



Evotec AG

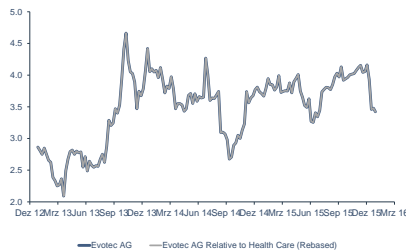
Buy → | Target 4.60 EUR vs 4.10 EUR ↗

Price : 3.42 EUR | Upside : 34 %

Est.chg	2015e	2016e
EPS	76.9%	-

Advances in core business and product pipeline not reflected in share price

Friday 29 January 2016



Evotec has undergone considerable transformation in recent years, including: 1) rapid expansion of EVT innovate business, seen in a sharply increasing number of proprietary projects; 2) a major alliance with Sanofi, with Sanofi committing payments of c.€ 250m over five years; 3) the writedown of legacy programmes EVT 302 and DiaPep277 (for Type 1 diabetes), which has considerably improved Evotec’s risk profile. In our view, these changes are not adequately reflected in the share price, which according to our SOTP valuation represents only part of the Execute business (services for partners) and completely ignores the Innovate business (own product pipeline).

Clearly undervalued: share price reflects just part of core business and none of the product pipeline

The market apparently still sees value only in Evotec’s Execute business and continues to ignore the significant long-term potential of the Innovate segment and the advances that have been made there. While Execute generates recurring cash flows with healthy ROICs (Oddo Seydler estimate for 2016e: 10.5%), Innovate’s returns are more long-term in nature. Based on what we consider quite conservative assumptions, we derive a DCF-based fair value of c.€ 391.8m for the Execute business, equating to 12.4x our 2016 adj. EBITDA estimate for this business. Our calculated fair value for Execute represents € 3.01/share or 87% of the current share price (€ 3.44). This is not justified in our view, considering the company’s net cash of € 129m (€ 0.99/share) and the Innovate business with >70 products in the pipeline.

Buy the stock now and get long-term potential for free

In our view, one possible reason why Innovate business is not reflected in the share price is the complexity of valuing its pipeline, which, unlike the Execute business, does not lend itself to a straightforward calculation.

Nevertheless we believe the Innovate business provides considerable long-term biotech upside in terms of potential milestone payments and royalties. If we conservatively assume that one of the more than 70 products in the Innovate pipeline reaches the market in 10 years with peak sales of c. € 700m and a 5% royalty rate for Evotec, we calculate a fair value for Innovate of € 107m or € 0.82/share, representing additional upside to Evotec’s share price. This valuation also takes into account future R&D investments in the product pipeline.

Even our conservative scenario offers 18% upside

Our base-case scenario is that the Execute segment achieves peak sales of € 700m 10 years out (2025e). In our view, peak sales could be much higher, in the range of € 1-2bn, especially if products for such indications as endometriosis or oncology areas make it to the marketplace. With Execute’s peak sales of c.€ 1bn (our blue sky scenario), our SOTP is € 768m (€ 5.9/share; 70% upside). In our conservative scenario, i.e. Execute peak sales of € 500m, our SOTP is € 533.6m or € 4.1/share, which still indicates 18% upside.

Target price upped to € 4.60 (old € 4.10), Buy reiterated

Our updated SOTP valuation indicates a fair value € 4.82/share. As such we lift our TP to € 4.60 (old: € 4.10) and reiterate Buy recommendation.

Capital

EVT GY EVTG.DE	
Market Cap (EURm)	445
Enterprise value (EURm)	492
Extrema 12 months	3.20 - 4.28
Free Float (%)	ns

Performance (%)	1m	3m	12m
Absolute	-16.7	-12.5	-7.1
Perf. rel. Country Index	-9.4	-1.8	2.4
Perf. rel. Health Care	-16.7	-12.5	-7.1

P&L	12/15e	12/16e	12/17e
Sales (EURm)	129	137	146
EBITDA (EURm)	8.7	12.6	14.5
Current EBIT (EURm)	0.0	3.9	5.8
Attr. net profit (EURm)	16.3	4.2	4.6
Adjusted EPS (EUR)	0.12	0.03	0.04
Dividend (EUR)	0.00	0.00	0.00

P/E (x)	30.5	105.2	96.7
P/B (x)	2.8	2.5	2.4
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	10.6	1.2	1.2
EV/Sales (x)	3.80	3.20	2.98
EV/EBITDA (x)	56.5	34.7	30.0
EV/Current EBIT (x)	ns	112.8	74.8
Gearing (%)	-43	-43	-43
Net Debt/EBITDA(x)	ns	ns	ns

