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Reason for Report:

Company Update

Changes	Previous	Current
Rating	--	Overweight
Price Tgt	--	\$14.00
FY11E Rev (mil)	--	\$123.1
FY12E Rev (mil)	--	\$161.7
FY11E EPS	--	(\$0.12)
FY12E EPS	--	\$0.16

Price:	\$10.55
52 Week High:	\$14.98
52 Week Low:	\$6.88
12-Month Price Target:	\$14.00

3x EV/2012E sales

Shares Out (mil):	39.0
Market Cap. (mil):	\$411.4
Avg Daily Vol (000):	175
Book Value/Share:	\$3.10
Net Cash Per Share:	\$2.10
Debt to Total Capital:	0%
Est LT EPS Growth:	25%
P/E to LT EPS Growth (FY11):	NA
Est Next Rep Date:	04/28/2011
Fiscal Year End:	Dec

Rev (mil)	2010A	2011E	2012E
Mar	\$25.7A	\$28.2E	\$38.4E
Jun	\$24.5A	\$30.9E	\$40.3E
Sep	\$27.1A	\$32.3E	\$43.1E
Dec	\$29.8A	\$31.7E	\$39.8E
FY	\$107.1A	\$123.1E	\$161.7E
CY	\$107.1A	\$123.1E	\$161.7E
FY RM	3.8x	3.3x	2.5x
CY RM	3.8x	3.3x	2.5x

EPS	2010A	2011E	2012E
Mar	(\$0.04)A	(\$0.04)E	\$0.03E
Jun	(\$0.15)A	(\$0.04)E	\$0.02E
Sep	(\$0.08)A	(\$0.03)E	\$0.07E
Dec	(\$0.01)A	(\$0.01)E	\$0.04E
FY	(\$0.26)A	(\$0.12)E	\$0.16E
CY	(\$0.26)A	(\$0.12)E	\$0.16E

FY P/E	NM	NM	65.9x
CY P/E	NM	NM	65.9x

EPS assumes post-IPO share count of 34.2mil basic / 39.0mil diluted.

Codexis, Inc. Overweight

(CDXS - \$10.55)

Reiterate Overweight Rating & \$14 Target Ahead of 2011 Catalysts

CONCLUSION:

We are reiterating our Overweight rating on CDXS following a recent meeting with management in which we gained increased comfort in the timing of the Shell/Cosan JV and Codexis' revenue opportunity following its closure as well as additional color on the company's other end market platforms. As press releases materialize surrounding the JV closure, we believe CDXS shares will react positively – though the earliest product revenue would remain ~12 months out. Before year end, we expect Codexis to finalize a partnership for the commercialization of its detergent alcohol product, which presents another positive catalyst for the stock.

- **Shell/Cosan JV closure presents most significant near-term catalyst.** The Shell/Cosan joint venture is expected to reach final shareholder approval in the next several weeks and completed by mid-year. At that time, we expect Codexis to begin working with the Shell/Cosan JV on biocatalysts for first gen sugarcane ethanol, which could present 2012 product revenue in the \$10 million range with longer term potential of \$20-\$30 million – none of which is incorporated into our projections. Longer term, we believe Codexis will play an instrumental role in the Shell/Cosan's pursuits in cellulosic ethanol and eventually renewable diesel. Importantly these programs would be more lucrative to Codexis, with product & royalty revenue potential ranging from \$0.30-\$0.50 per gallon of production.
- **Detergent alcohol partnership presents another 2011 catalyst.** Codexis is working aggressively to strike a partnership to commercialize its detergent alcohol product. The acquisition of Maxygen's IP portfolio late last year opened up this market opportunity for Codexis. By altering enzymes, the company has developed a process to create detergent alcohols (a \$4 billion market today) from a variety of feedstocks (thereby reducing the world's reliance on palm oil) and in a highly tailored way to optimize the product to a customer's specification. We believe a partnership agreement – with a global chemical or consumer products company – will be signed before year end. Codexis aims to take a more strategic role in the partnership – a clear effort to take more control of the commercialization timeline and capture detergent alcohol product revenue.
- **Reiterate Overweight rating & \$14 price target.** While the fundamental results of the above-mentioned catalysts are still largely 2013/2014 events, we believe the stock will react positively to headlines surrounding these developments.

INVESTMENT RECOMMENDATION:

Bio-based fuels & petrochemicals combine with existing pharma revenue and potential opportunities in carbon capture and water treatment to create a diversified portfolio of opportunities for CDXS – all based on a common technology platform.

RISKS TO ACHIEVEMENT OF TARGET PRICE:

Facility construction delays, reduced regulatory support for biofuels, competing bio-catalysis technologies, a sustained drop in oil prices.

COMPANY DESCRIPTION:

Codexis custom-tailors enzymes that enhance the efficiency - and lower the cost - of producing pharmaceuticals, biofuels, and various other bio-based chemicals.

