



Evotec AG

Buy → | Target price : 5.00 EUR vs 4.90 EUR ↗

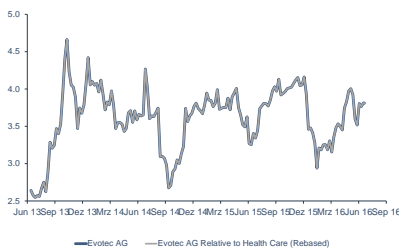
Price : 3.81 EUR | Upside : 31 %

Est.chg	2016e	2017e
EPS	0.0%	1.6%

TP raised on upgraded 2016 outlook to € 5.00 (4.90) / Q2 2016 preview

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Capital

EVT GY EVTG.DE	
Market Cap (EURm)	496
Enterprise value (EURm)	539
Extrema 12 months	2.90 - 4.28
Free Float (%)	ns

Performance (%)	1m	3m	12m
Absolute	5.9	7.6	11.9
Perf. rel. Country Index	1.9	9.3	34.0
Perf. rel. Health Care	5.9	7.6	11.9

P&L	12/16e	12/17e	12/18e
Sales (EURm)	153	164	175
EBITDA (EURm)	20.5	22.9	26.4
Current EBIT (EURm)	8.1	10.7	13.5
Attr. net profit (EURm)	4.7	7.0	9.9
Adjusted EPS (EUR)	0.04	0.05	0.08
Dividend (EUR)	0.00	0.00	0.00
P/E (x)	104.4	71.1	50.1
P/B (x)	2.6	2.5	2.4
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	1.0	1.7	2.5
EV/Sales (x)	3.53	3.26	3.00
EV/EBITDA (x)	26.3	23.3	19.8
EV/Current EBIT (x)	66.5	50.0	38.9
Gearing (%)	-11	-14	-18
Net Debt/EBITDA(x)	ns	ns	ns

Next Events

10.08.2016	Q2 Results
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Company raises its adj. EBITDA outlook for full year 2016

Evotec has raised its financial guidance for full year 2016. The company now expects adj. EBITDA to more than double yoy mainly as a result of an "increased margin contribution and a positive outlook for the remainder of the year". All other elements of the company's previous financial guidance (issued on 10 May 2016) were confirmed. Evotec had previously guided for positive and significantly improved EBITDA vs last year (2015: € 8.7 m).

The company says margins will be boosted by improved capacity utilisation and FX tailwinds, with the stronger USD supporting the top line and the weaker GBP boosting margin. FX tailwinds were expected in particular after Brexit. Improved capacity utilisation is the more important margin driver in our view as this underlines that one of the strategic reasons for partnership with Sanofi is being successfully implemented, namely to more effectively utilise joint capacities and capabilities in Toulouse.

Q2 16 preview: Another strong quarter ahead

Evotec is due to post its Q2 16 results on 10 August. We expect another solid quarter. Management's decision to raise its full-year 2016 outlook suggests that the margin improvement has already started in Q2 16. For Q2 16e we estimate sales of € 37.4m (+11.9% yoy) and adj. EBITDA of € 7.4m, corresponding to an EBITDA margin of 19.9%.

Buy confirmed, TP raised to € 5.00

While we view this upgrade positively, it was somewhat anticipated considering the company's very strong Q1 results (strongest in its history), with adj. EBITDA already close to the full-year level of 2015. This made the previous outlook seem conservative. It bears mentioning that Evotec communicates its guidance excluding milestones payments, which normally occur at the back end of the year. We leave our 2016e estimates unchanged, as our current adj. EBITDA estimate for 2016e (c.€ 20.5m) is already "more than double EBITDA compared to 2015" and assumes milestone payments in the second half of the year. For 2017e, we have slightly increased our EPS, as we expect some of the positive post-Brexit FX effects to spill over into 2017.

The market was also largely expecting a strong adj. EBITDA for the full-year 2016e (Reuters cons.: € 19.9m); therefore, we do not expect any significant changes to consensus estimates after this outlook revision.

