

## **EVOTEC AG FISCAL YEAR 2017 RESULTS: LEADING EXTERNAL INNOVATION**

- ▶ 57% INCREASE IN GROUP REVENUES, ADJUSTED GROUP EBITDA UP 60%
- ▶ EXPANSION OF LEADING EXTERNAL INNOVATION PLATFORM
- ▶ INTRODUCTION OF "ACTION PLAN 2022 – LEADING EXTERNAL INNOVATION"
- ▶ STRONG OUTLOOK FOR 2018: "3X30"

### **Hamburg, Germany, 28 March 2018:**

Evotec AG (Frankfurt Stock Exchange: EVT, TecDAX, ISIN: DE0005664809) today reported financial results and corporate updates for the fiscal year ended 31 December 2017.

### **STRONG FINANCIAL PERFORMANCE**

- ▶ Group revenues: 57% increase to € 257.6 m (2016: € 164.5 m);
  - EVT Execute revenues up 46% to € 250.3 m (2016: € 171.0 m);
  - EVT Innovate revenues up 65% to € 43.9 m (2016: € 26.7 m)
- ▶ Adjusted Group EBITDA up 60% to € 58.0 m (2016: € 36.2 m);
  - Adjusted EBITDA for EVT Execute of € 63.2 m (2016: € 50.2 m);
  - Adjusted EBITDA for EVT Innovate of € (5.2) m (2016: € (14.0) m)
- ▶ R&D expenses at € 17.6 m (2016: € 18.1 m)
- ▶ Strong liquidity position of € 91.2 m
- ▶ One-time cost for M&A-related activities in 2017 of € 3.9 m

### **EVT EXECUTE – LEADING EXTERNAL INNOVATION PLATFORM**

- ▶ Cyprotex integration and performance proceeding ahead of plan
- ▶ Extension of value chain with INDiGO® and development services following Aptuit acquisition
- ▶ New long-term deals with large and mid-sized Pharma and new performance-based integrated technology/disease alliances achieved
- ▶ Expansion of foundations and biotech network in USA/Europe
- ▶ Important milestones, e.g. start of second clinical Phase I study in endometriosis alliance with Bayer, Phase I initiation in respiratory with Boehringer Ingelheim

***EVT INNOVATE – NEW PATHS IN DRUG DISCOVERY***

- ▶ Important milestone achievements (iPSC neurodegeneration alliance with Celgene, iPSC diabetes alliance with Sanofi, kidney disease alliance with Bayer, immunoncology alliance with Sanofi/APEIRON)
- ▶ Strong focus on expansion of iPSC platform and new strategic collaborations
- ▶ Patient-centric approaches also in kidney diseases, e.g. Evotec joined NURTuRE and NEPLEX consortia
- ▶ Academic BRIDGE model gaining momentum: First North American BRIDGE established in Canada (LAB150); various funding rounds completed in LAB282 projects (Oxford University)
- ▶ Exclusive negotiations with Sanofi to accelerate infectious disease research and development through a new open innovation platform led by Evotec in Lyon (after period-end)

***CORPORATE***

- ▶ Acquisition of Aptuit: € 253.2 m in cash (effective 11 August 2017)
- ▶ Upside participation in first-in-class innovation via equity investments, e.g. Exscientia, Fibrocor, Forge and Facio
- ▶ Loan facility issued by European Investment Bank of up to € 75 m to support EVT Innovate R&D strategy
- ▶ Novo Holdings A/S new strategic investor in Evotec holding >10% (February 2017), committing € 90.3 m in cash
- ▶ New strategic framework: Action Plan 2022 – “Leading External Innovation”
- ▶ Intention to convert Evotec AG into a European company (SE) (after period-end)

***FINANCIAL GUIDANCE FOR 2018 – STRONG OUTLOOK “3X30”***

- ▶ Group revenues expected to increase by more than 30% in 2018 (2017: € 257.6 m)
- ▶ Adjusted Group EBITDA expected to improve by approximately 30% compared to 2017 (2017: € 58.0 m)
- ▶ Research and development (R&D) expenses in 2018 are expected to be approximately € 20-30 m in total and thus to increase compared to 2017 (2017: € 17.6 m)

