

# Company Alert

Evotec



RATING  
**BUY** (UNCHANGED)

TARGET PRICE  
**2.7 EUR** (UNCHANGED)

## Results Initial View: Another strong quarter

HIGHLIGHTS

- Operating result at EUR 1.8m
- R&D expenses down 80% in Q2
- Liquidity at EUR 67.9m in Q2
- Sales guidance for 2010 increased

Q2 result clearly exceeded our expectations: Revenues increased by 44% to EUR 15.1 m that were based on organic growth in addition to milestone payments of EUR 4.5m. As expected, COGS decreased from 61.2% to 50.3% clearly ahead of the companies guidance of 30%. R&D expenses dropped by 80% (EUR 1.1m down from EUR 6.0m y-o-y; LBBW: EUR 2.4m) as most clinical programmes have been terminated. SG&A expenses increased by 4% (EUR 4.4m vs. EUR 4.2m; LBBW: EUR 3.5m) which might provide a run rate for H2 2010. Only restructuring charges and impairments of EUR 0.1m were accounted while high charges of EUR 2.7m weighed on last year's quarterly operating result. In summary, the operating result amounted to EU 1.8m (12% margin). Due to the milestone payments liquidity was almost stable at EUR 67.9m. The acquisition of Develogen was announced in July and did not materially affect Q2 figures.

The financial guidance for 2010 was raised: Sales are expected now to increase by 22% to EUR 52 - 54 m (was EUR 48 - 50m) while the target for R&D expenses with a decrease to EUR 10m remains unchanged. Liquidity is expected to be higher than EUR 64m by the end of 2010. All in all, a significant decrease of the net loss down to approx. EUR 10m is expected for the year while the break even target in 2012 was confirmed. We suggest, that Evotec will reach break-even already in 2011.

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

in EUR m	Q2/2010	LBBW E	Consensus	6M/2010	LBBW E	Consensus
Sales	15.1	12.2	13.6	25.0	22.0	23.4
EBIT	1.8	-1.2	0.1	0.3	-2.6	-1.4
Net profit	1.3	-1.3	0.1	0.1	-2.5	-1.2
EPS (in EUR)	0.01	-0.01	0.10	0.00	-0.02	-0.01

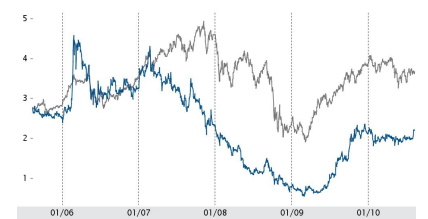
Source: Evotec, LBBW Research, Dow Jones

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

Current Price (XETRA (Germany); 2010-08-11; 03:05 pm).....	2.24 EUR
CLOSING PRICE (2010-08-10).....	2.20 EUR
EXPECTED PERFORMANCE:.....	22.7%
MARKET CAPITALIZATION:.....	239.45 EUR m
ENTERPRISE VALUE:.....	196.82 EUR m
NUMBER OF SHARES:.....	108.84 m
FREE FLOAT:.....	69.0 %
INDEX (WEIGHT):.....	TecDAX (1.21 %)
AVG. DAILY TRADEVOL.:.....	226,902
ISIN:.....	DE0005664809
SECTOR:.....	Biotechnology

KEY DATA (DEC)	2009	2010E	2011E
Sales (EUR m)	42.7	49.5	60.1
EBITDA (EUR m)	-20.3	-1.3	3.4
EBIT (EUR m)	-42.2	-3.3	1.5
Net profit (EUR m)	-45.4	-3.8	0.7
FCF (EUR m)	-26.2	-9.5	10.1
FCF yield	-11.5 %	-4.0 %	4.2 %
EPS (EUR)	-0.43	-0.03	0.01
DPS (EUR)	0.00	0.00	0.00
EV / Sales (x)	4.0	4.0	3.3
EV / EBITDA (x)	n.m.	n.m.	58.7
EV / EBIT (x)	n.m.	n.m.	131.5
P / E (x)	n.m.	n.m.	353.7
P / BV (x)	2.04	2.22	2.21
Dividend yield	0.0 %	0.0 %	0.0 %

PRICE PERFORMANCE



Source: Evotec, LBBW Research, Thomson Reuters

UPCOMING EVENTS

August 12-10 First half report

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Please Note

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Rating definitions:

<b>Buy:</b>	Based on a time horizon of up to 12 months, we recommend that investors buy the stock.
<b>Sell:</b>	Based on a time horizon of up to 12 months, we recommend that investors sell the stock.
<b>Hold:</b>	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.
<b>Under review:</b>	The rating is currently updated.
<b>Suspended:</b>	The evaluation of the company is currently not feasible.

Percentage of companies within this rating category

<b>Buy:</b>	54,6%
<b>Sell:</b>	9,7%
<b>Hold:</b>	33,6%
<b>Under review:</b>	0,8%
<b>Suspended:</b>	1,3%

**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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