Transcript

Analyst Call

Evotec Preliminary Second Quarter and First Half 2026 Results and Update Full-Year 2026 Outlook

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Speakers:

Christian Wojczewski

Claire Hinshelwood

Sarah Fakih

Sarah Fakih

Thank you, Moira. Good morning, good afternoon, and welcome to today's webcast and conference call. My name is Sarah Fakih and I'm the Head of Global Communications and Investor Relations at Evotec.

Please allow me to introduce today's speakers. Joining me on the call are: Christian Wojczewski, Chief Executive Officer of Evotec and Claire Hinshelwood, our Chief Financial Officer. Please note that this call is being webcast live and will be archived in the events calendar on our website.

Before we begin, a few forward-looking statements. The discussion and responses to your questions on this call reflect management's views as of today, Tuesday, July 14, 2026.

During this call, we will make statements and provide responses that state our intentions, beliefs, expectations or projections regarding the future. These statements constitute forward-looking statements within the meaning of applicable securities laws. They are subject to risks and uncertainties and actual results may differ materially from those expressed or implied.

Evotec disclaims any intention or obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances. For further information regarding these risks and uncertainties, please refer to our public filings and disclosures.

With this, let me hand over the call to Christian.

Christian Wojczewski

Thank you, Sarah. Good morning and good afternoon to everyone. Thank you for joining today's call.

Following our announcement last night, we are providing today an update based on preliminary unaudited financial results for the second quarter and first half of 2026, as well as an updated outlook for the full year. As a reminder, publication of our full financial results is scheduled for August 13.

During our full year 2025 results presentation in April, we guided for a challenging first half of 2026.

This outlook primarily reflected our anticipated continuation of the softness in the discovery in -- early drug discovery market seen in 2025, as well as the effect of the non-recurrence of the 25 million dollars in dose licensing payment in the first quarter of the previous year.

Our preliminary second quarter results extend the trends we saw in the first quarter. Group revenues in the first half of 2026 are expected to amount to 300.1 million euros, while adjusted group EBITDA is expected to land at minus 42.7 million euros compared with the first half of 2025.

Our expectation in April for a stronger second half of 2026 was based on two assumptions, a gradual recovery in market activity and increasing contributions from strategic partnership activities.

Based on our current feasibility for the second half, we're now revising the assumptions on strategic partnerships and as a result, updating our full year guidance.

The key drivers behind this revision are summarized on the right-hand side of the slide and can be grouped into three categories.

The first category relates to phasing and milestone-related revenues from existing strategic partnerships across all segments.

These account for approximately 40% of the revenue difference between our original and updated outlook. Importantly, these revenues are delayed, not lost and are expected to be recognized in 2027 rather than 2026.

The second category relates to potential new strategic partnerships in our D&PD segment. We now expect lower than anticipated revenue contributions in the second half of 2026 as a result of longer timelines for reaching and finalizing new agreements.

This category accounts for approximately 45% of the revenue difference. Importantly, our underlying partnership pipeline remains healthy and active with multiple opportunities at various stages of engagement, including advanced discussions with potential big pharma partners.

While we are highly confident about establishing new partnerships, any agreements reached this year are unlikely to contribute meaningfully to revenue in 2026.

In addition, the timing and structures of individual deals may influence the balance of upfront cash payments, revenue-generating activities and milestone contributions in 2027 and beyond.

The third category relates to sales to revenue conversion. Although commercial activity and customer engagement have clearly improved, conversion into revenue has occurred more slowly than anticipated.

While a small portion of revenue conversion is expected to shift into 2027, approximately 15% of the revenue difference is attributable to lower than expected revenue conversion in 2026 relative to our previous guidance. This portion relates to an acceleration objective we had set for ourselves, but which has not materialized to the extent originally assumed.

As a result of these factors, we are updating our full year 2026 guidance and Claire will speak about this in more detail later.

While this revision is clearly disappointing, it is important to emphasize that it is primarily driven by the timing of partnership, planning activities and ongoing partnership milestone revenues rather than any fundamental change in these opportunities. The number and value of partnerships we are pursuing has not changed substantially. However, the conversion of these opportunities will take longer than expected.

At the same time, leading commercial indicators in the first half of 2026 document encouraging increased activity across our base D&PD business, including strengthening customer engagement and growing net sales.

We're confirming the positive momentum highlighted over recent quarters and expect those to pay off from late '26 onwards.

In addition, any recovery in the discovery and early development market would provide a further tailwind to growth.

