

## Evotec SE

## Former CEO's departure linked to belated insider transaction disclosures

Maintain Rating: NEUTRAL | PO: 13.00 USD | Price: 8.31 USD

## Discloses 3-yrs of insider transactions by former CEO

Earlier today, Evotec (EVO) held a conference call following its CEO transition announcement on 1/3 (see [our note here](#)). The call provided incremental details on the surprise resignation of the former CEO Dr. Werner Lanthaler. In the earlier press release, Dr. Lanthaler was noted to be stepping down and transitioning into an advisory role for personal reasons, unrelated to EVO's operations. Today, it was disclosed that Dr. Lanthaler belatedly reported 3-years' worth of insider transactions of EVO shares, against the company policy. The shares have traded down ~27% since the 1/2 close (S&P 500 is up +2.3% in the same time period). At the moment, EVO does not expect any investigation by German or US regulators of the matter and emphasized that the operations were not affected by any of these events. Mario Polywka, former COO of EVO and current Supervisory Board member, is continuing to serve as interim CEO, while the company continues a CEO search internally and externally.

## FY23 and FY25 guides reiterated; Maintain Neutral

During the call, Management reiterated its guide, including FY23 reported sales of €750–790mn (vs BofAe/Street €785mn) and Adj. EBITDA of €60–80mn (vs BofAe/Street €71/68mn). For the medium-term guide of FY25, EVO continues to target >€1,000mn in sales and >€300mn in Adj EBITDA. Management did not provide any additional color on 4Q results, but did note some optimism in early January in biotech end-markets – although it's not clear to us whether this is truly incremental or how significant this improvement will be. We maintain our Neutral rating as we see the value of the company's differentiated platform as being counterbalanced by challenges to Contract Research funding, already aggressive long-term forecasts, and lingering headwinds from the 2023 cyberattack.

22 January 2024

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## Stock Data

Price	8.31 USD
Price Objective	13.00 USD
Date Established	16-Jun-2023
Investment Opinion	C-2-9
52-Week Range	7.66 USD - 13.49 USD
Mrkt Val (mn) / Shares Out (mn)	1,468 USD / 176.7
Free Float	0%
Average Daily Value (mn)	0.70 USD
BofA Ticker / Exchange	EVO / NAS
Bloomberg / Reuters	EVO US / EVO.OQ
ROE (2023E)	-6.0%
Net Dbt to Eqty (Dec-2022A)	7.7%
ESGMeter™	NLA

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Timestamp: 22 January 2024 05:33PM EST

## Price objective basis & risk

### Evotec SE (EVO)

Our \$13 PO is based on roughly 5x 2024E EV/Sales. While a premium to the peer group, we feel this multiple is warranted given Evotec's strong financial profile (mid-teens revenue growth, low-to-mid 20s Adj EBITDA growth), the visibility provided by the long-term outlook, and further upside from the EVT Innovate (internal drug discovery) segment.

Upside risks to our PO include additional major collaborations and partnerships, success of internal programs, rapid uptake of J.Pod utilization, and improved outsourcing trends.

Downside risks to our PO include lower levels of drug R&D spend in the future, protracted disruption from the April 2023 cyber-attack, downturn in biotech financing, reversal of outsourcing trends, failure of key Innovate segment programs, and competition, technology and regulatory risks.

## Analyst Certification

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### Evotec SE (EVO) Price Chart



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### Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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