute, hospital market. Therefore, there is a steady flow of new patients to access biosimilars, while strong uptake of epo biosimilars in chronic kidney disease would require patient switching. More acute use also means more hospital and clinic use, and in Europe, these markets are also more likely to gain access to biosimilars through tenders.

Teva's Tevagrastim started out as the strongest player with its 2008 approval, but Sandoz's Zarzio (2009) and Hospira's Nivestim (2010) have quickly gained share. According to Sandoz, Zarzio is the number-one global biosimilar for Neupogen, with 30% share of the daily GCSF market by volume in Europe. Zarzio is marketed in more than 40 countries outside the U.S. (recently approved as Zarzio in the U.S.) and has nearly 6 million patient-exposure days of experience. Overall, IMS data shows that biosimilar volume share of the daily GCSF market has grown from 5% in 2009 to 53% in 2014, surpassing total combined sales of branded options (Amgen's Neupogen and Chugai's Granocyte). In the U.K., more than 90% of filgrastim volume is biosimilar, due to regional hospital tenders.

This has not all flowed down to cost savings, as European markets have seen 30% more patients receive filgrastim (Neupogen and biosimilars) overall since biosimilars were introduced. Specifically in the EU5, spending on GCSF has decreased 5% between 2010 and 2013, while volume has increased 13%.

Amgen's long-acting GCSF Neulasta (administered following chemotherapy once every two or three weeks) still dominates the market; including Neulasta, biosimilar penetration is likely still below 30%. We note that over 2008–13, declines for international Neupogen averaged 12% annually, while international Neulasta actually grew 2% on average annually. Excluding an assumed \$200 million in annual sales from Roche's rights, Amgen's overall international neutropenia sales would still have only declined roughly 3% annually over the past six years, given Neulasta's significant convenience benefit to Neupogen and dominant share. Neulasta biosimilars are not yet approved, and we don't expect Amgen's patent protection to roll off in most European markets until 2017, but Teva's branded long-acting GCSF, Lonquex, began to launch in some markets in 2014.

International Remicade: Very Early, but Some Significant Price Discounts Despite Limited Competition

Hospira's and Celltrion's Inflectra/Remsima, approved in 2013, were the first monoclonal antibody biosimilars approved in Europe, which should give us a real-world example of whether a more complex molecule—with fewer competitors—will have better pricing power.

So far, physicians look willing to start new patients on Remicade, but are more hesitant to switch established patients. Hospira has cited an average 30% discount to Remicade for Inflectra. However, some government tenders (in Norway, for example) are allowing payers to secure large discounts (69% lower than branded Remicade) and prioritizing biosimilars for new patient starts. In general, tender markets like Norway, Poland, and Hungary have seen strong uptake; biosimilar Remicade had a 67% market share in Poland by early 2015. Hospira recently gave a 45% discount as part of a tender to a large Paris hospital group serving about a quarter of France's population. This is in keeping with recent comments from Merck on average Remicade biosimilar discounts, but higher than their initial expectation for roughly 30% discounts. More broadly, we think post-marketing studies could help Remicade biosimilars gain acceptance in gastrointestinal indications like Crohn's disease, where they did not present clinical data and relied on extrapolation from clinical data in rheumatoid arthritis and ankylosing spondylitis. ■■

Valuation of Cleantech/Medtech Subsectors

The overall price to fair value of stocks listed in the Enternext universe is 0.85, compared with 0.83 in the previous quarter.

The cheapest subsectors are currently available in the cleantech space (industrial metals, pollution, chemicals). Diversified industrials, Utilities and Medical devices are among the most expensive subsectors (see chart).

Exhibit 3 Enternext Subsectors Price to Fair Value and Valuation Uncertainty



Source: Morningstar Direct. Data as of September 16, 2015.

The following tables list the valuation and some fundamental characteristics of each subsector.

Exhibit 4 Valuation and Fundamentals of Enternext Cleantech/Medtech Subsectors

Subsectors	Price/Fair Value	Quantitative Valuation Uncertainty Score	Quantitative Financial Health Score	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
Biotech.	0.84	0.64	0.69	125.94	-139.44	-134.07
Chemicals	0.77	0.63	0.61	398.93	-99.36	-100.13
Diag & Rsch	0.81	0.75	0.72	43.73	-132.82	-115.18
Div. Industrials	0.96	0.46	0.68	-0.07	7.81	5.46
Drug Manuf	0.83	0.52	0.61	26.06	-276.12	-277.89
Eng. & Constr.	0.80	0.90	0.18	-30.71	-35.29	-49.51
Indust. Metals	0.74	0.61	0.55	-0.78	-5.88	-5.68
Lumber & Wood	0.82	0.59	0.63	33.73	4.33	6.25
Medical Care	0.84	0.75	0.42	-7.39	-19.83	-18.16
Medical Devices	0.88	0.60	0.66	323.06	-98.75	-94.38
Med. Instr.	0.81	0.72	0.74	-8.21	-31.27	-31.93
Pollution	0.76	0.95	0.64	-5.85	37.80	21.23
Spclty Chem.	0.80	0.76	0.77	205.88	NA	NA
Util. – Div.	0.74	0.84	0.72	191.41	-139.53	-91.63
Util. – Indep. Prod.	0.90	0.64	0.53	1.33	3.89	1.61
Util. – Reg. Elec.	0.88	0.40	0.67	9.76	105.42	97.02
Utilities – Regulated Water	0.89	0.46	0.45	-18.63	9.86	6.11
Waste Mgt	0.89	0.51	0.63	-5.43	-38.57	-40.27

Source: Morningstar Direct. Data as of September 16, 2015. NA: not available.

