

BIOTECHNOLOGY

A Research Publication by DZ BANK AG

Evotec⁵⁾⁶⁾

Reuters: EVTG.DE

Bloomberg: EVT GY

Year *	Sales EUR m	Adj. IFRS- Earnings per sh. EUR	Cash flow per share EUR	PER	PCF	Dividend per share EUR
2009	42.7 (42.7)	-0.48 (-0.48)	-0.43 (-0.43)	-	-	0.00
2010e	49.1 (49.1)	-0.04 (-0.04)	0.02 (0.02)	-	110.1	0.00
2011e	56.4 (56.4)	-0.01 (-0.01)	0.04 (0.04)	-	50.3	0.00
2012e	64.9 (64.9)	0.01 (0.01)	0.06 (0.06)	177.3	32.1	0.00

* Fiscal year end December – In brackets: Figures from the last publication

Preview of first quarter – Q4 trend should continue

- » On 12.05.2010 Evotec will publish its results for the first quarter of 2010. The focus will be on the progress made with the “Evotec 2010 – Action Plan to Focus and Grow”, whereby Evotec has set itself the target of becoming profitable in 2012 at the latest.
- » **Sales:** we expect sales growth to EUR 9750 (+18%). In terms of costs, following statements by the CEO at the annual results presentation, we do not anticipate any further reductions compared to Q4/09. The EBIT loss should thus decline by 95% to EUR 1.01m (EBIT Q1/09: EUR -20.2m), with EPS of EUR -0.1 (EPS Q1/09: -0.21).
- » **Outlook for 2009:** Evotec is targeting sales growth of at least 15% (DZ BANKE: +15% to EUR 49.1m). By continuing its cost-savings measures Evotec expects to significantly improve its operating profit before provisions keeping liquidity at EUR >64m and achieve sustainable profitability in 2012 at the latest.
- » **Valuation:** using a mix of methods (DCF valuation of the expected payment flows from the contract research business and separate pipeline valuation) we have calculated a fair value of EUR 2.80 for the Evotec shares.

Strategically we regard Evotec as well positioned in a growth market and we expect positive news from the company in 2010 concerning further contracts with partners, milestone payments and strategic acquisitions. In particular, the contract with Roche offers medium and long-term upward potential. In conjunction with the restructuring plan, the targeted growth of 15% should make it possible to achieve the profitability target of 15% at the latest from 2012. We recommend Evotec shares as a Buy with a fair value of EUR 2.80.

Selected Companies	Price on 6 May 2010	PER 10e	PER 11e	EV / EBITDA 10e	EV / 11e	EV / Sales 10e	Re- com.
Evotec	1.90 EUR	-	-	107.4	42.1	3.32	↑
Galapagos Genomics	10.51 EUR	35.0	13.6	13.9	5.3	1.48	-
WuXi Pharmatech	17.55 USD	20.4	17.9	13.0	10.6	3.82	-
Evolva	2.72 CHF	-	-	-	-	884.72	-
MorphoSys	14.75 EUR	46.0	33.6	11.5	8.5	2.03	↑
Median for all peer group companies		40.3	26.2	13.9	10.6	5.65	-

↑ = Buy, → = Hold, ↓ = Sell, ● = not rated, n/a = not appropriate
Source: DZ BANK, I/B/E/S, FactSet

EQUITIES

Flash
7 May 2010

Buy (prev. Buy)

Closing price 6 May 2010

(in EUR): 1.90

Fair value: 2.80 (prev. 2.80)

Risk classification: 5

Financial ratios 2010e:

Book value per share (in EUR):	0.99
Equity ratio (in %):	74.6
Net margin (in %):	-6.9
ROE (in %):	-3.1
Dividend yield (in %):	0.0
Free cash flow (EUR m):	1.7
Net debt (EUR m):	-45.1

Number of shares

(million units): 108.9

Market cap

(in EUR m): 207.42

Free float (in %): 82.5

SIN: 566480

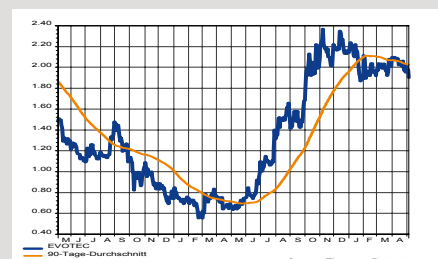
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Q1 results 12.05.2010

