

## **EVOTEC FISCAL YEAR RESULTS 2016: LEADING INNOVATION EFFICIENCY & FIRST-IN-CLASS DRUG DISCOVERY**

- ▶ *EXCELLENT 2016 FINANCIAL RESULTS DELIVERED*
- ▶ *CONTINUED STRONG PERFORMANCE EXPECTED*
- ▶ *NEW WAYS TO ACCELERATE INNOVATION IMPLEMENTED*

### **Hamburg, Germany, 28 March 2017:**

Evotec AG (Frankfurt Stock Exchange: EVT, TecDAX, ISIN: DE0005664809) today announced its financial results and corporate updates for the fiscal year ended 31 December 2016.

### **FINANCIAL PERFORMANCE – ALL FINANCIAL TARGETS ACHIEVED**

- ▶ Total Group revenues up 29% to € 164.5 m (2015: € 127.7 m); base revenues up 26% to € 145.6 m
- ▶ Strong revenue growth in both operating segments:
  - EVT Execute revenues up 28% to € 171.0 m (2015: € 134.0 m);
  - EVT Innovate revenues up 24% to € 26.7 m (2015: € 21.5 m)
- ▶ Adjusted Group EBITDA increased to € 36.2 m (2015: € 8.7 m)
- ▶ Stable Group R&D expenses of € 18.1 m (2015: € 18.3 m)
- ▶ High and solid liquidity position of € 126.3 m (2015: € 133.9 m) by the end of 2016; Liquidity position further improved in Q1 2017 following € 90.3 m capital increase with Novo A/S

### **EVT EXECUTE – GLOBAL LEADERSHIP IN DRUG DISCOVERY**

- ▶ Important milestone achievements (e.g. Bayer, Boehringer Ingelheim, Padlock)
- ▶ New and extended long-term deals with large and mid-sized Pharma, foundations and biotech (e.g. ANTRUK, C4X Discovery, Forge Therapeutics, Genentech, Merck, Pierre Fabre, UCB)
- ▶ New licences enhancing existing drug discovery platform (e.g. CRISPR/Cas9, Trianni)

- ▶ Full acquisition of ADME-Tox and DMPK specialist company Cyprotex PLC opens strategic global leadership position in this field; Total cash flow of € 66.3 m for acquisition of all shares and funding of company debt
- ▶ Restructuring of compound management operations in San Francisco due to termination of NIH contract

#### ***EVT INNOVATE – SUCCESSFUL YEAR FOR EVT INNOVATE***

- ▶ Partnering and initiation of Cure *X*/Target *X* initiatives (e.g. Target*aSN*, Target*NASH*, Target*BiSM*)
- ▶ New long-term, multi-target alliance with Bayer in kidney diseases based on Cure*Nephron*
- ▶ Broad strategic drug discovery collaboration in neurodegeneration with Celgene based on Evotec's unique iPSC platform
- ▶ Phase I clinical start for the treatment of endometriosis with Bayer
- ▶ Equity participation in selected company formations (e.g. Topas Therapeutics, Carrick Therapeutics, Eternygen)
- ▶ Expansion of network of top-class academic alliances and BRIDGE from Academia to Pharma (e.g. Inserm, LAB282 with Oxford University)
- ▶ Good progress within partnered product pipeline (Endometriosis; EVT201, EVT401); Termination of EVT100 in treatment-resistant depression in 2016 and phase out of Target*AD* by Janssen Pharmaceuticals (after period-end)

#### ***NOVO A/S BECOMES NEW STRATEGIC, LONG-TERM INVESTOR IN EVOTEC (AFTER PERIOD-END)***

#### ***GUIDANCE 2017 – CONTINUED STRONG PERFORMANCE EXPECTED***

- ▶ Group revenues expected to increase by more than 15% in 2017 (2016: € 164.5 m); Revenue guidance from 2017 onwards based on total Group revenues and not on revenues excluding milestones, upfronts and licences
- ▶ Research and development (R&D) expenses in 2017 are expected to be approx. € 20 m in total and thus similar to 2016 (2016: € 18.1 m)
- ▶ Adjusted Group EBIDTA expected to improve significantly in 2017 compared to 2016 (2016: € 36.2 m)