Our SOTP valuation indicates € 5.12/share which comprises € 3.25 NPV of EVT Execute business, € 1.02 NPV of EVT Innovate business and € 0.85 of net cash. We raise our TP to € 5.00 and reiterate our Buy recommendation.

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EVTG.DE | EVT GY
Biotechnology | Germany

Buy
Upside 31.23%

Price
TP 3.81EUR
5.00EUR

	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%	46.9%	41.8%
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	0.07	0.09
Book value per share	1.24	1.29	1.22	1.22	1.43	1.46	1.52	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	3.81	3.81	3.81
Capitalization	312	304	390	467	497	496	496	496
Restated Net debt	-44.5	-45.1	-77.3	-64.8	-109.4	-21.7	-27.2	-36.5
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	539	533	524
P/E (x)	49	92	ns	ns	30	104	71	50
P/CF (x)	24	34	41	88	34	29	26	22
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%	1.7%	2.5%
P/B incl. GW (x)	2.12	1.99	2.45	2.95	2.68	2.61	2.51	2.39
P/B excl. GW (x)	2.97	2.75	3.28	4.11	3.55	3.43	3.27	3.07
EV/Sales (x)	3.86	3.50	4.13	4.86	3.54	3.53	3.26	3.00
EV/EBITDA (x)	26	30	34	56	52	26	23	20
EV/EBIT (x)	54	218	289	ns	ns	66	50	39
(*) 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	22.9	26.4
Depreciations	-6.2	-8.8	-9.2	-8.5	-11.9	-12.4	-12.3	-13.0
Current EBIT	5.8	1.4	1.2	-0.8	-3.3	8.1	10.7	13.5
Published EBIT	4.8	-2.4	-24.4	-12.1	11.6	8.1	10.7	13.5
Net financial income	0.0	-1.8	-2.3	1.2	0.9	-2.2	-2.0	-1.2
Corporate Tax	1.4	7.5	-1.8	-1.8	4.0	-1.1	-1.6	-2.3
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	7.0	9.9
Adjusted attributable net profit	6.3	3.3	-28.5	-12.6	16.5	4.7	7.0	9.9
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	-27.2	-36.5
CASH FLOW STATEMENT (EURm)								
EBITDA	12.0	10.2	10.4	7.7	8.7	20.5	22.9	26.4
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	-3.7	-3.6
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	18.0	21.6
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	8.5	12.4
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	15.5	21.3
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	31.5%	26.3%
Growth in EPS(%)	ns	-48.3%	ns	ns	ns	-71.3%	46.9%	41.8%
Net margin	7.9%	3.8%	-33.1%	-14.1%	12.9%	3.1%	4.3%	5.7%
EBITDA margin	14.9%	11.7%	12.1%	8.6%	6.8%	13.4%	14.0%	15.1%
Current EBIT margin	7.2%	1.6%	1.4%	-0.9%	-2.5%	5.3%	6.5%	7.7%
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%	3.6%	4.9%
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	-0.04	-0.05	-0.07
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	94.3	108.7

Mention of conflicts of interest

• Valuation method

Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on Oddo Securities' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.

• Our stock market recommendations

Our stock market recommendations reflect the RELATIVE performance expected for each stock on a 12-month timeframe.

Buy: performance expected to exceed that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Reduce: performance expected to fall short of that of the benchmark index, sectoral (large caps) or other (small and mid caps).

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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)	Analyst
19.07.16	Achat	5.00	3.81	Igor Kim,CFA
10.05.16	Achat	4.90	3.56	Igor Kim,CFA
29.01.16	Achat	4.60	3.42	Igor Kim,CFA
12.08.15	Achat	4.10	3.74	Igor Kim,CFA
10.08.15	Achat	4.00	3.85	Igor Kim,CFA
07.08.15	Achat	3.90	3.74	Igor Kim,CFA

Recommendation split

		Buy	Neutral	Reduce
Our whole coverage	(412)	51%	37%	11%
Liquidity providers coverage	(137)	62%	32%	6%
Research service coverage	(67)	67%	28%	4%
Investment banking services	(23)	70%	22%	9%

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