

# Evotec AG

**BUY (BUY) | Target EUR 4.60 (EUR 4.60)**

Price (last closing price) : EUR 3.88 | Upside : 18.0%

Est. change EPS	2015e	2016e
	-	-

## Strong 1Q15 results, revenue guidance raised

Tuesday, 12 May 2015


**Capital**

EVT GY   EVT.G.DE	
Market Cap (EURm)	511.1
Enterprise value (EURm)	433
Extrema 12 months	4.3 - 2.4
Free Float (%)	86.2%

**Performance (%)**

	1m	3m	12m
Absolute	6.2	-0.5	10.5
Perf. rel. "sector"	14.3	-6.7	-13.4
Perf. rel. TecDAX	8.0	-7.9	-16.3

**P & L**

	12/15e	12/16e	12/17e
Sales (EURm)	121.4	132.3	146.9
EBITDA adj. (EURm)	11.1	12.7	14.9
EBIT (EURm)	5.5	7.1	9.3
Attr. net profit (EURm)	7.0	7.2	10.1
EPS (EUR)	0.05	0.05	0.08
Dividend (EUR)	0.00	0.00	0.00

P/E (x)	ns	ns	ns
P/B (x)	3.0	2.9	2.7
Dividend Yield (%)	-	-	-
FCF yield (%)	8.9	2.7	2.7
EV/Sales (x)	3.6	3.3	2.9
EV/EBITDA (x)	ns	ns	ns
EV/ EBIT (x)	ns	ns	ns

Gearing (%)	ns	ns	ns
Net Debt/EBITDA(x)	ns	ns	ns

**Next Events**

2Q15 results	12. Aug 15
--------------	------------

**Recap of 1Q15 results**

Evotec posted strong 1Q15 results: Revenues grew 22% yoy to EUR 21.5m (PY: EUR 17.6m), with EVT Execute revenues up 21% yoy. EVT Innovate increased R&D spend by 41%. EBITDA improved significantly to EUR -0.3m from EUR -1.3m in 1Q14. Liquidity remains strong at EUR 95.8m (figure does not include the cash from the Sanofi transaction, i.e. >EUR 40m received in April 2015).

**FY15 outlook: Revenue guidance lifted to >35% yoy growth (old: >20%)**

Evotec raised its 2015 revenues growth guidance to >35% (previous guidance: >20%). This was due to the refinement of the company's accounting treatment of the Sanofi transaction, but will have no impact on profitability. The outlook for adj. EBITDA (positive in 2015) and R&D expenses (EUR 15-20m) remain unchanged. Liquidity is expected to be well in excess of EUR 100m (current level: EUR 95m).

**Short-term newsflow**

The key trigger for 2015 should be the Phase 2b data from EVT 302 for Alzheimer's disease (developed in alliance with Roche). In the EVT Execute segment the company expects newsflow from: 1) New long-term deals with pharma and biotech companies; 2) New integrated technology/disease alliances; 3) Milestones from existing alliances.

**Phase 2b data from EVT 302: a major trigger in 2Q15**

The MAO-B inhibitor EVT 302 for Alzheimer's disease (developed in alliance with Roche), is one of very few late-stage small molecule AD clinical trials in this specific AD patient population. The Phase 2b data from the AD trial with EVT 302 (n=495, 52 week trial) is scheduled for release in 2Q15 and should be EVT's most important event in the current year, in our view. In our SOP valuation the risk-adjusted NPV of EVT 302 is EUR 158m (25% of total SOP-valuation).

**BUY recommendation and PT of EUR 4.60 unchanged**

To provide some perspective on the new revenue guidance: In our last update we pointed out that the company's 2015 guidance seemed conservative and that we expected it to be raised somewhat. Moreover, the 1Q15 results beat our estimates. Considering that 1Q is normally EVT's seasonally weakest quarter, we expect revenues to accelerate in the 2Q-4Q 2015. We also expect more milestone payments in the rest of the year. Thus, pulling all of this together, we believe the new revenue guidance is well within reach. We have therefore lifted our full-year 2015 estimates. Our SOP valuation yields a FVpS of EUR 4.78. We leave our PT unchanged at EUR 4.60 and confirm our BUY recommendation.