## **1. FINANCIAL PERFORMANCE**

### **ALL FINANCIAL TARGETS ACHIEVED**

#### **Key figures of consolidated income statement & Segment information**

*Evotec AG & Subsidiaries*

<i>In T€</i>	<b>EVT Execute</b>	<b>EVT Innovate</b>	<b>Evotec Group 2016</b>	<b>Evotec Group 2015</b>
Revenues	171,015	26,657	164,507	127,677
Gross margin in %	29.9	45.3	35.6	27.5
R&D expenses	(87)	(22,721)	(18,108)	(18,343)
SG&A expenses	(20,930)	(6,083)	(27,013)	(25,166)
Impairment of intangible assets	-	(1,417)	(1,417)	(7,242)
Impairment of goodwill	(3,989)	-	(3,989)	-
Income from bargain purchase	-	-	-	21,414
Other operating income (expenses), net	9,254	14,061	23,315	5,850
<b>Operating result</b>	<b>35,425</b>	<b>(4,083)</b>	<b>31,342</b>	<b>11,640</b>
<b>Adjusted EBITDA*</b>	<b>50,183</b>	<b>(13,985)</b>	<b>36,225</b>	<b>8,690</b>

\* EBITDA is defined as earnings before interest, taxes, depreciation, and amortisation of intangibles. EBITDA excludes impairments on goodwill, other intangible and tangible assets as well as the total non-operating result. EBITDA is adjusted for changes in contingent consideration as well as for the income from bargain purchase.

In 2016, Evotec's Group revenues grew to € 164.5 m, an increase of 29% compared to the same period of the previous year (2015: € 127.7 m). This increase resulted primarily from growth in the core EVT Execute business, the full-year contribution of the Sanofi collaboration as well as significant milestone payments. Excluding milestones, upfronts and licences, Evotec's base revenues for 2016 were € 145.6 m and increased by 26% over the same period of the previous year (2015: € 115.4 m). Revenues from milestones, upfronts and licences amounted to € 18.9 m, an increase of 54% in comparison with the previous year (€ 12.3 m) which resulted mainly from higher milestone achievements, in particular within the Company's alliances with Bayer. The gross margin in 2016 increased to 35.6% (2015: 27.5%). The margin increase over 2016 is attributable to the same drivers as in revenue growth as well as better capacity utilisation and favourable foreign exchange rate effects.

In 2016, overall Group R&D expenses amounted to € 18.1 m and remained on a similar level compared to 2015 (2015: € 18.3 m). Total Group's selling, general & administrative ("SG&A") expenses increased by 7% to € 27.0 m (2015: € 25.2 m). This increase results primarily from the full-year consideration of the Sanofi collaboration, an increased headcount in response to company growth as well as one-time M&A costs mainly related to the acquisition of Cyprotex. Adjusted Group EBITDA for 2016 increased significantly to € 36.2 m (2015: € 8.7 m) mainly due to the strong growth in revenues and milestone

payments. Evotec's operating result amounted to € 31.3 m in 2016 (2015: operating result of € 11.6 m).

Liquidity, which consists of cash and cash equivalents (€ 84.0 m) and investments (€ 42.3 m) amounted to € 126.3 m as of 31 December 2016 (31 December 2015: € 133.9 m). Operating cash flow was positive, the slight cash decrease is mainly due to the Cyprotex acquisition, including cash acquired and subsequent redemption of loan notes holders, of £ 55.7 m (€ 66.3 m; at an assumed £/€ exchange rate of 1.19).

Revenues from the EVT Execute segment amounted to € 171.0 m in 2016, an increase of 28% compared to the prior-year period (2015: € 134.0 m). Included in this amount are € 33.2 m of intersegment revenues (2015: € 27.7 m). This increase mainly resulted from growth in the base business, milestone achievements and the full-year Sanofi collaboration contribution. The EVT Innovate segment generated revenues of € 26.7 m (2015: € 21.5 m) consisting entirely of third-party revenues. The increase in revenues resulted from EVT Innovate projects partnered in the second half of 2015 and continued into 2016.

