

Healthcare: Biotechnology

Evotec AG | EVT.GR - €3.34 - FSE | Buy

Company Update

Stock Data				
52-Week Low - High	€2.86 - €4.31			
Shares Out. (mil)	132.58			
Mkt. Cap.(mil)	€443.2			
3-Mo. Avg. Vol.	716,649			
12-Mo.Price Target	€5.00			
Cash (mil)	€140.9			
Tot. Debt (mil)	€21.5			
Est. 3Yr. EPS Growth	27%			

EPS €				
Yr Dec	—2015—	—2016E—		—2017E—
		Curr	Prev	Curr
1Q	(0.01)A	(0.01)E	--	-
2Q	0.11A	0.00E	--	-
3Q	(0.02)A	0.00E	--	-
4Q	0.04A	0.02E	--	-
YEAR	0.13A	0.02E	0.08E	0.10E
P/E	0.0x	0.0x	0.0x	0.0x

Revenue (€ millions)				
Yr Dec	—2015—	—2016E—		—2017E—
		Curr	Prev	Curr
1Q	21.5A	34.1E	--	-
2Q	33.4A	35.5E	--	-
3Q	33.2A	38.5E	--	-
4Q	39.5A	40.0E	--	-
YEAR	127.7A	148.1E	149.1E	165.9E

EVT.GR: 2015 Meets Targets; From Pipeline to Company, Topas Is Spun-out

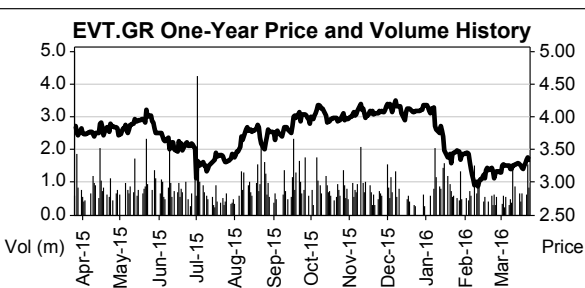
Evotec reported a strong 4Q'15, going five-for-five in its 2015 financial guidance targets (see Exhibit 1), including 2015 revenues of €127.7M (up 43% YoY), Net Income of €16.5M (vs. -€7.0M in '14) and cash & equivalents of €133.9M (vs. €88.8M in '14). Excluding the strategic alliance with Sanofi (SASY.PA-NC) in April for €250M over five years, on a pro forma basis, Evotec's EVT Execute operations were up 9%.

2015 and 2016 are transformational years: 2015 was pivotal for Evotec, considering the strategic alliance with Sanofi (€250M/five years, including 208 employees and the Toulouse facility), the successful integration of that group (as evidenced by the UCB compound library mgt system and 40 additional Toulouse hires), four EVT Innovate (partnered pipeline) agreements and subsequent to year-end, the announcement of the spin-out of Topas Therapeutics as a nanoparticle therapeutics company targeting immunological disorders.

Growth to continue in 2016, with upside likely: 2016 guidance calls for 15% top-line growth, which is double the industry average and at the high end of Evotec's recent trends. Guidance also calls for R&D expenses of €20M, higher adjusted EBITDA, €10M in CapEx and liquidity comparable to 2015, all of which are similar to our expectations and consensus. However, we'll continue to look for higher revenue growth since guidance excludes milestone payments and revenues from any new EVT Execute customers.

Well-positioned for the times, as model matures: Given the surge in biotech investment in recent years, we continue to recommend investors accumulate a long-term position at these levels, ahead of our expectations for further "company in a pipeline" announcements like Topas. Unlike the risk of owning shares in a biotech, Evotec is a pragmatic, funded-developer of biotech assets that is increasingly attracting interest from companies and foundations seeking to discover disease-modifying and unique pathways to address challenging diseases like Parkinson's, Huntington's, Alzheimer's, autoimmune disorders, endometriosis, diabetes and various Orphan indications. Evotec's partnered pipeline has evolved from its core, strategic business of drug discovery services, which produces mid-20% margins. Today, royalty income from a partnered pipeline is not yet a reality, but long-term options are being developed. If we see another spin-out in 2016, we believe investors will begin to acquire Evotec shares on the expectation that 2+ spin-outs may occur in '17.

Bristol-Myers' acquisition of Padlock Therapeutics has produced free publicity for Evotec. As noted in Atlas' LifeSciVC's posting this week, "we spent over 50% of the Series A funds on resourcing this single collaboration, and had 25-30 FTEs at Evotec that were fully dedicated to Padlock."



