

Our Outlook for Technology Stocks

Quarterly Report—September 2015

Morningstar France
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Summary of Morningstar's Analysts Views

- Foreign exchange will still have an impact on 2015 results, but we haven't seen it affect the tech spending environment all that much; the sector still looks 5% overvalued, and we'd be selective.
- We expect spending on cloud applications to grow nearly 20% annually to reach \$62 billion by 2019. Improving sales and marketing efficiency will drive significant operating leverage at many software-as-a-service firms.
- Semiconductor mergers and acquisitions are heating up, with high-profile deals at Intel INTC and Broadcom BRCM.

Global currency movements over the past two quarters have resulted in slightly elevated volatility across both the technology and communications-services sectors, but the overall tone from management teams has been fairly positive in terms of the macro environment. In aggregate, we view the tech sector as slightly overvalued and remain selective in our picks.

In our numerous discussions with clients about cloud-applications companies (also referred to as software-as-a-service, or SaaS, companies), we find a wide array of opinions about their long-term profit potential and ability to generate excess returns on capital. The lack of consensus is no surprise—current GAAP operating margins for many firms are extremely low or negative, especially compared with successful on-premises software firms. Blind faith (or its enemy, dogmatic skepticism), has driven the bull (and bear) case for legacy software firms facing the disruptive forces of cloud computing and pure-play cloud providers recording strong revenue growth but paltry profits. We expect spending on cloud applications to grow nearly 20% annually to reach \$62 billion by 2019, paced by the customer relationship management segment, which should represent almost half of overall cloud spending.

Improving sales and marketing efficiency will drive significant operating leverage at many SaaS firms. Although they appear to be woeful on a GAAP basis, the cost of maintaining customers should be markedly cheaper than the cost of acquiring them. Even as growth has slowed, we anticipate that SaaS companies may be able to drive sales and marketing costs below 25% of sales in many instances. We also anticipate research and development leverage as products mature and cloud application companies realize the benefit of supporting only one version of each software product. These expenses are currently quite high, depressing cash flow and profitability, but growth in this expense category should slow as products mature and functionality becomes more fully featured. Similarly, SaaS providers with the highest switching costs are unlikely to suffer from price competition, and we expect pricing to increase, even when the industry matures. Currently, on-premises software firms have had the ability to increase pricing for maintenance and

support services, and we expect cloud application pricing to follow a similar path. This pricing power is critical as we consider normalized financial models and returns on capital.

Semiconductor mergers and acquisitions are heating up, with high-profile deals at Intel and Broadcom. On June 1, Intel and Altera ALTR confirmed a deal for the former to purchase the latter for \$54 per share, or approximately \$16.7 billion. The agreed-on price represents a 56% premium to where Altera traded before the initial report of a potential deal on March 27 by The Wall Street Journal. We maintain our wide and narrow moat ratings for Intel and Altera, respectively, and expect the deal to clear regulatory hurdles after being approved by both companies' boards.

We view this deal as initially complementary from Intel's perspective. Altera's product portfolio of programmable logic devices is tailored to market segments where Intel does not have a significant presence, such as wireless and wireline communications infrastructure. In a declining personal computer industry, this acquisition provides Intel with additional areas in which to leverage its manufacturing leadership. Recently, Altera has been the main customer for Intel's foundry offerings in 14-nanometer process technology. We believe that by bringing Altera's business in-house, Intel can more optimally use its excess capacity and ultimately realize synergies in research and development that weren't plausible in the preexisting foundry relationship.

On May 28, in conjunction with the release of its fiscal second-quarter results, Avago announced that it has entered into a definitive agreement to acquire Broadcom. Total implied consideration is set at \$37 billion, consisting of \$17 billion in cash and \$20 billion in stock. Management from both companies highlighted areas for potential R&D collaboration that were a bit more optimistic than our expectations. Yet for Avago, we view the deal as much more attractive financially than strategically. Avago will diversify into new products and end markets like TV set-top box, broadband access, and wireless connectivity solutions, but more important is paying a reasonable price for such diversification. In networking, management touted cross-selling opportunities, but we still don't think Avago will unlock significant hidden value in Broadcom's industry-leading networking business. Ultimately, we think our viewpoint is embedded within Avago's long-term financial targets, as 5% average revenue growth doesn't point to extending Broadcom's reach, but a 40% adjusted operating margin target implies hefty cost-cutting (consistent with \$750 million in operating expense synergies as announced) and cost savings thereafter.

Perhaps the biggest boost to Broadcom's underlying business from the deal (and, similarly, the biggest source of value unlocked by Avago for buying the firm) is the reduction of Broadcom's customer concentration risk as part of a combined company (which will be named Broadcom Limited, even though Avago is the acquirer in the deal). As part of a combined company with greater size and scale, Broadcom Limited will be better able to weather the storm if its connectivity or broadband segments underperform. Similarly, Avago's purchase premium for Broadcom could look even more attractive, in our view, if the combined firm can mitigate these concentration risks over time. ■■

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

Source: Morningstar Quotespeed, Data as of September 17, 2015.

A Focus on IT Services

Incumbents Vs Disruptors: European IT Services Is Heating Up

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Executive Summary

The European IT services market is multifaceted and fragmented. At its core, the industry is highly localized because of nuanced cultural, political, and regulatory issues. Amid this complexity, the European IT services industry has been historically slow to adopt an offshore outsourcing model. Instead, traditional regional players such as Atos and Capgemini have earned the lion's share of outsourcing contracts in the region given their local European footprint and in-depth cultural, political, and regulatory knowledge. However, we think the European IT services market will become a competitive hotbed over the medium term. Importantly, we believe traditional market obstacles are falling and that incumbent companies such as Atos and Capgemini will no longer be able to rely on their local know-how to attract the bulk of European service contracts. Facing this conundrum, and in order to defend their competitive positions, Atos and Capgemini have gone on the counterattack. We have seen both companies make some notable strategic moves recently. Namely, Atos' acquisition of Xerox's IT outsourcing business for \$1.05 billion and Capgemini's acquisition of IGate for \$4 billion, which signifies the increasing pressure on these firms. We think these deals will go some way to bolstering the vendors' competitive positions, for now. However, contrary to some commentators' beliefs, with Atos and Capgemini generating roughly 76% and 65% of group revenue in Europe (after acquisitions), respectively, we think long-term market pressure in Europe will continue to weigh on these vendors' long-term normalized financial performances relative to entrenched U.S. and plucky Indian peers.

Key Takeaways

- Competition in the European IT services market is expected to increase as traditional market obstacles diminish and as offshore providers increasingly use mergers and acquisitions to enter the market.
- Contrary to some commentators' views, we don't think Atos' and Capgemini's recent acquisitions will be a panacea for either company's long-term competitive positions as competitive pressures limit upside.
- We prefer Capgemini's competitive position over Atos', but Accenture and Tata Consulting are also good ways to gain exposure to the European IT services industry.

The European Market Is Complex and Nuanced, but Globalization Is Becoming a Reality

Western Europe accounts for roughly 25% of the \$1 trillion global IT services industry, but with more than 15 distinct countries, each with its own history, language, culture, and government, the result has been a fragmented and siloed environment that afforded several benefits to the incumbents. However, we believe the traditional model is set to change, which may result in market share shifts over time.

The United Kingdom is by far the largest market in Europe by spending (33% of spending). This can be attributed to both the size of the economy (fifth largest in the world) and that English is the national language and a natural early target for Indian offshoring (approximately 125 million Indians speak English). We expect the U.K. to remain the core European market by spending over the medium term. However, we think traditional market obstacles in other regions are deteriorating, which presents an opportunity for offshore IT service providers. Other countries such as France, Germany, Italy, and Spain have been harder to penetrate given language, cultural, employment, political, and regulatory issues. Still, we see these obstacles dissipating over time for a number of reasons:

- ▶ Indian and U.S.-based rivals are making a concerted effort to enter the region and are committing capital to build out and acquire local capabilities.
- ▶ Sluggish economic growth is driving European firms to seek ways to maintain competitiveness, cut costs, and drive innovation in a globalized world, and offshore providers are often cheaper or offer differentiated services.
- ▶ The outsourcing model has been proved in many cases, and those firms that are moving to second- and third-generation contracts are more willing to embrace offshore providers.