Gross margin for EVT Execute amounted to 29.9% while EVT Innovate generated a gross margin of 45.3%. R&D expenses for the EVT Innovate segment at € 22.7 m in 2016 remained largely unchanged (2015: € 22.4 m). The adjusted EBITDA of the EVT Execute segment was strongly positive at € 50.2 m in 2016 and more than doubled compared to € 23.8 m in the prior-year period. The EVT Innovate segment reported an improved adjusted EBITDA of € (14.0) m (2015: € (15.1) m).

## **2. EVT EXECUTE & EVT INNOVATE**

The Company operates and manages its business activities under its two business segments EVT Execute and EVT Innovate. These segments effectively comprise various project types operating from a common drug discovery platform. Both of them play an important role in successfully delivering on the Company's strategy.

EVT Execute provides stand-alone drug discovery services on a typical fee-for-service basis or integrated drug discovery collaborations on partners' targets through a variety of commercial structures including research fees, milestones and/or royalties.

EVT Innovate develops drug discovery programmes and assets, both internally or through academic collaborations. Evotec seeks to partner these into collaborations in return for upfront payments, ongoing research payments and significant financial upside potential through milestones and royalties.

### ***EVT EXECUTE – GLOBAL LEADERSHIP IN DRUG DISCOVERY***

In 2016, EVT Execute demonstrated a strong operational performance shown also by important milestones achievements in its collaborations with Bayer, Boehringer Ingelheim and Padlock. Additionally, Evotec was able to enter into new drug discovery alliances, e.g. with Pierre Fabre in compound management, which will be managed at the Toulouse site; with C4X Discovery, Forge Therapeutics, UCB and Antibiotic Research UK (“ANTRUK”), the latter underlining the recent trend of an increasing number of non-governmental organisations and foundations accessing Evotec’s drug discovery platforms. Various collaborations were extended in 2016, such as the drug discovery alliance with Genentech.

Consistent with the Company’s strategy to offer its clients the most advanced technological platforms, Evotec continued to expand its drug discovery platforms, e.g. with a non-exclusive licence from the Broad Institute to the leading technology on the market for gene editing (CRISPR-Cas9 licence) and Trianni’s next-generation transgenic technology. Along these lines, Evotec announced the acquisition of Cyprotex PLC at the end of 2016, which adds world-leading high-quality ADME-Tox services and strengthens Evotec’s leadership in drug discovery. The integration of Cyprotex into the Evotec Group is proceeding according to plan and new large strategic contracts are under discussion. At the beginning of the year 2017, Cyprotex moved to Alderley Park which allows for the expansion and consolidation of Cyprotex’ UK operations into a first-class scientific facility.

In the fourth quarter of 2016, the National Institutes of Health (“NIH”) terminated the compound management contract with Evotec (US). Evotec has been managing NIH’s compound management activities from its South San Francisco operations for many years. As a consequence, Evotec will close the compound management facility in San Francisco in the first half of 2017 and transfer all other contracted work to its Branford facility. A goodwill impairment of € 4.0 m was recorded in 2016 as a result of this closure.

### ***EVT INNOVATE – SUCCESSFUL YEAR FOR EVT INNOVATE***

The EVT Innovate portfolio continued to make very good scientific and commercial progress in 2016, resulting in a very strong performance of the segment. EVT Innovate again demonstrated its ability to partner promising early-stage drug discovery approaches with Pharma companies with the start of a five-year, multi-target alliance with Bayer in the field of kidney diseases based on assets from its CureNephron portfolio. In addition, EVT Innovate accelerated its Cure X/Target X initiatives, e.g. with the TargetNASH programme together with Ellersbrook GmbH & Co. KG and an innovation partnership

with *ex scientia* (UK) (TargetBiSM) to develop bispecific small molecule immunoncology therapeutics. In the first quarter of 2016, Evotec was awarded a research grant from The Michael J. Fox Foundation to further develop Evotec's TargetaSN (Alphasynuclein) programme for the treatment of Parkinson's disease. Furthermore, Evotec was able to announce the progression of a first programme from its strategic alliance with Bayer in the field of endometriosis into Phase I clinical development.