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Codexis

Income Statement

(\$ In Million Except Per Share Data)

Date: 3/16/11

Price: \$10.55

Current disclosure information for this company can be found at:

<http://www.piperjaffray.com/researchdisclosures>

	2010E				2011E				2012E							
	1QA	2QA	3QA	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
	Mar	June	Sept	Dec	Mar	June	Sept	Dec	Mar	June	Sept	Dec				
Net Sales	25.7	24.5	27.1	29.8	28.2	30.9	32.3	31.7	38.4	40.3	43.1	39.8	FY09	FY10E	2011E	2012E
Cost of Sales	5.2	6.1	8.6	8.1	7.8	9.9	9.7	8.2	13.3	14.6	14.9	11.8	82.9	107.1	123.2	161.7
Gross Profit	20.5	18.4	18.5	21.7	20.4	21.1	22.5	23.5	25.1	25.7	28.3	28.0	16.7	28.0	35.6	54.6
Research & development	13.0	13.0	13.1	13.3	13.5	14.0	14.5	14.5	14.5	15.5	15.5	16.0	66.2	79.1	87.5	107.1
Operations	2.0	2.0	1.5	-	1.5	1.5	2.0	2.0	2.0	2.0	2.5	2.5	45.9	52.4	56.5	61.5
SG&A	6.6	6.7	6.4	8.6	7.5	7.5	7.5	8.0	8.0	8.0	8.0	8.5	8.9	5.5	7.0	9.0
Operating Income from operations	(1.100)	(3.3)	(2.5)	(0.3)	(2.1)	(1.9)	(1.5)	(1.0)	0.6	0.2	2.3	1.0	29.9	28.3	30.5	32.5
Interest Expense, net	(0.3)	(0.6)	0.0	(0.1)	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	(18.4)	(7.1)	(6.5)	4.1
Other	-	-	-	-	-	-	-	-	-	-	-	-	(1.2)	(1.0)	1.6	2.0
Total Other Income (loss)	(0.3)	(0.6)	0.0	(0.1)	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	(0.6)	-	-	-
Pretax Income	(1.4)	(3.9)	(2.4)	(0.4)	(1.7)	(1.5)	(1.1)	(0.6)	1.1	0.7	2.8	1.5	(1.9)	(1.0)	1.6	2.0
Tax Provision	0.1	(0.1)	(0.3)	(0.1)	0.2	0.2	0.2	0.2	-	-	-	-	(20.2)	(8.2)	(4.9)	6.1
Net Income	(1.4)	(3.9)	(2.7)	(0.5)	(1.5)	(1.3)	(0.9)	(0.4)	1.1	0.7	2.8	1.5	(0.1)	(0.4)	0.8	-
Shares Basic	34.2	26.6	34.2	34.5	34.2	34.2	34.2	34.2	34.2	34.2	34.2	34.2	(20.3)	(8.5)	(4.1)	6.1
Shares Diluted (Mils.)	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	34.2	32.4	34.2	34.2
EPS-Reported Diluted	(\$0.04)	(\$0.15)	(\$0.08)	(\$0.01)	(\$0.04)	(\$0.04)	(\$0.03)	(\$0.01)	\$0.03	\$0.02	\$0.07	\$0.04	39.0	39.0	39.0	39.0
Depreciation and amortization	1.8	2.2	2.0	2.6	2.4	2.4	2.4	2.4	3.8	3.8	3.8	3.8	(\$0.59)	(\$0.26)	(\$0.12)	\$0.16
Non-cash stock comp & other	2.0	2.5	2.5	2.3	2.1	2.1	2.1	2.1	2.0	2.0	2.0	2.0	6.1	8.6	9.5	15.0
EBITDA	2.8	1.4	2.0	4.6	2.4	2.6	3.0	3.5	6.4	5.9	8.0	6.7	4.9	9.3	8.5	8.0
													(7.3)	10.7	11.5	27.1
Margins:																
Gross Margin	79.7%	75.2%	68.4%	72.7%	72.3%	68.1%	69.8%	74.2%	65.4%	63.8%	65.6%	70.3%	79.9%	73.9%	71.1%	66.2%
R&D expense ratio	50.5%	53.1%	48.2%	44.8%	47.8%	45.2%	44.9%	45.7%	37.7%	38.5%	35.9%	40.2%	55.3%	48.9%	45.9%	38.0%
Operations expense ratio	7.8%	8.2%	5.5%	0.0%	5.3%	4.8%	6.2%	6.3%	5.2%	5.0%	5.8%	6.3%	10.7%	5.1%	5.7%	5.6%
SG&A expense ratio	25.7%	27.2%	23.8%	29.0%	26.6%	24.2%	23.2%	25.2%	20.8%	19.9%	18.5%	21.4%	36.0%	26.5%	24.8%	20.1%
EBITDA Margin	10.7%	5.6%	7.5%	15.4%	8.5%	8.3%	9.4%	11.1%	16.6%	14.7%	18.6%	16.9%	-8.8%	10.0%	9.4%	16.8%
Operating Margin	-4.3%	-13.3%	-9.1%	-1.0%	-7.4%	-6.2%	-4.5%	-3.1%	1.6%	0.5%	5.3%	2.5%	-22.2%	-6.7%	-5.3%	2.5%
Pretax Margin	-5.6%	-15.8%	-9.0%	-1.5%	-6.0%	-4.9%	-3.3%	-1.8%	2.9%	1.7%	6.5%	3.8%	-24.4%	-7.6%	-4.0%	3.8%
Net Income Margin	-5.3%	-16.1%	-10.1%	-1.7%	-5.3%	-4.3%	-2.7%	-1.2%	2.9%	1.7%	6.5%	3.8%	-24.5%	-8.0%	-3.3%	3.8%