Disruptors Will Utilize M&A to Develop a Better European Footprint

Strategically, we like to think about the European IT services market in terms of incumbents and disruptors, which is based on length of operating history, revenue exposure, M&A strategy, and organic growth ambitions (see Exhibit 2).

Exhibit 2 Disruptors Aim to Upset the European Status Quo

Incumbents	Accenture	Atos	Capgemini	CSC	
European Revenue (€m)	9,937	6,844	7,462	3,348	
% Company Revenue	36%	86%	71%	30%	
Disruptors	CTSH	GIB	Infosys	TCS	Wipro
European Revenue (€m)	1,728	3,853	1,926	3,845	1,806
% Company Revenue	18%	40%	24%	28%	28%

Source: Company filings, Morningstar research.

Note: Based on EUR/USD of 1.09. We assume Europe is 36% of total revenue of Accenture.

We foresee a hotbed of competition for the European market as traditional market obstacles drop and as cash-rich offshore providers increasingly use M&A to enter the market. This will have an outsized impact on Capgemini and Atos because of their extensive exposure in the region (Capgemini currently generates about 71% of its revenue from Europe, and Atos derives about 86%). Recently this offshore encroachment has been exemplified by some notable strategic maneuvers from U.S. and Indian rivals, such as:

- ▶ CGI's acquisition of U.K. IT services firm Logica in 2012.
- ▶ Cognizant's acquisition of German consulting and IT services company C1 Group and French financial-services consulting firm Equinox Consulting in 2013.
- ▶ Infosys' acquisition of Swiss management consulting company Lodestone in 2012.
- ▶ Tata Consulting's acquisition of French IT services company Alti SA in 2013.

These deals reflect what we see as a "buy-then-build" strategy by many vendors in which an offshore vendor buys a local consultant or systems integrator as a means of establishing a beachhead into Europe. By acquiring a local consultant or systems integrator, these offshore providers get instant access to a knowledgeable local workforce and a laundry list of sticky customers. The acquirers can then build out and add on to their European operations by leveraging their offshore vertical expertise or IT outsourcing and business process outsourcing skills.

The risk to European incumbents is that these offshore providers now have a good local presence and end-to-end services capabilities (at arguably a lower cost or differentiated approach), which appeals to large clients as they seek to reduce the complexity of managing many IT service providers

Recent Deal Analysis Reflects the Current Competitive Nature of the European Market

From our coverage universe, Atos and Capgemini are the obvious European incumbents and the vendors we most worry about as the market obstacles in Europe subside given extensive exposure to the region. With Atos and Capgemini entrenched in the European market, we conducted a deal analysis to see if our concerns are unfounded.

We highlight four key takeaways:

- ▶ Although this analysis contains only deals the vendors chose to announce, the European market currently seems like a mixed bag when it comes to vendor choice. Incumbents are certainly not dominating the deal landscape.
- ▶ It's not just one country or vertical that is outsourcing to the disruptors, but many. This illustrates widespread acceptance among the diverse regions and industries.
- ▶ Application development and maintenance, infrastructure management, and business process outsourcing are the primary services provided by the disruptors, not quite the higher-value services such as digital, mobility, and cloud services provided by the incumbents. Still, for the disruptors, it's a stepping stone toward higher-value services in the future.
- ▶ At this stage, we see many offshore IT services firms actively engaging customers in the European market and winning significant business. We expect this to continue and become fiercer as historical market obstacles weaken and as offshore providers seek to expand their influence in the region.

Atos and Capgemini Counterattack via M&A: Scale, Global Focus, and Skills Are Key

Faced with this competitive landscape, Atos and Capgemini have not sat idly by. Two deals in particular have piqued our interest in these companies' long-term strategies: Atos' acquisition of Xerox's IT outsourcing business for \$1.05 billion and Capgemini's acquisition of IGate for \$4 billion. We believe these deals reflect the ongoing pressure on the European incumbents and the increasing need for them to satisfy the requirements of top-tier global IT service providers, such as strength in relationships/ branding, industry expertise, global delivery, and intellectual property.

Strategically, Atos' and Capgemini's end game right now is to attract and pursue larger, more profitable deals. To achieve this, these vendors need the scale and skills with which to service the world's largest enterprises where higher value transformational work occurs. Importantly, these two acquisitions give Atos and Capgemini a much needed global scale that has been notably absent from their portfolios. We stress the need for a strong global delivery model in previous select research and believe these acquisitions will bolster these firms' global delivery capabilities both in terms of a lower-cost offshore workforce and expansion into the crucial U.S. market. Furthermore, enhancements to vertical expertise, service offerings, and clients are additional windfalls from these deals.

Contrary to some pundits' views, though, we don't think these acquisitions will be a panacea for either company's long-term competitive positions. Admittedly, we think the deals will bolster both firms' competitive positions somewhat, but not to such an extent that they leapfrog other market leaders such as IBM, Accenture, Cognizant, or TCS (in Atos' case). With market obstacles in Europe falling and as offshore competitors seek to expand in the region, we think the threats outweigh the incremental positives emanating from these recent acquisitions over the long term.

Although Valuations Are Not Highly Compelling, Our Favored Vendors Will Offer Good Long-Term Positions Upon a Pullback

For investors looking to gain exposure to the European IT services market, we highlight Capgemini as our favored provider over Atos. With Capgemini trading at a 0.99 price/fair value estimate ratio, we think the firm is valued more appropriately than Atos, which is trading at a 1.06 P/FVE. Furthermore, in our proprietary vendor positioning framework, we rank Capgemini higher than Atos and believe Capgemini has an advantage over Atos in terms of its relationships/branding, global delivery, and intellectual property.

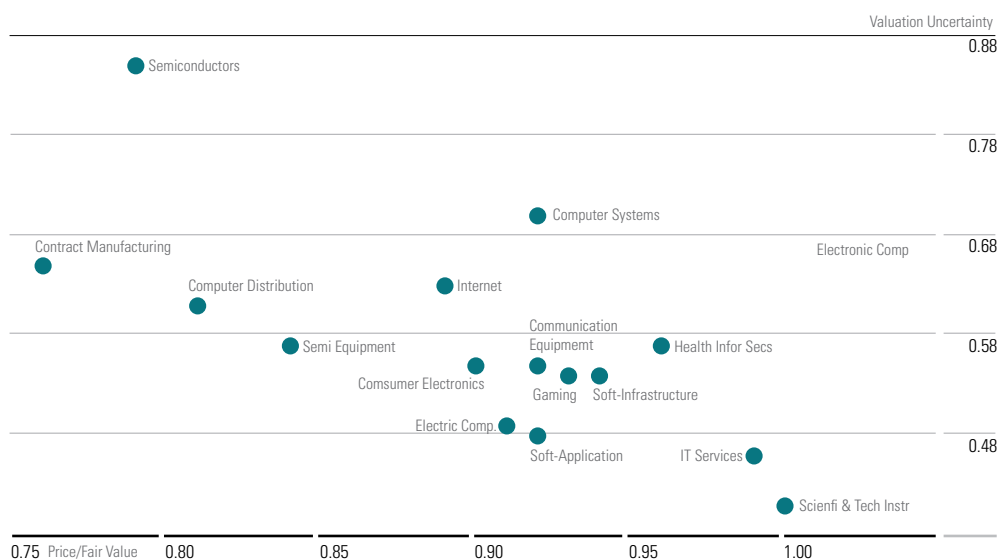
- ▶ Looking elsewhere for a high-quality play in the sector, we continue to recommend Accenture and would buy on a pullback in the stock price (the firm currently trades at a 1.05 P/FVE). Accenture has a strong presence across the global IT services landscape and is our highest-ranked pure-play vendor in our positioning framework—it is the only pure-play vendor that we assign a wide economic moat.
- ▶ From a disruptor standpoint, and for those who can invest in Indian-listed stocks, we like TCS. TCS is striving to become a top 5 provider in Europe. The firm's localization strategy, which requires the company to invest in understanding local markets, and its consulting skills development, via acquisitions like Alti SA, are expected to help pave this top-tier path. A low-cost operational structure and industry-leading customer satisfaction results are also positive drivers for future success.
- ▶ Finally, from a valuation perspective, Wipro is the stock that trades at the greatest discount to its fair value estimate and is currently in 4-star territory at a 0.86 P/FVE for the locally listed shares. We do highlight that the ADR trades at a significant premium (1.16 P/FVE) and would only recommend buying the Indian-listed shares. Wipro is actively seeking opportunities to expand its scale in Europe, and judging from management commentary, we think it will look to use a buy-then-build strategy in Germany. ■■■

Valuation of Technology Subsectors

The overall price to fair value of stocks listed in the Enternext universe is 0.88, compared with 0.82 in the previous quarter.