Over the last few years, Evotec directed significant resources towards creating its unique induced pluripotent stem cell ("iPSC") platform aimed at industrialising iPSC-based drug screening. Evotec has created an industrialised iPSC platform in terms of throughput, reproducibility and robustness to reach the highest industrial standards. On that basis, in December 2016, Evotec entered into a strategic drug discovery and development collaboration to identify disease-modifying therapeutics for a broad range of neurodegenerative diseases with Celgene. Evotec received an upfront payment of \$ 45 m and is eligible to receive up to \$ 250 m in milestones as well as up to low double-digit royalties per in-licensed programme. The use of patient-derived disease models for drug screening represents a paradigm shift as it places the testing of human disease relevance at the front end of the drug discovery process.

In March 2016, Evotec announced the formation of a spin-off company called Topas Therapeutics GmbH focused on the field of nanoparticle-based therapeutics to treat autoimmune diseases. The establishment of Topas Therapeutics is the first example of the acceleration of Evotec's business model to take advantage of carving out or investing in promising programmes with additional upside potential. Alongside this EVT Innovate strategy, Evotec invested in companies, e.g. Carrick Therapeutics Ltd. and Eternygen GmbH, to accelerate drug discovery and product development.

Furthermore, EVT Innovate is also pursuing new approaches in scouting new innovations and accelerating them along the drug discovery value chain. In November 2016, Evotec launched the highly innovative strategic partnership "LAB282" with the University of Oxford aimed at accelerating the translation of breakthrough biomedical research from Oxford into new clinical therapeutics. Within three months after initiation of LAB282, the first two projects were selected out of a pool of high-quality project proposals across various therapeutic areas and encompassing different therapeutic modalities. These efforts, referred to as "BRIDGE", are focused on highly capital efficient translation of academic science into potentially transformative pharmaceutical projects. In addition, the Company entered into its first research collaboration in the field of oncology under its French Academic Bridge with Inserm. Inserm is the private subsidiary of the French

National Institute of Health and Medical Research and constitutes the only French public research institution solely focused on human health and medical research.

In the first quarter 2016, Janssen Pharmaceuticals, Inc. informed Evotec of its intention to end the licence agreement regarding the NMDA antagonist EVT100 with effect from August 2016. As a consequence, Evotec regained the licence rights. The termination of the EVT100 contract with Janssen resulted in a full impairment of the EVT100 series in Q1 2016 (€ 1.4 m). After period-end, Evotec was informed by Janssen Pharmaceuticals, Inc. of its intention to phase out the TargetAD partnership. Evotec's clinical development programmes (EVT201 and EVT401) with the Chinese partners JingXin and CONBA are progressing according to plan.

### **3. NOVO A/S BECOMES NEW STRATEGIC, LONG-TERM INVESTOR IN EVOTEC (AFTER PERIOD-END)**

On 09 February 2017, Evotec announced that through a private placement capital increase, Novo A/S invested € 90.3 m to subscribe shares of Evotec at a price of € 6.87 per share. The placement was at a zero discount to the XETRA closing auction price and results in an ownership of approx. 8.9%. This investment will allow Evotec to accelerate its strategy to expand and invest in best-in-class platforms and outsourcing services and to build and invest in promising Cure X and Target X initiatives together with top academic partners and biotech globally. Since this initial investment, Novo A/S has augmented its shareholdings in Evotec above 10%.

### **4. GUIDANCE 2017**

#### ***CONTINUED STRONG PERFORMANCE EXPECTED***

Revenue guidance from 2017 onwards will be based on total Group revenues and not on revenues excluding milestones, upfronts and licences. The achievement of individual milestones are single events, which bear a certain level of uncertainty and risk which is not under Evotec's full control. However, due to an increasing number of milestone-bearing projects and factoring in a probability of success, total milestone-based revenues become more predictable and contribute more and more to the Company's total revenue and profitability.

	<b>Guidance 2017</b>	<b>Actual 2016</b>
Group revenues	More than 15% growth	€ 164.5 m
Adjusted Group EBITDA <sup>1)</sup>	Significantly improved compared to 2016	€ 36.2 m
R&D expenses	Approx. € 20 m	€ 18.1 m

<sup>1)</sup> EBITDA is defined as earnings before interest, taxes, depreciation, and amortisation of intangibles. EBITDA excludes impairments on goodwill, other intangible and tangible assets as well as the total non-operating result. EBITDA is adjusted for changes in contingent consideration as well as for the income from bargain purchase.