Exhibit 5 Biotechnology

Name	Quantitative Moat	Price/Value Fair	Quantitative Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health	Quantitative Financial Health Score	Quantitative Valuation	Exchange Country	Revenue (mil)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
Abylnx NV	None	1.00	0.24	High	Strong	0.81	Fairly Valued	Belgium	63.00	43.79	-26.68	-26.68
Adocia	None	0.84	0.40	Very High	Moderate	0.63	Undervalued	France	13.00	-87.40	NA	NA
arGEN-X NV	None	0.76	0.80	Extreme	Strong	0.78	Undervalued	Belgium	3.00	40.31	-274.60	-274.60
Bone Therapeutics SA	None	0.84	0.78	Very High	Moderate	0.56	Undervalued	Belgium	0.00	0.00	NA	NA
Collectis SA	None	0.78	0.68	Very High	Strong	0.75	Undervalued	France	16.00	NA	NA	NA
Celyad SA	None	0.87	0.91	Extreme	Strong	0.79	Undervalued	Belgium	0.00	NA	NA	NA
DBV Technologies SA	None	0.84	0.45	Very High	Strong	0.72	Undervalued	France	4.00	24.44	-504.29	-504.29
Diaxonhit	None	0.84	0.53	Very High	Strong	0.70	Undervalued	France	31.00	1.76	-19.67	-17.54
Erytech Pharma	None	0.90	0.70	Very High	Strong	0.73	Undervalued	France	NA	NA	NA	NA
Fermentalg SA	None	0.81	0.66	Very High	Strong	0.90	Undervalued	France	0.00	NA	NA	NA
Galapagos NV	None	1.14	0.26	High	Strong	0.72	Overvalued	Netherlands	61.00	-9.47	-50.75	47.88
Genfit SA	None	0.87	0.37	Very High	Moderate	0.60	Undervalued	France	1.00	-15.00	NA	NA
Genoway SA	None	0.84	0.62	Very High	Strong	0.75	Undervalued	France	8.00	4.68	1.98	0.33
Gentical SA	None	0.74	1.03	Extreme	Strong	0.79	Undervalued	France	0.00	NA	NA	NA
Hybrigenics SA Class A	None	0.76	0.81	Extreme	Strong	0.72	Undervalued	France	4.00	-1.87	-73.61	-59.79
Innate Pharma SA Class A	None	0.80	0.52	Very High	Moderate	0.61	Undervalued	France	0.00	-92.73	NA	NA
Integragen	None	0.80	0.67	Very High	Moderate	0.70	Undervalued	France	6.00	11.61	-23.47	-17.29

Exhibit 5 Biotechnology (Continued)

Name	Quantitative Moat	Price/Value Fair	Quantitative Valuation		Quantitative Financial Health	Quantitative Financial Health Score	Quantitative Valuation	Exchange Country	Revenue (mil)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
			Uncertainty Score	Valuation Uncertainty								
MDxHealth SA	None	0.78	0.60	Very High	Strong	0.77	Undervalued	Belgium	14.00	54.50	-130.72	-130.72
Neovacs SA	None	0.76	0.78	Very High	Moderate	0.66	Undervalued	France	0.00	374.77	NA	NA
Nicox	None	0.80	0.64	Very High	Strong	0.79	Undervalued	France	8.00	1,272.02	-360.25	-382.68
Novacyt	None	0.76	0.86	Extreme	Moderate	0.65	Undervalued	France	4.00	276.99	-46.23	-81.72
Oncodesign SA	None	0.83	0.65	Very High	Moderate	0.62	Undervalued	France	7.00	NA	NA	NA
Onxeo SA	None	0.78	0.42	Very High	Strong	0.80	Undervalued	France	22.00	1,405.44	-25.13	-34.87
Pharming Group	None	0.86	0.32	High	Strong	0.77	Undervalued	Netherlands	23.00	209.56	-27.22	-27.22
Poxel SA	None	0.84	1.06	Extreme	Moderate	0.60	Undervalued	France	2.00	NA	NA	NA
Quantum Genomics	None	0.80	0.88	Extreme	Moderate	0.52	Undervalued	France	0.00	-31.03	NA	NA
Stallergènes SA	Narrow	1.01	0.19	High	Strong	0.86	Fairly Valued	France	251.00	1.26	24.62	17.24
ThromboGenics NV	None	0.71	0.63	Very High	Strong	0.77	Undervalued	Belgium	12.00	-87.79	-370.03	-371.04
TiGenix NV	None	0.80	0.61	Very High	Moderate	0.58	Undervalued	Belgium	0.00	-92.14	NA	NA
Transgene SA	None	0.71	0.64	Very High	Moderate	0.48	Undervalued	France	10.00	-25.31	-406.17	-413.17
TxCell SA	None	0.76	1.01	Extreme	Moderate	0.70	Undervalued	France	0.00	NA	NA	NA
Valneva SE	None	0.90	0.24	High	Moderate	0.55	Undervalued	France	59.00	21.27	-70.25	-71.16
Cerenis Therapeutics Holding SA	None	0.92	0.62	Very High	Strong	0.71	Undervalued	France	0.00	0.00	NA	NA
Orphan Synergy Europe – Pharma SA	None	0.96	0.75	Very High	Moderate	0.63	Fairly Valued	France	0.00	NA	NA	NA
Plant Advanced Technologies Pats SAs	None	0.94	0.51	Very High	Moderate	0.67	Undervalued	France	0.00	-25.25	-127.36	-65.93
Sensorion SA	None	0.82	1.15	Extreme	Moderate	0.60	Undervalued	France	NA	NA	NA	NA

Source: Morningstar Direct. Data as of September 16, 2015. NA: not available.

Exhibit 6 Chemicals

Name	Quantitative Fair Value Estimate	Quantitative Moat	Quantitative Valuation		Quantitative Valuation Uncertainty	Quantitative Financial Health	Quantitative Financial Health Score	Quantitative Valuation	Exchange Country	Revenue (mil)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
			Price/Fair Value	Valuation Uncertainty Score									
Metabolic Explorer	4.14	None	0.77	0.63	Very High	Moderate	0.61	Undervalued	France	3.00	398.93	-99.36	-100.13

Source: Morningstar Direct. Data as of September 16, 2015.

Exhibit 7 Diagnostics & Research

Name	Quantitative Fair Value Estimate	Quantitative Moat	Quantitative Valuation		Quantitative Valuation Uncertainty	Quantitative Financial Health	Quantitative Financial Health Score	Quantitative Valuation	Exchange Country	Revenue (mil)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
			Price/Fair Value	Valuation Uncertainty Score									
Biosynex SA	4.47	None	0.84	0.78	Very High	Moderate	0.49	Undervalued	France	4.00	123.55	-39.18	-37.55
Genomic Vision SA	14.85	None	0.78	0.75	Very High	Strong	0.82	Undervalued	France	3.00	19.67	-62.40	-62.40

Exhibit 7 Diagnostics & Research (Continued)

Name	Quantitative		Quantitative		Quantitative	Quantitative		Quantitative	Exchange	Revenue	Revenue	Operating	Net Margin
	Fair Value Estimate	Quantitative Moat	Price/Fair Value	Valuation Uncertainty Score		Valuation Uncertainty	Financial Health Score						
Median Technologies	13.15	None	0.93	0.64	Very High	Strong	0.73	Undervalued	France	1.00	26.18	-383.86	-319.10
Super Sonic Imagine	5.36	None	0.71	0.76	Very High	Strong	0.84	Undervalued	France	16.00	NA	NA	NA
Theradiag	4.93	None	0.78	0.85	Extreme	Strong	0.71	Undervalued	France	7.00	5.52	-45.83	-41.67