Financial review

Evotec produced strong revenue gains in 2015, with total revenues of €127.7M, up 43% YoY from €89.5M. Most of these gains can be attributed to the €250M Sanofi collaboration allocated over a five year period. Pro forma, organic revenues were up 9%, 5% excluding currency. While 5% is short of Evotec's 5-10% historic average and the industry is expected to grow ~15% in 2016 (see Exhibit 2), management noted its organic operations are expected to grow 10-15% in 2016, partially due to a delay of revenues from 4Q'15 into 1Q'16 and the full effect from the Toulouse EVT Execute operation in 2016. While Net Income was €5.8M in 4Q, one-time items from equity investments and deferred tax income drove the bottom line higher from the near break-even performance we expected in 4Q15.

As shown in Exhibit 1, Evotec met or exceeded its 2015 guidance. For 2016, the financial guidance is not surprising given Evotec's recent performance, especially when considering there are four quarters of Sanofi revenues in 2016 (~€39M) versus the three quarters of Sanofi revenues in 2015. Also, since 2016's revenue guidance only includes current contracts, our top-line estimate is higher than guidance, as we look for 16% revenue growth in 2016.

Exhibit 1: Financial guidance, scorecard for 2015 and outlook for 2016

	2014 Annual Report	March 2015 ¹	May 2015 ²	September 2015 ³	November 2015	2015 Actual 3/22/16	2016 Guidance 3/22/16
Group revenues⁴	>10% vs. 2014	>20% vs. 2014	>35% vs. 2014	>45% vs. 2014	Same as prior guidance	>57% vs. 2014	>15%
R&D expenses	In line with 2014	€15M to €20M		Same as prior guidance		€18.3M	~€20M
EBITDA⁵	Positive, similar to 2014	Positive		Same as prior guidance		€8.7M	Significantly improved
Capex investments	Up to €7M	Up to €10M		Same as prior guidance		€11.2M	Up to €10M
Liquidity at year-end⁶	>€90M	"Well in excess" of €100M		Same as prior guidance		€134.5M	Flat YoY

¹ Varies from guidance provided in the Annual Report 2014 following the financial impact of the Sanofi transaction

² Revenue guidance raised due to refinement of the accounting treatment of the Sanofi alliance

³ Revenue guidance raised due to Evotec's strong business performance of EVT Execute, accelerated growth in the EVT Innovate business and a positive outlook for the remainder of the year

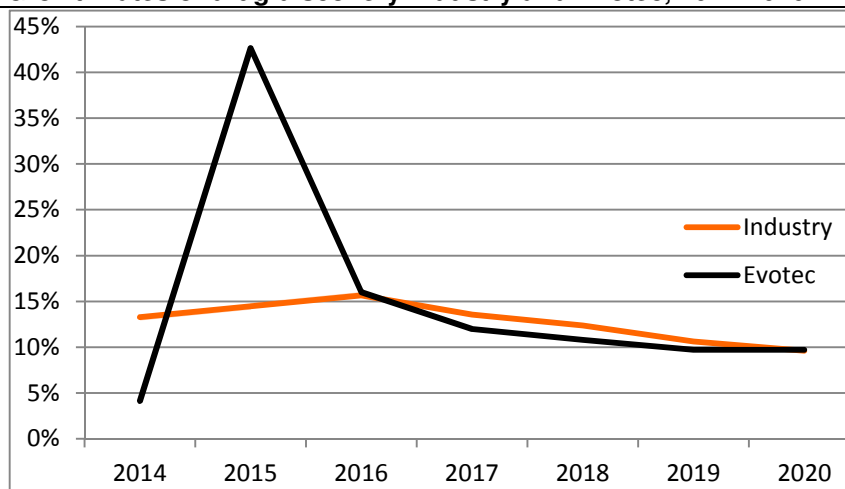
⁴ Excluding milestones, upfronts and licences

⁵ Before changes in contingent considerations and income from bargain purchase

⁶ Excluding M&A and related payments (Earn-out Euprotect)

Source: Evotec AG quarterly press releases

Exhibit 2: Growth rates of drug discovery industry and Evotec, 2014-2020



Sources: Visiongain, Drug discovery outsourcing 2015 and ROTH Capital Partners estimates

Review of Evotec's EVT Execute in 2015

As shown in the following two exhibits, Evotec continued to attract new alliance customers in 2015. We believe there are five factors that may help to explain this growth:

1. **Expansion:** In 2015, we attribute the continued growth to the opening of the Toulouse facility to new customers by mid-'15, although management has simply stated that the growth is due to new customers.
2. **Evolution:** Based on Evotec's press releases, we have noticed a continual expansion in the capabilities and relevance of Evotec's drug discoveries, despite the dynamic nature of drug discovery. Versus three years ago, Evotec's current expertise (see Exhibit 5) now includes the following:
 - a. Screening: Microbiological phenotypic screening; chemo-proteomic; phospho-proteomics
 - b. Hit-to-lead: Target deconvolution
 - c. Lead optimization: early drug formulation and solid form screening
3. **Skilled scientists:** The growth could also be attributed to the quality of the scientists, given the comment by Dr. Melton, Co-Director of the Harvard Stem Cell Institute who raved about Evotec's scientists at Evotec's 2013 R&D Day. He noted that his doctoral students and fellows expect to have to teach some company scientists when they collaborate on projects. But with Evotec's scientists, he found his students were very impressed with their aptitude, experience and capabilities. This type of feedback should encourage interest from others, whether references are from this particular university or others globally.
4. **Maintain quality:** While it's possible that Evotec has lowered its research costs to attract more opportunities, based on the similar growth rates in alliance customers and the alliance customers over > €1M in revenues (up ~200, '15 vs. '08), it doesn't appear that Evotec has lowered the costs of its drug discovery services during this period. Mgt has confirmed this to us as well. The U.S. to Europe ratio of customers has ebbed back and forth a bit over the years, but it's fairly evenly split between these two regions while the scientists are primarily based in Europe, with costs in Euros.
5. **Vision:** In March 2012, the company announced its 2016 Action Plan, which created the EVT Execute and EVT Innovate groups (EVT Integrate has since been folded into EVT Innovate). The top priority of the EVT Innovate group was to develop, "First-in-class discovery and product development innovations". With over 170 alliances with universities, foundations and drug companies (see Exhibit 3), we believe the company has achieved its 2012 goals.

Based on these characteristics, we believe we will see further growth in 2016, albeit at a more moderate rate than in the past two years. By 2017, Evotec is likely to have >200 global alliance customers. R&D and SG&A costs have remained fairly steady during the past four years, with low and high-teens/sales ratios, respectively. CGS expenses have been in the mid-30's (+/-10%). We expect these ratios to remain steady going forward. These alliances are important to the continual strength of the EVT Execute business, but more so for the development of the partnered pipeline, EVT Innovate.

At year-end, Evotec employed exactly 1,000 employees (vs. ~650 YE'12), 865 of which are scientists. The employees average 8.6 years with the company, split equally between men and women, comprising 43 nationalities. As shown in Exhibit 6, its revenues are derived primarily from major pharmas, but revenues from foundations were almost non-existent four years ago and may be incremental to Evotec's business, rather than as a replacement for major pharma customers. In 2015, Evotec increased its headcount by 283 employees, 208 from Sanofi, which it increased by 40 to support the increased EVT Execute business being conducted in Toulouse. Another 35 employees joined in 2015, which we speculate may have been added at the Princeton protein production facility which opened in 1Q'15. Roughly €3M of the €11M in CapEx was spent in Toulouse, but reimbursed by Sanofi per the strategic alliance agreement. As noted previously, Evotec's CapEx spending is expected to remain under €10M again in 2016, with R&D likely to be less in 2017 than in 2016.

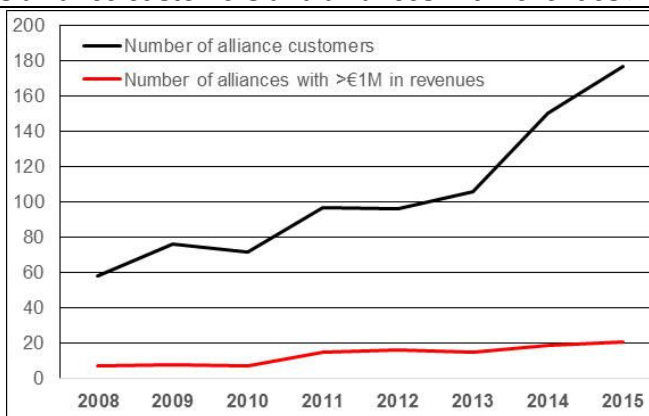
Exhibit 3: Evotec annual alliance agreements, 2008-2015

	2008	2009	2010	2011	2012	2013	2014	2015	15 vs. '08
Number of alliance customers	58	76	72	97	96	106	150	177	205%
Number of alliances with >€1M in revenues	7	8	7	15	16	15	19	21	200%
Continued alliance customers	84%	92%	95%	85%	86%	93%	85%	63%***	-25%
Number of new alliance customers, that year	21	29	22	45*	29	39	82**	67	219%

*22 of which came via acquisitions (Kinaxo & Compound Focus); **19 of which via Euprotec acquisition; ***Excluding Sanofi's impact on 2015, repeat business amounted to 89% in 2015.