The cheapest subsectors are currently the Gaming & Multimedia and Internet Content & Information companies, while the least undervalued subsectors are IT Services, Electronic Components, and Scientific & Technical Instruments.

Exhibit 3 Enternext Subsectors Price to Fair Value and Valuation Uncertainty



Source: Morningstar. 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 Technology Subsectors

Subsectors	Price/Fair Value	Quantitative Valuation Uncertainty Score	Quantitative Financial Health Score	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
Communication Equipment	0.92	0.55	0.69	-9.46	-18.99	-20.30
Computer Distrib.	0.81	0.61	0.77	-11.48	1.00	0.53
Computer Syst.	0.92	0.70	0.70	-22.27	-9.07	-9.17
Consum. Electr.	0.90	0.55	0.60	1.34	0.52	0.12
Contract Manuf.	0.76	0.65	0.50	0.19	-0.63	-0.70
Electr. Comp.	0.91	0.49	0.65	11.72	2.96	0.73
Gaming & Multimedia	0.93	0.54	0.67	44.88	-20.25	-19.98
Health Info Sces	0.96	0.57	0.46	-10.41	-62.32	-63.62
IT Services	0.99	0.46	0.65	8.95	2.71	0.95
Internet Content & Information	0.89	0.63	0.67	5.76	2.75	-0.41
Scientific & Tech Instruments	1.00	0.41	0.62	7.66	3.77	2.24
Semi Equipment	0.84	0.57	0.61	6.01	-12.34	-12.90
Semiconductors	0.79	0.85	0.41	-9.11	-16.61	-16.70
Soft – Application	0.92	0.48	0.71	5.73	-18.12	-20.12
Soft – Infrastructure	0.94	0.54	0.69	-1.93	-3.47	-3.66

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

Exhibit 5 Communication Equipment

Name	Price/Fair Value	Quantitative Moat	Quantitative Valuation Score	Quantitative Uncertainty Score	Valuation Uncertainty	Quantitative Financial Health Score	Quantitative Financial Health	Quantitative Valuation	Revenue (mil, base currency)	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
Ateme SA	0.88	None	1.14	0.50	Very High	0.75	Strong	Undervalued	24.00	20.52	-8.06	-8.06
Avenir Télécom	0.87	None	1.15	1.07	Extreme	0.26	Moderate	Undervalued	168.00	-37.91	-8.09	-19.43
EVS Broadcast Equipment	0.89	None	1.12	0.30	High	0.66	Moderate	Undervalued	113.00	1.79	37.24	27.04
HF Co	0.93	None	1.07	0.49	Very High	0.91	Strong	Undervalued	48.00	-48.71	-3.00	10.29
Netgem	0.88	None	1.14	0.39	Very High	0.88	Strong	Undervalued	72.00	-10.48	-2.33	-3.14
Option NV	0.81	None	1.23	0.97	Extreme	0.40	Moderate	Undervalued	4.00	-44.32	-245.16	-245.81
Parrot SA	0.95	None	1.06	0.23	High	0.74	Strong	Undervalued	284.00	3.71	0.51	-1.06
TKH Group	0.97	Narrow	1.03	0.20	High	0.79	Strong	Fairly Valued	1,377.00	12.39	8.01	6.16
Tonna Electronique	0.94	None	1.07	0.93	Extreme	0.49	Moderate	Undervalued	13.00	-7.21	-1.48	-0.58
Txcom	0.97	Narrow	1.03	0.48	Very High	0.92	Strong	Fairly Valued	6.00	-0.30	10.02	8.17
Zenitel	1.01	None	0.99	0.45	Very High	0.76	Strong	Fairly Valued	74.00	6.43	3.40	3.09

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

Exhibit 6 Computer Distribution

Name	Price/Fair Value	Quantitative Moat	Quantitative Valuation Score	Quantitative Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health Score	Quantitative Financial Health	Quantitative Valuation	Revenue (mil, base currency)	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
Innelec Multimedia SA	0.81	None	1.23	0.61	Very High	0.77	Strong	Undervalued	114.00	-11.48	1.00	0.53

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

Exhibit 7 Computer Systems

Name	Price/Fair Value	Quantitative Moat	Quantitative Valuation Score	Quantitative Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health Score	Quantitative Financial Health	Quantitative Valuation	Revenue (mil, base currency)	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
Cibox Inter@ctive	1.04	None	0.97	0.54	Very High	0.66	Moderate	Fairly Valued	8.00	-45.31	2.01	2.01
Dane-Elec Memory	0.93	Narrow	1.08	0.81	Extreme	0.83	Strong	Undervalued	95.00	NA	NA	NA
Guillemot Corp SA	0.94	None	1.07	0.49	Very High	0.62	Moderate	Undervalued	40.00	-7.77	-1.90	-2.24
Logic Instrument SA	0.79	None	1.27	0.97	Extreme	0.71	Strong	Undervalued	7.00	-13.73	-27.33	-27.28

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

Exhibit 8 Consumer Electronics

Name	Price/Fair Value	Quantitative Moat	Quantitative Valuation Score	Quantitative Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health Score	Quantitative Financial Health	Quantitative Valuation	Revenue (mil, base currency)	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
Archos	0.92	None	1.08	0.47	Very High	0.59	Moderate	Undervalued	143.00	-8.15	-9.67	-9.83
Awox SA	0.80	None	1.25	0.74	Very High	0.83	Strong	Undervalued	7.00	NA	NA	NA
Bigben Interactive	0.71	None	1.41	0.68	Very High	0.54	Moderate	Undervalued	184.00	9.00	-1.81	1.37
Egide	0.96	None	1.04	0.61	Very High	0.42	Moderate	Fairly Valued	19.00	-2.06	-4.32	-4.32
Lexibook Linguistic Electronic System SA	0.86	None	1.17	0.78	Very High	0.34	Moderate	Undervalued	39.00	-4.37	1.32	1.54
Precia	1.08	None	0.93	0.37	Very High	0.84	Strong	Overvalued	95.00	4.92	8.23	4.86
Saft Groupe	1.00	None	1.00	0.22	High	0.67	Moderate	Fairly Valued	678.00	8.68	9.38	7.08

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

Exhibit 9 Contract Manufacturers

Name	Price/Fair Value	Quantitative Moat	Quantitative Valuation Score	Quantitative Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health Score	Quantitative Financial Health	Quantitative Valuation	Revenue (mil, base currency)	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
Cofidur	0.91	None	1.10	0.56	Very High	0.73	Strong	Undervalued	80.00	3.57	2.56	2.45
Connect Group NV	0.60	None	1.67	0.74	Very High	0.28	Moderate	Undervalued	113.00	-3.20	-3.82	-3.84