Source: Morningstar Direct. Data as of September 16, 2015. NA: not available

Exhibit 8 Diversified Industrials

Name	Quantitative		Quantitative		Quantitative	Quantitative		Quantitative	Exchange	Revenue	Revenue	Operating	Net Margin
	Fair Value Estimate	Quantitative Moat	Price/Fair Value	Valuation Uncertainty Score		Valuation Uncertainty	Financial Health Score						
Agfa-Gevaert NV	3.24	None	0.95	0.23	High	Moderate	0.60	Fairly Valued	Belgium	2,660.00	-8.55	2.94	1.91
Evolis SA	34.32	Narrow	1.04	0.28	High	Strong	0.82	Fairly Valued	France	60.00	7.26	17.51	12.10
Hiolle Industries	3.00	None	1.05	0.40	Very High	Moderate	0.65	Fairly Valued	France	69.00	2.72	2.90	1.85
McPhy Energy SA	7.32	None	0.76	0.94	Extreme	Strong	0.83	Undervalued	France	6.00	NA	NA	NA
Thermocompact SA	39.20	None	0.97	0.46	Very High	Moderate	0.50	Fairly Valued	France	68.00	-1.69	7.89	5.97

Source: Morningstar Direct. Data as of September 16, 2015. NA: not available

Exhibit 9 Drug Manufacturers

Name	Quantitative		Quantitative		Quantitative	Quantitative		Quantitative	Exchange	Revenue	Revenue	Operating	Net Margin
	Fair Value Estimate	Quantitative Moat	Price/Fair Value	Valuation Uncertainty Score		Valuation Uncertainty	Financial Health Score						
AB Science	17.28	None	0.78	0.63	Very High	Moderate	0.62	Undervalued	France	2.00	8.59	-770.94	-767.60
Eurofins Cerep SA	102.68	None	0.99	0.43	Very High	Moderate	0.67	Fairly Valued	France	18.00	-8.48	-7.10	-2.67
Nanobiotix	20.35	None	0.85	0.55	Very High	Strong	0.77	Undervalued	France	2.00	73.67	-342.04	-344.90
Fagron SA	25.11	Narrow	0.71	0.48	Very High	Moderate	0.40	Undervalued	Belgium	481.00	30.45	15.62	3.63

Source: Morningstar Direct. Data as of September 16, 2015.

Exhibit 10 Engineering & Construction

Name	Last Close	Quantitative		Quantitative		Quantitative	Quantitative		Quantitative	Exchange	Revenue	Revenue	Operating	Net	
		Market Cap (mil)	Fair Value Estimate	Quantitative Moat	Price/Fair Value		Valuation Uncertainty Score	Valuation Uncertainty							Financial Health Score
Martifer	0.27	26.40	0.34	None	0.80	0.90	Extreme	Weak	0.18	Undervalued	Portugal	221.00	-30.71	-35.29	-49.51

Source: Morningstar Direct. Data as of September 16, 2015.

Exhibit 11 Industrial Metals & Minerals

Name	Quantitative Fair Value		Price/Fair Value	Quantitative Valuation		Quantitative Valuation	Quantitative Financial Health		Exchange Country	Revenue (mil)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
	Fair Value Estimate	Quantitative Moat		Uncertainty Score	Uncertainty		Financial Health	Health Score					
Recylex SA	1.83	None	0.74	0.61	Very High	Moderate	0.55	Undervalued	France	399.00	-0.78	-5.88	-5.68

Source: Morningstar Direct. Data as of September 16, 2015.

Exhibit 12 Lumber & Wood Production

Name	Quantitative Fair Value		Price/Fair Value	Quantitative Valuation		Quantitative Valuation	Quantitative Financial Health		Exchange Country	Revenue (mil)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
	Fair Value Estimate	Quantitative Moat		Uncertainty Score	Uncertainty		Financial Health	Health Score					
EO2 SA	4.16	None	0.74	0.78	Very High	Moderate	0.63	Undervalued	France	19.00	35.96	5.98	5.98
Moulinvest	7.33	None	0.90	0.40	Very High	Moderate	0.63	Undervalued	France	45.00	31.49	2.67	6.51

Source: Morningstar Direct. Data as of September 16, 2015.

Exhibit 13 Medical Care

Name	Quantitative Fair Value		Price/Fair Value	Quantitative Valuation		Quantitative Valuation	Quantitative Financial Health		Exchange Country	Revenue (mil)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
	Fair Value Estimate	Quantitative Moat		Uncertainty Score	Uncertainty		Financial Health	Health Score					
Esperite NV	2.93	None	0.84	0.75	Very High	Moderate	0.42	Undervalued	Netherlands	28.00	-7.39	-19.83	-18.16

Source: Morningstar Direct. Data as of September 16, 2015.

Exhibit 14 Medical Devices

Name	Quantitative Fair Value		Price/Fair Value	Quantitative Valuation		Quantitative Valuation	Quantitative Financial Health		Exchange Country	Revenue (mil)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
	Fair Value Estimate	Quantitative Moat		Uncertainty Score	Uncertainty		Financial Health	Health Score					
Audika Groupe	15.28	None	1.15	0.35	High	Moderate	0.68	Overvalued	France	98.00	3.42	11.26	6.47
Bluelinea SA	7.95	None	0.96	0.62	Very High	Strong	0.74	Fairly Valued	France	2.00	NA	NA	NA
DMS (Diagnostic Medical Systems)	0.28	None	0.91	0.43	Very High	Strong	0.71	Undervalued	France	26.00	10.67	-4.09	-4.24
Eckert & Ziegler Bebig SA	1.63	None	0.72	0.83	Extreme	Moderate	0.54	Undervalued	Belgium	29.00	3.51	-5.28	-10.57
EOS Imaging SA	5.52	None	1.00	0.30	High	Strong	0.71	Fairly Valued	France	23.00	32.25	-26.14	-26.14
Euromedis Groupe	8.17	None	0.85	0.38	Very High	Strong	0.71	Undervalued	France	73.00	-3.34	5.04	3.49
Guerbet	49.04	Narrow	1.24	0.27	High	Moderate	0.64	Overvalued	France	408.00	4.95	8.86	6.39
IMPLANET	3.24	None	0.72	0.71	Very High	Moderate	0.50	Undervalued	France	7.00	5.20	-97.63	-97.63
Ion Beam Applications SA	28.05	None	1.06	0.23	High	Moderate	0.67	Overvalued	Belgium	243.00	3.80	7.79	11.01
Mauna Kea Technologies	4.04	None	0.73	0.64	Very High	Strong	0.79	Undervalued	France	11.00	10.41	-127.01	-127.01
Medical Device Works SA	8.86	Narrow	0.90	0.81	Extreme	Strong	0.78	Undervalued	France	1.00	NA	NA	NA

Exhibit 14 Medical Devices (Continued)