I will return to these indicators later in the presentation and discuss them in more detail. But first, I would like to turn things over to Claire for a review of the preliminary and unaudited Q2 and first half 2026 numbers.

Claire Hinshelwood

Thank you, Christian, and good morning and good afternoon to everyone.

On Slide 5, let me give you an overview of our preliminary and unaudited condensed income statement.

Group revenues for the second quarter of 2026 are expected to decrease by approximately 16% to 143.5 million euros and for the first half of 2026 to decrease by 19% to 300.1 million euros compared to the same period in 2025.

In D&PD, revenues are expected to decline by approximately 15% to 108.1 million euros in the second quarter and by 16% to 227.9 million euros for the first six months compared to the prior period.

Within JEB, revenues for the second quarter of 2026 are expected to decrease by 17% to 35.4 million euros. And in the first half, we anticipate a decrease by 29% to 72.3 million euros compared to the same period in 2025.

Unfavorable foreign exchange movements are expected to represent an additional headwind to Half 1 revenues of 13 million euros, driven by the U.S. dollar and the British pound.

Adjusted group EBITDA is expected to amount to minus 20.8 million euros in the second quarter and to minus 42.7 million euros in the first six months of 2026 compared to the same period in 2025.

Turning to liquidity and the balance sheet on Slide 6, the total liquidity as of June 30, 2026, stood at 465.6 million euros, representing a quarterly increase of 20.8 million euros compared with 444.8 million euros at the end of the first quarter 2026.

The quarter-over-quarter increase was primarily driven by the gross proceeds we received of approximately 100 million dollars related to Gilead's acquisition of our EVOequity portfolio company Tubulis, as well as from our recent 116 million euros convertible bond placement.

First half liquidity further reflects the scheduled debt repayment of approximately 65.8 million euros in line with our liability maturity profile. This planned repayment reduced liquidity during the period while contributing to a lower debt position.

This liquidity position, combined with savings being realized from our successful implementation of the Horizon transformation positions Evotec to absorb impacts such as the volatility and our strategic partnerships outlook that Christian has described earlier.

With that, I'll hand back to Christian, who will discuss the progress we're making in our commercial activities and an accelerating revenue conversion across the various components of our business.

Christian Wojczewski

Thank you, Claire.

Before discussing the conversion dynamics we are currently seeing in the business, let us take a step back and look at the three principal creators of revenue streams within our D&PD segment and their respective conversion cycles shown on Slide 7.

In our stand-alone business, engagements are typically focused on specific scientific services with straightforward commercial agreements and short delivery time lines. As a result, the sales cycle is fast and the period from order intake to revenue recognition generally short of around three to six months.

And the second type of relationship, integrated programs, customers engage Evotec across multiple capabilities within a broader research program. These engagements involve more complex contracting, longer delivery periods and a wider scope of work.

Consequently, revenue conversion typically occurs over a period of approximately 9 to 24 months.

The third category is strategic partnerships, which represent the most comprehensive and complex form of engagement. These partnerships are individually structured, often involve extensive negotiation and governance frameworks and frequently include a combination of research services, milestone opportunities and long-term collaboration elements.

As a result, the time from initial commercial engagement to meaningful revenue contribution can range from approximately 12 to 24 months. Although revenue conversion takes longer in the context of strategic partnerships, these relationships create the potential for substantial long-term value as they typically generate revenue streams over multiple years and can expand significantly over time as programs progress.

Generally, as you move across these three creators of revenue streams, both the complexity and the time to revenue conversion increase.

Looking at our sales-to-revenue conversion dynamics we're experiencing in 2026. We entered the year expecting improvements in commercial activity to translate into stronger revenue growth as the year progressed.

As discussed earlier, approximately 15% of the difference to our previous revenue guidance relates to a conversion ambition that is no longer expected to materialize within 2026, also reflecting a more gradual pace of business expansion while the organization remains focused on executing the horizon transformation and building the foundation for sustainable long-term growth.

At the same time, in the base business, including stand-alone and integrated programs, we have seen encouraging developments in key leading indicators from customer engagement and proposal activities all the way through net sales.

During the first half of the year, inbound inquiries increased by approximately 30%. Number of proposals increased by more than 45%.

In our stand-alone business, where both sales and revenue conversion cycles are relatively short, we are seeing these positive developments across virtually all leading indicators. Customer engagement has increased, proposal activity is growing. Orders and net sales are up substantially during the first half of the year. Revenue, however, has not yet started to reflect this momentum.

