



Evotec AG

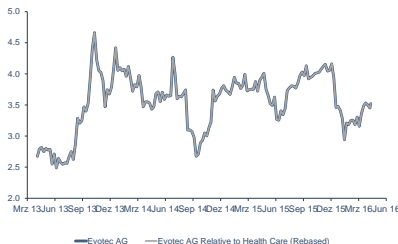
Buy → | Target price : 4.90 EUR vs 4.60 EUR ↗

Price : 3.52 EUR | Upside : 39 %

Est.chg	2016e	2017e
EPS	11.4%	48.8%

Strong Q1 results beat our estimates/ Confirmed 2016 outlook looks conservative

Tuesday 10 May 2016



Q1 2016 results show strong start into the year

Evotec (EVT) posted strong Q1 2016 results which exceeded our estimates. Revenue was up +74% yoy to € 37.5m (Oddo Seydler est.: € 36.6m) driven by: i) solid growth in the base business; ii) the positive contribution from the Sanofi deal; and iii) a milestone payment from Padlock in Q1 2016.

Adj. EBITDA, at € 7.2m, was far ahead of our estimate of € 4.0m driven by strong top line growth coupled with considerable margin improvement. The adj. EBITDA margin improved sharply from close to break-even in Q1 15 to 19.2% in Q1 16 (Oddo Seydler est.: 10.9%).

Both segments showed solid performances: 1) EVT Execute increased revenue by 67% and almost tripled adj. EBITDA to €9.6m (Q1 15: €3.5m); 2) EVT Integrate also grew revenue by 67% and adj. EBITDA improved to € -2.4m (Q1 15: € -3.8m).

Capital

EVT GY EVTG.DE	
Market Cap (EURm)	458
Enterprise value (EURm)	501
Extrema 12 months	2.90 - 4.28
Free Float (%)	ns

Performance (%)	1m	3m	12m
Absolute	4.8	21.3	-9.6
Perf. rel. Country Index	4.4	12.7	8.6
Perf. rel. Health Care	4.8	21.3	-9.6

P&L	12/16e	12/17e	12/18e
Sales (EURm)	153	164	175
EBITDA (EURm)	20.5	22.7	26.2
Adj. EBIT (EURm)	8.1	10.4	13.2
Attr. net profit (EURm)	4.7	6.9	10.3
Adjusted EPS (EUR)	0.04	0.05	0.08
Dividend (EUR)	0.00	0.00	0.00
P/E (x)	96.5	66.7	44.3
P/B (x)	2.4	2.3	2.2
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	1.0	1.8	2.8
EV/Sales (x)	3.28	3.03	2.78
EV/EBITDA (x)	24.4	21.9	18.6
EV/Current EBIT (x)	61.8	47.6	36.8
Gearing (%)	-11	-14	-18
Net Debt/EBITDA(x)	ns	ns	ns

Q1 16 results

In € m	Q1 2016	Oddo Seydler Q1 estimates	Δ	Q1 2015
Revenue	37.5	36.6	2.5%	21.5
Adj. EBITDA	7.2	4.0	80%	-0.3
Adj. EBITDA margin	19.2	10.9%	8.3pp	-
EBIT	2.7	0.9	200%	-3.3

Source : Oddo Seydler, Company

2016 outlook confirmed, looks conservative

Management confirmed its full-year 2016 guidance for revenue growth of more than 15% (excluding milestones, upfronts and licences).

Additionally the company guides as follows: R&D costs: c.€ 20m; ii) group adj. EBITDA: positive and significantly improved vs 2015; iii) capex: up to € 10m; iv) liquidity at 31 December 2016: similar to 31 Dec 2015.

The company confirmed its outlook, which now looks conservative given that Evotec already generated adjusted EBITDA of € 7.2m in Q1 2016 vs € 8.7m in all of 2015.

Buy reiterated, TP upped to € 4.90 (4.60)

In view of the outstanding Q1 16 results (best in company history), we raise our adj. EBITDA estimates for 2016e and 2017e to € 20.5m (previously: € 16.6m); and € 22.7m (€ 18.4m), respectively.