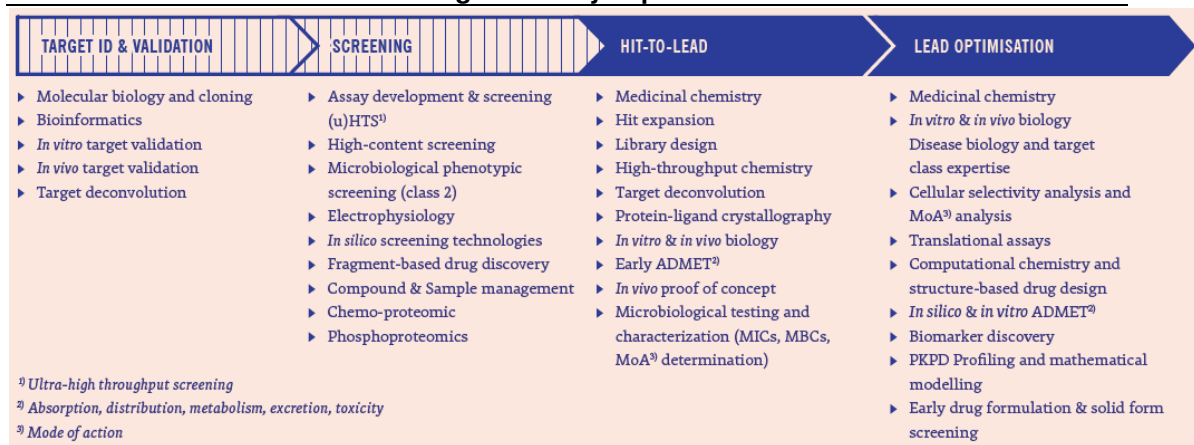
Sources: Evotec AG annual reports and ROTH Capital Partners

Exhibit 4: Evotec's alliance customers and alliances with revenues >€1M per year



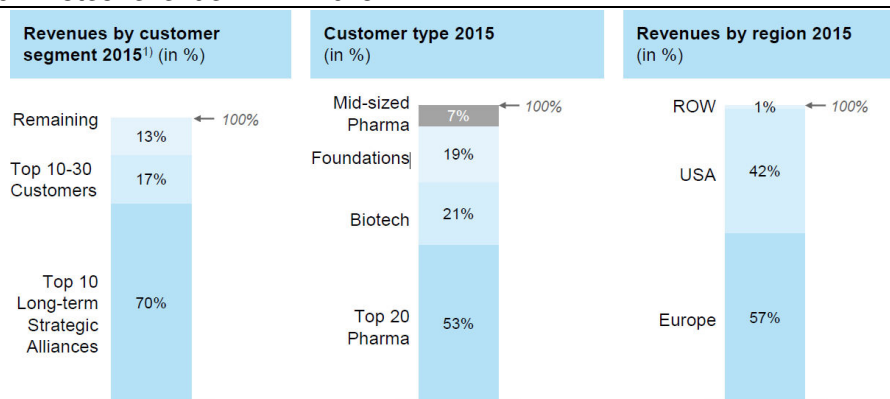
Sources: Evotec AG annual reports and ROTH Capital Partners

Exhibit 5: Overview of Evotec's drug discovery capabilities



Source: Evotec AG 2015 annual report

Exhibit 6: Evotec revenue mix in 2015



Source: Evotec AG March 22, 2016 corporate presentation

“Free press” from Atlas Ventures may further Evotec’s business

In recent months, the online posts (<https://lifescivc.com/>) from Atlas Ventures’ Bruce Booth have highlighted Evotec and its capabilities. In January, a guest writer (Michael Gilman, CEO of Padlock Therapeutics) was very complimentary of Evotec, its scientists, its model and its role in the development of biotechnology companies. As many investors have likely heard this week, Padlock is being acquired by Bristol-Myers (BMY-NC) for \$225M upfront and \$375M in milestones. Dr. Gilman’s comments on Evotec in January include the following:

Meanwhile, what’s happening to all those great scientists who are losing their jobs as pharmas downsize their discovery teams? Many of them are being hired by contract research organizations (CROs) – providers of drug-discovery capabilities for hire. Evotec, which is Padlock’s primary CRO, is now the largest employer of medicinal chemists in the UK, having scooped up scores of talented scientists from dead or dwindling UK pharma sites.

...we receive cash directly or indirectly from pharma companies, through the intermediaries of venture capitalists. And we in turn send a big chunk of that cash to CROs like Evotec to do the actual work. At Padlock we forked over nearly half our Series A proceeds to Evotec. So, you might ask, how are we even adding value here? Are we just useless middlemen? Well, no. Because we have a very specific goal – really our only legal obligation as corporate officers – to generate a return on capital for our shareholders.

Recently, Evotec took over an entire Sanofi facility in Toulouse... Every conceivable capability you might need is available from an external provider, and the quality is high.

