

EQUITY RESEARCH

COMPANY ALERT

# Company Alert

## Evotec



RATING  
**BUY** (UNCHANGED)

TARGET PRICE  
**3.70 EUR** (UNCHANGED)

### Results Initial View: Sunny outlook

HIGHLIGHTS

- First positive FY net result in 18 years of history
- R&D expenses down by 71% in 2010
- Liquidity at EUR 70m
- 20% sales growth at continued profitability in 2011

Q4/FY2010 results exceeded our and consensus expectations: Revenues increased by 21%/29% to EUR 16.4m / 55.3m. Milestone payments grew by 47% to EUR 15.6m and the share of total sales increased from 25% to 28%. Despite this, gross margin improved only 0.9% to 44.1% indicating some price pressure on the business. R&D expenses dropped by 71% (EUR 6.1m) from EUR 20.9m y-o-y; LBBW: EUR 6.3m) after the end of most internal clinical projects (R&D EUR 12.4m to EUR 2.7m). SG&A expenses slightly decreased by 4% from EUR 16.7m to EUR 16.0m (LBBW: EUR 15.6m) despite the acquisition of Develogen. Restructuring charges and impairments were not accounted in 2010 (2009: EUR 22.7m) and the EBIT turned into black numbers in Q4 and in the FY. In addition, the financial result benefitted from a unexpected Fx gain of EUR 2.2m which was the main reason for the strong increase of the net result of EUR 3.0m in 2010. Liquidity remained at EUR 70m despite the acquisition of Develogen (LBBW: EUR 67m).

A first financial guidance was given for 2011: Sales should grow by 16-20% to EUR 64 – 66m (order book in March: EUR 40m including EUR 2m from Kinaxo), COGS be at least stable and R&D expenses will be below EUR 10m. CAPEX will significantly increase to EUR 8m as facilities will be enhanced and capacities extended. Liquidity might therefore decrease to approx. 65m by the end of 2011 indicating that the company will stay profitable in 2011. We confirm our BUY rating and the price target of EUR 3.70.

in EUR m	Q4/2010	LBBW E	Consensus	12M/2010	LBBW E	Consensus
Sales	16.4	15.5	14.8	55.3	54.4	53.8
EBIT	0.7	-0.6	-0.6	1.7	0.4	0.4
Net profit	2.2	-0.6	-0.9	3.0	0.1	0.4
EPS (in EUR)	0.02	-0.01	-0.02	0.03	0.00	0.00

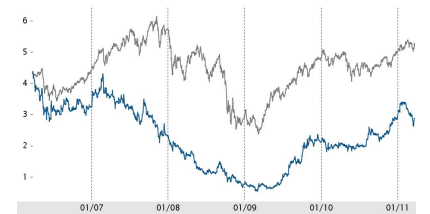
Source: Evotec, LBBW Research

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

Current Price (XETRA (Germany); 2011-03-24; 02:43 pm) .....3.09 EUR  
 CLOSING PRICE (2011-03-23):.....2.94 EUR  
 EXPECTED PERFORMANCE:.....25.9%  
 MARKET CAPITALIZATION:.....339.83 EUR m  
 ENTERPRISE VALUE:.....284.53 EUR m  
 NUMBER OF SHARES:.....115.59 m  
 FREE FLOAT:.....70.0%  
 INDEX (WEIGHT):.....TecDAX (1.4%)  
 AVG. DAILY TRADEVOL.:.....474,359  
 ISIN:.....DE0005664809  
 SECTOR:.....Biotechnology

KEY DATA (DEC)	2010	2011 E	2012E
Company figures in m EUR, per share data in EUR			
Sales	55.3	65.2	73.8
EBITDA	6.5	3.2	10.6
EBIT	1.7	0.3	7.7
Net profit	3.0	0.2	6.0
Free cash flow	11.1	9.6	14.4
FCF yield	3.3%	2.8%	4.2%
EPS	0.03	0.00	0.05
Dividend	0.00	0.00	0.00
EV / Sales	5.1	4.4	3.9
EV / EBITDA	43.9	88.5	26.9
EV / EBIT	165.9	879.9	37.1
P / E	106.6	1367.2	57.1
P / BV	2.40	2.86	2.73
Dividend yield	0.0%	0.0%	0.0%

PRICE PERFORMANCE



Source: Evotec, LBBW Research, Thomson Reuters

UPCOMING EVENTS

March 24-11 Annual report

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# Appendix-1

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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>	50,8%
<b>Sell:</b>	5,6%
<b>Hold:</b>	41,1%
<b>Under review:</b>	1,0%
<b>Suspended:</b>	1,5%

**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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