Name	Quantitative		Quantitative			Quantitative			Exchange	Revenue	Revenue	Operating	Net Margin
	Fair Value Estimate	Quantitative Moat	Price/Fair Value	Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health Score	Financial Health Score	Quantitative Valuation					
MedTech SA	32.53	None	0.90	0.57	Very High	Strong	0.82	Undervalued	France	3.00	NA	-89.24	-79.31
Quantel	3.00	None	0.85	0.57	Very High	Moderate	0.37	Undervalued	France	52.00	-4.45	-2.01	-2.09
Spineguard	5.90	None	0.76	0.90	Extreme	Moderate	0.61	Undervalued	France	4.00	-3.88	-102.31	-102.31
Spineway	4.79	Narrow	0.76	0.62	Very High	Moderate	0.58	Undervalued	France	5.00	-20.97	-39.73	-31.75
Stentys	7.48	None	0.76	0.90	Extreme	Strong	0.74	Undervalued	France	3.00	13.46	-463.10	-463.10
Theraclion Act.	9.67	None	0.78	0.84	Extreme	Moderate	0.66	Undervalued	France	0.00	4,772.85	-639.08	-573.75
Visiomed Group	3.49	None	0.83	0.80	Extreme	Moderate	0.58	Undervalued	France	13.00	18.09	-17.37	-19.52

Source: Morningstar Direct. Data as of September 16, 2015. NA: not available

Exhibit 15 Medical Instruments & Supplies

Name	Quantitative		Quantitative			Quantitative			Exchange	Revenue	Revenue	Operating	Net Margin
	Fair Value Estimate	Quantitative Moat	Price/Fair Value	Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health Score	Financial Health Score	Quantitative Valuation					
Carmat	71.99	None	0.81	0.65	Very High	Strong	0.74	Undervalued	France	NA	-98.28	NA	NA
CROSSJECT	7.81	None	0.78	0.75	Very High	Strong	0.83	Undervalued	France	NA	NA	NA	NA
I.Ceram	9.08	None	0.83	0.84	Extreme	Moderate	0.55	Undervalued	France	1.00	NA	NA	NA
Medicrea International SA	7.92	None	0.84	0.42	Very High	Moderate	0.70	Undervalued	France	24.00	5.90	-2.89	-4.23
Pixium Vision SA	7.88	None	0.74	1.00	Extreme	Strong	0.86	Undervalued	France	2.00	NA	NA	NA
Safe Orthopaedics SA	4.99	None	0.78	0.85	Extreme	Moderate	0.65	Undervalued	France	1.00	NA	NA	NA
Vexim	11.77	None	0.91	0.51	Very High	Strong	0.84	Undervalued	France	10.00	67.75	-59.64	-59.63

Source: Morningstar Direct. Data as of September 16, 2015. NA: not available

Exhibit 16 Pollution & Treatment Controls

Name	Quantitative		Quantitative			Quantitative			Exchange	Revenue	Revenue	Operating	Net Margin
	Fair Value Estimate	Quantitative Moat	Price/Fair Value	Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health Score	Financial Health Score	Quantitative Valuation					
Envipco Holding NV Class B	1.96	None	0.69	1.00	Extreme	Moderate	0.45	Undervalued	Belgium	24.00	-5.85	37.80	21.23
Innoxeo SA	8.12	None	0.84	0.90	Extreme	Strong	0.84	Undervalued	France	NA	NA	NA	NA

Source: Morningstar Direct. Data as of September 16, 2015. NA: not available

Exhibit 17 Specialty Chemicals

Name	Quantitative Fair Value		Quantitative Price/Fair Value		Quantitative Valuation	Quantitative Financial Health		Quantitative Valuation	Exchange Country	Revenue (mil)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
	Estimate	Moat	Value	Uncertainty Score	Valuation Uncertainty	Health	Score						
CARBIOS SA	14.62	None	0.82	0.67	Very High	Strong	0.86	Undervalued	France	NA	NA	NA	NA
Deinove	8.77	None	0.77	0.86	Extreme	Moderate	0.68	Undervalued	France	NA	205.88	NA	NA

Source: Morningstar Direct. Data as of September 16, 2015. NA: not available

Exhibit 18 Utilities – Diversified

Name	Quantitative Fair Value		Quantitative Price/Fair Value		Quantitative Valuation	Quantitative Financial Health		Quantitative Valuation	Exchange Country	Revenue (mil)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
	Estimate	Moat	Value	Uncertainty Score	Valuation Uncertainty	Health	Score						
Global Bioenergies	48.68	None	0.75	0.80	Extreme	Moderate	0.65	Undervalued	France	1.00	8.18	-306.21	-236.08
Methanor	8.28	None	0.74	0.88	Extreme	Strong	0.79	Undervalued	France	NA	374.63	27.15	52.82

Source: Morningstar Direct. Data as of September 16, 2015. NA: not available

Exhibit 19 Utilities – Independent Power Producers

Name	Quantitative Fair Value		Quantitative Price/Fair Value		Quantitative Valuation	Quantitative Financial Health		Quantitative Valuation	Exchange Country	Revenue (mil)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
	Estimate	Moat	Value	Uncertainty Score	Valuation Uncertainty	Health	Score						
Global EcoPower	4.19	None	0.89	0.56	Very High	Moderate	0.65	Undervalued	France	15.00	27.60	13.26	10.28
New Sources Energy NV	0.88	None	0.85	0.79	Very High	Moderate	0.52	Undervalued	Netherlands	NA	0.00	NA	NA
Solabios	1.32	Narrow	0.99	0.65	Very High	Moderate	0.67	Fairly Valued	France	4.00	NA	NA	NA
Theolia comes Grouping	0.74	None	0.79	0.64	Very High	Moderate	0.38	Undervalued	France	101.00	5.49	-21.73	-24.94
Vergnet SA	1.79	None	0.99	0.57	Very High	Moderate	0.40	Fairly Valued	France	41.00	-27.77	20.13	19.48

Source: Morningstar Direct. Data as of September 16, 2015. NA: not available

Exhibit 20 Utilities – Regulated Electric

Name	Quantitative Fair Value		Quantitative Price/Fair Value		Quantitative Valuation	Quantitative Financial Health		Quantitative Valuation	Exchange Country	Revenue (mil)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
	Estimate	Moat	Value	Uncertainty Score	Valuation Uncertainty	Health	Score						
4Energy Invest	3.18	Narrow	0.94	0.48	Very High	Strong	0.72	Undervalued	Belgium	17.00	-5.08	227.29	227.26
Albioma	18.02	None	0.83	0.27	High	Moderate	0.54	Undervalued	France	354.00	-2.56	14.44	10.75
Velcan SA	15.39	Narrow	0.80	0.55	Very High	Strong	0.87	Undervalued	France	4.00	-1.44	160.43	133.80
Volitalia SA	10.34	None	0.97	0.28	High	Moderate	0.55	Fairly Valued	France	42.00	48.11	19.50	16.28

Source: Morningstar Direct. Data as of September 16, 2015.

