

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)	-0.09 (-0.04)	-0.03 (0.02)	-	-	0.00
2011e	56.4 (56.4)	-0.01 (-0.01)	0.04 (0.04)	-	55.3	0.00
2012e	64.9 (64.9)	0.01 (0.01)	0.06 (0.06)	214.6	32.6	0.00

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

Strategy change confirmed by quarterly figures

- » **Quarterly figures:** Whilst sales increased by 19% to EUR 9.8m, R&D expenditure was reduced by 83% to EUR 1.7m and distribution and administration costs by 30% to EUR 3.4m. As a result, operating loss could be reduced by 93% to EUR 1.47m and net loss by 94% to EUR 1.25m. The growth seen was achieved without receipt of milestone payments in this quarter.
- » **Outlook:** Outlook for sales growth of 15% before income from licensing and a liquidity target of >EUR 64m to the end of the year was confirmed.
- » **Order book:** According to the company's own statements, the order book is full for 2010. Orders currently stand at considerably above EUR 30m.
- » **EVT101:** Recruitment for the phase IIb study on treatment resistant depression is scheduled to begin in the second quarter.
- » **Valuation:** Since we assume that the cost structure of the current quarter will remain over the longer term, we have adjusted the cost ratios in our financial model. Our DCF model yields a Fair Value of EUR 2.0 per share. For the development projects (mainly EVT101/103), our pipeline model yields EUR 0.8 per share.

Evotec's restructuring plan (Action plan 2012 – to focus and grow) has now unfolded its complete effect. Against the background of the growth seen, outlook is very, very conservative. We view the actual beginning in Q2 of recruitment for the phase IIb study with EVT101 as a share price driver, as will be the conclusion of further research alliances and the receipt of milestone payments. We confirm our BUY recommendation with a fair value of EUR 2.80.

Selected Companies	Price on 14 May 2010	PER		EV / EBITDA		EV / Sales 10e	Re- com.
		10e	11e	10e	11e		
Evotec	1.99 EUR	-	-	-	48.8	3.84	↑
Galapagos Genomics	10.77 EUR	35.9	14.0	14.5	5.5	1.54	-
WuXi Pharmatech	18.40 USD	21.4	18.8	14.7	11.8	4.00	-
Evolva	2.76 CHF	-	-	-	-	897.81	-
MorphoSys	15.05 EUR	46.9	34.3	12.0	8.9	2.10	↑
Median for all peer group companies		35.9	26.0	14.6	10.2	5.74	-

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

EQUITIES

Flash
17 May 2010

Buy (prev. Buy)

Closing price 14 May 2010

(in EUR): 1.99
Fair value: 2.80 (prev. 2.80)

Risk classification: 5

Financial ratios 2010e:

Book value per share (in EUR):	0.94
Equity ratio (in %):	76.6
Net margin (in %):	-16.7
ROE (in %):	-7.9
Dividend yield (in %):	0.0
Free cash flow (EUR m):	-17.0
Net debt (EUR m):	-29.4

Number of shares

(million units): 108.9

Market cap

(in EUR m): 217.11

Free float (in %): 82.5

SIN: 566480

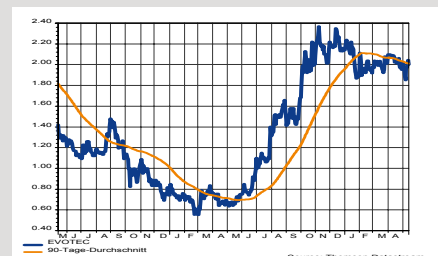
ISIN: DE0005664809

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AGM 10.06.2010

Q2 Report 12.08.2010



Author: Dr. Elmar Kraus, Analyst

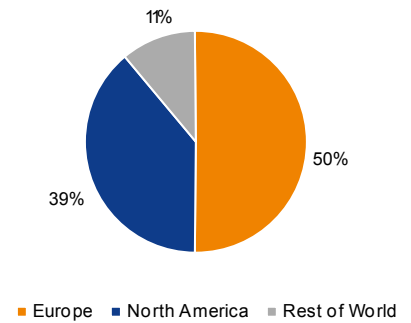
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RATIOS