Igor Kim, CFA (Analyst)  
 +49 (0)69 920 54 815  
 igor.kim@oddoseydler.com



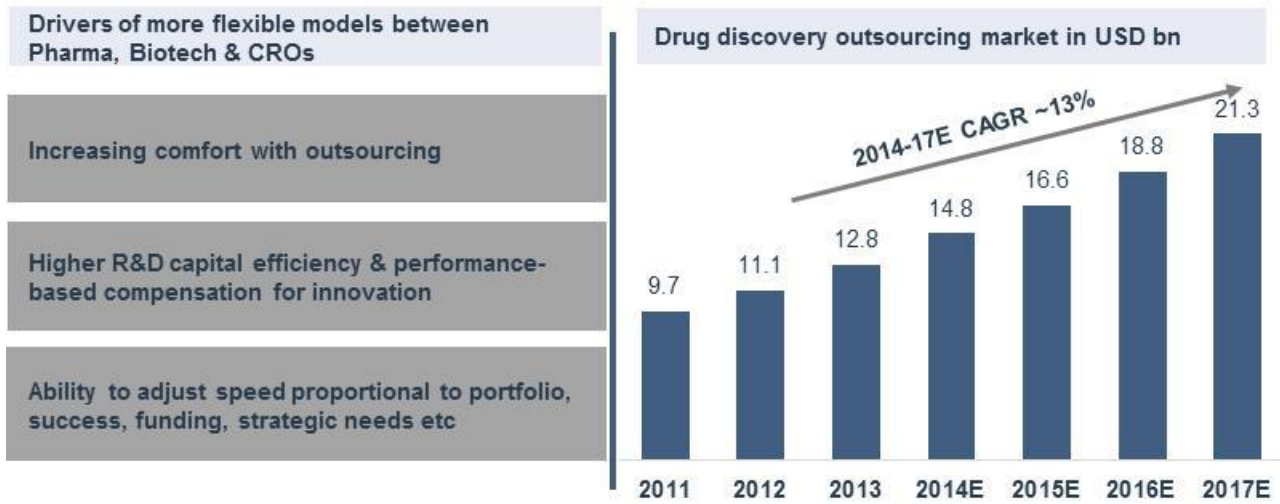
**SOP Valuation**

	Status	Indication	Valuation approach	NPV in EUR m	NPV in EUR/share	NPV contribution
<b>Discovery alliance business</b> (excl. Alliance with Sanofi)	-	-	DCF	303.7	2.33	49%
<b>EVT 302 (Roche)</b>	Phase IIb	Alzheimer Disease	rNPV	158.0	1.21	25%
<b>EVT 201 (Jingxin)</b>	Phase IIb planned to start in 2H/14	Insomnia	rNPV	32.9	0.25	5%
<b>Net cash*</b>	-	-		126.9	0.98	20%
<b>Total value</b>				<b>621.4</b>	<b>4.78</b>	<b>100%</b>

\*estimated for YE2015

Source: Oddo Seydler Bank AG

**Outsourcing to improve R&D productivity – Market dynamics in drug discovery outsourcing**



Source: Visiongain; Drug Discovery Outsourcing: World Market 2012; Company Data

Partnership portfolio: >70 product candidates

Molecule	Indication	Partner	Discovery	Pre-clinical	Phase I	Phase II	Phase III	Market
<b>Clinical</b>								
EVT302	Alzheimer's disease	Roche						
EVT201	Insomnia	JingXin						
Somatoprim	Acromegaly	Aspireo						
EVT103	TRD	Janssen						
EVT401	Inflammation	CONBA						
ND	Oncology	Boehringer Ingelheim						
ND	Oncology	Roche						
<b>Pre-clinical</b>								
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						
<b>Discovery</b>								
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	Sanof						
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: Company Data