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

Exhibit 10 Electronic Components

Name	Price/Fair Value	Quantitative Moat	Quantitative Valuation Score	Quantitative Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health Score	Quantitative Financial Health	Quantitative Valuation	Revenue (mil, base currency)	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
Actia group	0.93	None	1.07	0.44	Very High	0.49	Moderate	Undervalued	339.00	11.93	5.84	4.19
Barco	0.99	None	1.01	0.19	High	0.92	Strong	Fairly Valued	908.00	-9.93	2.90	2.63
BLUE SOLUTIONS SA	0.98	Narrow	1.02	0.25	High	0.63	Moderate	Fairly Valued	114.00	105.00	-5.63	-5.83
Digigram	0.75	None	1.34	1.05	Extreme	0.47	Moderate	Undervalued	6.00	5.81	-2.62	-2.44
Gérard Perrier Industrie	0.98	Narrow	1.02	0.25	High	0.88	Strong	Fairly Valued	147.00	3.07	9.48	6.68
i2S Corp SA	0.87	None	1.15	0.81	Extreme	0.71	Strong	Undervalued	14.00	2.14	0.09	1.55
Lucibel SA	0.84	None	1.20	1.04	Extreme	0.31	Moderate	Undervalued	21.00	NA	NA	NA
Mecolec SA	0.96	Narrow	1.05	0.71	Very High	0.38	Moderate	Fairly Valued	27.00	-12.77	-16.54	-29.25
Mersen	0.83	None	1.21	0.31	High	0.57	Moderate	Undervalued	730.00	-1.07	1.61	0.29
Nederlandsche Apparatenfabriek NEDAP	0.99	Narrow	1.01	0.25	High	0.72	Strong	Fairly Valued	177.00	2.01	12.71	10.09
Neways Electronics International	0.99	None	1.01	0.42	Very High	0.54	Moderate	Fairly Valued	364.00	16.46	1.72	2.25
Radiall	0.97	None	1.03	0.38	Very High	0.70	Strong	Fairly Valued	290.00	20.95	15.53	11.15
Satimo	0.81	None	1.23	0.45	Very High	0.90	Strong	Undervalued	56.00	10.03	6.27	4.20
Store Electronic Systems	0.88	None	1.14	0.34	High	0.83	Strong	Undervalued	80.00	-1.26	7.15	4.00

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

Exhibit 11 Electronic Gaming & Multimedia

Name	Price/Fair Value	Quantitative Moat	Quantitative Valuation Score	Quantitative Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health Score	Quantitative Financial Health	Quantitative Valuation	Revenue (mil, base currency)	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
Atari Prov. Regroup	0.96	None	1.04	0.49	Very High	0.40	Moderate	Fairly Valued	7.00	175.00	-75.76	-75.76
Focus Home Interactive SA	1.16	Narrow	0.86	0.48	Very High	0.70	Strong	Overvalued	35.00	NA	NA	NA
Gameloft SE	0.94	None	1.06	0.17	High	0.74	Strong	Undervalued	227.00	-2.58	0.78	-2.80
Groupe Concoursmania	0.82	None	1.22	0.58	Very High	0.82	Strong	Undervalued	19.00	12.71	-4.92	-4.89
Iscool Entertainment	0.78	Narrow	1.29	0.98	Extreme	0.69	Moderate	Undervalued	5.00	-5.60	-1.08	3.54

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

Exhibit 12 Health Information Services

Name	Price/Fair Value	Quantitative Moat	Quantitative Valuation Score	Quantitative Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health Score	Quantitative Financial Health	Quantitative Valuation	Revenue (mil, base currency)	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
Cegedim	1.08	None	0.93	0.24	High	0.54	Moderate	Overvalued	493.00	1.21	-1.86	-40.48
Intrasense	0.84	None	1.19	0.99	Extreme	0.33	Moderate	Undervalued	2.00	-41.96	-260.46	-227.06
Medasys	0.93	None	1.07	0.55	Very High	0.40	Moderate	Undervalued	22.00	-1.61	5.74	5.73
Visident	1.01	None	0.99	0.49	Very High	0.57	Moderate	Fairly Valued	7.00	0.72	7.32	7.32

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

Exhibit 13 Information Technology Services

Name	Price/Fair Value	Quantitative Moat	Quantitative Valuation Score	Quantitative Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Financial Health Score	Quantitative Financial Health	Quantitative Valuation	Revenue (mil, base currency)	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
Aubay	1.01	None	0.99	0.25	High	0.73	Strong	Fairly Valued	258.00	15.24	7.27	4.78
Ausy	1.09	None	0.92	0.60	Very High	0.64	Moderate	Overvalued	340.00	8.83	6.98	3.10
Compta - Equipamentos e Serviços de Informatica	0.93	Narrow	1.07	0.64	Very High	0.29	Moderate	Undervalued	33.00	12.98	1.89	7.50
Ctac	1.11	None	0.90	0.37	Very High	0.65	Moderate	Overvalued	82.00	8.27	2.89	1.99
Devoteam SA	1.19	None	0.84	0.32	High	0.74	Strong	Overvalued	442.00	-2.36	3.35	1.70
DOCdata NV	1.02	None	0.98	0.34	High	0.76	Strong	Fairly Valued	168.00	1.07	5.93	4.33
Econocom Group Class D	1.13	None	0.89	0.16	High	0.62	Moderate	Overvalued	2,092.00	18.45	2.65	1.48
GFI Informatique	1.03	None	0.97	0.18	High	0.70	Strong	Fairly Valued	854.00	8.25	3.65	2.49
Glintt - Global Intelligent Technologies SA	0.83	None	1.20	0.70	Very High	0.30	Moderate	Undervalued	83.00	-6.76	2.75	1.67
Groupe Open	1.00	None	1.00	0.33	High	0.73	Strong	Fairly Valued	273.00	6.92	3.97	2.01
HiTechPros SA	0.96	None	1.04	0.54	Very High	0.74	Strong	Fairly Valued	13.00	13.87	12.55	8.20
Hubwoo	0.72	None	1.38	0.98	Extreme	0.71	Strong	Undervalued	27.00	-10.85	-56.41	-57.66
Infotel	1.11	Narrow	0.90	0.26	High	0.86	Strong	Overvalued	157.00	10.05	10.75	7.01
IT Link	0.97	None	1.03	0.54	Very High	0.47	Moderate	Fairly Valued	33.00	8.26	3.55	2.31
ITS Group	0.89	None	1.12	0.43	Very High	0.71	Strong	Undervalued	186.00	61.89	3.81	2.26
Keyrus	1.05	None	0.95	0.43	Very High	0.44	Moderate	Fairly Valued	173.00	8.92	2.40	1.63
Lavide Holding NV	0.87	Narrow	1.15	0.91	Extreme	0.73	Strong	Undervalued	NA	NA	NA	NA
Neurones	1.01	Narrow	0.99	0.18	High	0.93	Strong	Fairly Valued	355.00	3.50	10.49	5.77
Octo Technology SA	1.15	None	0.87	0.38	Very High	0.77	Strong	Overvalued	27.00	14.52	6.94	5.23
Ordina	0.70	None	1.43	0.67	Very High	0.59	Moderate	Undervalued	354.00	-2.67	0.95	0.28
Reditus	0.80	None	1.24	0.99	Extreme	0.05	Weak	Undervalued	117.00	7.50	1.75	0.35
Societe Pour L'Informatique Industrielle	0.95	Narrow	1.05	0.28	High	0.86	Strong	Undervalued	316.00	3.32	6.93	4.56
SoluCom	1.01	Narrow	0.99	0.20	High	0.87	Strong	Fairly Valued	163.00	8.49	12.34	7.73
Sqli SA comes Grouping	1.04	None	0.96	0.33	High	0.78	Strong	Fairly Valued	161.00	4.85	2.66	1.58
Umanis NR	1.07	None	0.93	0.42	Very High	0.55	Moderate	Overvalued	138.00	19.39	3.96	2.20
Union Technologies Informatique Group	0.96	None	1.04	0.55	Very High	0.60	Moderate	Fairly Valued	27.00	1.88	3.78	1.29

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

Exhibit 14 Internet Content & Information

Name	Price/Fair Value	Quantitative Moat	Quantitative Valuation Score	Quantitative Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Financial Health Score	Quantitative Financial Health	Quantitative Valuation	Revenue (mil, base currency)	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
AdThink Media SA	0.85	None	1.18	0.99	Extreme	0.46	Moderate	Undervalued	29.00	-6.12	-13.90	-13.22
AND International Publishers	0.89	None	1.13	0.52	Very High	0.79	Strong	Undervalued	3.00	13.04	56.21	52.89
Aufeminin	0.91	Narrow	1.10	0.27	High	0.86	Strong	Undervalued	87.00	44.98	26.63	16.39
Bilendi SA	0.84	None	1.19	0.68	Very High	0.77	Strong	Undervalued	12.00	-9.51	-8.14	-21.91
Emme (Edition Multi Média Electroniques)	1.00	None	1.00	0.59	Very High	0.56	Moderate	Fairly Valued	8.00	-25.63	8.15	6.42
Entreparticuliers SA	0.78	None	1.27	0.87	Extreme	0.77	Strong	Undervalued	3.00	-30.95	-14.36	-14.98
LeGuide.com SA	0.89	Narrow	1.12	0.48	Very High	0.93	Strong	Undervalued	31.00	-14.60	-36.39	-42.09
Notrefamille.com SA	0.82	None	1.22	0.91	Extreme	0.68	Moderate	Undervalued	8.00	-5.09	0.26	1.89

