

Company Alert

Evotec



RATING
BUY (UNCHANGED)

TARGET PRICE
3 EUR (UNCHANGED)

Results Initial View: Excellent quarterly figures

HIGHLIGHTS

- Positive operating result of EUR 0.7m in Q3
- R&D expenses down by 61%
- Liquidity increased by EUR 2.3m to EUR 70.2m

Q3 results again exceeded our and consensus expectations: Revenues increased by 33% to EUR 13.9m and were based on organic growth plus relatively low milestone payments of EUR 2.5m from Boehringer Ingelheim. The gross margin improved from 39.4% to 42.0% y-o-y despite similar milestone payments were accounted in both quarters. R&D expenses dropped by 61% (EUR 1.2m down from EUR 3.2m y-o-y; LBBW: EUR 1.8m) due to the restructuring process in 2010. SG&A expenses slightly decreased from EUR 4.1m to EUR 3.9m; LBBW: EUR 4.1m). No further restructuring charges and impairments were accounted in Q3 while a charge of EUR 0.5m weighed on last year's quarterly operating result. In summary, the operating result of EUR 0.7m was again positive. As no significant tax payments or a financial loss were accounted the net result amounted also to EUR 0.7m. Liquidity improved by EUR 2.3m to EUR 70.2m due to a cashflow positive quarter (LBBW: EUR 67m). This does not include the cash component of EUR 2m for the acquisition of Develogen which will be accounted in Q4.

The financial guidance for 2010, increased in August, was confirmed: Sales should grow to EUR 52 – 54m and R&D expenses will decrease below EUR 10m. By this the net loss will be significantly reduced in 2010. Liquidity is expected to be at least at EUR 64m at the end of 2010. Evotec plans to break even by 2012 at the latest.

An analyst conference call will be hosted at 9:30 CET.

in EUR m	Q3/2010	LBBW E	Consensus	9M/2010	LBBW E	Consensus
Sales	13.9	12.8	13.2	38.8	37.8	38.2
EBIT	0.7	-1.1	-1.4	1.0	-0.8	-1.1
Net profit	0.7	0.0	-1.4	0.6	-1.0	-1.3
EPS (in EUR)	0.01	-0.01	-0.01	0.01	-0.01	-0.01

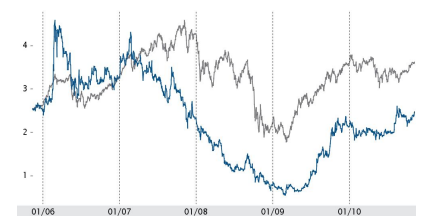
Source: Evotec, LBBW Research

+++ Reuters: EVTG +++ Bloomberg: EVT GY +++

Current Price (XETRA (Germany); 2010-11-10; 12:54 pm)	2.49 EUR
CLOSING PRICE (2010-11-09)	2.48 EUR
EXPECTED PERFORMANCE	21.1%
MARKET CAPITALIZATION	286.43 EUR m
ENTERPRISE VALUE	234.67 EUR m
NUMBER OF SHARES	115.59 m
FREE FLOAT	69.0%
INDEX (WEIGHT)	TecDAX (1.19%)
AVG. DAILY TRADEVOL.	332,403
ISIN	DE0005664809
SECTOR	Biotechnology

KEY DATA (DEC)	2009	2010E	2011E
Company figures in m EUR, per share data in EUR			
Sales	42.7	53.4	61.4
EBITDA	-20.3	4.2	5.9
EBIT	-42.2	-0.7	1.4
Net profit	-45.4	-1.0	1.0
Free cash flow	-26.2	-2.3	16.4
FCF yield	-11.5%	-0.8%	5.7%
EPS	-0.43	-0.01	0.01
Dividend	0.00	0.00	0.00
EV / Sales	4.0	4.4	3.8
EV / EBITDA	n.m.	56.0	39.7
EV / EBIT	n.m.	n.m.	165.7
P / E	n.m.	n.m.	296.6
P / BV	2.04	2.44	2.42
Dividend yield	0.0%	0.0%	0.0%

PRICE PERFORMANCE



Source: Evotec, LBBW Research, Thomson Reuters

UPCOMING EVENTS

November 11-10 Quarterly report

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Please Note

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LBBW Research Rating-Systematics (absolute share rating system)

Rating definitions:

Buy:	Based on a time horizon of up to 12 months, we recommend that investors buy the stock.
Sell:	Based on a time horizon of up to 12 months, we recommend that investors sell the stock.
Hold:	We take a neutral view on the stock and, based on a time horizon of up to 12 months, do not recommend either a Buy or Sell.
Under review:	The rating is currently updated.
Suspended:	The evaluation of the company is currently not feasible.

Percentage of companies within this rating category

Buy:	50,4%
Sell:	7,6%
Hold:	38,8%
Under review:	2,7%
Suspended:	0,4%

Notes: Rating definitions prior to 6th April, 2009 were:

Buy: The price potential of the share is at least 10%. Hold: The price potential of the share is between 0% and 10%. Sell: A negative price performance of the share is expected.

Ratings relate to a time horizon of up to 6 months.

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