## Income statement

	EUR m	2012	2013	2014	2015E	2016E	2017E
<b>Total revenues</b>		<b>87.3</b>	<b>85.9</b>	<b>89.5</b>	<b>121.4</b>	<b>132.3</b>	<b>146.9</b>
YoY growth		8.9%	-1.5%	4.1%	35.7%	9.0%	11.0%
<b>Gross profit</b>		<b>31.0</b>	<b>31.2</b>	<b>29.4</b>	<b>43.9</b>	<b>49.2</b>	<b>56.5</b>
as % of sales		35.6%	36.3%	32.8%	36.1%	37.2%	38.5%
<b>EBITDA adj.</b>		<b>10.2</b>	<b>10.4</b>	<b>7.7</b>	<b>11.1</b>	<b>12.7</b>	<b>14.9</b>
as % of sales		11.7%	12.1%	8.6%	9.1%	9.6%	10.1%
<b>Operating result</b>		<b>-3.2</b>	<b>-21.4</b>	<b>-6.4</b>	<b>5.5</b>	<b>7.1</b>	<b>9.3</b>
as % of sales		-3.7%	-24.8%	-7.1%	4.5%	5.4%	6.3%
<b>EBT</b>		<b>-5.0</b>	<b>-23.6</b>	<b>-5.2</b>	<b>5.2</b>	<b>5.3</b>	<b>7.5</b>
as % of sales		-5.7%	-27.5%	-5.8%	4.3%	4.0%	5.1%
Income taxes		7.5	-1.8	-1.8	1.8	1.9	2.6
as % of sales		-149.4%	7.5%	35.3%	35.3%	35.3%	35.3%
<b>Net income/loss</b>		<b>2.5</b>	<b>-25.4</b>	<b>-7.0</b>	<b>7.0</b>	<b>7.2</b>	<b>10.1</b>
as % of sales		2.8%	-29.6%	-7.8%	5.8%	5.4%	6.9%
<b>Basic EPS (EUR)</b>		<b>0.02</b>	<b>-0.21</b>	<b>-0.05</b>	<b>0.05</b>	<b>0.05</b>	<b>0.08</b>

Source: Company Data, Oddo Seydler Bank AG

## Balance sheet

	EUR m	2012	2013	2014	2015E	2016E	2017E
<b>Assets</b>							
<b>Noncurrent assets</b>		135.7	104.3	99.3	97.4	95.5	93.5
as % of total equity and liabilities		60.6%	46.1%	44.2%	35.9%	34.1%	32.1%
<b>Current assets</b>		88.3	121.8	125.3	174.0	184.8	198.1
as % of total equity and liabilities		39.4%	53.9%	55.8%	64.1%	65.9%	67.9%
<b>Total assets</b>		<b>224.0</b>	<b>226.1</b>	<b>224.6</b>	<b>271.4</b>	<b>280.3</b>	<b>291.6</b>

## Shareholders' equity and liabilities

<b>Shareholders' equity</b>		152.5	159.0	158.4	166.3	173.5	183.7
as % of total equity and liabilities		68.1%	70.3%	70.5%	61.3%	61.9%	63.0%
<b>Current liabilities</b>		33.9	39.0	33.1	73.0	74.7	75.9
as % of total equity and liabilities		15.1%	17.2%	14.7%	26.9%	26.7%	26.0%
<b>Noncurrent liabilities</b>		37.6	28.2	33.1	32.1	32.1	32.1
as % of total equity and liabilities		16.8%	12.5%	14.8%	11.8%	11.4%	11.0%
<b>Total equity and liabilities</b>		<b>224.0</b>	<b>226.1</b>	<b>224.6</b>	<b>271.4</b>	<b>280.3</b>	<b>291.6</b>

Source: Company Data; Oddo Seydler Bank AG

## Cash flow statement

	EUR m	2012	2013	2014	2015E	2016E	2017E
<b>Net result</b>		<b>2.5</b>	<b>-25.4</b>	<b>-7.0</b>	<b>7.0</b>	<b>7.2</b>	<b>10.1</b>
<b>Net cash used in operating activities</b>		<b>12.0</b>	<b>6.7</b>	<b>-3.8</b>	<b>45.1</b>	<b>13.6</b>	<b>14.9</b>
<b>Net cash provided by investing activities</b>		<b>5.8</b>	<b>-31.5</b>	<b>3.0</b>	<b>-6.3</b>	<b>-6.2</b>	<b>-6.1</b>
<b>Net cash provided by financing activities</b>		<b>2.6</b>	<b>31.9</b>	<b>3.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Change in cash</b>		<b>20.3</b>	<b>7.1</b>	<b>2.3</b>	<b>38.8</b>	<b>7.4</b>	<b>8.8</b>
Exchange rate difference		1.0	-0.5	0.8	0.0	0.0	0.0
<b>Cash at the beginning of the year</b>		<b>17.8</b>	<b>39.1</b>	<b>45.6</b>	<b>48.7</b>	<b>87.5</b>	<b>95.0</b>
<b>Cash and cash equivalents at year's end</b>		<b>39.1</b>	<b>45.6</b>	<b>48.7</b>	<b>87.5</b>	<b>95.0</b>	<b>103.7</b>