Exhibit 14 Internet Content & Information (Continued)

Name	Price/Fair Value	Quantitative Moat	Quantitative Valuation Score	Quantitative Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health Score	Quantitative Financial Health	Quantitative Valuation	Revenue (mil, base currency)	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
Planet FR	0.90	None	1.11	0.57	Very High	0.75	Strong	Undervalued	6.00	31.62	22.26	20.01
Reworld Media	0.90	None	1.11	0.77	Very High	0.60	Moderate	Undervalued	19.00	NA	NA	NA
Soft Computing	1.08	None	0.93	0.40	Very High	0.82	Strong	Overvalued	38.00	3.69	3.51	4.39
Solocal Group	0.72	None	1.38	0.48	Very High	0.32	Moderate	Undervalued	936.00	-6.27	12.64	6.35
Tuto4pc.Com Group	1.01	None	0.99	0.63	Very High	0.28	Moderate	Fairly Valued	11.00	101.75	23.53	25.65
Viadeo SA	0.81	None	1.23	0.75	Very High	0.77	Strong	Undervalued	27.00	-8.88	-45.28	-48.05
Weborama SA	0.91	None	1.10	0.48	Very High	0.71	Strong	Undervalued	23.00	-7.39	3.31	0.52

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

Exhibit 15 Scientific & Technical Instruments

Name	Price/Fair Value	Quantitative Moat	Quantitative Valuation Score	Quantitative Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health Score	Quantitative Financial Health	Quantitative Valuation	Revenue (mil, base currency)	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
Alpha Mos	0.99	None	1.01	0.70	Very High	0.30	Moderate	Fairly Valued	7.00	-19.50	-2.07	-2.20
Environnement SA	0.99	None	1.01	0.27	High	0.82	Strong	Fairly Valued	62.00	16.30	12.11	9.78
Groupe Gorge SA	1.08	None	0.92	0.29	High	0.63	Moderate	Overvalued	235.00	4.10	3.82	1.15
Lacroix SA	0.93	None	1.08	0.29	High	0.70	Strong	Undervalued	356.00	8.28	3.03	2.49
Oceasoft SA	1.01	Narrow	0.99	0.44	Very High	0.79	Strong	Fairly Valued	4.00	24.68	10.73	9.00
Orolia SA	0.94	None	1.07	0.36	Very High	0.68	Moderate	Undervalued	80.00	10.36	0.41	-4.25
Traqueur SA	0.99	None	1.01	0.60	Very High	0.40	Moderate	Fairly Valued	17.00	12.93	-1.72	0.81
Groupe Gorge SA	1.08	None	0.92	0.29	High	0.63	Moderate	Overvalued	235.00	4.10	3.82	1.15

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

Exhibit 16 Semiconductor Equipment & Materials

Name	Price/Fair Value	Quantitative Moat	Quantitative Valuation Score	Quantitative Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health Score	Quantitative Financial Health	Quantitative Valuation	Revenue (mil, base currency)	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
BE Semiconductor Industries NV	0.76	None	1.32	0.43	Very High	0.73	Strong	Undervalued	378.00	48.59	18.83	18.71
Ekinops SA	0.88	None	1.14	0.79	Very High	0.64	Moderate	Undervalued	12.00	-33.04	-27.95	-28.21
Melexis	0.96	Narrow	1.04	0.22	High	0.71	Strong	Fairly Valued	370.00	20.72	27.70	25.57
Memscap	0.93	None	1.08	0.60	Very High	0.52	Moderate	Undervalued	13.00	-4.11	1.37	1.37
Riber	0.81	None	1.23	0.71	Very High	0.59	Moderate	Undervalued	20.00	NA	NA	NA
Soitec	0.71	None	1.42	0.75	Very High	0.27	Moderate	Undervalued	222.00	-5.98	-95.62	-95.77
Tronics Microsystems	0.84	None	1.18	0.51	Very High	0.79	Strong	Undervalued	13.00	9.86	1.65	0.95

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

Exhibit 17 Semiconductors

Name	Price/Fair Value	Quantitative Moat	Quantitative Valuation Score	Quantitative Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health Score	Quantitative Financial Health	Quantitative Valuation	Revenue (mil, base currency)	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
Ask SA	0.71	None	1.42	0.80	Extreme	0.33	Moderate	Undervalued	36.00	-7.41	-16.41	-16.41
Dolphin Integration SA	0.79	None	1.26	1.02	Extreme	0.37	Moderate	Undervalued	14.00	NA	NA	NA
RoodMicrotec NV	0.87	None	1.15	0.71	Very High	0.52	Moderate	Undervalued	10.00	-10.81	-16.80	-16.98

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

Exhibit 18 Software – Application

Name	Price/Fair Value	Quantitative Moat	Quantitative Valuation Score	Quantitative Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health Score	Quantitative Financial Health	Quantitative Valuation	Revenue (mil, base currency)	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
Astellia SA	0.81	None	1.23	0.49	Very High	0.81	Strong	Undervalued	51.00	8.40	-0.62	-0.67
Avanquest SA	0.96	None	1.04	1.53	Extreme	0.14	Weak	Fairly Valued	101.00	1.39	-38.82	-41.52
Axway Software	1.05	None	0.95	0.20	High	0.82	Strong	Fairly Valued	281.00	10.12	11.60	10.13
Cast	1.11	Narrow	0.90	0.36	Very High	0.87	Strong	Overvalued	35.00	12.16	6.46	5.10
Cegid Group	1.03	None	0.97	0.25	High	0.70	Moderate	Fairly Valued	266.00	2.57	13.28	8.31
Cohiris	0.89	None	1.13	0.55	Very High	0.82	Strong	Undervalued	17.00	-5.34	-4.12	-4.39
Dalet	0.93	None	1.07	0.50	Very High	0.66	Moderate	Undervalued	42.00	14.68	0.68	0.38
EasyVista SA	0.92	Narrow	1.09	0.40	Very High	0.77	Strong	Undervalued	19.00	31.66	1.61	4.61
Esi Group	1.01	None	0.99	0.26	High	0.74	Strong	Fairly Valued	111.00	0.27	4.78	2.21
Esker	1.14	Narrow	0.88	0.31	High	0.80	Strong	Overvalued	46.00	12.02	12.97	10.10
Global Graphics SE	1.09	None	0.92	0.42	Very High	0.79	Strong	Overvalued	11.00	44.12	10.22	14.39
ICT Automatisering	1.00	None	1.00	0.30	High	0.82	Strong	Fairly Valued	65.00	3.71	5.59	7.83
IGE Plus XAO SA	0.97	Narrow	1.03	0.29	High	0.93	Strong	Fairly Valued	27.00	6.59	25.60	18.64
Itesoft	0.96	None	1.04	0.40	Very High	0.86	Strong	Fairly Valued	21.00	5.18	12.18	10.98
Lectra	1.02	None	0.98	0.28	High	0.78	Strong	Fairly Valued	211.00	4.09	9.18	6.79
Linedata Services	0.99	None	1.01	0.26	High	0.70	Strong	Fairly Valued	157.00	-1.45	17.86	10.26
Login People	0.85	None	1.18	1.17	Extreme	0.59	Moderate	Undervalued	0.00	NA	NA	NA
NedSense Enterprises NV	0.77	None	1.30	0.87	Extreme	0.30	Moderate	Undervalued	0.00	-41.73	-682.25	-667.01
Novabase SGPS	0.94	None	1.07	0.31	High	0.75	Strong	Undervalued	209.00	1.86	2.47	1.41
Pharmagest Interactive	1.09	Narrow	0.92	0.27	High	0.83	Strong	Overvalued	114.00	1.02	23.12	14.85
Prologue	0.97	None	1.03	0.38	Very High	0.78	Strong	Fairly Valued	22.00	10.35	-0.48	-1.26
ProwebCE	0.00	Narrow	0.80	0.33	High	0.55	Moderate	Overvalued	95.00	35.83	5.90	3.85
Quotium Technologies	0.84	None	1.18	0.79	Very High	0.48	Moderate	Undervalued	4.00	17.94	-22.84	-26.50
RealDolmen SA	0.96	Narrow	1.05	0.55	Very High	0.72	Strong	Fairly Valued	223.00	-7.68	4.57	4.12
Rentabiliweb Group SA	0.96	None	1.04	0.26	High	0.83	Strong	Fairly Valued	76.00	0.00	2.59	3.33
Sidetrade SA	0.98	Narrow	1.02	0.44	Very High	0.92	Strong	Fairly Valued	13.00	NA	NA	NA
Societe O2I	0.94	None	1.06	0.52	Very High	0.58	Moderate	Undervalued	47.00	11.31	-1.08	0.24
Softimat	0.83	None	1.21	0.50	Very High	0.86	Strong	Undervalued	1.00	-7.09	73.83	64.04
Sword Group	1.00	None	1.00	0.23	High	0.88	Strong	Fairly Valued	117.00	9.92	14.22	10.38
Travel Technology Interactive SA	0.63	None	1.58	0.79	Very High	0.28	Moderate	Undervalued	6.00	-21.33	-15.89	-34.03
Visiativ SA	1.03	None	0.97	0.72	Very High	0.58	Moderate	Fairly Valued	49.00	NA	NA	NA

