

Company Alert

Evotec



RATING
BUY (UNCHANGED)

TARGET PRICE
3 EUR (UNCHANGED)

Results Preview: Slight operating loss possible

HIGHLIGHTS

- 23% sales growth including milestones of EUR 2.5m
- No restructuring and 43% lower R&D expenses
- Net loss reduced by 70% in Q3
- Cash of EUR 67m as Develogen acquisition accounts in Q4 only

Evotec is due to release its interim report Q3 2010 on Thursday 11 November. We see an increase of revenues by 23% y-o-y which is also fuelled by a milestone payment from Boehringer of EUR 2.5m. The integration of Develogen might weigh on COGS (61.1% vs. 60.5% y-o-y) and on R&D expenses (EUR 1.8m vs. EUR 1.1m q-o-q) in Q3. However, the termination of internal clinical development programs should enable a decrease of R&D costs by 43% y-o-y, while we expect SG&A expenses to be flat at EUR 4.1m. As restructuring charges of EUR 0.5m weighed on the operating income of last year, the operating loss might decrease by 71% to EUR 1.1m in Q3. Cash burn should be below EUR 1.0m per quarter leaving the company with cash of EUR 67m. The acquisition of Develogen includes a cash component of EUR 2m that will be accounted in Q4, while the number of shares should increase by 6.5m to 115.8m shares in Q3.

The financial outlook for 2010 increased in August should be confirmed: Sales might grow to EUR 52-54m (was 48 - 50m) and R&D expenses will decrease below EUR 10m (was at 10m). Liquidity is expected to be at least at EUR 64m by the end of 2010 indicating a cashburn of less than EUR 7m in 2010. All in all, a significant decrease of net loss is expected. We suggest that Evotec will achieve break-even in 2011.

in EUR m	Q3/2010	delta %	Consensus	9M/2010	delta %	Consensus
Sales	12.8	23.1	n.a.	37.8	29.9	n.a.
EBIT	-1.1	n.m.	n.a.	-0.8	n.m.	n.a.
Net profit	-1.1	n.m.	n.a.	-1.0	n.m.	n.a.
EPS (in EUR)	-0.01	n.m.	n.a.	-0.01	n.m.	n.a.

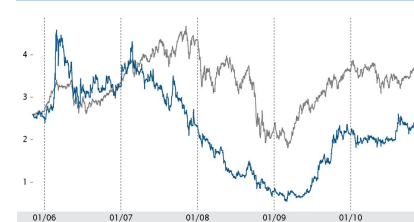
Source: Evotec, LBBW Research

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

Current Price (XETRA (Germany); 2010-11-02; Close Price)2.40 EUR
 CLOSING PRICE (2010-11-02):..... 2.40 EUR
 EXPECTED PERFORMANCE:.....25.1%
 MARKET CAPITALIZATION:..... 277.30 EUR m
 ENTERPRISE VALUE:..... 225.54 EUR m
 NUMBER OF SHARES:..... 115.59 m
 FREE FLOAT:..... 69.0 %
 INDEX (WEIGHT):..... TecDAX (1.15 %)
 AVG. DAILY TRADEVOL.: 344,258
 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 %	5.9 %
EPS	-0.43	-0.01	0.01
Dividend	0.00	0.00	0.00
EV / Sales	4.0	4.2	3.7
EV / EBITDA	n.m.	53.9	38.1
EV / EBIT	n.m.	n.m.	159.2
P / E	n.m.	n.m.	287.1
P / BV	2.04	2.36	2.34
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)

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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:	52,0%
Sell:	7,6%
Hold:	38,2%
Under review:	1,8%
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.

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