...by outsourcing our wet-lab work to Evotec and other entities, we have also essentially outsourced our organizational complexity. Our organization can stay flat and simple, because Evotec’s isn’t. We don’t need an HR organization – and its endless cycle of performance reviews, promotion controversies, “managing” of poor performers – because our contractors do. Call it HR arbitrage.

Earlier this month, Evotec announced it achieved a milestone from Padlock in its third year of this ongoing alliance. Evotec has been providing a wide range of research activities and expertise to Padlock including *in vitro* biology, high-throughput screening, structural biology, medicinal and computational chemistry and DMPK. These two companies had planned to progress multiple programs through hit-to-lead and lead optimization. While we can’t confirm it, we would expect Evotec to continue its development work with Bristol-Myers... a company it’s had relatively little overlap with. With the announcement this week, LifeSciVC posted the following comments regarding Evotec:

Atlas startups typically work with multiple CRO partners in more of an *a la carte* fashion, with several different shops covering things like crystallography, chemistry, screening, *in vitro* profiling, *in vivo* biology, ADME/PK, etc. With Padlock, we decided to do something different – and signed up for a single, large collaboration with Evotec, where they would cover all of our research needs (beyond the academic SRAs). In fact, we spent over 50% of the Series A funds on resourcing this single collaboration, and had 25–30 FTEs at Evotec that were fully dedicated to Padlock. They were essentially our entire discovery execution team, and Padlock’s scientific leadership (Mike, Raj, Mariana, Paul, Kerri) spent a lot of time either on site or by phone with them guiding and shaping their work. It’s obviously worked well, and Evotec earned an important milestone recently.

To us, this unprovoked, published commentary to an audience of biotech entrepreneurs is an unparalleled promotion of Evotec and its talents, which may lead to further opportunities.

Evotec announces first spin-out, Topas Therapeutics GmbH

In a separate press release from Evotec's earnings, the company announced it is spinning out a previously unannounced private entity, Topas Therapeutics. The new company received a Series A financing round of €14M (\$15.75M), led by Epidarex Capital (which Eli Lilly (LLY-NC) funded) as well as two other VCs, EMBL Ventures and Gimv. Topas has also received funding from the German government. Evotec will remain the largest shareholder. The proceeds will allow Topas to expand and accelerate this platform technology, including the development of proof of concept data in multiple autoimmune and inflammatory indications, including multiple sclerosis. A Phase 1 trial is expected to begin in 2017 and complete around YE'17.

Topas' unique platform has been built on proprietary nanoparticles, which selectively target liver sinusoidal endothelial cells ("LSECs") to deliver peptides. LSECs are one of the body's premier sites to induce tolerance against blood borne antigens by generating peptide-specific regulatory T cells. By targeting LSECs, this nanoparticle technology may treat autoimmune diseases, allergies and drug induced immune reactions where the antigen and its respective antigenic peptides are known.

This technology has been licensed from the University Medical Center Hamburg-Eppendorf. Dr. Timm Jessen, who was formerly CEO of Bionamics, which Evotec acquired in 2014, will lead Topas. Dr. Jessen had been CSO of Evotec until 2004 and founded Bionamics in 2006. He was instrumental in the development of this technology via a German public-private consortium he founded in 2008 called NEU² to develop therapies for neurodegenerative diseases. The NEU² has received a commitment of €40 million from the German government.

Exhibit 7: EVT Execute, expected milestones in 2016

- New long-term deals with large and mid-sized Pharma
- Expansion of foundations and biotech network in USA/EU
- New performance-based integrated technology/disease alliance
- Milestones from existing alliances

Source: Evotec AG March 22, 2016 corporate presentation

Exhibit 8: EVT Innovate, expected milestones in 2016

- New clinical initiations, and good progress of clinical pipeline within partnerships
- Expansion of network of top-class academic alliances
- Partnering of Cure X/Target X initiatives
- Strong focus on iPSC (induced pluripotent stem cells) platform