Next Events

22.03.2016 FY Results

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Recommendation history over the last 12 months for the company analysed in this report

Date	Reco	Price Target (EUR)	Price (EUR)
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
01.07.15	Buy	3.60	3.33

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VALUE CREATION IN EXECUTE AND INNOVATE SEGMENTS

In this note we analyse the value creation potential of Evotec's two segments, EVT Execute (Execute) and EVT Innovate (Innovate), and to what extent that potential is or is not reflected in the share price. The Execute segment provides drug discovery services for partners in the biopharmaceutical industry. It generates recurring cash flows which are reinvested in the development of proprietary pipeline drugs to drive the long-term value creation of the Innovate segment. The Execute and Innovate segments address the same customers and generally use the same drug discovery platform. As such they are closely linked in many respects. However, their return-on-investment mechanisms are different. EVT Execute generates its returns from services provided to partners by using the technology and scientific platform. EVT Innovate's returns are more long-term in nature. In the short term this business incurs R&D expenses for the development of proprietary products, which however harbour significant long-term biotech upside in terms of milestone payments and royalties

EVT Execute

Profitable business with high return on investment

EVT Execute is Evotec's core discovery alliance business, where it provides services to the biopharmaceutical industry – drug discovery and drug development solutions, from target identification to preclinical development.

- The EVT Execute segment (Execute) is Evotec's core discovery alliance business, which entails providing services for the pharmaceutical and biotechnology industries. Such services range from target identification to preclinical development. Payment is on a fee-for-service basis or through a variety of commercial arrangements including research fees, milestones and/or royalties. In all cases, Evotec assumes no clinical development risks, as these risks are assumed by the partner.

Upgraded and expanded capacities should accelerate ROIC growth

- In recent years, Evotec has upgraded its technology platform and considerably expanded its capacity and capabilities through i/ the acquisition of Euprotec and Bionomics, and ii/ a major alliance with Sanofi, which among other advantages is allowing Evotec to expand its capacity without the need to commit significant capex.
- Notably, the alliance with Sanofi represents not only a new strategic customer but also expands Evotec's capacities and capabilities with a cost coverage for five years, which minimises Evotec's financial risk. Capacity expansion is usually a slow and expensive process; the new site from Sanofi presents a non-dilutive growth option.
- In our view, thanks to its upgraded and expanded technologies, the Execute segment is now well-positioned to achieve top-line and earnings growth. The increased capacity via the Sanofi alliance should also considerably improve this segment's asset utilisation and hence its return on invested capital (ROIC).



- In the following table, we outline our ROIC expectations for the Execute segment, i.e. an increase from c.9.0% in 2015e to c.14% in 2020e. Our ROIC estimate for 2020e is well above the 9.4% WACC we apply to the Execute business in our DCF. This clearly indicates that the Execute business is value-accretive.

ROIC breakdown in EVT Execute: ROIC rises to 14.3% in the long term

	2013	2014	2015e	2016e	2017e	2018e	2019e	2020e
ROIC	4.7%	11.7%	9.0%	10.7%	12.9%	12.7%	13.6%	14.2%
Capital utilisation (Sales/ Net inv. capital)	0.53	0.57	0.72	0.73	0.84	0.80	0.83	0.85
adj. NOPAT margin	9%	21%	13%	15%	15%	16%	16%	17%

Source: Oddo Seydler

- The above ROIC forecast is based on the conservative assumption of a top-line CAGR of c.6%. Top-line growth could turn out to be much higher, however, if significantly higher upfront or milestone payments are received. In fact, we consider this very likely to occur to some extent given Evotec’s broad customer base.
- As an added measure of conservatism, our ROIC projection applies only to the Execute business (fee for services) but is calculated on the basis of the group and not the segment asset base. This is because the Execute and Innovate segments both use a common drug discovery platform and pool of scientists. In this context, it bears mentioning that the Innovate business also benefits from the growing capacity and capabilities in the Execute business.

EVT Innovate

A broad pipeline of proprietary products

EVT Innovate focuses on expanding and replenishing Evotec’s pipeline of proprietary projects, which harbour significant biotech upside in terms of milestone payments and royalties

The EVT Innovate segment represents a drug pipeline without the financial risk of clinical failure. With its innovative new approach, the so-called Cure X and Target X initiatives, Evotec aims to accelerate the preclinical development of target medications either via in-house projects or together with selected partners like small biotech companies and academic institutions.

Products are later rolled over into collaborations with pharmaceutical companies at a very early stage of development. This allows Evotec to avoid the financial risk of clinical failure, while retaining upside in the form of potential milestone and royalty payments (we estimate a royalty rate of 5-7% of sales generated by the partner).