Exhibit 21 Utilities – Regulated Water

Name	Quantitative Fair Value		Price/Fair Value	Quantitative Valuation		Quantitative Valuation	Quantitative Financial Health		Exchange Country	Revenue (mil)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
	Fair Value Estimate	Quantitative Moat		Price/Fair Value	Valuation Uncertainty Score		Quantitative Valuation	Quantitative Financial Health					
Parisienne de Chauffage Urbain	101.70	None	0.89	0.46	Very High	Moderate	0.45	Undervalued	France	392.00	-18.63	9.86	6.11

Source: Morningstar Direct. Data as of September 16, 2015.

Exhibit 22 Waste Management

Name	Quantitative Fair Value		Price/Fair Value	Quantitative Valuation		Quantitative Valuation	Quantitative Financial Health		Exchange Country	Revenue (mil)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
	Fair Value Estimate	Quantitative Moat		Price/Fair Value	Valuation Uncertainty Score		Quantitative Valuation	Quantitative Financial Health					
ABO–Group Environment NV	4.10	Narrow	0.87	0.56	Very High	Moderate	0.54	Undervalued	Belgium	29.00	6.00	0.71	0.75
Aurea	5.54	None	0.95	0.36	Very High	Strong	0.72	Undervalued	France	168.00	7.70	3.60	2.85
Cnim	94.78	Narrow	0.93	0.27	High	Strong	0.90	Undervalued	France	790.00	1.14	6.51	4.10
Derichebourg SA	2.57	None	0.95	0.35	High	Moderate	0.41	Fairly Valued	France	2,561.00	-2.51	-0.34	-0.33
Ecoslops SA	15.30	Narrow	0.86	0.67	Very High	Moderate	0.63	Undervalued	France	2.00	NA	NA	NA
Europlasma	1.26	None	0.72	0.97	Extreme	Moderate	0.65	Undervalued	France	8.00	-28.55	-286.78	-289.34
Groupe Pizzorno Environnement	17.15	None	0.89	0.42	Very High	Moderate	0.58	Undervalued	France	217.00	-5.40	2.09	-2.13
Orege	4.28	None	0.78	0.76	Very High	Strong	0.71	Undervalued	France	0.00	-16.64	NA	NA
Séché Environnement	31.61	None	1.03	0.27	High	Moderate	0.51	Fairly Valued	France	451.00	-5.19	4.25	2.21

Source: Morningstar Direct. Data as of September 16, 2015. NA: not available

The following table describes undervalued companies with a “narrow moat” according to Morningstar Quantitative Research.

Exhibit 23 Undervalued Stocks with Narrow Moat

Name	Quantitative Fair Value		Price/Fair Value	Industry	Quantitative Valuation		Quantitative Valuation	Quantitative Financial Health		Exchange Country	Revenue (mil)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
	Fair Value Estimate	Quantitative Moat			Price/Fair Value	Valuation Uncertainty Score		Quantitative Valuation	Quantitative Financial Health					
Fagron SA	25.11	Narrow	0.71	Drug Manufacturers – Specialty & Generic	0.48	Very High	Moderate	0.40	Undervalued	Belgium	481.00	30.45	15.62	3.63
Spineway	4.79	Narrow	0.76	Medical Devices	0.62	Very High	Moderate	0.58	Undervalued	France	5.00	-20.97	-39.73	-31.75
Velcan SA	15.39	Narrow	0.80	Utilities – Regulated Electric	0.55	Very High	Strong	0.87	Undervalued	France	4.00	-1.44	160.43	133.80
Ecoslops SA	15.30	Narrow	0.86	Waste Management	0.67	Very High	Moderate	0.63	Undervalued	France	2.00	NA	NA	NA
ABO–Group Environment NV	4.10	Narrow	0.87	Waste Management	0.56	Very High	Moderate	0.54	Undervalued	Belgium	29.00	6.00	0.71	0.75
Medical Device Works SA	8.86	Narrow	0.90	Medical Devices	0.81	Extreme	Strong	0.78	Undervalued	France	1.00	NA	NA	NA
Cnim	94.78	Narrow	0.93	Waste Management	0.27	High	Strong	0.90	Undervalued	France	790.00	1.14	6.51	4.10
4Energy Invest	3.18	Narrow	0.94	Utilities – Regulated Electric	0.48	Very High	Strong	0.72	Undervalued	Belgium	17.00	-5.08	227.29	227.26

