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Piper Jaffray Ltd.

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Piper Jaffray Ltd.

Related Companies:

Share Price:

Evotec
Neutral

(EVT GR - \$1.94)

European Biotechnology

EVT101 Enters Ph.IIa for TRD; Headline Data Possible end-2011

CONCLUSION:

Evotec has initiated the US EVT101 Ph.IIa trial in treatment-resistant depression (TRD). This is in line with our expectations and follows recent FDA approval for the study. Positive headline data around end-2011 could see Roche pay a \$65m option exercise fee to the entire programme. Today's news, whilst incrementally positive, has no impact on our valuation as we already assume a Ph.IIa (24%) probability of success on the drug. EVT101 contributes €0.58 to our SOP-NPV, based on a 2014 launch and US\$743m peak sales.

- **By way of background.** EVT101 and EVT103 are oral active, NR2B subtype selective NMDA receptor antagonists. In 2009, Evotec partnered to develop EVT101 for treatment-resistant depression (TRD) (see note of 9 Mar '09). The deal, which also included EVT103, has a total potential deal value exceeding \$300m. Roche paid \$10m upfront for a buy-back option and is funding all development. If Roche exercises its option following positive EVT101 Ph.IIa data, Evotec will receive \$65m cash, potential milestones totalling \$225m plus royalties.
- **What's new?** Evotec has announced that it has started the US EVT101 Ph.IIa proof-of-concept trial in TRD. This is in line with our expectations and follows recent FDA approval for the study (see note of 10 Mar '10). We viewed FDA permission as critical, given the Agency had previously raised (undisclosed) concerns necessitating further preclinical work. The Ph.IIa study will assess the efficacy, safety and tolerability of EVT101 in approximately 100 patients with TRD. Treatment resistance will be confirmed in a 6-week prospective treatment phase preceding the actual 4-week double-blind treatment period.
- **Whats the impact?** The mid-year initiation for the EVT101 Ph.IIa study is in line with our expectations and suggests headline data could be available around end 2011. As noted above, positive results could see Roche pay a \$65m option exercise fee to the entire EVT programme. We believe that the study's stringent enrollment criteria (i.e. 6-week prospective phase) and design should ensure delivery of a robust dataset in TRD.
- **Valuation impact.** Today's news, whilst incrementally positive, has no impact on our valuation as we already assume a Ph.IIa (24%) probability of success on the programme. As a reminder EVT101 contributes €0.58 to our SOP-NPV, based on a 2014 launch and peak sales of US\$743m. However, EVT103 is currently excluded from our model, and could therefore provide upside to our forecasts and valuation.

PRICE TARGET AND JUSTIFICATION:

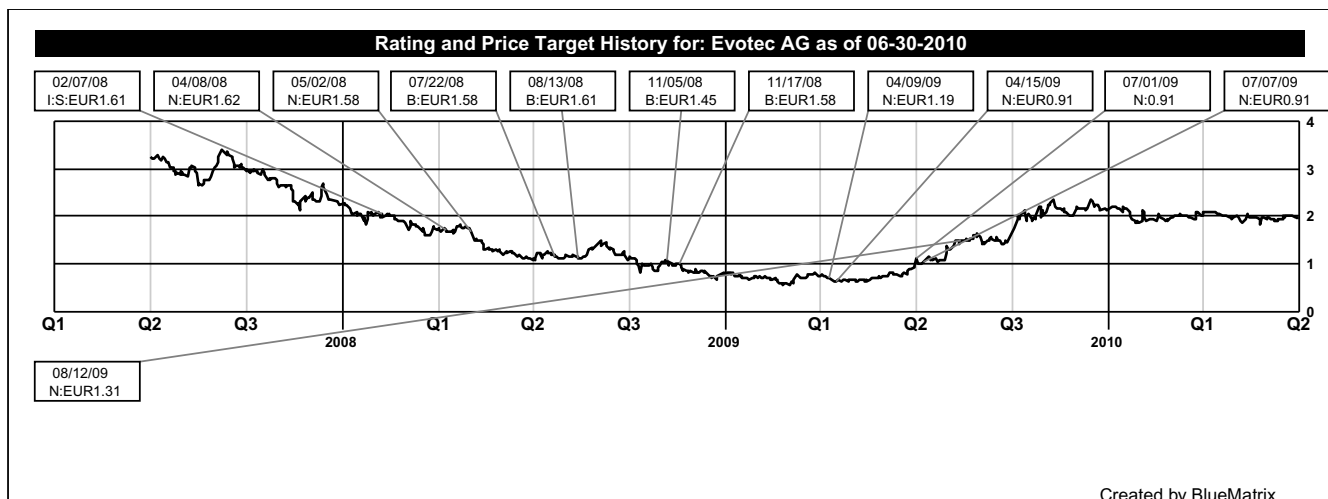
Reiterate Neutral and NPV-derived PT of €1.31 (see note of 25 Mar '10)

RISKS TO ACHIEVEMENT OF TARGET PRICE:

Failure to partner programmes; failure of EVT101, failure of P2X7.

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			Count	Percent
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Analyst Certification — Sam Fazeli, Ph.D., Sr Research Analyst

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