## **1. STRONG FINANCIAL PERFORMANCE**

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

Evotec AG & subsidiaries

<i>In T€</i>	<i>EVT Execute</i>	<i>EVT Innovate</i>	<b>Evotec Group 2017</b>	<b>Evotec Group 2016</b>
External revenues	213,777	43,853	257,630	164,507
Intersegment revenues	36,557	–	–	–
Gross margin in %	27.0	44.3	32.0	35.6
R&D expenses	(724)	(21,386)	(17,614)	(18,108)
SG&A expenses	(35,497)	(6,886)	(42,383)	(27,013)
Impairment result, net	–	(1,180)	(1,180)	(5,406)
Other operating income (expenses), net	12,059	4,045	16,104	23,315
<b>Operating result*</b>	<b>43,482</b>	<b>(5,987)</b>	<b>37,495</b>	<b>31,342</b>
<b>Adjusted EBITDA**</b>	<b>63,181</b>	<b>(5,191)</b>	<b>57,990</b>	<b>36,225</b>

\* Operating result in 2017 impacted by one-time transaction-related M&A costs (€ 3.9 m under SG&A) as well as purchase price allocation-related amortisation in context of strategic acquisitions (€ 5.6 m under costs of revenue)

\*\* Before contingent considerations, income from bargain purchase and excluding impairments on goodwill, other intangible and tangible assets as well as the total non-operating result

In 2017, Evotec's Group revenues grew to € 257.6 m, an increase of 57% compared to 2016 (2016: € 164.5 m). This increase was driven primarily by the strong performance in the base business, increased milestone payments and positive contributions from the acquired businesses of Cyprotex (€ 24.5 m) and Aptuit (€ 45.9 m). Revenues from milestones, upfronts and licences amounted to € 27.8 m, an increase of 47% in comparison to the previous year (€ 18.9 m) mainly from milestones achieved in the collaborations with Bayer in endometriosis and kidney diseases, Celgene in neurodegeneration, and Sanofi in diabetes and oncology.

In 2017, Evotec focused its R&D investments (€ 17.6 m) on strategic areas of first-in-class innovation (2016: € 18.1 m) mainly in the metabolic and oncology space. In 2017, the Group's selling, general and administrative ("SG&A") expenses increased substantially by 57% to € 42.4 m (2016: € 27.0 m), resulting primarily from a first full-year contribution of Cyprotex SG&A, approx. 4.5 months of SG&A expenses of Aptuit as well as significant one-time M&A-related expenses. These one-time transaction costs amounting to € 3.9 m in 2017 related mainly to the Aptuit acquisition. Furthermore, the SG&A headcount increased in business development and administrative functions in response to company growth.

Adjusted Group EBITDA for 2017 increased significantly to € 58.0 m (2016: € 36.2 m).

Evotec's operating result amounted to € 37.5 m in 2017 (2016: € 31.3 m) being positively impacted by the increase in gross profit yet partly off-set by the transaction-related one-time M&A expenses as well as purchase price allocations-related amortisation of € 5.6 m in context of the strategic acquisitions. The Company's net result in 2017 amounted to € 24.0 m (2016:

net result of € 26.8 m) and decreased compared to the prior year mainly due to increased amortisation resulting from the purchase price allocations, adverse foreign currency effects, and the higher share of the loss of associates accounted for using the equity method. In addition, in 2016, Evotec's net result was significantly and positively affected by one-time changes in contingent considerations (€ 12.4 m), whereas this effect was comparatively low in 2017 (€ 1.5 m).

Liquidity, which includes cash and cash equivalents (€ 67.0 m) and investments (€ 24.2 m) amounted to € 91.2 m as of 31 December 2017 (31 December 2016: € 126.3 m). Liquidity in 2017 decreased in comparison to 2016 mainly due to the Aptuit acquisition of € 253.2 m in cash.

Revenues from the EVT Execute segment were € 250.3 m in 2017 and significantly increased compared to the prior-year period (2016: € 171.0 m). This increase is primarily attributable to a strong performance of the base business and initial contributions from acquisitions. Also included in this amount are € 36.6 m of intersegment revenues (2016: € 33.2 m). The increase in revenues from the EVT Innovate segment to € 43.9 m (2016: € 26.7 m), which consists entirely of third-party revenues, resulted from extended collaborations and the full year impact of new partnerships with Celgene and Bayer signed in 2016 and from higher milestone achievements from several collaborations. The gross margin for EVT Execute (including Aptuit) was 27.0% and EVT Innovate generated a gross margin of 44.3%. R&D expenses for the EVT Innovate segment were € 21.4 m in 2017 (2016: € 22.7 m). In 2017, the adjusted EBITDA of the EVT Execute segment was strong at € 63.2 m and significantly improved compared to the prior year (2016: € 50.2 m). The EVT Innovate segment reported an adjusted EBITDA of € (5.2) m (2016: € (14.0) m).

