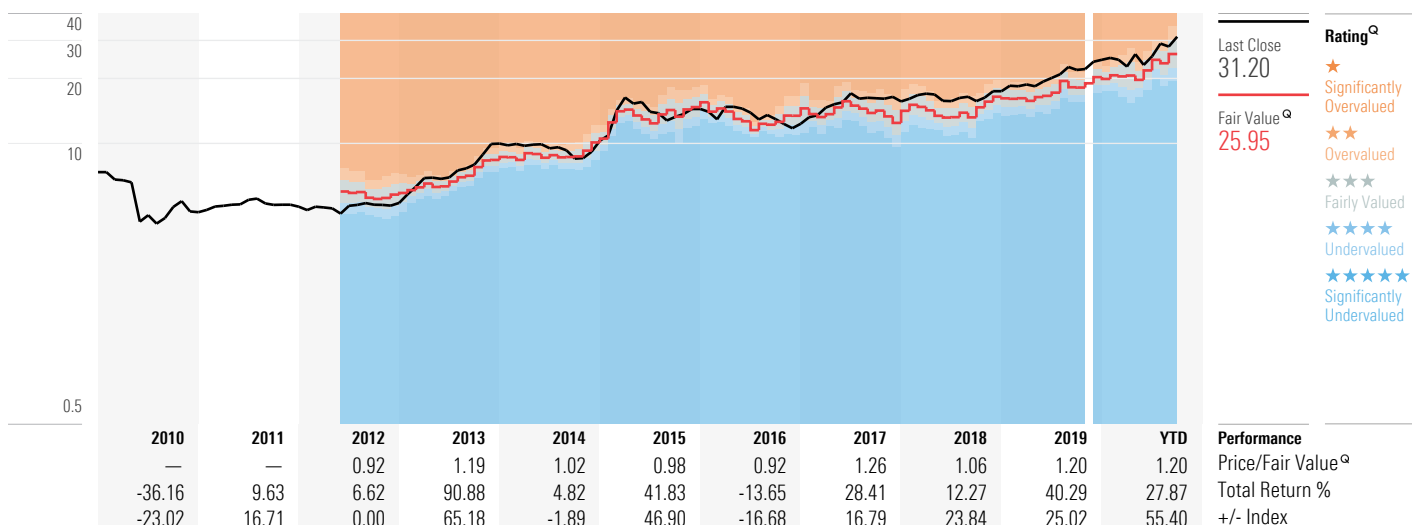


Laboratorios Farmaceuticos Rovi SA ROVI ★★ Q 29 Sep 2020, 22:40 UTC

Economic Moat ^Q Narrow	Uncertainty ^Q High	Price/Fair Value ^Q 1.2	Trailing Dividend Yield % 0.29	Market Cap 1.7283 Bil	Investment Style Small Growth	Sector Healthcare	Industry Biotechnology
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Total Return % as of 29 Sep 2020. Last Close as of 29 Sep 2020. Fair Value as of 29 Sep 2020, 22:40 UTC. Index: Morningstar Spain GR EUR.

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Valuation^Q as of 29 Sep 2020



ROVI is overvalued at a 20% premium.

Economic Moat^Q
Narrow

Financial Health^Q
Strong

1-Star Price^Q
> 34.78

5-Star Price^Q
< 19.36

Financials as of 29 Sep 2020 (Fiscal Year End 31 Dec 2020)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD	Fiscal
159	185	202	218	238	246	265	276	303	381	191	Revenue (Mil)
26	19	22	25	28	22	28	19	17	43	33	Operating Income (Mil)
16.39	10.28	10.74	11.71	11.63	8.88	10.67	6.9	5.76	11.33	17.21	Operating Margin (%)
25	18	20	23	24	20	26	17	18	39	30	Net Income (Mil)
0.49	0.36	0.39	0.46	0.48	0.40	0.53	0.35	0.35	0.71	0.53	Diluted Earnings/Share
21	13	20	30	23	29	46	18	9	-9	-15	Operating Cash Flow (Mil)
-6	-8	-14	-25	-25	-20	-18	-20	-26	-41	-7	Capital Spending (Mil)
16	4	6	5	-2	9	27	-2	-18	-50	-22	Free Cash Flow (Mil)
50	50	50	50	50	50	49	49	51	55	55	Avg Shares Outstand(Mil)
0.14	0.17	0.13	0.14	0.16	0.17	0.14	0.18	0.12	0.08	0.18	Dividend Per Share

Valuation as of 29 Sep 2020

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Current	Calendar
—	—	0.92	1.19	1.02	0.98	0.92	1.26	1.06	1.20	1.20	Price/Fair Value ^Q
2.08	1.38	1.30	2.37	2.23	2.94	2.34	2.78	2.96	3.81	4.36	Price/Sales
10.34	16.31	13.59	23.09	21.38	34.69	24.56	35.67	54.14	41.60	32.84	Price/Earnings
24.85	19.25	13.42	25.76	17.09	33.02	13.89	36.05	105.33	219.01	226.19	Price/Cash Flow
3.36	2.27	2.08	3.55	3.31	4.39	3.39	4.03	4.80	4.31	4.91	Price/Book