Source: Evotec AG March 22, 2016 corporate presentation

Exhibit 9: Evotec's pipeline

	Molecule	Indication	Partner	Discovery	Pre-clinical	Phase 1	Phase 2	Phase 3	Market
7 Clinical	EVT302*	Alzheimer's disease	Roche	Evaluating a reacquisition of its rights					
	EVT201	Insomnia	JingXin						
	Somatoprim	Acromegaly	Cortendo						
	EVT100	CNS diseases	Janssen						
	EVT401	Inflammation	CONBA						
	Not Disclosed	Oncology	Boehringer						
	Not Disclosed	Oncology	Roche						
9 Pre-clinical	Not Disclosed	Pain	Novartis						
	Not Disclosed	Oncology	Boehringer						
	Multiple	Endometriosis	Bayer						
	EVT770	T1D & T2D	MedImmune**						
	Not Disclosed	Respiratory	Boehringer						
	Not Disclosed	Immunology & Inflammation	Second Genome	3/13/15, TargetMB					
	EVT801	Oncology	Sanofi	Just announced					
	EVT701	Oncology	Sanofi	Just announced					
EVT601	Oncology	Sanofi	Just announced						
13 Discovery categories	Various	Immunology & Inflammation	UCB						
	Various	T1D & T2D	MedImmune**						
	Various	T1D & T2D	Harvard Univ						
	Various	Kidney disease	AstraZeneca						
	Various	Diabetes	Sanofi	8/15	TargetBCD				
	Various	Alzheimer's disease	JNJ						
	Various	Immunotherapies	Sanofi/Apeiron	8/10/2015,	TargetImmuniT				
	Various	Tissue fibrosis	Pfizer	9/9/2015	TargetFibrosis				
	Various	CNS / MS	NEU ² consortium						
	Various	Diabetes	>5 programs						
	Various	Neurology	>5 programs						
	Various	Oncology	>10 programs						
	Various	Pain & Inflammation	>5 programs						

*= RO4602522; **= subsidiary of AstraZeneca; T1D= Type 1 diabetes; T2D= Type 2 diabetes

Source: Evotec AG March 22, 2016 corporate presentation, adjusted by ROTH Capital Partners

Exhibit 10: Evotec's largest collaborations

In € (000)	2008	2009	2010	2011	2012	2013	2014	2015
Sanofi	-	-	-	-	-	-	188	38,598
CHDI	8,258	9,090	9,211	8,915	9,905	10,423	11,177	14,011
Bayer	-	-	-	-	512	3,988	10,867	9,038
Top 3	8,258	9,090	9,211	8,915	10,417	14,411	22,232	61,647
Top 4-10	-	-	37,419	54,079	54,783	49,787	35,222	30,072
Top 10	32,382	34,686	46,630	62,994	65,200	64,198	57,454	91,719
Top 3's Share of Top 10	na	na	20%	14%	16%	22%	39%	67%
Growth in Top 10's	na	7%	34%	35%	4%	-2%	-11%	60%
Evotec's Group Revenues	-	-	55,262	80,128	87,265	85,938	89,496	127,677
Top 10's share of Group	-	-	84%	79%	75%	75%	64%	72%
<u>Previous leaders:</u>								
Boehringer Ingelheim	12,588	7,988	13,754	17,022	13,546	18,262	na	na
UCB Pharma	-	-	-	1,120	9,792	8,873	na	na
Janssen	-	-	-	-	4,949	6,067	8,344	na

Sources: Evotec AG annual reports and ROTH Capital Partners estimates

VALUATION

We reiterate our Buy rating and €5.00 price target. Our PT is derived from our 2018 and 2019 EPS estimates of €0.12 and €0.15, respectively, discounted by 15% to account for Evotec's steady operations and apply a 25X PE multiple to account for the high rate of growth during these forecasted years. We include our YE17 net cash estimate of €0.95/share, plus €1.48/share for the rNPV of Evotec's pipeline. Factors that may impede shares of EVT.GR from achieving our price target include currency and trading risks, as well as execution risks that may be related to the integration of the Sanofi employees.

RISKS

Drug discovery and research risks: While Evotec AG is an experienced drug discovery company there is no assurance that the company can and will be able to continue to provide research services that outside parties will agree to, and pay for. We cannot define the explicit value that investors are attributing to Evotec's more stable, research services business versus the potential of its pipeline. If the expected value of Evotec's future revenue and profitability potential falls, investors should expect the value of their holdings could decline.

Currency and trading risks: Geographically, 57% of Evotec's 2015 revenues were generated with customers in Europe and 42% in the US. Because Evotec offers its services to worldwide customers there are currency risks to all investors and as such, investors may experience detrimental currency changes which may cause the value of their holdings to decline.

Partnering risks: Because Evotec AG's operating model relies on the initiation and continuation of partnerships with outside parties in mixed and fluctuating degrees of research efforts, Evotec and its shareholders are reliant upon the continued "best efforts" of outside parties. These parties may change their previous intentions towards the development agreements with Evotec and/or may fail in the quality and timeliness of their own execution efforts that may be detrimental to Evotec shareholders.

