

# Company Alert

## Evotec

### Company Update: Acquisition of Compound Focus from Galapagos NV announced



RATING  
**BUY** (UNCHANGED)

TARGET PRICE  
**3.5 EUR** (UNCHANGED)

HIGHLIGHTS

- Transaction price of EUR 10.25m (+EUR 2.25m milestone dependent) seems reasonable
- Accretive from beginning

Evotec has announced the acquisition of Compound Focus from Galapagos NV. The transaction price is EUR 10.25m (plus EUR 2.25m if certain milestones are achieved over the coming two years). Compound Focus had achieved revenues of EUR 7.8m and an operating profit of EUR 2.6m in 2010. Consequently, we believe that price with 4.8x EBIT and around 1.6x sales for a growing business in the global pharmaceutical R&D service area is not too high. The acquisition target is active in the field of compound management and logistics for small research molecules (e.g. of chemical libraries for high-throughput screening - HTS). The global market is estimated to amount up to EUR 50m p.a. with CF being the largest player (competitors are SIGMA Aldrich; ASDI and SPECS).

As such, the transaction should help Evotec to improve its services to customers and alliance partners. Further, it should open access to new customers as there seems to be no overlap to existing partnerships of Evotec. We believe that predominantly the US National Institute of Health (NIH) the largest customer (generating around two thirds of revenues of Compound Focus) could become for Evotec an interesting partner in the future. As Compound Focus is already profitable, the acquisition is considered to be earnings accretive from the beginning.

The company has raised after the acquisition its sales guidance from a range of previously EUR 64 to 66m to now EUR 68 to 70m. Liquidity at year-end 2011 should amount to more than EUR 55m (was EUR 65m before).

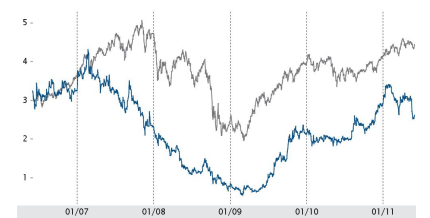
We confirm our Buy rating Evotec shares and our target price of EUR 3.50.

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

Current Price (XETRA (Germany); 2011-06-01; 02:39 pm)	2.76 EUR
CLOSING PRICE (2011-05-31)	2.62 EUR
EXPECTED PERFORMANCE	33.6%
MARKET CAPITALIZATION	309.65 EUR m
ENTERPRISE VALUE	256.14 EUR m
NUMBER OF SHARES	118.19 m
FREE FLOAT	66.0 %
INDEX (WEIGHT)	TecDAX (1.21 %)
AVG. DAILY TRADEVOL.	518,327
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	7.1	10.6
EBIT	1.7	2.4	7.7
Net profit	3.0	2.5	6.0
Free cash flow	1.5	2.4	14.4
FCF yield	10.5%	2.4%	4.6%
EPS	0.03	0.02	0.05
Dividend	0.00	0.00	0.00
EV / Sales	4.5	3.9	3.5
EV / EBITDA	38.6	35.9	24.2
EV / EBIT	145.8	108.6	33.4
P / E	106.6	126.6	50.9
P / BV	2.40	2.30	2.43
Dividend yield	0.0%	0.0%	0.0%

PRICE PERFORMANCE



Source: Evotec, LBBW Research, Thomson Reuters

UPCOMING EVENTS

June 16-11 AGM

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<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>	54,5%
<b>Sell:</b>	4,0%
<b>Hold:</b>	40,0%
<b>Under review:</b>	0,5%
<b>Suspended:</b>	1,0%

**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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