AGM 10.06.2010



Author: Dr. Elmar Kraus, Analyst

DZ BANK
Bank on Germany

Q1 PREVIEW – Q4 TREND SHOULD CONTINUE

PREVIEW OF QUARTERLY RESULTS

EUR tsd.	Q1 2009	Q1 2010	YoY	FY 2009	FY 2010e	YoY
Sales	8,238.0	9,750.0	18%	42,683.0	49,085.5	15%
EBIT	-20,249.0	-1,014.0	-95%	-46,343.0	-3,632.3	-92%
EBITDA	-20,171.0	-898.5	-96%	-19,182.0	1,517.7	-100%
EBT	-21,833.0	-764.0	-97%	-44,819.0	-3,347.0	-93%
Taxes	-14.0	-11.5	-18%	-678.0	-50.2	-93%
Net profit before minorities	-21,847.0	-775.5	-97%	-45,497.0	-3,397.2	-93%
Minorities	0.0	26.0		26.0	104.0	
Net profit after minorities	-21,847.0	-801.5	-97%	-45,523.0	-3,501.2	-93%
Number of shares	106,564	108,839	2%	106,846	108,939	2%
EPS	-0.21	-0.01	-97%	-0.43	-0.03	-93%

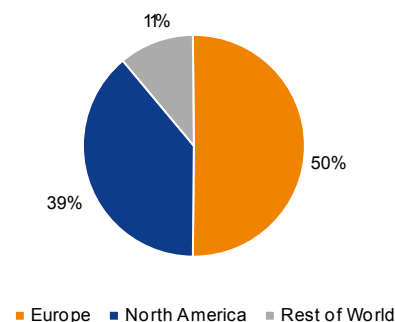
Source: Evotec, DZ BANKe

Ratios

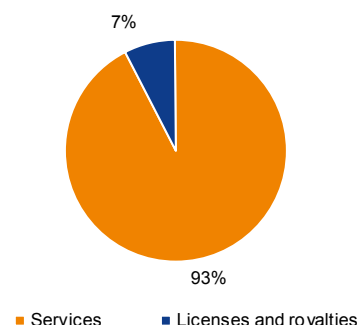
Euro	2009	2010e	2011e	2012e	2013e
Profit and loss ratios					
Sales (m)	42.7	49.1	56.4	64.9	73.0
EBITDA margin	-87.5%	3.1%	6.7%	10.1%	15.3%
EBIT margin	-99.1%	-7.4%	-2.4%	2.0%	8.0%
Net margin	-106.6%	-6.9%	-1.9%	1.8%	6.0%
Investment ratio	0.0%	2.0%	1.8%	1.5%	1.4%
R&D as % of sales	49.1%	21.4%	21.4%	23.0%	23.0%
Admin and sales costs as % of sales	39.1%	30.0%	28.0%	25.0%	24.0%
Net other operating costs as % of sales	54.1%	0.0%	0.0%	0.0%	0.0%
Net financial income as % of sales	-5.9%	0.6%	0.5%	0.5%	0.6%
Interest cover					
Average sales growth next five years	13.5%				
Average earnings growth next five years					
Profitability ratios					
ROE	-40.8%	-3.1%	-1.0%	1.1%	3.9%
ROCE	-73.1%	-6.8%	-2.8%	2.9%	14.8%
Productivity ratios					
Sales per employee ('000)	94.54	98.74	108.14	118.44	126.90
EBIT per employee ('000)	-93.69	-7.31	-2.60	2.37	10.15
Balance sheet ratios					
Equity ratio	76.0%	74.6%	73.5%	72.6%	72.4%
Long term debt and equity / Fixed assets	154.8%	159.0%	167.0%	180.6%	204.2%
Liquidity (quick ratio)	250.3%	243.0%	242.9%	249.5%	267.4%
Receivables as % of sales	10.6%	10.6%	10.6%	10.6%	10.6%
Investment (net of GW) / Depreciation		19.4%	19.4%	19.1%	18.8%
Working capital as % of sales	-16.1%	-14.7%	-13.5%	-12.4%	-11.6%
Net debt (m)	-44.0	-45.1	-48.6	-54.8	-64.9
Net debt complete (m)	-55.5	-56.7	-60.1	-66.3	-76.4
Figures per share					
Earnings per share, diluted	-0.48	-0.04	-0.01	0.01	0.04
Diluted cash earnings per share	-0.43	0.02	0.04	0.06	0.09
Dividend per common share	0.00	0.00	0.00	0.00	0.00
Cash per share, diluted	0.30	0.31	0.34	0.40	0.49
Net debt per share, diluted	-0.40	-0.41	-0.45	-0.50	-0.60
Valuation ratios					
Enterprise value / Sales	4.4	3.3	2.8	2.4	2.0
Enterprise value / EBITDA		107.4	42.1	23.5	12.9
Enterprise value / EBIT				118.4	24.6
EV/Sales to sales growth	0.34	0.25	0.21	0.18	0.15
PEG ratio - common shares					
Fiscal year end December					