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

Exhibit 19 Software – Infrastructure

Name	Price/Fair Value	Quantitative Moat	Quantitative Valuation Score	Quantitative Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Financial Health Score	Quantitative Financial Health	Quantitative Valuation	Revenue (mil, base currency)	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
Acteos	0.76	None	1.32	0.73	Very High	0.84	Strong	Undervalued	11.00	-0.89	-0.07	0.13
Anevia SA	0.74	None	1.36	0.77	Very High	0.73	Strong	Undervalued	8.00	15.91	-45.71	-45.71
DL Software SA	0.97	None	1.03	0.31	High	0.77	Strong	Fairly Valued	44.00	2.47	1.35	-0.36
Exact Holding NV	1.08	Narrow	0.93	0.34	High	0.89	Strong	Overvalued	188.00	3.96	16.11	19.88
Generix Group	1.05	None	0.96	0.31	High	0.77	Strong	Fairly Valued	53.00	2.19	6.36	7.49
Harvest SA	0.98	Narrow	1.02	0.29	High	0.88	Strong	Fairly Valued	21.00	6.62	19.07	12.70
Holosfind	0.92	None	1.09	1.25	Extreme	0.22	Moderate	Undervalued	1.00	NA	NA	NA
Inside Secure	0.68	None	1.46	0.79	Very High	0.60	Moderate	Undervalued	125.00	-18.92	-3.02	-4.01
ISA - Intelligent Sensing Anywhere SA	0.98	None	1.02	0.70	Very High	0.61	Moderate	Fairly Valued	3.00	-54.12	-66.25	-67.72
Keyware Technologies	1.04	None	0.96	0.47	Very High	0.50	Moderate	Fairly Valued	11.00	11.08	19.89	19.65
Prodware SA	0.85	None	1.18	0.49	Very High	0.53	Moderate	Undervalued	174.00	-0.89	3.03	3.00
Sodifrance	1.11	None	0.90	0.39	Very High	0.51	Moderate	Overvalued	68.00	-4.13	2.74	1.42
Solutions 30 SA	1.25	None	0.80	0.30	High	0.64	Moderate	Overvalued	111.00	18.57	5.59	3.60
Streamwide	0.83	Narrow	1.21	0.59	Very High	0.93	Strong	Undervalued	9.00	-14.17	1.66	2.61
Wedia	0.81	Narrow	1.24	0.66	Very High	0.86	Strong	Undervalued	5.00	-12.58	-16.55	-10.10
Zetes Industries	1.02	None	0.98	0.21	High	0.82	Strong	Fairly Valued	254.00	15.98	3.77	2.54

Source: Morningstar. 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 20 Undervalued Stocks with Narrow Moat

Name	Price/Fair Value	Quantitative Moat	Quantitative Valuation Score	Quantitative Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Financial Health Score	Quantitative Financial Health	Quantitative Valuation	Revenue (mil, base currency)	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)
Dane-Elec Memory	0.93	Narrow	1.08	0.81	Extreme	0.83	Strong	Undervalued	95.00	NA	NA	NA
Iscool Entertainment	0.78	Narrow	1.29	0.98	Extreme	0.69	Moderate	Undervalued	5.00	-5.60	-1.08	3.54
Compta - Equipamentos e Serviços de Informatica	0.93	Narrow	1.07	0.64	Very High	0.29	Moderate	Undervalued	33.00	12.98	1.89	7.50
Lavide Holding NV	0.87	Narrow	1.15	0.91	Extreme	0.73	Strong	Undervalued	NA	NA	NA	NA
Societe Pour L'Informatique Industrielle	0.95	Narrow	1.05	0.28	High	0.86	Strong	Undervalued	316.00	3.32	6.93	4.56
Aufeminin	0.91	Narrow	1.10	0.27	High	0.86	Strong	Undervalued	87.00	44.98	26.63	16.39
LeGuide.com SA	0.89	Narrow	1.12	0.48	Very High	0.93	Strong	Undervalued	31.00	-14.60	-36.39	-42.09
EasyVista SA	0.92	Narrow	1.09	0.40	Very High	0.77	Strong	Undervalued	19.00	31.66	1.61	4.61
Streamwide	0.83	Narrow	1.21	0.59	Very High	0.93	Strong	Undervalued	9.00	-14.17	1.66	2.61
Wedia	0.81	Narrow	1.24	0.66	Very High	0.86	Strong	Undervalued	5.00	-12.58	-16.55	-10.10