### Webcast/Conference Call

The Company will hold a conference call to discuss the results as well as to provide an update on its performance. Furthermore, the Management Board will present an outlook for the fiscal year 2017. The conference call will be in English.

### Conference call details

Date: **Tuesday, 28 March 2017**

Time: **02.00 pm CEST (01.00 pm BST/08.00 am EDT)**

From Germany: +49 69 22 22 29 043

From UK: +44 20 3009 2452

From USA: +1 855 402 7766

From France: +33 170 750 705

Access Code: 37969784#

A simultaneous slide presentation for participants dialling in *via phone* is available at [www.audio-webcast.com](http://www.audio-webcast.com), password: evotec0317.

### Webcast details

To join the *audio webcast* and to access the *presentation slides* you will find a link on our home page [www.evotec.com](http://www.evotec.com) shortly before the event.

A replay of the conference call will be available for 24 hours and can be accessed in Europe by dialling +49 69 22 22 33 985 (Germany) or +44 20 20 3426 2807 (UK) and in the USA by dialling +1 866 535 8030. The access code is 654573#. The on-demand version of the webcast will be available on our website:

<https://www.evotec.com/article/en/Investors/Finance/Financial-Reports-2015-2017/188/6/26>.

#### NOTE

*The 2015 and 2016 results are not fully comparable. The difference stems mainly from the acquisition of Evotec (France) SAS, effective 01 April 2015, as well as from the acquisition of Cyprotex PLC ("Cyprotex"), effective 14 December 2016. While the results of Evotec (France) SAS are fully included in the accompanying consolidated income statement for 2016, they were not fully included in the comparable period of the previous year (Q2 to Q4 only). The results of Cyprotex are only included from 14 December 2016 onwards. In addition, effective 09 December 2015, Evotec acquired 51% of the shares in Panion Ltd., London (UK). This acquisition has been fully consolidated since that date.*

#### CHANGE IN PRESENTATION

*The presented consolidated financial statements include a change in presentation in the financial years 2016 and 2015. From 01 January 2016 onwards, amortisation of intangible assets in the amount of T€ 1,908 (2015: T€ 2,860) are no longer presented in a separate line in the consolidated income statement but are allocated to*

*the relating cost lines in the income statement. The prior-year period was changed accordingly resulting in higher costs of revenue. Such change in presentation is deemed to provide more relevant information.*

**ABOUT EVOTEC AG**

*Evotec is a drug discovery alliance and development partnership company focused on rapidly progressing innovative product approaches with leading pharmaceutical and biotechnology companies, academics, patient advocacy groups and venture capitalists. We operate worldwide providing the highest quality stand-alone and integrated drug discovery solutions, covering all activities from target-to-clinic to meet the industry's need for innovation and efficiency in drug discovery (EVT Execute). The Company has established a unique position by assembling top-class scientific experts and integrating state-of-the-art technologies as well as substantial experience and expertise in key therapeutic areas including neuroscience, diabetes and complications of diabetes, pain and inflammation, oncology and infectious diseases. On this basis, Evotec has built a broad and deep pipeline of more than 70 partnered product opportunities at clinical, pre-clinical and discovery stages (EVT Innovate). Evotec has established multiple long-term discovery alliances with partners including Bayer, CHDI, Sanofi or UCB and development partnerships with Sanofi in the field of diabetes, with Pfizer in the field of tissue fibrosis and with Celgene in the field of neurodegenerative diseases. For additional information please go to [www.evotec.com](http://www.evotec.com).*

**FORWARD LOOKING STATEMENTS**

*Information set forth in this press release contains forward-looking statements, which involve a number of risks and uncertainties. The forward-looking statements contained herein represent the judgement of Evotec as of the date of this press release. Such forward-looking statements are neither promises nor guarantees, but are subject to a variety of risks and uncertainties, many of which are beyond our control, and which could cause actual results to differ materially from those contemplated in these forward-looking statements. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any such statements to reflect any change in our expectations or any change in events, conditions or circumstances on which any such statement is based.*