Company Alert

Evotec

Company Update: EVT101 development terminated, Price target adjusted

COMPANY

evotec

RATING

BUY (UNCHANGED)

TARGET PRICE

3.5 EUR (3.7 EUR)

HIGHLIGHTS

- Voluntary termination of phase II study by Roche
- Difficult recruitment and toxicology profile as reasons
- All rights for EVT101 and EVT103 returned to Evotec
- Further development depends on new partnership
- Fair share value reduced from EUR 3.70 to EUR 3.50

Roche and Evotec decided to terminate the phase II study with their NR2B sub-type specific NMDA antagonist EVT101 for the therapy of "treatment-resistant depression" (TRD). Reasons for the decision were difficulties to recruit patients under the current study protocol which might have led to inconclusive results. Despite up to 30% of patients belong to the group of TRD patients we suggest that the definition of this patient group is most challenging. In addition, the toxicology profile of EVT101 and the lack of a proper dosing scheme were additional reasons for the decision of the termination of the trial.

The study was conducted by Evotec but fully financed by Roche. Up to 100 patients were planned for the US trial and the first patient was recruited in Q3 2010. Data were expected by the end of 2011/early 2012 and Roche had a buy-back option of USD 65m. Roche has set up an additional clinical programme for TRD including a mGluR5 antagonist (RG7090) tested in phase II.

Evotec plans to outlicense the EVT100 family to other interested parties. The company confirmed that they do not intend to invest own money into the clinical development of the programme.

We adjust our NPV model for EVT101 and lower the fair value from EUR 1.25 per share to EUR 0.60 per share as we reduced the probability of success from 25% to 15% (representing a phase I status) and shift the expected launch date by 3 years to 2018. The possible USD 55m payment by Roche on positive phase II results had not been included in our model.

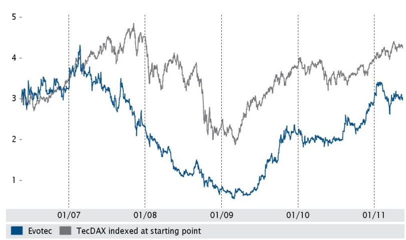
As a result the price target of Evotec calculated by DCF valuation (EUR 3.60 per share), peer group valuation (EUR 2.40 per share) and NPV (EUR 1.12 per share) will be reduced by 5.5% from EUR 3.70 to EUR 3.50. We reiterate our rating to BUY the stock.

+++ **Reuters:** EVTG +++ **Bloomberg:** EVT GY +++

Current Price (XETRA (Germany); 2011-05-18; 12:13 pm)	2.81 EUR
CLOSING PRICE (2011-05-17):	2.97 EUR
EXPECTED PERFORMANCE:	24.6%
MARKET CAPITALIZATION:	351.01 EUR m
ENTERPRISE VALUE:	297.51 EUR m
NUMBER OF SHARES:	118.19 m
FREE FLOAT:	65.0 %
INDEX (WEIGHT):	TecDAX (1.38 %)
AVG. DAILY TRADEVOL.:	463,884
ISIN:	DE0005664809
SECTOR:	Biotechnology

KEY DATA (DEC) Company figures in m EUR, per share data in EUR	2010	2011E	2012E
Sales	55.3	65.2	73.8
EBITDA	6.5	7.1	10.6
EBIT	1.7	2.4	7.7
Net profit	3.0	2.5	6.0
Free cash flow	-1.5	7.4	14.4
FCF yield	-0.5 %	2.1 %	4.1 %
EPS	0.03	0.02	0.05
Dividend	0.00	0.00	0.00
EV / Sales	4.5	4.6	4.0
EV / EBITDA	38.6	41.7	28.1
EV / EBIT	145.8	126.1	38.8
P / E	106.6	143.5	57.7
P / BV	2.40	2.61	2.75
Dividend yield	0.0 %	0.0 %	0.0 %

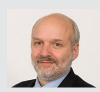
PRICE PERFORMANCE



Source: Evotec, LBBW Research, Thomson Reuters

UPCOMING EVENTS

June 16-11	AGM



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Analyst's Certification
All of the views expressed in this research report accurately reflect the research analyst's personal views regarding the Subject Company. No part of analyst compensation was, is or will be, directly or indirectly related to the specific recommendations or views expressed in this research report.

Disclosures
Please Note

Important Disclosures Required by Regulators
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LBBW Research Rating-Systematics (absolute share rating system)

Rating definitions:

Buy:	Based on a time horizon of up to 12 months, we recommend that investors buy the stock.
Sell:	Based on a time horizon of up to 12 months, we recommend that investors sell the stock.
Hold:	We take a neutral view on the stock and, based on a time horizon of up to 12 months, do not recommend either a Buy or Sell.
Under review:	The rating is currently updated.
Suspended:	The evaluation of the company is currently not feasible.

Percentage of companies within this rating category

Buy:	54,2%
Sell:	5,0%
Hold:	39,3%
Under review:	0,5%
Suspended:	1,0%

Notes: Rating definitions prior to 6th April, 2009 were:

Buy: The price potential of the share is at least 10%. Hold: The price potential of the share is between 0% and 10%. Sell: A negative price performance of the share is expected. Ratings relate to a time horizon of up to 6 months.

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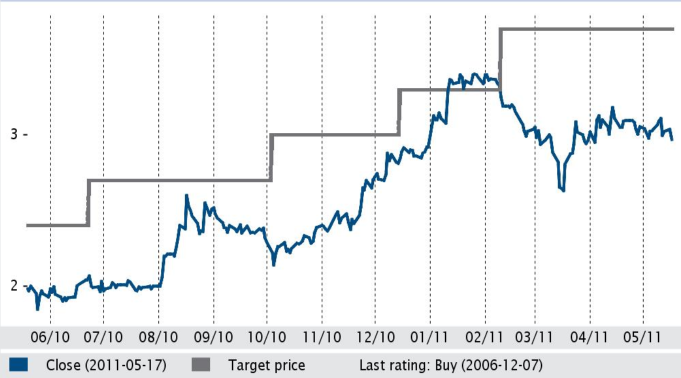
Price and Rating History Evotec as of 2011-05-18



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