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

Exhibit 21 Most Undervalued Stocks in the Enternext Universe

Name	Price/Fair Value	Quantitative Moat	Quantitative Valuation Score	Quantitative Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health Score	Quantitative Financial Health	Revenue (mil, base currency)	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)	Industry
Connect Group NV	0.60	None	1.67	0.74	Very High	0.28	Moderate	113.00	-3.20	-3.82	-3.84	Contract Manufacturers
Travel Technology Interactive SA	0.63	None	1.58	0.79	Very High	0.28	Moderate	6.00	-21.33	-15.89	-34.03	Software - Application
Inside Secure	0.68	None	1.46	0.79	Very High	0.60	Moderate	125.00	-18.92	-3.02	-4.01	Software - Infrastructure
Ordina	0.70	None	1.43	0.67	Very High	0.59	Moderate	354.00	-2.67	0.95	0.28	Information Technology Services
Ask SA	0.71	None	1.42	0.80	Extreme	0.33	Moderate	36.00	-7.41	-16.41	-16.41	Semiconductor Memory
Soitec	0.71	None	1.42	0.75	Very High	0.27	Moderate	222.00	-5.98	-95.62	-95.77	Semiconductor Equipment & Materials
Bigben Interactive	0.71	None	1.41	0.68	Very High	0.54	Moderate	184.00	9.00	-1.81	1.37	Consumer Electronics
Solocal Group	0.72	None	1.38	0.48	Very High	0.32	Moderate	936.00	-6.27	12.64	6.35	Internet Content & Information
Hubwoo	0.72	None	1.38	0.98	Extreme	0.71	Strong	27.00	-10.85	-56.41	-57.66	Information Technology Services
Anevia SA	0.74	None	1.36	0.77	Very High	0.73	Strong	8.00	15.91	-45.71	-45.71	Software - Infrastructure
Digigram	0.75	None	1.34	1.05	Extreme	0.47	Moderate	6.00	5.81	-2.62	-2.44	Electronic Components
Acteos	0.76	None	1.32	0.73	Very High	0.84	Strong	11.00	-0.89	-0.07	0.13	Software - Infrastructure
BE Semiconductor Industries NV	0.76	None	1.32	0.43	Very High	0.73	Strong	378.00	48.59	18.83	18.71	Semiconductor Equipment & Materials
NedSense Enterprises NV	0.77	None	1.30	0.87	Extreme	0.30	Moderate	0.00	-41.73	-682.25	-667.01	Software - Application
Iscool Entertainment	0.78	Narrow	1.29	0.98	Extreme	0.69	Moderate	5.00	-5.60	-1.08	3.54	Electronic Gaming & Multimedia
Entreparticuliers SA	0.78	None	1.27	0.87	Extreme	0.77	Strong	3.00	-30.95	-14.36	-14.98	Internet Content & Information
Logic Instrument SA	0.79	None	1.27	0.97	Extreme	0.71	Strong	7.00	-13.73	-27.33	-27.28	Computer Systems
Dolphin Integration SA	0.79	None	1.26	1.02	Extreme	0.37	Moderate	14.00	NA	NA	NA	Semiconductors
Awox SA	0.80	None	1.25	0.74	Very High	0.83	Strong	7.00	NA	NA	NA	Consumer Electronics
Reditus	0.80	None	1.24	0.99	Extreme	0.05	Weak	117.00	7.50	1.75	0.35	Information Technology Services
Wedia	0.81	Narrow	1.24	0.66	Very High	0.86	Strong	5.00	-12.58	-16.55	-10.10	Software - Infrastructure
Riber	0.81	None	1.23	0.71	Very High	0.59	Moderate	20.00	NA	NA	NA	Semiconductor Equipment & Materials
Viadeo SA	0.81	None	1.23	0.75	Very High	0.77	Strong	27.00	-8.88	-45.28	-48.05	Internet Content & Information
Astellia SA	0.81	None	1.23	0.49	Very High	0.81	Strong	51.00	8.40	-0.62	-0.67	Software - Application
Satimo	0.81	None	1.23	0.45	Very High	0.90	Strong	56.00	10.03	6.27	4.20	Electronic Components
Groupe Concourmania	0.82	None	1.22	0.58	Very High	0.82	Strong	19.00	12.71	-4.92	-4.89	Electronic Gaming & Multimedia
Notrefamille.com SA	0.82	None	1.22	0.91	Extreme	0.68	Moderate	8.00	-5.09	0.26	1.89	Internet Content & Information
Softimat	0.83	None	1.21	0.50	Very High	0.86	Strong	1.00	-7.09	73.83	64.04	Software - Application
Streamwide	0.83	Narrow	1.21	0.59	Very High	0.93	Strong	9.00	-14.17	1.66	2.61	Software - Infrastructure
Mersen	0.83	None	1.21	0.31	High	0.57	Moderate	730.00	-1.07	1.61	0.29	Electronic Components
Glantt - Global Intelligent Technologies SA	0.83	None	1.20	0.70	Very High	0.30	Moderate	83.00	-6.76	2.75	1.67	Information Technology Services
Lucibel SA	0.84	None	1.20	1.04	Extreme	0.31	Moderate	21.00	NA	NA	NA	Electronic Components
Bilendi SA	0.84	None	1.19	0.68	Very High	0.77	Strong	12.00	-9.51	-8.14	-21.91	Internet Content & Information

Exhibit 21 Most Undervalued Stocks in the Enternext Universe (Continued)

Name	Price/Fair Value	Quantitative Moat	Quantitative Valuation Score	Quantitative Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health Score	Quantitative Financial Health	Revenue (mil, base currency)	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)	Industry
Intrasense	0.84	None	1.19	0.99	Extreme	0.33	Moderate	2.00	-41.96	-260.46	-227.06	Health Information Services
Quotium Technologies	0.84	None	1.18	0.79	Very High	0.48	Moderate	4.00	17.94	-22.84	-26.50	Software - Application
Tronics Microsystems	0.84	None	1.18	0.51	Very High	0.79	Strong	13.00	9.86	1.65	0.95	Semiconductor Equipment & Materials
Login People	0.85	None	1.18	1.17	Extreme	0.59	Moderate	0.00	NA	NA	NA	Software - Application
Prodware SA	0.85	None	1.18	0.49	Very High	0.53	Moderate	174.00	-0.89	3.03	3.00	Software - Infrastructure
AdThink Media SA	0.85	None	1.18	0.99	Extreme	0.46	Moderate	29.00	-6.12	-13.90	-13.22	Internet Content & Information

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

Exhibit 22 Stocks with Highest Annual Sales Growth in 2014

Name	Price/Fair Value	Quantitative Moat	Quantitative Valuation Score	Quantitative Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health Score	Quantitative Financial Health	Quantitative Valuation	Revenue (mil, base currency)	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)	Industry
Atari Prov. Regroup	0.96	None	1.04	0.49	Very High	0.40	Moderate	Fairly Valued	7.00	175.00	-75.76	-75.76	Electronic Gaming & Multimedia
BLUE SOLUTIONS SA	0.98	Narrow	1.02	0.25	High	0.63	Moderate	Fairly Valued	114.00	105.00	-5.63	-5.83	Electronic Components
Tuto4pc.Com Group	1.01	None	0.99	0.63	Very High	0.28	Moderate	Fairly Valued	11.00	101.75	23.53	25.65	Internet Content & Information
ITS Group	0.89	None	1.12	0.43	Very High	0.71	Strong	Undervalued	186.00	61.89	3.81	2.26	Information Technology Services
BE Semiconductor Industries NV	0.76	None	1.32	0.43	Very High	0.73	Strong	Undervalued	378.00	48.59	18.83	18.71	Semiconductor Equipment & Materials
Aufeminin	0.91	Narrow	1.10	0.27	High	0.86	Strong	Undervalued	87.00	44.98	26.63	16.39	Internet Content & Information
Global Graphics SE	1.09	None	0.92	0.42	Very High	0.79	Strong	Overvalued	11.00	44.12	10.22	14.39	Software - Application
ProwebCE	0.00	Narrow	0.80	0.33	High	0.55	Moderate	Overvalued	95.00	35.83	5.90	3.85	Software - Application
EasyVista SA	0.92	Narrow	1.09	0.40	Very High	0.77	Strong	Undervalued	19.00	31.66	1.61	4.61	Software - Application
Planet FR	0.90	None	1.11	0.57	Very High	0.75	Strong	Undervalued	6.00	31.62	22.26	20.01	Internet Content & Information
Oceasoft SA	1.01	Narrow	0.99	0.44	Very High	0.79	Strong	Fairly Valued	4.00	24.68	10.73	9.00	Scientific & Technical Instruments
Radiall	0.97	None	1.03	0.38	Very High	0.70	Strong	Fairly Valued	290.00	20.95	15.53	11.15	Electronic Components
Melexis	0.96	Narrow	1.04	0.22	High	0.71	Strong	Fairly Valued	370.00	20.72	27.70	25.57	Semiconductor Equipment & Materials
Umanis NR	1.07	None	0.93	0.42	Very High	0.55	Moderate	Overvalued	138.00	19.39	3.96	2.20	Information Technology Services
Solutions 30 SA	1.25	None	0.80	0.30	High	0.64	Moderate	Overvalued	111.00	18.57	5.59	3.60	Software - Infrastructure
Econocom Group Class D	1.13	None	0.89	0.16	High	0.62	Moderate	Overvalued	2092.00	18.45	2.65	1.48	Information Technology Services
Quotium Technologies	0.84	None	1.18	0.79	Very High	0.48	Moderate	Undervalued	4.00	17.94	-22.84	-26.50	Software - Application
Neways Electronics International	0.99	None	1.01	0.42	Very High	0.54	Moderate	Fairly Valued	364.00	16.46	1.72	2.25	Electronic Components

Exhibit 22 Stocks with Highest Annual Sales Growth in 2014 (Continued)