Due to our estimate increases, our SOTP valuation now renders a fair value of € 4.95/share (prev.: € 4.70). We thus raise TP to € 4.90 (€ 4.70) and reiterate our Buy recommendation.

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Next Events

10.05.2016	Q1 Results
14.06.2016	AGM
10.08.2016	Q2 Results

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EVTG.DE | EVT GY
Biotechnology | Germany

Buy
Upside 39.17%

Price
TP 3.52EUR
4.90EUR

	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
PER SHARE DATA (EUR)								
Adjusted EPS	0.05	0.03	-0.22	-0.10	0.13	0.04	0.05	0.08
Reported EPS	0.05	0.03	-0.22	-0.10	0.13	0.04	0.05	0.08
Growth in EPS(%)	ns	-48.3%	ns	ns	ns	-71.3%	44.6%	50.6%
Net dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FCF to equity per share	0.02	0.04	-0.01	-0.11	0.05	0.04	0.06	0.10
Book value per share	1.24	1.29	1.22	1.22	1.43	1.46	1.51	1.59
Number of shares market cap	118.32	118.32	130.13	130.13	130.13	130.13	130.13	130.13
Number of diluted shares	118.32	118.32	130.13	130.13	130.13	130.13	130.13	130.13
VALUATION								
12m highest price	3.40	3.04	4.84	4.51	4.28	4.12		
12m lowest price	1.72	1.97	2.09	2.57	3.20	2.90		
(*) Reference price	2.63	2.57	2.99	3.59	3.82	3.52	3.52	3.52
Capitalization	312	304	390	467	497	458	458	458
Restated Net debt	-44.5	-45.1	-77.3	-64.8	-109.4	-21.7	-27.1	-36.9
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	42	47	43	32	65	65	65	65
Enterprise Value	309	306	355	435	452	501	496	486
P/E (x)	49	92	ns	ns	30	97	67	44
P/CF (x)	24	34	41	88	34	27	24	20
Net Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	0.7%	1.5%	ns	ns	1.3%	1.0%	1.8%	2.8%
P/B incl. GW (x)	2.12	1.99	2.45	2.95	2.68	2.41	2.32	2.21
P/B excl. GW (x)	2.97	2.75	3.28	4.11	3.55	3.17	3.03	2.83
EV/Sales (x)	3.86	3.50	4.13	4.86	3.54	3.28	3.03	2.78
EV/EBITDA (x)	26	30	34	56	52	24	22	19
EV/EBIT (x)	54	218	289	ns	ns	62	48	37
(*) historical average price								
PROFIT AND LOSS (EURm)								
Sales	80	87	86	89	128	153	164	175
EBITDA	12.0	10.2	10.4	7.7	8.7	20.5	22.7	26.2
Depreciations	-6.2	-8.8	-9.2	-8.5	-11.9	-12.4	-12.3	-13.0
Adj. EBIT	5.8	1.4	1.2	-0.8	-3.3	8.1	10.4	13.2
Published EBIT	4.8	-2.4	-24.4	-12.1	11.6	8.1	10.4	13.2
Net financial income	0.0	-1.8	-2.3	1.2	0.9	-2.2	-1.9	-0.4
Corporate Tax	1.4	7.5	-1.8	-1.8	4.0	-1.1	-1.6	-2.4
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Attributable net profit	6.3	3.3	-28.5	-12.6	16.5	4.7	6.9	10.3
Adjusted attributable net profit	6.3	3.3	-28.5	-12.6	16.5	4.7	6.9	10.3
BALANCE SHEET (EURm)								