Source: Company Data; Oddo Seydler Bank AG

**Disclaimer and statement according to § 34b German Securities Trading Act (“Wertpapierhandelsgesetz”) in combination with the provisions on financial analysis (“Finanzanalyseverordnung” FinAnV)**

This report has been prepared independently of the company analysed by Oddo Seydler Bank AG and/ or its cooperation partners and the analyst(s) mentioned on the front page (hereafter all are jointly and/or individually called the ‘author’). None of Oddo Seydler Bank AG or its cooperation partners, the Company or its shareholders has independently verified any of the information given in this document.

Section 34b of the German Securities Trading Act in combination with the FinAnV requires an enterprise preparing a security analysis to point out possible conflicts of interest with respect to the company that is the subject of the analysis.

Oddo Seydler Bank AG is a subsidiary of Oddo & Cie, Paris (hereafter ‘Oddo’, together ‘Oddo Group’). However, Oddo Seydler Bank AG (hereafter ‘Oddo Seydler’) provides its research work independent from Oddo. Oddo Group is offering a wide range of Services not only including investment banking services and liquidity providing services (designated sponsoring). Oddo Group may possess relations to the covered companies as follows (additional information and disclosures will be made available upon request):

- a. Oddo Group holds more than 5% interest in the capital stock of the company that is subject of the analysis.
- b. Oddo Group was a participant in the management of a (co)consortium in a selling agent function for the issuance of financial instruments, which themselves or their issuer is the subject of this financial analysis within the last twelve months.
- c. Oddo Group has provided investment banking and/or consulting services during the last 12 months for the company analysed for which compensation has been or will be paid for.
- d. Oddo Group acts as designated sponsor for the company’s securities on the basis of an existing designated sponsorship contract. The services include the provision of bid and ask offers. Due to the designated sponsoring service agreement Oddo Group may regularly possess shares of the company and receives a compensation and/ or provision for its services.
- e. The designated sponsor service agreement includes a contractually agreed provision for research services.
- f. Oddo Seydler and the analysed company have a contractual agreement about the preparation of research reports. Oddo Seydler receives a compensation in return.
- g. Oddo Group has a significant financial interest in relation to the company that is subject of this analysis.

In this report, the following conflicts of interests are given at the time, when the report has been published: d, f

Oddo Group and/or its employees or clients may take positions in, and may make purchases and/ or sales as principal or agent in the securities or related financial instruments discussed in this analysis. Oddo Group may provide investment banking, consulting, and/ or other services to and/ or serve as directors of the companies referred to in this analysis. No part of the authors compensation was, is or will be directly or indirectly related to the recommendations or views expressed.

**Recommendation System:**

Oddo Seydler uses a 3-level absolute share rating system. The ratings pertain to a time horizon of up to 12 months:

BUY: The expected performance of the share price is above +10%.

HOLD: The expected performance of the share price is between 0% and +10%.

SELL: The expected performance of the share price is below 0%.

This rating system is only a guideline. Therefore, deviations from this system may apply.

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

Date	Recommendation	Price at change date	Price target
12 May 2015	BUY (Company Update)	EUR 3.88	EUR 4.60
25 March 2015	BUY (Company Update)	EUR 3.90	EUR 4.60
16 January 2015	BUY (Company Update)	EUR 3.75	EUR 4.60
18 December 2014	BUY (Company Update)	EUR 3.57	EUR 4.60
03 December 2014	BUY (Company Update)	EUR 3.25	EUR 4.60
12 November 2014	BUY (Company Update)	EUR 3.08	EUR 4.00
22 September 2014	BUY (Company Update)	EUR 3.10	EUR 4.00
09 September 2014	HOLD (Company Update)	EUR 3.69	EUR 4.00



12 August 2014	BUY (Company Update)	EUR 3.58	EUR 4.70
14 May 2014	BUY (Company Update)	EUR 3.64	EUR 4.50

The following valuation methods are used when valuing companies: Multiplier models (price/earnings, price/cash flow, price/book value, EV/Sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer group comparisons, historical valuation approaches, discounting models (DCF, DDM), break-up value approaches or asset valuation approaches. The valuation models are dependent upon macroeconomic measures such as interest, currencies, raw materials and assumptions concerning the economy. In addition, market moods influence the valuation of companies.