- EVT Innovate currently has more than 70 products in its pipeline: 1) six clinical candidates (excluding EVT 302 in Alzheimer’s disease); 2) seven preclinical candidates; 3) 34 discovery candidates. (See pipeline on the next page.)
- The value creation of the Innovate segment does not lend itself to an ROIC calculation or any other straightforward valuation approach as investments in this business segment are not intended to bear fruit until the long term.

Strong portfolio of more than 70 product opportunities

Molecule	Indication	Partner	Discovery	Preclinical	Phase I	Phase II	Phase III	Market
Clinical								
EVT201	Insomnia	JingXin						
Somatoprim	Acromegaly	Aspireo						
EVT100	TRD	Janssen						
EVT401	Inflammation	CONBA						
ND	Oncology	Boehringer Ingelheim						
ND	Oncology	Roche						
Pre-clinical								
ND	Pain	Novartis						
ND	Oncology	Boehringer Ingelheim						
Various	Endometriosis	Bayer						
EVT770	Diabetes type 2/1	MedImmune/AstraZeneca						
ND	Pain	Boehringer Ingelheim						
ND	Inflammation	Second Genome						
Various	Oncology	Sanofi						
Discovery								
Various	Inflammation	UCB						
Various	Diabetes type 2/1	MedImmune/AstraZeneca						
Various	Diabetes type 2/1	Harvard						
Various	Kidney disease	AstraZeneca						
Various	Oncology	Debiopharm Group						
Various	Alzheimer's disease	J&J Innovation						
Various	Oncology	Sanofi						
Various	CNS/MS	NEU2/ Bionamics						
Various	Diabetes	>5 further programs						
Various	Neurology	>5 further programs						
Various	Oncology	>10 further programs						
Various	Pain & Inflammation	>5 further programs						

Source : Evotec; Oddo Seydler

MARKET TRENDS

Drug discovery outsourcing: a c.\$ 17bn market expanding at a CAGR of 5-10%

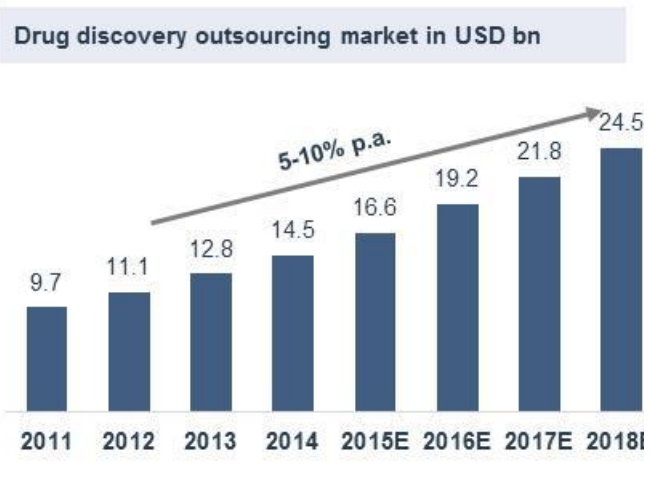
The global pharmaceutical industry has suffered from decreasing efficiency in new product launches in the past decade, spending more on R&D but generating fewer successful new products than in the past. Against this backdrop, biotech and pharmaceutical companies have been increasingly outsourcing their R&D activities.

- Using external innovation solution providers enables biotech and pharmaceutical companies to convert fixed costs into variable costs and also gives them access to expertise in selected areas without the need to maintain such expertise and infrastructure in-house.
- According to research by Visiongain, the outsourcing market for drug discovery services generated global revenues of \$ 9.7bn in 2011, and is expected to increase to \$ 21.3bn by 2017 and \$ 35.7bn by 2023.

Drug discovery outsourcing is a macro-trend

Drivers of more flexible models between Pharma, Biotech & CROs

- Increasing comfort with outsourcing
- Higher R&D capital efficiency through switch from fixed costs to variable business models
- Ability to adjust investments proportional to portfolio needs for Pharma and Biotech



CRO = contract research organisation
 Source: Visiongain; Oddo Seydler

The drug discovery process is long, arduous and costly, which has driven outsourcing in this field

There are several steps in the drug discovery process including hit confirmation, lead generation, lead optimization, and other studies

- The drug discovery process consists of iterative cycles between chemistry and biology that begin with the target-finding phase, which entails the selection of a protein (a drug target), i.e. the identification of a chemical compound with biological activity (a hit). After confirmation of biological activity and chemical feasibility, the hit becomes a so-called lead structure. The lead structure is then improved through chemical modifications until it meets the criteria to become a clinical candidate.
- Drug discovery is a high-cost, risky business as only a fraction of the therapeutic targets selected for study will actually yield products that achieve regulatory approval.