COMPANY DESCRIPTION

Evotec AG is a drug discovery company headquartered in Hamburg, Germany with operations and customers worldwide. The company is strategically focused on the discovery of novel drugs and drug targets. By design, Evotec is on the cutting edge of discovering the tools, targets and etiologies of undertreated diseases. As a result, Evotec's unique expertise in drug discovery produces scientific methods that are valued by pharmaceutical and biotechnology companies worldwide. Strategically, this 22-year-old company evolves with the biotechnology and drug discovery industries. While continuing to operate a profitable drug discovery services business, in the late 2000s the company began a strategic effort to retain an interest in the clinical assets that it had primarily discovered. These cores competencies are not mutually exclusive as Evotec executes similar services in its core "services business" called EVT Execute as it does in developing clinical assets that the company retains ownership of, called EVT Innovate. This overlap contributes to the high net margins (~30%) on its EVT Execute segment yet provides the company an increased opportunity to develop assets to be funded and developed by outside partners.

Evotec AG										Michael Higgins Senior Research Analyst ROTH Capital Partners mhiggins@roth.com								
Income Statement, in € ('000)																		
Fiscal Period:	Actual									Projected								
	2011	2012	2013	2014	Q115	Q215	Q315	Q415	2015	Q116	Q216	Q316	Q416	2016	2017	2018	2019	2020
Total Revenue	80,128	87,265	85,938	89,496	21,542	33,416	33,240	39,479	127,677	34,064	35,545	38,507	39,988	148,105	165,878	183,793	201,657	221,259
Cost of revenue	(45,143)	(56,242)	(54,716)	(60,118)	(14,919)	(24,273)	(22,837)	(27,661)	(89,690)	(22,823)	(23,815)	(25,800)	(26,792)	(99,231)	(106,991)	(117,241)	(127,177)	(137,904)
Gross Profit	34,985	31,023	31,222	29,378	6,623	9,143	10,403	11,818	37,987	11,241	11,730	12,707	13,196	48,875	58,887	66,551	74,481	83,354
Operating income and (expenses)																		
Research & development	(8,437)	(8,340)	(9,664)	(12,404)	(3,834)	(4,672)	(4,995)	(4,842)	(18,343)	(4,658)	(4,860)	(5,265)	(5,468)	(20,250)	(18,247)	(20,217)	(22,182)	(24,338)
Selling, general & administrative	(15,760)	(16,301)	(16,597)	(17,990)	(5,118)	(7,268)	(6,661)	(6,119)	(25,166)	(6,472)	(6,754)	(7,316)	(7,598)	(28,140)	(29,858)	(32,421)	(34,861)	(37,484)
Other operating (expenses)	(5,581)	(9,584)	(26,312)	(5,365)	(971)	19,019	616	(1,502)	17,162	(988)	630	634	2,815	3,092	3,402	3,742	4,116	4,527
Amortization of intangible rights	(1,703)	(2,768)	(3,222)	(2,462)	(587)	(877)	(709)	(687)	(2,860)	(605)	(903)	(730)	(708)	(2,946)	(3,240)	(3,564)	(3,921)	(4,313)
Impairment of intangible assets	(2,058)	(3,505)	(22,023)	(14,967)	0	(69)	0	(7,173)	(7,242)	0	0	0	0	0	0	0	0	0
Income from bargain purchase	0	0	0	0	0	18,476	0	2,938	21,414	0	0	0	0	0	0	0	0	0
Other operating (income)	1,426	2,202	4,410	15,352	1,258	3,224	3,486	6,385	14,353	1,308	3,321	3,591	6,577	14,796	16,276	17,903	19,694	21,663
Other operating expenses	(4,747)	(5,513)	(1,980)	(9,732)	(1,642)	(1,735)	(2,161)	(2,965)	(8,503)	(1,691)	(1,787)	(2,226)	(3,054)	(8,758)	(9,634)	(10,597)	(11,657)	(12,823)
Total operating expenses	(29,778)	(34,225)	(52,573)	(35,759)	(9,923)	7,079	(11,040)	(12,463)	(26,347)	(12,117)	(10,983)	(11,947)	(10,250)	(45,298)	(44,703)	(48,897)	(52,927)	(57,295)
Operating income	5,207	(3,202)	(21,351)	(6,381)	(3,300)	16,222	(637)	(645)	11,640	(876)	747	761	2,946	3,577	14,184	17,655	21,553	26,059
Other non-operating income (expenses)																		
Interest income	413	655	261	469	178	82	120	153	533	183	84	124	158	549	560	571	583	594
Interest expense	(1,858)	(1,859)	(1,870)	(1,621)	(406)	(340)	(458)	(522)	(1,726)	(418)	(350)	(472)	(538)	(1,778)	(1,813)	(1,850)	(1,887)	(1,924)
Loss from equity investments	0	0	0	(10)	0	(6)	(10)	2,060	2,044	0	0	0	0	0	0	0	0	0
Total non-operating income (expense)	49	(1,812)	(2,297)	1,222	1,932	(746)	(594)	259	851	(235)	(266)	(348)	(380)	(1,229)	(1,253)	(1,278)	(1,304)	(1,330)
Income before taxes	5,256	(5,014)	(23,648)	(5,159)	(1,368)	15,476	(1,231)	(386)	12,491	(1,111)	481	412	2,566	2,348	12,930	16,376	20,249	24,729
Total tax gain (expenses)	1,395	7,492	(1,785)	(1,819)	296	(849)	(1,655)	6,233	4,025	0	0	0	0	0	0	0	0	0
Net Income (loss)	6,651	2,478	(25,433)	(6,978)	(1,072)	14,627	(2,886)	5,847	16,516	(1,111)	481	412	2,566	2,348	12,930	16,376	20,249	24,729
Average basic & diluted shares ('000)	116,022	117,296	121,215	131,291	131,451	131,489	131,545	132,230	131,679	132,294	132,358	132,422	132,485	131,968	132,307	132,645	132,984	133,323
Net Income (loss) per share (basic)	€ 0.06	€ 0.02	(€ 0.21)	(€ 0.05)	(€ 0.01)	€ 0.11	(€ 0.02)	€ 0.04	€ 0.13	(€ 0.01)	€ 0.00	€ 0.00	€ 0.02	€ 0.02	€ 0.10	€ 0.12	€ 0.15	€ 0.19
Net Income (loss) per share (diluted)	€ 0.06	€ 0.02	(€ 0.21)	(€ 0.05)	(€ 0.01)	€ 0.11	(€ 0.02)	€ 0.04	€ 0.13	(€ 0.01)	€ 0.00	€ 0.00	€ 0.02	€ 0.02	€ 0.10	€ 0.12	€ 0.15	€ 0.19