The figures taken from the income statement, the cash flow statement and the balance sheet upon which the evaluation of companies is based are estimates referring to given dates and therefore subject to risks. These may change at any time without prior notice.

The opinions and forecasts contained in this report are those of the author alone. Material sources of information for preparing this report are publications in domestic and foreign media such as information services (including but not limited to Reuters, VWD, Bloomberg, DPA-AFX), business press (including but not limited to Börsenzeitung, Handelsblatt, Frankfurter Allgemeine Zeitung, Financial Times), professional publications, published statistics, rating agencies as well as publications of the analysed issuers. Furthermore, discussions were held with the management for the purpose of preparing the analysis. Potentially parts of the analysis have been provided to the issuer prior to going to press; no significant changes were made afterwards, however. Any information in this report is based on data considered to be reliable, but no representations or guarantees are made by the author with regard to the accuracy or completeness of the data. The opinions and estimates contained herein constitute our best judgment at this date and time, and are subject to change without notice. Possible errors or incompleteness of the information do not constitute grounds for liability, neither with regard to indirect nor to direct or consequential damages. The views presented on the covered company accurately reflect the personal views of the author. All employees of the author's company who are involved with the preparation and/or the offering of financial analyzes are subject to internal compliance regulations.

The report is for information purposes, it is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the securities mentioned in this report. Any reference to past performance should not be taken as indication of future performance. The author does not accept any liability whatsoever for any direct or consequential loss arising from any use of material contained in this report. The report is confidential and it is submitted to selected recipients only. The report is prepared for professional investors only and it is not intended for private investors. Consequently, it should not be distributed to any such persons. Also, the report may be communicated electronically before physical copies are available. It may not be reproduced (in whole or in part) to any other investment firm or any other individual person without the prior written approval from the author. The author is not registered in the United Kingdom nor with any U.S. regulatory body.

It has not been determined in advance whether and in what intervals this report will be updated. Unless otherwise stated current prices refer to the closing price of the previous trading day. Any reference to past performance should not be taken as indication of future performance. The author maintains the right to change his opinions without notice, i.e. the opinions given reflect the author's judgment on the date of this report.

This analysis is intended to provide information to assist institutional investors in making their own investment decisions, not to provide investment advice to any specific investor.

By accepting this report the recipient accepts that the above restrictions are binding. German law shall be applicable and court of jurisdiction for all disputes shall be Frankfurt am Main (Germany).

This report should be made available in the United States solely to investors that are (i) "major US institutional investors" (within the meaning of SEC Rule 15a-6 and applicable interpretations relating thereto) that are also "qualified institutional buyers" (QIBs) within the meaning of SEC Rule 144A promulgated by the United States Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Securities Act") or (ii) investors that are not "US Persons" within the meaning of Regulation S under the Securities Act and applicable interpretations relating thereto. The offer or sale of certain securities in the United States may be made to QIBs in reliance on Rule 144A. Such securities may include those offered and sold outside the United States in transactions intended to be exempt from registration pursuant to Regulation S. This report does not constitute in any way an offer or a solicitation of interest in any securities to be offered or sold pursuant to Regulation S. Any such securities may not be offered or sold to US Persons at this time and may be resold to US Persons only if such securities are registered under the Securities Act of 1933, as amended, and applicable state securities laws, or pursuant to an exemption from registration.

This publication is for distribution in or from the United Kingdom only to persons who are authorised persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom or any order made there under or to investment professionals as defined in Section 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and is not intended to be distributed or passed on, directly or indirectly, to any other class of persons.

This publication is for distribution in Canada only to pension funds, mutual funds, banks, asset managers and



insurance companies.

The distribution of this publication in other jurisdictions may be restricted by law, and persons into whose possession this publication comes should inform themselves about, and observe, any such restrictions. In particular this publication may not be sent into or distributed, directly or indirectly, in Japan or to any resident thereof.

Responsible Supervisory Authority:

Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, Federal Financial Supervisory Authority)

Graurheindorferstraße 108

53117 Bonn

and

Marie-Curie-Str. 24-28

60439 Frankfurt

Oddo Seydler Bank AG

Schillerstrasse 27 - 29

60313 Frankfurt am Main

[www.oddoseydler.com](http://www.oddoseydler.com)

Tel.: 0049 - (0)69 - 920 54 800