Lack of affordable alternatives should boost outsourcing services for drug discovery

In recent years, an increasing share of projects in the drug discovery pipelines of major pharmaceutical companies have been originated externally; i.e. these projects were either acquired (M&A), originated in partnerships, or were generated by outsourcing services provided by such companies as Evotec.

- Regarding the M&A option, total M&A volume in the biotech sector has increased considerably in the last few years, but the number of M&A deals (deal count) has decreased, indicating that biotech company valuations are rising sharply. High biotech valuations are also seen in the average premiums paid for these targets. In 2014, the average premium was >60% vs 33% in 2013 (Source: Bloomberg).
- The trend toward fewer but higher-priced M&A deals looks like it will continue. According to Ernst & Young, a shrinking pool of high-quality targets coupled with the growing relative firepower of big biotechs, which can now compete with big pharma in the acquisition arena, will continue to drive up valuation premiums on M&A targets. (Source: Ernst & Young; Global Life Science Sector: Firepower Index and Growth Gap Report 2015 report)
- In our view, as the option to expand product pipelines through M&A becomes increasingly expensive, outsourcing services for drug discovery will gain traction.

VALUATION

Valuation: Sum of the parts

Our WACC of 9.4% is based on the following assumptions: i) risk-free rate: 2.5%, ii) equity risk premium: 6.6% iii) debt risk premium: 2.5%. iv) beta: 1.5

Our terminal growth rate assumption is 2.5%

We split Evotec's value into two components: 1) the stable, relatively low-risk Execute business; and 2) the Innovate business, which comprises the company's product pipeline which implies less certain revenue in the more distant future. Given the divergent risk profiles of these two segments, we apply a sum-of-the-parts valuation (SOTP).

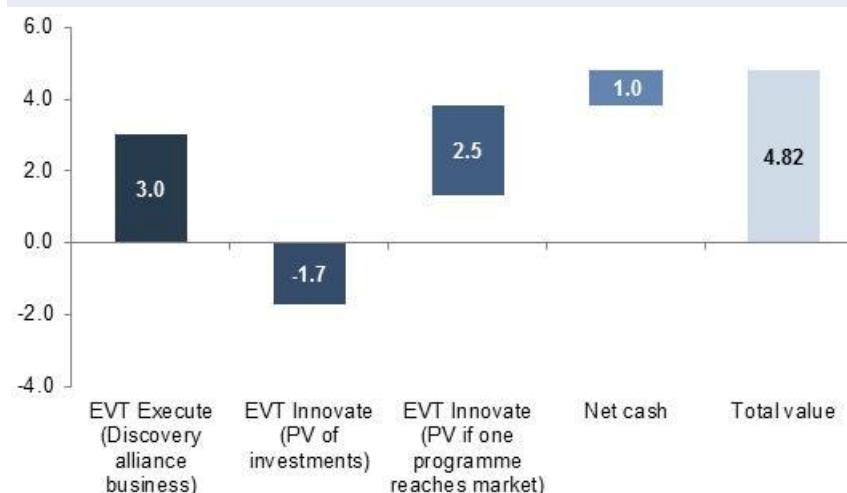
- For the Execute segment we use a DCF valuation approach, which renders a net present value of € 391.8m, equating to 12.4x our 2016 adjusted EBITDA estimate for this business.
- For the Innovate segment, we apply a risk-adjusted NPV model, taking into account the risk of product failure.

Sum of the parts valuation

	Valuation approach	NPV in EUR m	NPV in EUR/share
EVT Execute (Discovery alliance business)	DCF	391.8	3.01
(PV if one programme out of >70 reaches market in 10y)	DCF	328.3	2.52
EVT Innovate (PV of investments in own projects)	DCF	-221.7	-1.70
Net cash (estimated for the end of FY 2015e)	-	129.0	0.99
Total value		627.3	4.82

Source: Oddo Seydler

Sum of the parts valuation: In € per share



Source : Oddo Seydler



Valuation of EVT Execute

We value the Execute segment with a DCF model as this is an established business generating stable cash flow through fees for services and collaborations. Our DCF model renders a present value € 391.8m).