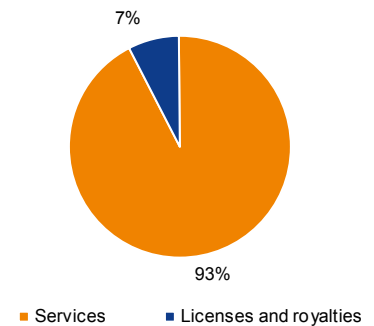
Euro	2009	2010e	2011e	2012e	2013e
Profit and loss ratios					
Sales (m)	42.7	49.1	56.4	64.9	73.0
EBITDA margin	-87.5%	-5.9%	6.7%	10.6%	13.8%
EBIT margin	-99.1%	-16.7%	-3.0%	2.0%	6.0%
Net margin	-106.6%	-16.7%	-2.9%	1.5%	4.4%
Investment ratio	0.0%	11.4%	1.8%	1.5%	1.4%
R&D as % of sales	49.1%	19.5%	18.0%	16.0%	14.0%
Admin and sales costs as % of sales	39.1%	34.0%	30.0%	27.0%	25.0%
Net other operating costs as % of sales	54.1%	1.1%	0.0%	0.0%	0.0%
Net financial income as % of sales	-5.9%	0.2%	0.2%	0.2%	0.2%
Interest cover					
Average sales growth next five years	13.5%				
Average earnings growth next five years					
Profitability ratios					
ROE	-40.8%	-7.9%	-1.6%	1.0%	3.0%
ROCE	-73.1%	-13.0%	-2.9%	2.4%	9.0%
Productivity ratios					
Sales per employee ('000)	94.54	98.74	108.14	118.44	126.90
EBIT per employee ('000)	-93.69	-16.49	-3.24	2.37	7.61
Balance sheet ratios					
Equity ratio	76.0%	76.6%	75.4%	74.5%	74.0%
Long term debt and equity / Fixed assets	154.8%	141.6%	148.1%	160.0%	179.3%
Liquidity (quick ratio)	250.3%	223.0%	224.5%	235.2%	254.9%
Receivables as % of sales	10.6%	10.6%	10.6%	10.6%	10.6%
Investment (net of GW) / Depreciation		105.3%	18.2%	17.9%	17.6%
Working capital as % of sales	-16.1%	-4.2%	-3.8%	-3.4%	-3.2%
Net debt (m)	-44.0	-29.4	-32.4	-38.4	-47.3
Net debt complete (m)	-55.5	-42.3	-45.3	-51.3	-60.2
Figures per share					
Earnings per share, diluted	-0.48	-0.09	-0.01	0.01	0.03
Diluted cash earnings per share	-0.43	-0.03	0.04	0.06	0.08
Dividend per common share	0.00	0.00	0.00	0.00	0.00
Cash per share, diluted	0.30	0.13	0.16	0.22	0.30
Net debt per share, diluted	-0.40	-0.27	-0.30	-0.35	-0.43
Valuation ratios					
Enterprise value / Sales	4.4	3.8	3.3	2.8	2.3
Enterprise value / EBITDA			48.8	26.1	17.0
Enterprise value / EBIT				138.5	39.1
EV/Sales to sales growth	0.34	0.28	0.24	0.21	0.17
PEG ratio - common shares					
Fiscal year end December					

Source: Evotec, DZ BANK estimates

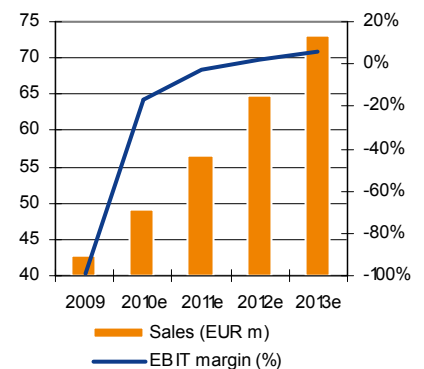
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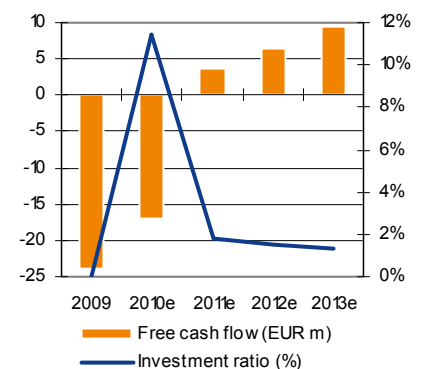
SALES BY BUSINESS SEGMENT 2009



SALES AND MARGIN DEVELOPMENT



FREE CASH FLOW AND INVESTMENT RATIO



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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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