

Recommendation: **BUY** (BUY) Risk: **Medium** (Medium) Price Target: **EUR 3.90** (3.80)

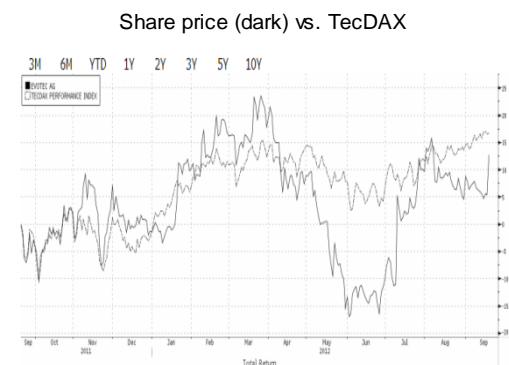
20 September 2012

## Major order from NIH Multi-year compound management agreement

- Evotec entered into a multi-year compound management agreement with the National Institutes of Health (NIH), Department of Health and Human Services, for the operation of a Small Molecule Repository. The contract (funded in its entirety by NIH) covers a period of up to ten years and has a total estimated value of up to EUR 60m (~USD 75m) (See press release on 19 September).
- The event is positive in many ways: 1) The agreement validates the acquisition of Compound Focus from Galapagos in mid 2011; 2) In terms of revenues, NIH used to be one of the largest customers of Compound Focus. Therefore the long term character of the contract considerably secures the compound management business; 3) The size of the deal is impressive; 4) Compound management is a component of EVT execute, which despite relatively low margins, has no risk-exposure and long term business.
- According to management the company is also currently developing options to expand compound management capabilities into the East Coast of USA and also into Europe. However, in our view, the expansion of compound management in other regions is rather a medium-term target.
- For the current FY 2012E we left our estimates unchanged, however, we have increased our estimates in the years to follow.
- Having adjusted our estimates we increased our PT to EUR 3.90 (previously EUR 3.80) and confirm BUY recommendation.

Y/E 31.12., EUR m	2009	2010	2011	2012E	2013E	2014E
Revenues	42.7	55.3	80.1	89.6	108.0	115.5
Gross profit	18.4	24.3	35.0	40.3	50.8	55.7
EBITDA	-38.2	6.5	11.4	16.4	23.7	24.9
EBIT	-42.3	1.7	5.2	10.3	16.2	17.3
Net income/loss	-45.5	3.0	6.7	8.2	13.0	14.1
EPS	-0.43	0.03	0.06	0.07	0.11	0.12
CPS	-0.20	0.00	0.07	0.08	0.16	0.16
Gross margin	43.2%	44.1%	43.7%	45.0%	47.0%	48.2%
EBITDA margin	-89.6%	11.7%	14.2%	18.3%	21.9%	21.5%
EBIT margin	-99.1%	3.1%	6.5%	11.5%	15.0%	15.0%
EV/Sales	6.3	4.9	3.4	3.0	2.5	2.3

Source: Evotec AG; CBS Research AG;



Source: CBS Research AG, Bloomberg

Change	2012E		2013E		2014E	
	new	old	new	old	new	old
Revenue	-	89.6	108.0	103.0	115.5	110.2
EBIT	-	10.3	16.2	14.8	17.3	15.5
EPS	-	0.07	0.11	0.10	0.12	0.11

www.evotec.com Sector: Biotechnology  
WKN: 566480 DE0005664809  
Reuters: EVTG.DE Bloomberg: EVT GY

### Short company profile

Evotec is a drug discovery alliance and development partnership company focused on rapidly progressing innovative product approaches with leading pharmaceutical and biotechnology companies.

### Share data:

Share price (last closing price, EUR):	<b>2.67</b>
Shares outstanding (m):	115.60
Market capitalisation (EURm):	308.88
Enterprise value (EURm):	270.27
Ø daily trading volume (3 m., no. of shares):	178,543

### Performance data:

High 52 weeks (EUR):	2.95
Low 52 weeks (EUR):	1.87
Absolute performance (12 months)	0.13
Relative performance: (vs. TecDAX)	
1 month	0.3%
3 months	19.2%
6 months	-11.5%
12 months	-3.4%

### Shareholders:

Roland Oetker/ROI	13.5%
TVM V Life Science Ventures	10.5%
Free float	76.0%

### Financial calendar:

3Q/12 Figures 08 November 2012

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

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

Date	Recommendation	Price at change date	Price target
12 September 2011	BUY (Company Update)	EUR 2.28	EUR 3.60
27 October 2011	BUY (Company Update)	EUR 2.38	EUR 3.60
11 November 2011	BUY (Company Update)	EUR 2.59	EUR 3.60
11 January 2012	BUY (Company Update)	EUR 2.32	EUR 3.60

21 March 2012	BUY (Company Update)	EUR 2.92	EUR 3.70
02 May 2012	BUY (Company Update)	EUR 2.58	EUR 3.70
11 May 2012	BUY (Company Update)	EUR 2.37	EUR 3.70
08 August 2012	BUY (Company Update)	EUR 2.69	EUR 3.80
20 September 2012	BUY (Company Update)	EUR 2.67	EUR 3.90

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LOW: The volatility is expected to be lower than the volatility of the benchmark

MEDIUM: The volatility is expected to be equal to the volatility of the benchmark

HIGH: The volatility is expected to be higher than the volatility of the benchmark

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