DCF valuation of EVT Execute business

EUR m	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	∞
Revenue in <i>Execute segment</i>	129.7	137.1	146.1	155.3	164.1	172.3	180.9	189.9	199.4	209.4	
<i>Sales growth</i>	39.0%	5.7%	6.6%	6.3%	5.7%	5.0%	5.0%	5.0%	5.0%	5.0%	
EBIT	19.1	23.6	26.3	28.9	31.7	33.2	34.9	36.7	38.5	40.4	
<i>EBIT margin</i>	14.8%	17.3%	18.0%	18.6%	19.3%	19.3%	19.3%	19.3%	19.3%	19.3%	
Income tax on EBIT	-1.9	-2.4	-2.6	-2.9	-3.2	-3.3	-3.5	-3.7	-3.8	-4.0	
Other cash flow items*	-0.6	-1.9	-2.2	-0.4	-0.7	-2.0	-2.1	-2.2	-2.0	-1.7	
Free cash flow	16.6	19.4	21.4	25.6	27.8	27.9	29.3	30.8	32.6	34.7	
Present values	16.6	17.6	17.8	19.3	19.1	17.5	16.7	15.9	15.4	14.9	221.1

PV of cash flows 2015E-24E	170.7	Risk free rate	2.50%	Target equity ratio	70.0%		
Terminal value	221.1	Equity risk premium	6.00%	Beta (fundamen	1.5		
FV of core business	391.8	Debt risk premium	2.50%	WACC	9.4%		
		Tax shield	10%	Terminal growth	2.50%		
		Sensitivity analysis					
		Terminal growth (Phase 3)					
			1.5%	2.0%	2.5%	3.0%	3.5%
		8.4%	417.9	437.9	461.2	488.9	522.3
		8.9%	388.0	404.6	423.8	446.2	472.8
		WACC 9.4%	361.9	375.8	391.8	410.2	431.8
		9.9%	338.9	350.7	364.1	379.4	397.1
		10.4%	318.6	328.6	339.9	352.8	367.5

Source: Oddo Seydler

2015-24e: We expect Execute revenue to grow at a CAGR of c.6% until 2024e. We also estimate the EBIT margin to grow gradually over this period, from 14.8% in 2015e to c.19% in 2014e.

- Our estimates are based on assumptions which we consider rather conservative:
 - 1) Our assumption of 6% underlying future revenue growth lies at the lower end of market growth expectations for the outsourcing market for drug discovery. This market is forecast to grow at a rate of 5-10% on average until 2018E (see market section of this note on p.8).
 - 2) Our revenue projections for the Execute segment include milestone payments equating to c.19% of revenues. In the past, however, milestone payments have accounted for more than 20% of the segment's top line.

Terminal value: We assume a terminal growth rate of 2.5% for our calculation of the terminal value.

WACC calculation: We derive our discount rate (WACC) from the following assumptions: a risk-free rate of 2.5%, an equity risk premium of 6.0% and a debt risk premium of 2.5%. We set beta at 1.50. Based on these assumptions, we derive a WACC of 9.40%.

Valuation of EVT Innovate

Valuing EVT Innovate's product pipeline is somewhat more challenging because: 1) The pipeline comprises a large number of products in various indications. 2) Most product indications are not disclosed. 3) Most of EVT Innovate's pipeline products are still at early stages of the development process (discovery and preclinical). Nevertheless, and despite the required R&D investments, we believe EVT Innovate has considerable long-term potential. Our valuation of EVT Innovate comprises the present value (discounted at 9.4% WACC) of two elements:

- 1) The present value of one out of >70 products in the pipeline. We assume that this one product reaches the market stage in c.10 years (by 2025e), and we assume that it achieves peak sales of € 700m, of which Evotec will receive 5% as royalties. To account for the time value of money, we have discounted estimated 2025e sales back 10 years to represent the present value of revenue expected after potential market launch.

One of >70 products implies a low probability of success (c.1.4%), which reflects the circumstance that most of Evotec's pipeline projects are at early stages of their development process. This assumption (1.4% success rate) is also in line with management's expectations.

- 2) Most of the investments that Evotec commits to develop proprietary projects are R&D expenses. We calculated the present value of all projected investments for the development of proprietary products in EVT Innovate.

Present value of EVT Innovate assuming one of >70 products (€ 700m peak sales) reaches the market in 10 years