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

### ***EVT EXECUTE – LEADING EXTERNAL INNOVATION PLATFORM***

The EVT Execute segment recorded a very strong operational performance in 2017. Through the acquisition of Aptuit in August 2017, Evotec extended its value chain offering in early drug discovery to pre-clinical enabling activities (“INDiGO®”) and high-end CMC services. The Aptuit integration into the Evotec Group is proceeding according to plan. Cyprotex, which Evotec acquired in December 2016, had a very strong year and its integration into the Evotec Group is proceeding ahead of plan. Furthermore, Evotec consolidated its US footprint in 2017 to streamline processes and services to further strengthen its leading external innovation platform.

In addition and amongst other highlights, Evotec entered multiple new integrated drug discovery alliances in 2017, e.g. with ABIVAX, Blackthorn Therapeutics, Dermira, STORM

Therapeutics and TESARO. Many such collaborations provide a strong visibility on revenues going into 2018.

Furthermore, EVT Execute's strong operational performance was underlined by important milestone achievements in its collaborations, e.g. with Bayer, Boehringer Ingelheim and UCB.

***EVT INNOVATE – NEW PATHS IN DRUG DISCOVERY***

For EVT Innovate 2017 was characterised by important achievements in strategic alliances (milestones in the iPSC neurodegeneration alliance with Celgene; the iPSC diabetes alliance with Sanofi; the kidney disease alliance with Bayer; and the immuno-oncology alliance with Sanofi/APEIRON) and an acceleration of various first-in-class innovations and new ventures.

All more advanced clinical assets are progressing to plan. The partnered clinical projects with Bayer, Boehringer Ingelheim, JingXin Pharma (China), Conba Group (China), Second Genome and Carrick Therapeutics are progressing to plan and will deliver important data points in the next quarters.

Strong progress was made within the strategic iPSC-based alliance with Celgene in neurodegeneration. This was demonstrated by the achievement of a first milestone (\$ 5.0 m) for the successful completion of a screening campaign using Evotec's iPSC-based screening platform. In addition, Evotec continues to invest into the further development and expansion of its iPSC platform and network, entering into new strategic collaborations with Censo Biotechnologies (UK), Fraunhofer IME-SP (Germany) and Ncardia (Belgium/Germany), as well as with Center for Regenerative Therapies TU Dresden ("CRTD") to discover novel therapies for retinal diseases.

Following its patient-centric approach in kidney diseases, Evotec joined two consortia in 2017 with the aim to significantly expand its kidney disease platforms. The NURTuRE consortium initially focuses on chronic kidney disease and nephrotic syndrome patients and leverages established institutions such as the UK Renal Registry and Evotec's integrated kidney drug discovery platform. The NEPLEX ("Nephron-on-a-Chip with Cellular and Extracellular Matrix Complexity") consortium aims at accelerating the discovery of novel drugs to treat kidney diseases.

Furthermore the BRIDGE model gained significant momentum in 2017. Through this initiative, Evotec focuses on the translation of academic research into projects ready for partnering with Pharma. In September 2017, Evotec initiated its first North American BRIDGE alliance with MaRS Innovation in Toronto, Canada. The goal of this new partnership (LAB150) is to significantly shorten the drug discovery timeline and to generate viable start-up companies or high-value licencing arrangements. Two rounds of funding awards were

completed in 2017 in the LAB282 BRIDGE alliance with Oxford University – initiating more than 10 first-in-class projects.

After period-end, on 08 March 2018, it was announced that Evotec and Sanofi entered into exclusive negotiations to accelerate infectious disease research and development through a new open innovation platform led by Evotec. Under this agreement, Sanofi will licence to Evotec its infectious disease research and early-stage development portfolio and transfer its infectious disease research unit in Lyon, France, which includes more than 100 employees. Sanofi will pay Evotec an initial one-time cash upfront payment of € 60 m and provide further significant long-term funding to ensure support and progression of the portfolio. This transaction is expected to close in the first half of 2018, subject to finalisation of definitive agreements and completion of the appropriate social process.

### **3. CORPORATE**

#### ***ACQUISITION***

Effective 11 August 2017, Evotec acquired Aptuit, a partner research organisation for integrated outsourced drug discovery and development solutions, for € 253.2 m in cash. This acquisition was financed through a mix of existing cash reserves and an additional new € 140 m senior debt bridge facility at highly attractive terms. The acquisition grows Evotec's business substantially and extends the value chain offering through to IND submission and beyond to integrated drug substance and drug product manufacture.