Source: Morningstar Direct. Data as of September 16, 2015. NA: not available

Exhibit 24 Most Undervalued Stocks in the Enternext Universe

Name	Quantitative Moat	Price/ Fair Value	Industry	Quantitative				Exchange Country	Revenue (mil)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)	
				Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health	Quantitative Financial Health Score						
Envipco Holding NV Class B	None	0.69	Pollution & Treatment Controls	1.00	Extreme	Moderate	0.45	Undervalued	Belgium	24.00	-5.85	37.80	21.23
Fagron SA	Narrow	0.71	Drug Manufacturers – Specialty & Generic	0.48	Very High	Moderate	0.40	Undervalued	Belgium	481.00	30.45	15.62	3.63
ThromboGenics NV	None	0.71	Biotechnology	0.63	Very High	Strong	0.77	Undervalued	Belgium	12.00	-87.79	-370.03	-371.04
Super Sonic Imagine	None	0.71	Diagnostics & Research	0.76	Very High	Strong	0.84	Undervalued	France	16.00	NA	NA	NA
Transgene SA	None	0.71	Biotechnology	0.64	Very High	Moderate	0.48	Undervalued	France	10.00	-25.31	-406.17	-413.17
Europlasma	None	0.72	Waste Management	0.97	Extreme	Moderate	0.65	Undervalued	France	8.00	-28.55	-286.78	-289.34
Eckert & Ziegler Bebig SA	None	0.72	Medical Devices	0.83	Extreme	Moderate	0.54	Undervalued	Belgium	29.00	3.51	-5.28	-10.57
IMPLANET	None	0.72	Medical Devices	0.71	Very High	Moderate	0.50	Undervalued	France	7.00	5.20	-97.63	-97.63
Mauna Kea Technologies	None	0.73	Medical Devices	0.64	Very High	Strong	0.79	Undervalued	France	11.00	10.41	-127.01	-127.01
Methanor	None	0.74	Utilities – Diversified	0.88	Extreme	Strong	0.79	Undervalued	France	0.00	374.63	27.15	52.82
Recylex SA	None	0.74	Industrial Metals & Minerals	0.61	Very High	Moderate	0.55	Undervalued	France	399.00	-0.78	-5.88	-5.68
Pixium Vision SA	None	0.74	Medical Instruments & Supplies	1.00	Extreme	Strong	0.86	Undervalued	France	2.00	NA	NA	NA
Gentcel SA	None	0.74	Biotechnology	1.03	Extreme	Strong	0.79	Undervalued	France	0.00	NA	NA	NA
EO2 SA	None	0.74	Lumber & Wood Production	0.78	Very High	Moderate	0.63	Undervalued	France	19.00	35.96	5.98	5.98
Global Bioenergies	None	0.75	Utilities – Diversified	0.80	Extreme	Moderate	0.65	Undervalued	France	1.00	8.18	-306.21	-236.08
Spineway	Narrow	0.76	Medical Devices	0.62	Very High	Moderate	0.58	Undervalued	France	5.00	-20.97	-39.73	-31.75
Spineguard	None	0.76	Medical Devices	0.90	Extreme	Moderate	0.61	Undervalued	France	4.00	-3.88	-102.31	-102.31
Hybrigenics SA Class A	None	0.76	Biotechnology	0.81	Extreme	Strong	0.72	Undervalued	France	4.00	-1.87	-73.61	-59.79
McPhy Energy SA	None	0.76	Diversified Industrials	0.94	Extreme	Strong	0.83	Undervalued	France	6.00	NA	NA	NA
arGEN-X NV	None	0.76	Biotechnology	0.80	Extreme	Strong	0.78	Undervalued	Belgium	3.00	40.31	-274.60	-274.60
Stentys	None	0.76	Medical Devices	0.90	Extreme	Strong	0.74	Undervalued	France	3.00	13.46	-463.10	-463.10
Novacyt	None	0.76	Biotechnology	0.86	Extreme	Moderate	0.65	Undervalued	France	4.00	276.99	-46.23	-81.72
TxCell SA	None	0.76	Biotechnology	1.01	Extreme	Moderate	0.70	Undervalued	France	0.00	NA	NA	NA
Neovacs SA	None	0.76	Biotechnology	0.78	Very High	Moderate	0.66	Undervalued	France	0.00	374.77	NA	NA
Metabolic Explorer	None	0.77	Chemicals	0.63	Very High	Moderate	0.61	Undervalued	France	3.00	398.93	-99.36	-100.13
Deinove	None	0.77	Specialty Chemicals	0.86	Extreme	Moderate	0.68	Undervalued	France	0.00	205.88	NA	NA
Genomic Vision SA	None	0.78	Diagnostics & Research	0.75	Very High	Strong	0.82	Undervalued	France	3.00	19.67	-62.40	-62.40
Onxeo SA	None	0.78	Biotechnology	0.42	Very High	Strong	0.80	Undervalued	France	22.00	1405.44	-25.13	-34.87
Orege	None	0.78	Waste Management	0.76	Very High	Strong	0.71	Undervalued	France	0.00	-16.64	NA	NA
Theraclion Act.	None	0.78	Medical Devices	0.84	Extreme	Moderate	0.66	Undervalued	France	0.00	4772.85	-639.08	-573.75
Safe Orthopaedics SA	None	0.78	Medical Instruments & Supplies	0.85	Extreme	Moderate	0.65	Undervalued	France	1.00	NA	NA	NA
CROSSJECT	None	0.78	Medical Instruments & Supplies	0.75	Very High	Strong	0.83	Undervalued	France	0.00	NA	NA	NA
MDxHealth SA	None	0.78	Biotechnology	0.60	Very High	Strong	0.77	Undervalued	Belgium	14.00	54.50	-130.72	-130.72
AB Science	None	0.78	Drug Manufacturers – Major	0.63	Very High	Moderate	0.62	Undervalued	France	2.00	8.59	-770.94	-767.60

Exhibit 24 Most Undervalued Stocks in the Enternext Universe (Continued)

Name	Quantitative Moat	Price/ Fair Value	Industry	Quantitative		Quantitative Financial Health	Quantitative Financial Health Score	Quantitative Valuation	Exchange Country	Revenue (mil)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
				Valuation Uncertainty Score	Valuation Uncertainty								
Collectis SA	None	0.78	Biotechnology	0.68	Very High	Strong	0.75	Undervalued	France	16.00	NA	NA	NA
Theradiag	None	0.78	Diagnostics & Research	0.85	Extreme	Strong	0.71	Undervalued	France	7.00	5.52	-45.83	-41.67
Theolia comes Grouping	None	0.79	Utilities – Independent Power Producers	0.64	Very High	Moderate	0.38	Undervalued	France	101.00	5.49	-21.73	-24.94
Innate Pharma SA Class A	None	0.80	Biotechnology	0.52	Very High	Moderate	0.61	Undervalued	France	0.00	-92.73	NA	NA
Velcan SA	Narrow	0.80	Utilities – Regulated Electric	0.55	Very High	Strong	0.87	Undervalued	France	4.00	-1.44	160.43	133.80
Quantum Genomics	None	0.80	Biotechnology	0.88	Extreme	Moderate	0.52	Undervalued	France	0.00	-31.03	NA	NA
TiGenix NV	None	0.80	Biotechnology	0.61	Very High	Moderate	0.58	Undervalued	Belgium	0.00	-92.14	NA	NA
Nicox	None	0.80	Biotechnology	0.64	Very High	Strong	0.79	Undervalued	France	8.00	1	-360.25	-382.68
Martifer	None	0.80	Engineering & Construction	0.90	Extreme	Weak	0.18	Undervalued	Portugal	221.00	-30.71	-35.29	-49.51
Integragen	None	0.80	Biotechnology	0.67	Very High	Moderate	0.70	Undervalued	France	6.00	11.61	-23.47	-17.29
Carmat	None	0.81	Medical Instruments & Supplies	0.65	Very High	Strong	0.74	Undervalued	France	0.00	-98.28	NA	NA
Fermentalg SA	None	0.81	Biotechnology	0.66	Very High	Strong	0.90	Undervalued	France	0.00	NA	NA	NA
Sensorion SA	None	0.82	Biotechnology	1.15	Extreme	Moderate	0.60	Undervalued	France	NA	NA	NA	NA
CARBIOS SA	None	0.82	Specialty Chemicals	0.67	Very High	Strong	0.86	Undervalued	France	NA	NA	NA	NA
I.Ceram	None	0.83	Medical Instruments & Supplies	0.84	Extreme	Moderate	0.55	Undervalued	France	1.00	NA	NA	NA
Albioma	None	0.83	Utilities – Regulated Electric	0.27	High	Moderate	0.54	Undervalued	France	354.00	-2.56	14.44	10.75
Oncodesign SA	None	0.83	Biotechnology	0.65	Very High	Moderate	0.62	Undervalued	France	7.00	NA	NA	NA
Visiomed Group	None	0.83	Medical Devices	0.80	Extreme	Moderate	0.58	Undervalued	France	13.00	18.09	-17.37	-19.52
Genoway SA	None	0.84	Biotechnology	0.62	Very High	Strong	0.75	Undervalued	France	8.00	4.68	1.98	0.33
Esperite NV	None	0.84	Medical Care	0.75	Very High	Moderate	0.42	Undervalued	Netherlands	28.00	-7.39	-19.83	-18.16
Innoveox SA	None	0.84	Pollution & Treatment Controls	0.90	Extreme	Strong	0.84	Undervalued	France	0.00	NA	NA	NA
Bone Therapeutics SA	None	0.84	Biotechnology	0.78	Very High	Moderate	0.56	Undervalued	Belgium	0.00	0.00	NA	NA
Poxel SA	None	0.84	Biotechnology	1.06	Extreme	Moderate	0.60	Undervalued	France	2.00	NA	NA	NA
DBV Technologies SA	None	0.84	Biotechnology	0.45	Very High	Strong	0.72	Undervalued	France	4.00	24.44	-504.29	-504.29
Biosynex SA	None	0.84	Diagnostics & Research	0.78	Very High	Moderate	0.49	Undervalued	France	4.00	123.55	-39.18	-37.55
Adocia	None	0.84	Biotechnology	0.40	Very High	Moderate	0.63	Undervalued	France	13.00	-87.40	NA	NA
Diaxonhit	None	0.84	Biotechnology	0.53	Very High	Strong	0.70	Undervalued	France	31.00	1.76	-19.67	-17.54
Medicrea International SA	None	0.84	Medical Instruments & Supplies	0.42	Very High	Moderate	0.70	Undervalued	France	24.00	5.90	-2.89	-4.23
Nanobiotix	None	0.85	Drug Manufacturers – Major	0.55	Very High	Strong	0.77	Undervalued	France	2.00	73.67	-342.04	-344.90
Quantel	None	0.85	Medical Devices	0.57	Very High	Moderate	0.37	Undervalued	France	52.00	-4.45	-2.01	-2.09
Euromedis Groupe	None	0.85	Medical Devices	0.38	Very High	Strong	0.71	Undervalued	France	73.00	-3.34	5.04	3.49
New Sources Energy NV	None	0.85	Utilities – Independent Power Producers	0.79	Very High	Moderate	0.52	Undervalued	Netherlands	0.00	0.00	NA	NA
Ecoslops SA	Narrow	0.86	Waste Management	0.67	Very High	Moderate	0.63	Undervalued	France	2.00	NA	NA	NA