EUR m	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	∞																																																																						
Peak sales (<i>Discounted from 2025e</i>)	297.9	357.4	423.6	495.6	572.4	652.5	734.1	814.8	892.2	963.6																																																																							
yoy	-	20.0%	18.5%	17.0%	15.5%	14.0%	12.5%	11.0%	9.5%	8.0%																																																																							
Ramp up period (<i>as % of peak sales</i>)	25%	50%	67%	100%	100%	100%	100%	100%	100%	100%																																																																							
Sales relevant for Evotec (<i>5% royalties</i>)	3.7	8.9	14.1	24.8	28.6	32.6	36.7	40.7	44.6	48.2																																																																							
Sales growth	-	140.0%	58.0%	75.5%	15.5%	14.0%	12.5%	11.0%	9.5%	8.0%																																																																							
Income tax on EBIT	-1.1	-2.7	-4.2	-7.4	-8.6	-9.8	-11.0	-12.2	-13.4	-14.5																																																																							
NOPAT	2.6	6.3	9.9	17.3	20.0	22.8	25.7	28.5	31.2	33.7																																																																							
Present values	2.6	5.6	8.1	13.0	13.6	14.1	14.5	14.6	14.6	14.3	213.1																																																																						
Assumptions:	<table border="1"> <thead> <tr> <th></th> <th colspan="5">Sensitivity analysis</th> </tr> <tr> <th></th> <th colspan="5">Terminal growth (Phase 3)</th> </tr> <tr> <th></th> <th>1.5%</th> <th>2.0%</th> <th>2.5%</th> <th>3.0%</th> <th>3.5%</th> </tr> </thead> <tbody> <tr> <td>1 out of >70 pipeline products reach the market in 10y (by 2025e)</td> <td colspan="5"></td> </tr> <tr> <td>Estimated peak sales in EUR m</td> <td>700</td> <td colspan="4"></td> </tr> <tr> <td>Royalty rate</td> <td>5%</td> <td>8.4%</td> <td>352.83</td> <td>372.12</td> <td>394.67</td> <td>421.40</td> <td>453.59</td> </tr> <tr> <td>WACC</td> <td>9.4%</td> <td>8.9%</td> <td>324.32</td> <td>340.33</td> <td>358.84</td> <td>380.49</td> <td>406.15</td> </tr> <tr> <td></td> <td></td> <td>9.4%</td> <td>299.49</td> <td>312.92</td> <td>328.29</td> <td>346.06</td> <td>366.84</td> </tr> <tr> <td></td> <td></td> <td>9.9%</td> <td>277.71</td> <td>289.06</td> <td>301.95</td> <td>316.70</td> <td>333.76</td> </tr> <tr> <td></td> <td></td> <td>10.4%</td> <td>258.45</td> <td>268.12</td> <td>279.01</td> <td>291.38</td> <td>305.54</td> </tr> </tbody> </table>												Sensitivity analysis						Terminal growth (Phase 3)						1.5%	2.0%	2.5%	3.0%	3.5%	1 out of >70 pipeline products reach the market in 10y (by 2025e)						Estimated peak sales in EUR m	700					Royalty rate	5%	8.4%	352.83	372.12	394.67	421.40	453.59	WACC	9.4%	8.9%	324.32	340.33	358.84	380.49	406.15			9.4%	299.49	312.92	328.29	346.06	366.84			9.9%	277.71	289.06	301.95	316.70	333.76			10.4%	258.45	268.12	279.01	291.38	305.54
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Present value of investments in EVT Innovate

EUR m	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	∞																																																																						
Investments in Innovate projects	-19.1	-19.8	-20.5	-21.9	-22.6	-23.3	-24.0	-24.7	-25.4	-26.1																																																																							
yoy	-6.9%	3.2%	3.5%	7.1%	3.1%	3.0%	3.0%	2.9%	2.9%	2.8%																																																																							
Income tax savings	5.7	5.9	6.1	6.6	6.8	7.0	7.2	7.4	7.6	7.8																																																																							
Free cash flow	-13.4	-13.8	-14.3	-15.3	-15.8	-16.3	-16.8	-17.3	-17.8	-18.3																																																																							
Present values	-13.4	-12.6	-11.9	-11.6	-10.9	-10.2	-9.5	-8.9	-8.4	-7.8	-116.5																																																																						
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Valuation scenarios

The biggest uncertainty factor in our valuation is future sales generated by products in proprietary pipeline. Our base-case scenario is that the company achieves peak sales of € 700m 10 years out (2025e). In our view, peak sales could be much higher, in the range of € 1-2bn, especially if products for such indications as endometriosis or oncology areas make it to the marketplace.

Below we present a sensitivity analysis for various peak sales assumptions ranging from € 200m (worst case scenario) to € 1bn (blue sky scenario).