The one-time transaction costs relating to acquisitions and strategic transactions amounted to € 3.9 m in 2017, recognised under SG&A. In addition purchase price allocation-related amortisation of € 5.6 m in context of Evotec's strategic acquisitions impacted costs of revenue.

#### ***UPSIDE PARTICIPATION IN FIRST-IN-CLASS INNOVATION VIA EQUITY INVESTMENTS***

Alongside its EVT Innovate strategy, Evotec continues to participate in strategic investments and company formations. By doing so, Evotec demonstrates its willingness to accelerate innovation by taking equity stakes in companies. Along these lines, Evotec invested in 2017 in Exscientia, Fibrocor, Forge, and Facio.

#### ***LOAN FACILITY ISSUED BY EUROPEAN INVESTMENT BANK OF UP TO € 75 M TO SUPPORT EVT INNOVATE R&D STRATEGY***

In September 2017, Evotec announced that the EIB granted Evotec an unsecured loan facility of up to € 75 m. The EIB funding specifically supports Evotec's EVT Innovate R&D strategy through a unique, innovative and flexible financing structure including a moderate reward-

sharing component for the EIB. These funds provide Evotec with a great deal of flexibility to further pursue novel drug discovery and development paths and also supporting Evotec's equity engagements in first-in-class innovation. Exscientia was the first project supported by this fund.

***NEW STRATEGIC FRAMEWORK: ACTION PLAN 2022 – “LEADING EXTERNAL INNOVATION”***

At the end of 2017, the Management Board and the Supervisory Board agreed on the Company's strategic framework for the next five years (Action Plan 2022 –“Leading External Innovation”), thus continuing the tradition of prior action plans. It is aimed at driving and maintaining the Company's global leadership position in external innovation. Further information can be found in the Annual Report 2017.

***INTENTION TO CONVERT EVOTEC AG INTO A EUROPEAN COMPANY (SE) (AFTER PERIOD-END)***

Evotec decided to begin preparations for legal conversion of the Company into a European Company (Societas Europaea, SE). The proposal, which has already been approved by the Supervisory Board, will be put to a vote at this year's Annual General Meeting on 20 June 2018. Evotec intends to maintain its current two-tier board structure, consisting of a Management Board and a Supervisory Board. The registration, and thus validity, of the legal conversion is conditional upon finalising the mandatory negotiation process regarding the future arrangements for employee involvement. Shareholders will receive detailed information on the planned conversion when the invitation to the Annual General Meeting is sent out. Upon registration of the conversion, the shareholders of Evotec AG will remain shareholders of the Company in the new legal form with same rights and duties.

The conversion reflects the continuing European and international focus of the Evotec Group, which has grown considerably in recent years with subsidiaries in France, Germany, Italy, Switzerland, the United Kingdom and the USA.

**4. FINANCIAL GUIDANCE FOR 2018 – STRONG OUTLOOK “3X30”**

Revenues, research and development expenses and adjusted EBITDA are the financial key performance indicators of the Evotec Group. For the financial year 2018, the Management Board expects Evotec to show strong Group revenue growth, increased R&D expenses and an improved adjusted Group EBITDA as shown in the table below.

	<b>Guidance 2018</b>	<b>Actual 2017</b>
Group revenues	More than 30% growth	€ 257.6 m
R&D expenses	Approx. € 20-30 m	€ 17.6 m
Adjusted Group EBITDA <sup>1)</sup>	Improve by approx. 30% compared to 2017	€ 58.0 m

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

### **Webcast/Conference Call**

The Company is going to 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 fiscal year 2018. The conference call will be held in English.

### **Conference call details**

Date: **Wednesday, 28 March 2018**  
 Time: **02.00 pm CEST (01.00 pm BST/08.00 am EDT)**

From Germany: +49 69 22 22 29 043  
 From France: +33 170 750 705  
 From Italy: +39 02 3601 3806  
 From UK: +44 20 3009 2452  
 From USA: +1 855 402 7766  
 Access Code: 37969784#

A simultaneous slide presentation for participants dialling in *via phone* is available at <http://www.audio-webcast.com/>, password: evotec0318.

### **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 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/financial-reports>.

### **NOTE**

*The 2016 and 2017 results are not fully comparable. The difference stems mainly from the acquisitions of Cyprotex PLC ("Cyprotex"), effective 14 December 2016, and Aptuit, effective 11 August 2017. The results from Cyprotex are only included from 14 December 2016 onwards. The results from Aptuit are included from 11 August 2017 onwards.*

### **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 80 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) and follow us on Twitter [@EvotecAG](https://twitter.com/EvotecAG).

#### 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.