Given the relatively short conversion cycle of approximately three to six months, we believe this is largely a question of timing, and expect these trends to translate into revenues over the coming quarters.

In our integrated program business, we see a similar pattern at the front end of the commercial funnel. Customer engagement remains strong and proposal activity continues to grow.

However, due to the greater complexity of these programs, orders and revenues naturally lack the trends we are seeing in customer demand.

The same principle applies even more strongly in strategic partnerships. The highly customized nature of these arrangements mean that proposal activity orders and revenues naturally develop on a longer timeline.

Taken together, these indicators provide encouraging evidence that underlying customer demand and commercial activity are strengthening across all three revenue streams.

The challenge we face in 2026 is one of conversion timing. As commercial complexity increases the time required for this activity to translate into revenue increases as well. That said, in the first half of '26, we were already able to shorten the average sales cycle by more than 15% to start moving opportunities through the pipeline more efficiently and supporting faster customer decision-making.

The commercial indicators give us confidence that the underlying trajectory of the D&PD business is moving in the right direction and that there is improved customer engagement and strengthening demand from our services.

On Slide 8, let us take a look on the underlying base business of our discovery and preclinical development segment, including stand-alone services and integrated programs, excluding large strategic partnerships to provide a clearer view of the business.

We saw strong improvement throughout the first half of the year. Net sales increased approximately 28% for the first half compared with the first half of 2025. This figure reflects both positive and negative change orders, giving a realistic picture of customer demand and project activity.

As these activities cycle on a shorter frequency compared with strategic partnerships, it is expected that we will begin to see the results of increased activity in these areas by late this year.

Additionally, proposal value in the first half of 2026 increased by more than 20%, indicating a growing number of attractive value opportunities going forward.

Similarly, we are seeing steady positive development of our Just - Evotec Biologics segment. As organizations ranging in size from small biotechs to global biopharma companies continue to show strong interest in our innovative continuous bioprocessing offerings.

Just - Evotec Biologics continues to refine its business model to maximize the benefit that customers can accrue from a continuous manufacturing approach in terms of cost, flexibility, and speed of infrastructure development.

At its base, the CDMO services business is at high capacity, extending its customer base as well as its range of offerings.

With the official introduction of the J.TRAIN offering in June, customers have the potential to deploy a proprietary continuous manufacturing technology directly within their own facilities on a turnkey basis.

J.TRAIN is designed to enable significantly faster and more cost-effective deployment than traditional manufacturing is strongly supporting Evotec's mission of accelerating the path to market for the industry's most innovative products.

As a key example of this principle, our licensing agreement with Sandoz is progressing well in the wake of the transfer of our Toulouse manufacturing plant to Sandoz ownership last year. The relationship includes development revenues, success-based milestones and royalties for Evotec on biosimilar products in technical and early-stage development.

Shown on Slide 10 and underlying Evotec's progress toward sustainable growth and profitability is the horizon phase of our strategic transformation. Horizon was announced in March '26 and continues to progress as planned.

As a result, we expect total run-rate cost savings of about 75 million euros by the end of 2027, with 20% to 30% of that amount expected to be realized in 2026. As announced in March, we expect the savings accrued by Horizon to start becoming apparent in the second half of this year.

These cost savings, combined with the enhancements in commercial execution I discussed earlier, provide a strong foundation upon which we can enact some of the remaining elements of our strategy, including the establishment of high-value strategic partnerships.

Let me now hand over back to Claire.

Claire Hinshelwood

Thank you. On Slide 11, I would like to take you through the building blocks of our revised revenue outlook for the remainder of 2026.

For the full year 2026, we now guide for group revenues of approximately 570 million euros to 610 million euros at incurred foreign exchange rates and 595 million euros to 635 million euros at constant exchange rates.

Adjusted EBITDA is expected to fall within the range of approximately minus 70 million euros to minus 105 million euros at incurred foreign exchange rates and minus 60 million euros to minus 90 million euros at constant exchange rates.

As Christian has said, while we see an improvement in our commercial indicators and expect to be able to close strategic partnerships before the end of the year, also contribute only marginally to revenue this year.

Let me take you through the various movements that we see to help bridge the gap on revenue guidance. When we look at our base D&PD business, we see a decline versus original expectations. This is driven by the delayed effect of existing strategic deals as well as the conversion impacts that Christian earlier described, which are driven by the construct of our sales portfolio as well as the delay in the achievement of our aspirational target that we had set ourselves.