Exhibit 24 Most Undervalued Stocks in the Enternext Universe (Continued)

Name	Quantitative Moat	Price/ Fair Value	Industry	Quantitative				Exchange Country	Revenue (mil)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)	
				Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health	Quantitative Financial Health Score						
Pharming Group	None	0.86	Biotechnology	0.32	High	Strong	0.77	Undervalued	Netherlands	23.00	209.56	-27.22	-27.22
Genfit SA	None	0.87	Biotechnology	0.37	Very High	Moderate	0.60	Undervalued	France	1.00	-15.00	NA	NA
Celyad SA	None	0.87	Biotechnology	0.91	Extreme	Strong	0.79	Undervalued	Belgium	0.00	NA	NA	NA
ABO-Group Environment NV	Narrow	0.87	Waste Management	0.56	Very High	Moderate	0.54	Undervalued	Belgium	29.00	6.00	0.71	0.75
Parisienne de Chauffage Urbain	None	0.89	Utilities – Regulated Water	0.46	Very High	Moderate	0.45	Undervalued	France	392.00	-18.63	9.86	6.11
Groupe Pizzorno Environnement	None	0.89	Waste Management	0.42	Very High	Moderate	0.58	Undervalued	France	217.00	-5.40	2.09	-2.13
Global EcoPower	None	0.89	Utilities – Independent Power Producers	0.56	Very High	Moderate	0.65	Undervalued	France	15.00	27.60	13.26	10.28
Valneva SE	None	0.90	Biotechnology	0.24	High	Moderate	0.55	Undervalued	France	59.00	21.27	-70.25	-71.16
Moulinvest	None	0.90	Lumber & Wood Production	0.40	Very High	Moderate	0.63	Undervalued	France	45.00	31.49	2.67	6.51
Medical Device Works SA	Narrow	0.90	Medical Devices	0.81	Extreme	Strong	0.78	Undervalued	France	1.00	NA	NA	NA
Erytech Pharma	None	0.90	Biotechnology	0.70	Very High	Strong	0.73	Undervalued	France	NA	NA	NA	NA
MedTech SA	None	0.90	Medical Devices	0.57	Very High	Strong	0.82	Undervalued	France	3.00		-89.24	-79.31
DMS (Diagnostic Medical Systems)	None	0.91	Medical Devices	0.43	Very High	Strong	0.71	Undervalued	France	26.00	10.67	-4.09	-4.24
Vexim	None	0.91	Medical Instruments & Supplies	0.51	Very High	Strong	0.84	Undervalued	France	10.00	67.75	-59.64	-59.63
Cerenis Therapeutics Holding SA	None	0.92	Biotechnology	0.62	Very High	Strong	0.71	Undervalued	France	0.00	0.00	NA	NA
Cnim	Narrow	0.93	Waste Management	0.27	High	Strong	0.90	Undervalued	France	790.00	1.14	6.51	4.10
Median Technologies	None	0.93	Diagnostics & Research	0.64	Very High	Strong	0.73	Undervalued	France	1.00	26.18	-383.86	-319.10
Plant Advanced Technologies Pats SAs	None	0.94	Biotechnology	0.51	Very High	Moderate	0.67	Undervalued	France	0.00	-25.25	-127.36	-65.93
4Energy Invest	Narrow	0.94	Utilities – Regulated Electric	0.48	Very High	Strong	0.72	Undervalued	Belgium	17.00	-5.08	227.29	227.26
Aurea	None	0.95	Waste Management	0.36	Very High	Strong	0.72	Undervalued	France	168.00	7.70	3.60	2.85

Source: Morningstar Direct. Data as of September 16, 2015. NA: not available

Exhibit 25 Stocks with Highest Annual Sales Growth in 2014

Name	Quantitative Moat	Price/ Fair Value	Industry	Quantitative				Exchange Country	Revenue (mil)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)	
				Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health	Quantitative Financial Health Score						
Theraclion Act.	None	0.78	Medical Devices	0.84	Extreme	Moderate	0.66	Undervalued	France	0.00	NA	-639.08	-573.75
Onxeo SA	None	0.78	Biotechnology	0.42	Very High	Strong	0.80	Undervalued	France	22.00	NA	-25.13	-34.87
Nicox	None	0.80	Biotechnology	0.64	Very High	Strong	0.79	Undervalued	France	8.00	NA	-360.25	-382.68
Metabolic Explorer	None	0.77	Chemicals	0.63	Very High	Moderate	0.61	Undervalued	France	3.00	398.93	-99.36	-100.13
Neovacs SA	None	0.76	Biotechnology	0.78	Very High	Moderate	0.66	Undervalued	France	0.00	374.77	NA	NA
Methanor	None	0.74	Utilities – Diversified	0.88	Extreme	Strong	0.79	Undervalued	France	0.00	374.63	27.15	52.82