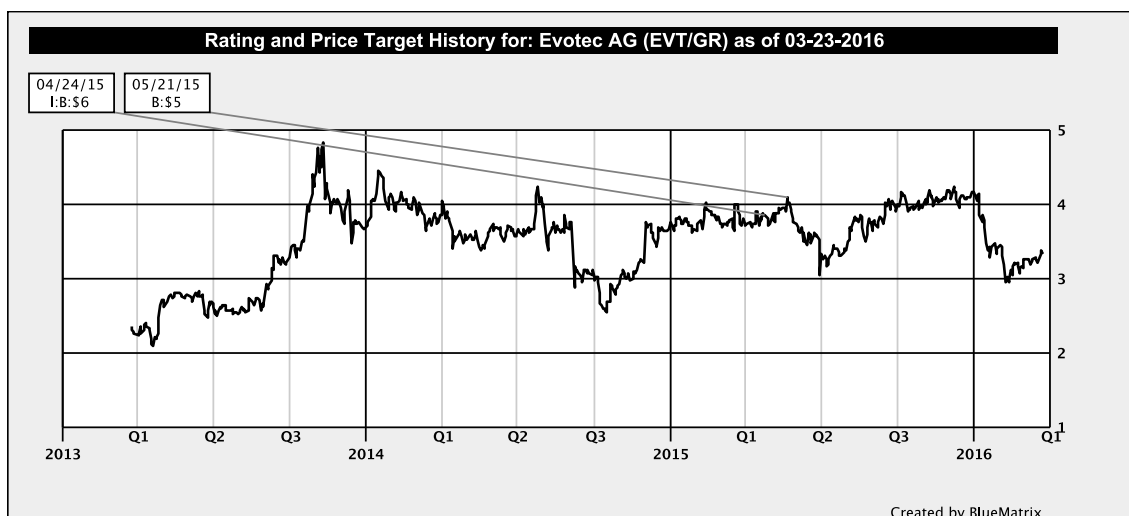
Sources: Company financial reports and ROTH Capital Partners

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Disclosures:

On September 28, 2010, ROTH changed its rating system in order to replace the Hold rating with Neutral.

On May 26, 2011, ROTH changed its rating system in order to incorporate coverage that is Under Review.



Each box on the Rating and Price Target History chart above represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first note written during the past three years. **Distribution Ratings/IB Services** shows the number of companies in each rating category from which Roth or an affiliate received compensation for investment banking services in the past 12 month.

Distribution of IB Services Firmwide

Rating	Count	Percent	IB Serv./Past 12 Mos. as of 03/24/16	
			Count	Percent
Buy [B]	231	78.84	131	56.71
Neutral [N]	39	13.31	23	58.97
Sell [S]	4	1.37	0	0
Under Review [UR]	18	6.14	12	66.67

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Neutral: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return between negative 10% and 10% over the next 12 months.

Sell: A rating, which at the time it is instituted and or reiterated, that indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

Under Review [UR]: A rating, which at the time it is instituted and or reiterated, indicates the temporary removal of the prior rating, price target and estimates for the security. Prior rating, price target and estimates should no longer be relied upon for UR-rated securities.

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