Of this decline versus guidance, we would expect around 65% of this to move into 2027, with the only net reduction being the delay in achieving the aspirational conversion target. So overall, no lost business.

If we move to the second bar, this is a significant bucket that we have previously discussed related to the expected new strategic partnerships. As we have previously outlined, the time to secure these deals is extremely long, given their nature, and can be influenced by a number of external factors beyond our control within the potential partners operating environment.

We have seen in recent weeks' time line stretch beyond what was previously anticipated meaning that any associated revenue recognition will be minimal this year.

We are, however, confident in the quality of our pipeline and the current status of discussions. And as such, would see this bucket being delivered beyond 2026 with the final revenue impact being driven by the individual construct of each deal.

Moving on to JEB. Here, we see the base jet business continuing in line with previous guidance, reiterating the confidence in our technology offering.

JEB's strategic partnerships are slightly delayed versus original guidance, but here again we would see that moving into 2027. As we are aware, it's not unusual for milestones to slightly shift which can then result in a knock-on impact over the year-end revenue cut-off point.

In terms of the EBITDA impact, we see a high proportion of the revenue reduction flowing through to EBITDA due to our high fixed cost base, but where we have had the opportunity to impact our costs with an impact already in 2026, this has been reflected in the outlook. Let me now hand back over to Christian.

Christian Wojczewski

Thanks, Claire. Let me turn now from our strategy to the team that will deliver it and how strongly it has evolved over the past few months to bolster our commercial conversion, strengthen execution discipline and continue to drive operational excellence across the company.

Over the past several months, we have significantly enhanced our management, governance and leadership team to support the next phase of Evotec's transformation. We've been introduced to all of these newcomers as they have joined. On Slide 12, we would like to briefly highlight the key appointments and the talented people we have selected to fill them.

In April, we were joined by Ashiq Khan as EVP Global Head, Chief Commercial Officer. Since joining Ashiq has made a strong contribution to building the accelerated business activity and enhancing our commercial engagement with customers I described earlier.

He's working closely with our new Chief Operating Officer, Ingrid Muller, who joined in May this year and who brings more than 20 years of life science leadership experience across operations, strategy, supply, procurement and R&D integration.

During the second quarter, we also welcomed our CFO Claire Hinshelwood. Claire brings a strong track record of reshaping corporate financial operations and making progress against the backdrop of challenging market conditions.

Turning to the Supervisory Board. We have a new Chairman Dieter Weinand, who officially assumed his position in conjunction with our Annual General Meeting on June 11, this year, along with the new Supervisory Board member of Wolfgang Hofmann. Together, they bring a wealth of international leadership experience spanning the pharmaceutical, biotechnology and health care sectors.

Their deep expertise in commercial execution, innovation, capital markets and transformation will provide valuable guidance and fresh perspectives as we continue to execute Horizon and to sharpen our focus on execution, strategic partnerships and profitability.

Before we move on to Q&A, I would like to summarize where Evotec is today and chart our course towards a sustainable growth and profitability we intend to realize over the next years.

As we have said before, we expected a challenging first half of 2026 and the second quarter and first half preliminary results we have just presented aligned with our expectation.

Looking to the second half of the year, our expectations for revenue from strategic partnerships, in particular, the part of our business that is most complex and time-consuming to develop have shifted recently and have led us to revise our full year 2026 outlook.

While the new outlook is not as robust as we had hoped, as I mentioned earlier, we do see positive leading indicators in the longer term, in spite of a difficult market, especially in the part of our base CRO business outside strategic partnerships.

With net sales up 28% year-over-year, in the first half, we expect to see revenue from this increased activity beginning in the final quarter of the year.

Combined with cost savings from the Horizon transformation that will begin to become apparent later this year and will grow by the end of 2027 to 75 million euros in annual run rate savings.

We expect that the combination of high-value scientific offerings, improved commercial execution and disciplined financial management will keep us on track to meet our longer-term goals.

To that end, in the last several months, we have created a number of new roles and filled them with experienced and accomplished individuals who will continue to drive Evotec forward.

Evotec today is in the later stages of a strategic transformation that has taken multiple years to implement.

There's still a lot more to do, but I strongly believe we now have the correct mix of focused scientific excellence, streamlined operations and strong commercial infrastructure to attract, secure and execute on a robust and diverse stream of business across our D&PD and Just - Evotec Biologics segment.

Thank you and I welcome your questions.