Operating Performance as of 29 Sep 2020 (Fiscal Year End 31 Dec 2020)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Q3	Fiscal (%)
12.98	8.22	8.66	10.05	9.7	7.54	9.46	5.88	5.1	8.59	2.93	Return on Assets
27.99	16.62	16.23	17.0	15.92	12.26	14.99	9.19	7.47	12.88	4.55	Return on Equity
20.24	12.08	12.73	14.19	13.92	10.58	12.5	8.03	6.62	10.93	3.81	Rtn on Invested Capital

Business Description

Laboratorios Farmaceuticos Rovi SA is a biotechnology company engaged in the research, development, manufacturing, and marketing of small molecule and specialty biologic drugs. The company has a diversified portfolio of products that it markets in Spain through its specialized sales force of

specialist physicians, hospitals and pharmacies. Laboratories' research and development pipeline is focused on the expansion of applications, indications, and alternative mechanisms of action for heparin-derived products. The company aims to obtain new pharmaceutical products that enable the regular administration of formulations that are ad-

ministered daily in chronic and prolonged treatments.

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ii. **Quantitative Economic Moat:** Intended to describe the strength of a firm's competitive position. It is calculated using an algorithm designed to predict the Economic Moat rating a Morningstar analyst would assign to the stock. The rating is expressed as Narrow, Wide, or None.

Narrow – assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 70% but less than 99%.

Wide – assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 99%.

None – assigned when the probability of an analyst receiving a "Wide Moat" rating by an analyst is less than 70%.

iii. **Quantitative Star Rating:** Intended to be the summary rating based on the combination of our Quantitative Fair Value Estimate, current market price, Quantitative Uncertainty Rating, and momentum. The rating is expressed as One-Star, Two-Star, Three-Star, Four-Star, and Five-Star.

One-Star – the stock is overvalued with a reasonable margin of safety.

*Log (Quant FVE/Price) < -1*Quantitative Uncertainty*

*Micro-Caps: Log (Quant FVE/Price) < -1.5*Quantitative Uncertainty*

Two-Star - the stock is somewhat overvalued.

*Log (Quant FVE/Price) between (-1*Quantitative Uncertainty, -0.5*Quantitative Uncertainty)*

*Micro-Caps: Log (Quant FVE/Price) between (-1.5*Quantitative Uncertainty, -0.75*Quantitative Uncertainty)*

Three-Star – the stock is approximately fairly valued.

*Log (Quant FVE/Price) between (-0.5*Quantitative Uncertainty, 0.5*Quantitative Uncertainty)*

*Micro-Caps: Log (Quant FVE/Price) between (-0.75*Quantitative Uncertainty, 0.75*Quantitative Uncertainty)*

Four-Star – the stock is somewhat undervalued.

*Log (Quant FVE/Price) between (0.5*Quantitative Uncertainty, 1*Quantitative*

Uncertainty)

*Micro-Caps: Log (Quant FVE/Price) between (0.75*Quantitative Uncertainty, 1.5*Quantitative Uncertainty)*

Five-Star – the stock is undervalued with a reasonable margin of safety.

*Log (Quant FVE/Price) > 1*Quantitative Uncertainty*

*Micro-Caps: Log (Quant FVE/Price) > 1.5*Quantitative Uncertainty*

After the initial calculation for the star rating, there is a final filtering step based on the momentum of the company. We rank the companies based on their 12-1 month momentum, then restrict those below the 30th percentile to a maximum of 3 stars.

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Low – the interquartile range for possible fair values is less than 10%

Medium – the interquartile range for possible fair values is less than 15% but greater than 10%

High – the interquartile range for possible fair values is less than 35% but greater than 15%

Very High – the interquartile range for possible fair values is less than 80% but greater than 35%

Extreme – the interquartile range for possible fair values is greater than 80%

v. **Quantitative Financial Health:** Intended to reflect the probability that a firm will face financial distress in the near future. The calculation uses a predictive model designed to anticipate when a company may default on its financial obligations. The rating is expressed as Weak, Moderate, and Strong.

Weak – assigned when Quantitative Financial Health < 0.2

Moderate – assigned when Quantitative Financial Health is between 0.2 and 0.7

Strong – assigned when Quantitative Financial Health > 0.7

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ii. **Quantitative Valuation**– Using the below terms, intended to denote the relationship between the security's **Last Price** and Morningstar's quantitative fair value estimate for that security.

Undervalued – **Last Price** is below Morningstar's quantitative fair value estimate.

Fairly Valued – **Last Price** is in line with Morningstar's quantitative fair value estimate.

Overvalued – **Last Price** is above Morningstar's quantitative fair value estimate.

This Report **has not been made available** to the issuer of the security prior to publication.

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