Goodwill	42	42	40	45	46	46	46	46
Other intangible assets	68	63	40	30	25	26	26	27
Tangible fixed assets	25	27	24	24	38	38	38	36
WCR	6.2	18	18	26	21	24	25	26
Financial assets	3.9	4.4	2.1	1.2	12	12	12	12
Ordinary shareholders equity	147	153	159	158	186	190	197	207
Minority interests	0.0	0.0	0.0	0.0	1.6	1.6	1.6	1.6
Shareholders equity	147	153	159	158	187	192	199	209
Non-current provisions	42	47	43	32	65	65	65	65
Net debt	-44.5	-45.1	-77.3	-64.8	-109.4	-21.7	-27.1	-36.9
CASH FLOW STATEMENT (EURm)								
EBITDA	12.0	10.2	10.4	7.7	8.7	20.5	22.7	26.2
Change in WCR	-3.4	3.9	-5.8	-14.8	3.2	-2.7	-1.2	-1.2
Interests & taxes	-1.2	-0.9	-0.6	0.8	-1.4	-3.4	-3.6	-2.9
Others	2.4	-0.5	-0.3	-3.2	7.1	0.0	0.0	0.0
Operating Cash flow	9.7	12.8	3.6	-9.5	17.6	14.4	17.9	22.1
CAPEX	-7.6	-8.1	-4.6	-5.3	-11.2	-9.7	-9.5	-9.3
Free cash-flow	2.2	4.6	-0.9	-14.8	6.5	4.7	8.4	12.8
Acquisitions / disposals	-7.5	15.9	-27.0	7.2	-11.9	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net capital increase	-0.1	-0.1	32.0	4.0	6.0	8.0	10.0	12.0
Others	1.7	3.7	1.4	3.9	3.6	0.0	0.0	0.0
Change in net debt	-7.3	20.2	5.7	-2.9	2.7	9.7	15.4	21.7
GROWTH MARGINS PRODUCTIVITY								
Sales growth	45.0%	8.9%	-1.5%	4.1%	42.7%	19.5%	7.2%	6.9%
Lfl sales growth								
Current EBIT growth	ns	-75.7%	-12.3%	ns	ns	ns	28.6%	26.8%
Growth in EPS(%)	ns	-48.3%	ns	ns	ns	-71.3%	44.6%	50.6%
Net margin	7.9%	3.8%	-33.1%	-14.1%	12.9%	3.1%	4.2%	5.9%
EBITDA margin	14.9%	11.7%	12.1%	8.6%	6.8%	13.4%	13.9%	15.0%
Current EBIT margin	7.2%	1.6%	1.4%	-0.9%	-2.5%	5.3%	6.4%	7.6%
CAPEX / Sales	-10.2%	-9.4%	-6.0%	-5.9%	-8.7%	-6.3%	-5.8%	-5.3%
WCR / Sales	7.7%	20.1%	21.0%	28.5%	16.5%	15.6%	15.3%	15.0%
Tax Rate	-25.8%	ns	ns	-78.8%	-20.4%	19.0%	19.0%	19.0%
Normative tax rate								
Asset Turnover	0.6	0.6	0.6	0.7	1.0	1.2	1.2	1.3
ROCE post-tax (normative tax rate)								
ROCE post-tax hors GW (normative tax rate)	-	-	-	-	-	-	-	-
ROE	4.5%	2.2%	-18.3%	-8.0%	9.6%	2.5%	3.5%	5.1%
DEBT RATIOS								
Gearing	-30%	-30%	-49%	-41%	-58%	-11%	-14%	-18%
Net Debt / Market Cap	-0.14	-0.15	-0.20	-0.14	-0.22	-0.05	-0.06	-0.08
Net debt / EBITDA	ns	ns	ns	ns	ns	ns	ns	ns
EBITDA / net financial charges	8.3	8.5	6.5	6.7	7.3	46.3	51.2	59.1

Recommendation and target price changes history over the last 12 months for the company analysed in this report

Date	Reco	Price Target (EUR)	Price (EUR)
10.05.16	Buy	4.90	3.52
29.01.16	Buy	4.60	3.42
12.08.15	Buy	4.10	3.74
10.08.15	Buy	4.00	3.85
07.08.15	Buy	3.90	3.74

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