Name	Price/Fair Value	Quantitative Moat	Quantitative Valuation Score	Quantitative Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health Score	Quantitative Financial Health	Quantitative Valuation	Revenue (mil, base currency)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)	Industry
Environnement SA	0.99	None	1.01	0.27	High	0.82	Strong	Fairly Valued	62.00	16.30	12.11	9.78	Scientific & Technical Instruments
Zetes Industries	1.02	None	0.98	0.21	High	0.82	Strong	Fairly Valued	254.00	15.98	3.77	2.54	Software - Infrastructure
Anevia SA	0.74	None	1.36	0.77	Very High	0.73	Strong	Undervalued	8.00	15.91	-45.71	-45.71	Software - Infrastructure
Aubay	1.01	None	0.99	0.25	High	0.73	Strong	Fairly Valued	258.00	15.24	7.27	4.78	Information Technology Services
Dalet	0.93	None	1.07	0.50	Very High	0.66	Moderate	Undervalued	42.00	14.68	0.68	0.38	Software - Application
Octo Technology SA	1.15	None	0.87	0.38	Very High	0.77	Strong	Overvalued	27.00	14.52	6.94	5.23	Information Technology Services
HiTechPros SA	0.96	None	1.04	0.54	Very High	0.74	Strong	Fairly Valued	13.00	13.87	12.55	8.20	Information Technology Services
AND International Publishers	0.89	None	1.13	0.52	Very High	0.79	Strong	Undervalued	3.00	13.04	56.21	52.89	Internet Content & Information
Compta - Equipamentos e Serviços de Informatica	0.93	Narrow	1.07	0.64	Very High	0.29	Moderate	Undervalued	33.00	12.98	1.89	7.50	Information Technology Services
Traqueur SA	0.99	None	1.01	0.60	Very High	0.40	Moderate	Fairly Valued	17.00	12.93	-1.72	0.81	Scientific & Technical Instruments
Groupe Concoursmania	0.82	None	1.22	0.58	Very High	0.82	Strong	Undervalued	19.00	12.71	-4.92	-4.89	Electronic Gaming & Multimedia
Cast	1.11	Narrow	0.90	0.36	Very High	0.87	Strong	Overvalued	35.00	12.16	6.46	5.10	Software - Application
Esker	1.14	Narrow	0.88	0.31	High	0.80	Strong	Overvalued	46.00	12.02	12.97	10.10	Software - Application
Actia group	0.93	None	1.07	0.44	Very High	0.49	Moderate	Undervalued	339.00	11.93	5.84	4.19	Electronic Components
Societe O2I	0.94	None	1.06	0.52	Very High	0.58	Moderate	Undervalued	47.00	11.31	-1.08	0.24	Software - Application
Keyware Technologies	1.04	None	0.96	0.47	Very High	0.50	Moderate	Fairly Valued	11.00	11.08	19.89	19.65	Software - Infrastructure
Orolia SA	0.94	None	1.07	0.36	Very High	0.68	Moderate	Undervalued	80.00	10.36	0.41	-4.25	Scientific & Technical Instruments
Prologue	0.97	None	1.03	0.38	Very High	0.78	Strong	Fairly Valued	22.00	10.35	-0.48	-1.26	Software - Application
Axway Software	1.05	None	0.95	0.20	High	0.82	Strong	Fairly Valued	281.00	10.12	11.60	10.13	Software - Application
Infotel	1.11	Narrow	0.90	0.26	High	0.86	Strong	Overvalued	157.00	10.05	10.75	7.01	Information Technology Services
Satimo	0.81	None	1.23	0.45	Very High	0.90	Strong	Undervalued	56.00	10.03	6.27	4.20	Electronic Components

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

Exhibit 23 Stocks with Highest Operating Margin in 2014

Name	Price/Fair Value	Quantitative Moat	Quantitative Valuation Score	Quantitative Valuation Uncertainty Score	Quantitative Valuation Uncertainty	Quantitative Financial Health Score	Quantitative Financial Health	Quantitative Valuation	Revenue (mil, base currency)	Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)	Industry
Softimat	0.83	None	1.21	0.50	Very High	0.86	Strong	Undervalued	1.00	-7.09	73.83	64.04	Software - Application
AND International Publishers	0.89	None	1.13	0.52	Very High	0.79	Strong	Undervalued	3.00	13.04	56.21	52.89	Internet Content & Information
Melexis	0.96	Narrow	1.04	0.22	High	0.71	Strong	Fairly Valued	370.00	20.72	27.70	25.57	Semiconductor Equipment & Materials
Aufeminin	0.91	Narrow	1.10	0.27	High	0.86	Strong	Undervalued	87.00	44.98	26.63	16.39	Internet Content & Information

Exhibit 23 Stocks with Highest Operating Margin in 2014 (Continued)

Name	Price/Fair Value		Quantitative Moat	Quantitative Valuation		Quantitative Uncertainty Score	Quantitative Valuation		Quantitative Uncertainty	Quantitative Financial Health		Quantitative Financial Health	Quantitative Valuation	Revenue (mil, base currency)	Operating Revenue Growth % (2014)	Operating Margin % (2014)	Net Margin % (2014)	Industry
	Value	Moat		Score	Uncertainty Score		Score	Uncertainty		Score	Health							
IGE Plus XAO SA	0.97	Narrow		1.03	0.29	High				0.93	Strong		Fairly Valued	27.00	6.59	25.60	18.64	Software - Application
Tuto4pc.Com Group	1.01	None		0.99	0.63	Very High				0.28	Moderate		Fairly Valued	11.00	101.75	23.53	25.65	Internet Content & Information
Pharmagest Interactive	1.09	Narrow		0.92	0.27	High				0.83	Strong		Overvalued	114.00	1.02	23.12	14.85	Software - Application
Planet FR	0.90	None		1.11	0.57	Very High				0.75	Strong		Undervalued	6.00	31.62	22.26	20.01	Internet Content & Information
Keyware Technologies	1.04	None		0.96	0.47	Very High				0.50	Moderate		Fairly Valued	11.00	11.08	19.89	19.65	Software - Infrastructure
Harvest SA	0.98	Narrow		1.02	0.29	High				0.88	Strong		Fairly Valued	21.00	6.62	19.07	12.70	Software - Infrastructure
BE Semiconductor Industries NV	0.76	None		1.32	0.43	Very High				0.73	Strong		Undervalued	378.00	48.59	18.83	18.71	Semiconductor Equipment & Materials
Linedata Services	0.99	None		1.01	0.26	High				0.70	Strong		Fairly Valued	157.00	-1.45	17.86	10.26	Software - Application
Exact Holding NV	1.08	Narrow		0.93	0.34	High				0.89	Strong		Overvalued	188.00	3.96	16.11	19.88	Software - Infrastructure
Radiall	0.97	None		1.03	0.38	Very High				0.70	Strong		Fairly Valued	290.00	20.95	15.53	11.15	Electronic Components
Sword Group	1.00	None		1.00	0.23	High				0.88	Strong		Fairly Valued	117.00	9.92	14.22	10.38	Software - Application
Cegid Group	1.03	None		0.97	0.25	High				0.70	Moderate		Fairly Valued	266.00	2.57	13.28	8.31	Software - Application
Esker	1.14	Narrow		0.88	0.31	High				0.80	Strong		Overvalued	46.00	12.02	12.97	10.10	Software - Application
Nederlandsche Apparatenfabriek NEDAP	0.99	Narrow		1.01	0.25	High				0.72	Strong		Fairly Valued	177.00	2.01	12.71	10.09	Electronic Components
Solocal Group	0.72	None		1.38	0.48	Very High				0.32	Moderate		Undervalued	936.00	-6.27	12.64	6.35	Internet Content & Information
HiTechPros SA	0.96	None		1.04	0.54	Very High				0.74	Strong		Fairly Valued	13.00	13.87	12.55	8.20	Information Technology Services
SoluCom	1.01	Narrow		0.99	0.20	High				0.87	Strong		Fairly Valued	163.00	8.49	12.34	7.73	Information Technology Services
Itesoftware	0.96	None		1.04	0.40	Very High				0.86	Strong		Fairly Valued	21.00	5.18	12.18	10.98	Software - Application
Environnement SA	0.99	None		1.01	0.27	High				0.82	Strong		Fairly Valued	62.00	16.30	12.11	9.78	Scientific & Technical Instruments
Axway Software	1.05	None		0.95	0.20	High				0.82	Strong		Fairly Valued	281.00	10.12	11.60	10.13	Software - Application
Infotel	1.11	Narrow		0.90	0.26	High				0.86	Strong		Overvalued	157.00	10.05	10.75	7.01	Information Technology Services
Oceasoftware SA	1.01	Narrow		0.99	0.44	Very High				0.79	Strong		Fairly Valued	4.00	24.68	10.73	9.00	Scientific & Technical Instruments
Neurones	1.01	Narrow		0.99	0.18	High				0.93	Strong		Fairly Valued	355.00	3.50	10.49	5.77	Information Technology Services
Global Graphics SE	1.09	None		0.92	0.42	Very High				0.79	Strong		Overvalued	11.00	44.12	10.22	14.39	Software - Application

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

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