Source: Evotec, DZ BANK estimates

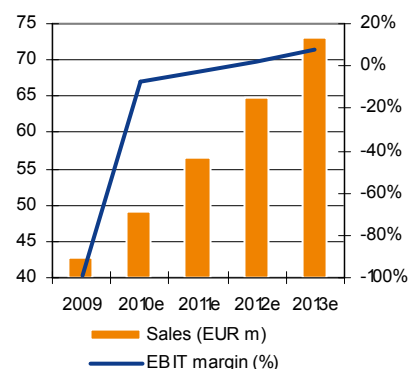
SALES BY REGION 2009



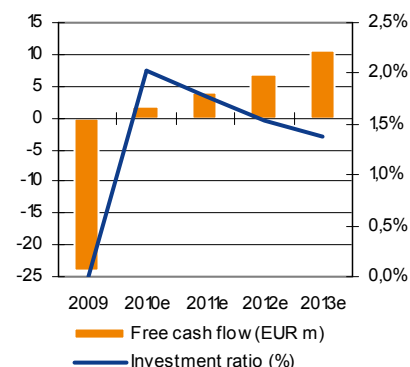
SALES BY BUSINESS SEGMENT 2009



SALES AND MARGIN DEVELOPMENT



FREE CASH FLOW AND INVESTMENT RATIO



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Buy 75.7%, Hold 1.6%, Sell 22.7%

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Buy 15.2%, Hold 40.0%, Sell 11.6%

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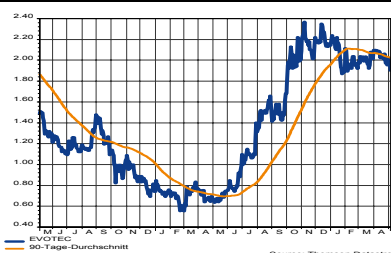
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RATING HISTORY

Recommendation	Date	Price
Buy	5 Feb 2010	1.96 EUR
Coverage stopped	21 Apr 2008	1.80 EUR

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RESEARCH TEAM LIFE SCIENCE

Dr. Christa Bähr, CFA	Healthcare	+49 – (0)69 – 74 47 – 72 42	christa.baehr@dzbank.de
Michael Bissinger, CIAA	Healthcare	+49 – (0)69 – 74 47 – 4 20 13	michael.bissinger@dzbank.de
Dr. Elmar Kraus	Biotechnology/Pharmaceuticals	+49 – (0)69 – 74 47 – 22 48	elmar.kraus@dzbank.de
Thomas Maul	Pharmaceuticals/Pharmaceuticals Trading	+49 – (0)69 – 74 47 – 16 04	thomas.maul@dzbank.de

INSTITUTIONAL SALES

Germany, UK, USA, Switzerland, Austria, Scandinavia, Sales Derivatives	Alexander von Gilsa	+49 – (0)69 – 74 47 – 49 90	alexander.von.gilsa@dzbank.de
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Equity Sales

Germany	Kai Böckel	+49 – (0)69 – 74 47 – 12 28	kai.boeckel@dzbank.de
Benelux, Scandinavia	Heiko Klebing	+49 – (0)69 – 74 47 – 49 95	heiko.klebing@dzbank.de
Switzerland	Petra Bukan	+49 – (0)69 – 74 47 – 4992	petra.bukan@dzbank.de
Austria	Thomas Reichelt	+49 – (0)69 – 74 47 – 6709	thomas.reichelt@dzbank.de
UK	Jonathan Cox Lars Wohlers	+44 - 20 - 7776 – 6075 +49 – (0)69 – 74 47 – 68 34	jonathan.cox@dzbank.de lars.wohlers@dzbank.de

Sales Trading

Sales Trading	Sacha Kaiser	+49 – (0)69 – 74 47 – 4 28 28	sacha.kaiser@dzbank.de
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Derivatives Sales

Derivatives Sales	Michael Menrad	+49 – (0)69 – 74 47 – 9 91 95	michael.menrad@dzbank.de
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