Exhibit 25 Stocks with Highest Annual Sales Growth in 2014 (Continued)

Name	Quantitative Moat	Price/ Fair Value	Industry	Quantitative Valuation		Quantitative Financial Health	Quantitative Financial Health Score	Quantitative Valuation	Exchange Country	Revenue (mil)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
				Uncertainty Score	Quantitative Uncertainty								
Novacyt	None	0.76	Biotechnology	0.86	Extreme	Moderate	0.65	Undervalued	France	4.00	276.99	-46.23	-81.72
Pharming Group	None	0.86	Biotechnology	0.32	High	Strong	0.77	Undervalued	Netherlands	23.00	209.56	-27.22	-27.22
Deinove	None	0.77	Specialty Chemicals	0.86	Extreme	Moderate	0.68	Undervalued	France	0.00	205.88	NA	NA
Biosynex SA	None	0.84	Diagnostics & Research	0.78	Very High	Moderate	0.49	Undervalued	France	4.00	123.55	-39.18	-37.55
Nanobiotix	None	0.85	Drug Manufacturers – Major	0.55	Very High	Strong	0.77	Undervalued	France	2.00	73.67	-342.04	-344.90
Vexim	None	0.91	Medical Instruments & Supplies	0.51	Very High	Strong	0.84	Undervalued	France	10.00	67.75	-59.64	-59.63
MDxHealth SA	None	0.78	Biotechnology	0.60	Very High	Strong	0.77	Undervalued	Belgium	14.00	54.50	-130.72	-130.72
Voltaia SA	None	0.97	Utilities – Regulated Electric	0.28	High	Moderate	0.55	Fairly Valued	France	42.00	48.11	19.50	16.28
Abylnx NV	None	1.00	Biotechnology	0.24	High	Strong	0.81	Fairly Valued	Belgium	63.00	43.79	-26.68	-26.68
arGEN-X NV	None	0.76	Biotechnology	0.80	Extreme	Strong	0.78	Undervalued	Belgium	3.00	40.31	-274.60	-274.60
EO2 SA	None	0.74	Lumber & Wood Production	0.78	Very High	Moderate	0.63	Undervalued	France	19.00	35.96	5.98	5.98
EOS Imaging SA	None	1.00	Medical Devices	0.30	High	Strong	0.71	Fairly Valued	France	23.00	32.25	-26.14	-26.14
Moulinvest	None	0.90	Lumber & Wood Production	0.40	Very High	Moderate	0.63	Undervalued	France	45.00	31.49	2.67	6.51
Fagron SA	Narrow	0.71	Drug Manufacturers – Specialty & Generic	0.48	Very High	Moderate	0.40	Undervalued	Belgium	481.00	30.45	15.62	3.63
Global EcoPower	None	0.89	Utilities – Independent Power Producers	0.56	Very High	Moderate	0.65	Undervalued	France	15.00	27.60	13.26	10.28
Median Technologies	None	0.93	Diagnostics & Research	0.64	Very High	Strong	0.73	Undervalued	France	1.00	26.18	-383.86	-319.10
DBV Technologies SA	None	0.84	Biotechnology	0.45	Very High	Strong	0.72	Undervalued	France	4.00	24.44	-504.29	-504.29
Valneva SE	None	0.90	Biotechnology	0.24	High	Moderate	0.55	Undervalued	France	59.00	21.27	-70.25	-71.16
Genomic Vision SA	None	0.78	Diagnostics & Research	0.75	Very High	Strong	0.82	Undervalued	France	3.00	19.67	-62.40	-62.40
Visiomed Group	None	0.83	Medical Devices	0.80	Extreme	Moderate	0.58	Undervalued	France	13.00	18.09	-17.37	-19.52
Stentys	None	0.76	Medical Devices	0.90	Extreme	Strong	0.74	Undervalued	France	3.00	13.46	-463.10	-463.10
Integrigen	None	0.80	Biotechnology	0.67	Very High	Moderate	0.70	Undervalued	France	6.00	11.61	-23.47	-17.29
DMS (Diagnostic Medical Systems)	None	0.91	Medical Devices	0.43	Very High	Strong	0.71	Undervalued	France	26.00	10.67	-4.09	-4.24
Mauna Kea Technologies	None	0.73	Medical Devices	0.64	Very High	Strong	0.79	Undervalued	France	11.00	10.41	-127.01	-127.01

Source: Morningstar Direct. Data as of September 16, 2015. NA: not available

Exhibit 26 Stocks with Highest Operating Margin in 2014

Name	Quantitative Moat	Price/Fair Value	Industry	Quantitative Valuation		Quantitative Financial Health	Quantitative Financial Health Score		Exchange Country	Revenue (mil)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
				Uncertainty Score	Quantitative Valuation Uncertainty		Health Score	Valuation					
4Energy Invest	Narrow	0.94	Utilities – Regulated Electric	0.48	Very High	Strong	0.72	Undervalued	Belgium	17.00	-5.08	227.29	227.26
Velcan SA	Narrow	0.80	Utilities – Regulated Electric	0.55	Very High	Strong	0.87	Undervalued	France	4.00	-1.44	160.43	133.80
Envipco Holding NV Class B	None	0.69	Pollution & Treatment Controls	1.00	Extreme	Moderate	0.45	Undervalued	Belgium	24.00	-5.85	37.80	21.23
Methanor	None	0.74	Utilities – Diversified	0.88	Extreme	Strong	0.79	Undervalued	France	0.00	374.63	27.15	52.82
Stallergènes SA	Narrow	1.01	Biotechnology	0.19	High	Strong	0.86	Fairly Valued	France	251.00	1.26	24.62	17.24
Vergnet SA	None	0.99	Utilities – Independent Power Producers	0.57	Very High	Moderate	0.40	Fairly Valued	France	41.00	-27.77	20.13	19.48
Voltalia SA	None	0.97	Utilities – Regulated Electric	0.28	High	Moderate	0.55	Fairly Valued	France	42.00	48.11	19.50	16.28
Evolis SA	Narrow	1.04	Diversified Industrials	0.28	High	Strong	0.82	Fairly Valued	France	60.00	7.26	17.51	12.10
Fagron SA	Narrow	0.71	Drug Manufacturers – Specialty & Generic	0.48	Very High	Moderate	0.40	Undervalued	Belgium	481.00	30.45	15.62	3.63
Albioma	None	0.83	Utilities – Regulated Electric	0.27	High	Moderate	0.54	Undervalued	France	354.00	-2.56	14.44	10.75
Global EcoPower	None	0.89	Utilities – Independent Power Producers	0.56	Very High	Moderate	0.65	Undervalued	France	15.00	27.60	13.26	10.28
Audika Groupe	None	1.15	Medical Devices	0.35	High	Moderate	0.68	Overvalued	France	98.00	3.42	11.26	6.47

Source: Morningstar Direct. Data as of September 16, 2015.

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