Sensitivity analysis for various assumed peak sales in the Innovate business

Scenario	Peak sales	EVT Innovate in € m	Overall SOTP in € m	SOTP-val. in €/share	Upside from last close
Worst case	Peak sales € 200m	-127.9	392.9	3.02	-13%
Conservative	Peak sales € 500m	12.8	533.6	4.10	18%
Base case	Peak sales € 700m	106.6	627.3	4.82	39%
Blue sky	Peak sales € 1000m	247.3	768.1	5.90	70%

Source: Oddo Seydler

APPENDIX

Revenue and adj. EBITDA projections: Segment breakdown

EVT Execute segment in € m	2013	2014	2015e	2016e	2017e	2018e	2019e	2020e	CAGR 2014-20e
Revenue	86.1	93.3	129.7	137.1	146.1	155.3	164.1	172.3	6%
<i>yoy</i>	-1%	8%	39%	6%	7%	6%	6%	5%	
Thereof:									
Base revenues	68.8	73.4	105.7	111.4	118.6	126.4	133.8	140.5	6%
<i>yoy</i>	4%	7%	44%	5%	6%	7%	6%	5%	
<i>% of Execute revenues</i>	80%	79%	81%	81%	81%	81%	82%	82%	
Milestone and upfront payments	17.3	19.9	24.0	25.7	27.5	28.9	30.3	31.8	6%
<i>% of Execute revenues</i>	20%	21%	19%	19%	19%	19%	18%	18%	
adj. EBITDA	15.4	22.1	27.0	31.5	34.1	37.4	39.7	41.8	
<i>ad. EBITDA margin</i>	18%	24%	21%	23%	23%	24%	24%	24%	

EVT Innovate segment in € m	2013	2014	2015e	2016e	2017e	2018e	2019e	2020e
Revenue	9.7	14.7	16.3	18.9	21.7	23.4	25.3	27.3
Intersegment eliminations	-9.9	-18.5	-16.7	-19.0	-21.4	-23.0	-24.7	-26.5
adj. EBITDA	-11.0	-14.4	-18.3	-18.9	-19.6	-21.0	-21.7	-22.4
<i>ad. EBITDA margin</i>	-112%	-98%	-112%	-100%	-90%	-90%	-86%	-82%

Group in € m	2013	2014	2015e	2016e	2017e	2018e	2019e	2020e	CAGR 2014-20e
Revenue	85.9	89.5	129.2	136.9	146.3	155.7	164.7	173.1	6%
<i>yoy</i>	-	4%	44%	6%	7%	6%	6%	5%	
adj. EBITDA	4.5	7.7	8.7	12.6	14.5	16.5	18.0	19.3	17%
<i>ad. EBITDA margin</i>	5.2%	8.6%	6.7%	9.2%	9.9%	10.6%	11.0%	11.2%	

Source: Company data, Oddo

EVTG.DE | EVT GY
Biotechnology | Germany

Buy Price 3.42EUR
Upside 34.42% TP 4.60EUR

	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
PER SHARE DATA (EUR)								
Adjusted EPS	0.02	0.05	0.03	-0.22	-0.10	0.12	0.03	0.04
Reported EPS	0.02	0.05	0.03	-0.22	-0.10	0.12	0.03	0.04
Growth in EPS(%)	ns	ns	-48.3%	ns	ns	ns	-74.0%	8.8%
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	0.02	0.04	-0.01	-0.11	0.41	0.04	0.04
Book value per share	1.16	1.24	1.29	1.22	1.22	1.34	1.37	1.41
Number of shares market cap	114.26	118.32	118.32	130.13	130.13	130.13	130.13	130.13
Number of diluted shares	114.26	118.32	118.32	130.13	130.13	130.13	130.13	130.13
VALUATION	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
12m highest price	2.92	3.40	3.04	4.84	4.51	4.28	4.12	
12m lowest price	1.82	1.72	1.97	2.09	2.57	3.20	3.33	
(*) Reference price	2.20	2.63	2.57	2.99	3.59	3.82	3.42	3.42
Capitalization	252	312	304	390	467	497	445	445
Restated Net debt	-8.9	0.2	-20.0	-26.8	-24.7	-74.4	-76.7	-79.1
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	39	42	47	43	32	69	69	69
Enterprise Value	281	354	331	405	475	492	438	436
P/E (x)	100	49	92	ns	ns	31	105	97
P/CF (x)	115	24	34	41	88	20	34	33
Net Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	ns	0.7%	1.5%	ns	ns	10.6%	1.2%	1.2%
P/B incl. GW (x)	1.90	2.12	1.99	2.45	2.95	2.84	2.49	2.43
P/B excl. GW (x)	2.37	2.97	2.75	3.28	4.11	3.83	3.32	3.21
EV/Sales (x)	5.09	4.42	3.79	4.72	5.31	3.80	3.20	2.98
EV/EBITDA (x)	43	30	32	39	62	57	35	30
EV/EBIT (x)	164	61	236	330	ns	ns	113	75
(*) historical average price								
PROFIT AND LOSS (EURm)	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
Sales	55	80	87	86	89	129	137	146
EBITDA	6.5	12.0	10.2	10.4	7.7	8.7	12.6	14.5
Depreciations	-4.8	-6.2	-8.8	-9.2	-8.5	-8.7	-8.7	-8.7
Current EBIT	1.7	5.8	1.4	1.2	-0.8	0.0	3.9	5.8
Published EBIT	1.0	4.8	-2.4	-24.4	-12.1	18.5	3.9	5.8
Net financial income	2.2	0.0	-1.8	-2.3	1.2	0.7	1.1	-0.4
Corporate Tax	-0.9	1.4	7.5	-1.8	-1.8	-2.9	-0.7	-0.8
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	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Attributable net profit	2.5	6.3	3.3	-28.5	-12.6	16.3	4.2	4.6
Adjusted attributable net profit	2.5	6.3	3.3	-28.5	-12.6	16.3	4.2	4.6
BALANCE SHEET (EURm)	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
Goodwill	26	42	42	40	45	45	45	45
Other intangible assets	58	68	63	40	30	30	31	31
Tangible fixed assets	18	25	27	24	24	24	25	25
WCR	9.7	6.2	18	18	26	29	30	32
Financial assets	51	49	29	53	41	41	41	41
Ordinary shareholders equity	132	147	153	159	158	175	179	183
Minority interests	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders equity	133	147	153	159	158	175	179	183
Non-current provisions	39	42	47	43	32	69	69	69
Net debt	-8.9	0.2	-20.0	-26.8	-24.7	-74.4	-76.7	-79.1
CASH FLOW STATEMENT (EURm)	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
EBITDA	6.5	12.0	10.2	10.4	7.7	8.7	12.6	14.5
Change in WCR	-2.0	-3.4	3.9	-5.8	-14.8	34.1	-1.5	-1.8
Interests & taxes	-1.1	-1.2	-0.9	-0.6	0.8	-2.2	0.3	-1.2
Others	-3.2	2.4	-0.5	-0.3	-3.2	18.5	0.0	0.0
Operating Cash flow	0.2	9.7	12.8	3.6	-9.5	59.1	11.5	11.5
CAPEX	-2.4	-7.6	-8.1	-4.6	-5.3	-6.3	-6.2	-6.1
Free cash-flow	-2.3	2.2	4.6	-0.9	-14.8	52.7	5.3	5.4
Acquisitions / disposals	-8.6	-7.5	15.9	-27.0	7.2	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	-0.1	32.0	4.0	6.0	8.0	10.0
Others	-2.8	1.7	3.7	1.4	3.9	-0.4	0.0	0.0
Change in net debt	-9.1	-7.3	20.2	5.7	-2.9	55.7	10.3	12.4
GROWTH MARGINS PRODUCTIVITY	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
Sales growth	29.5%	45.0%	8.9%	-1.5%	4.1%	44.4%	6.0%	6.8%
Lfi sales growth	-	-	-	-	-	-	-	-
Current EBIT growth	ns	ns	-75.7%	-12.3%	ns	ns	ns	49.9%
Growth in EPS(%)	ns	ns	-48.3%	ns	ns	ns	-74.0%	8.8%
Net margin	4.6%	7.9%	3.8%	-33.1%	-14.1%	12.6%	3.1%	3.1%
EBITDA margin	11.7%	14.9%	11.7%	12.1%	8.6%	6.7%	9.2%	9.9%
Current EBIT margin	3.1%	7.2%	1.6%	1.4%	-0.9%	0.0%	2.8%	4.0%
CAPEX / Sales	-4.4%	-10.2%	-9.4%	-6.0%	-5.9%	-4.9%	-4.5%	-4.2%
WCR / Sales	17.6%	7.7%	20.1%	21.0%	28.5%	22.2%	22.0%	21.8%
Tax Rate	28.2%	-25.8%	ns	ns	-78.8%	15.0%	15.0%	15.0%
Normative tax rate								
Asset Turnover	0.6	0.6	0.6	0.6	0.7	1.0	1.1	1.1
ROCE post-tax (normative tax rate)	-	-	-	-	-	-	-	-
ROCE post-tax hors GW (normative tax rate)	-	-	-	-	-	-	-	-
ROE	2.1%	4.5%	2.2%	-18.3%	-8.0%	9.8%	2.4%	2.5%
DEBT RATIOS	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
Gearing	-7%	0%	-13%	-17%	-16%	-43%	-43%	-43%
Net Debt / Market Cap	-0.04	0.00	-0.07	-0.07	-0.05	-0.15	-0.17	-0.18
Net debt / EBITDA	ns	0.02	ns	ns	ns	ns	ns	ns
EBITDA / net financial charges	10.4	8.3	8.5	6.5	6.7	10.5	31.3	36.0