Codexis

Segment Sales & Profit Analysis

(\$ In Thousands Except Per Share Data)

	2010E				2011E				2012E							
	1QA	2QA	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
	Mar	June	Sept	Dec	Mar	June	Sept	Dec	Mar	June	Sept	Dec	FY09	FY10E	2011E	2012E
Revenue																
Pharma	6.9	8.5	10.5	10.1	10.4	13.2	13.0	10.9	19.0	20.9	21.2	16.9	20.0	36.0	47.5	78.0
Generic	2.4	4.2	3.2	6.6	4.1	6.4	6.4	7.4	7.0	7.9	8.0	9.8	8.8	16.5	24.3	32.8
Innovator	4.5	4.3	7.4	3.5	6.3	6.8	6.6	3.5	12.0	12.9	13.3	7.0	11.2	19.6	23.3	45.2
Biofuels	16.0	15.5	16.2	19.3	17.0	17.0	18.5	19.5	17.7	17.7	19.2	20.2	62.8	67.0	72.2	74.9
FTE	14.5	14.7	14.7	14.5	15.5	15.5	15.5	15.5	16.2	16.2	16.2	16.2	53.5	58.4	62.2	64.9
Other/Milestones	1.5	0.9	1.5	4.8	1.5	1.5	3.0	4.0	1.5	1.5	3.0	4.0	9.3	8.6	10.0	10.0
Bio-industrials	0.0	0.0	0.0	0.0	0.5	0.5	0.5	1.0	1.0	1.0	2.0	2.0	0.1	0.0	2.5	6.0
Carbon	0.0	0.0	0.0	0.0	0.5	0.5	0.5	1.0	1.0	1.0	2.0	2.0	0.0	0.0	2.5	6.0
Water, Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Grants	<u>2.7</u>	<u>0.5</u>	<u>0.4</u>	<u>0.5</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	0.0	4.1	1.0	2.8
TOTAL	25.7	24.5	27.1	29.8	28.2	30.9	32.3	31.7	38.4	40.3	43.1	39.8	82.9	107.1	123.2	161.7
Revenue % Change																
Pharma	39.4%	82.2%	108.4%	90.1%	50.5%	55.0%	23.2%	8.6%	82.1%	58.6%	63.3%	54.6%		80.2%	31.9%	64.1%
Generic	30.0%	157.4%	50.0%	81.4%	70.0%	50.0%	100.0%	12.0%	70.0%	25.0%	25.0%	33.0%		87.6%	47.4%	35.1%
Innovator	45.0%	41.1%	25.0%	109.1%	40.0%	60.0%	-10.0%	2.0%	90.0%	90.0%	100.0%	100.0%		74.5%	18.8%	94.4%
Biofuels	11.2%	6.6%	7.9%	2.3%	6.2%	9.9%	14.6%	1.4%	4.0%	4.0%	3.7%	3.5%		6.7%	7.7%	3.8%
FTE	12.2%	8.4%	8.9%	6.8%	6.9%	6.0%	5.9%	7.2%	4.4%	4.4%	4.4%	4.4%		9.0%	6.5%	4.4%
Other/Milestones	2.9%	-16.6%	-1.4%	-9.4%	0.0%	76.3%	100.0%	-16.2%	0.0%	0.0%	0.0%	0.0%		-7.0%	15.9%	0.0%
Bio-industrials	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		n/a	n/a	n/a
Grants	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		n/a	n/a	n/a
Total	32.4%	27.5%	35.1%	23.0%	9.8%	26.4%	19.1%	6.4%	36.2%	30.2%	33.6%	25.6%		29.2%	15.0%	31.3%
Gross Profit																
Pharma	1.719	2.409	1.985	1.931	2.611	3.288	3.249	2.730	5.704	6.258	6.364	5.064	3.310	8.044	11.877	23.39
Biofuels	16.041	15.504	16.180	19.275	17.039	17.039	18.539	19.539	17.729	17.729	19.229	20.229	62.806	67.000	72.156	74.92
Bio-industrials	0.000	0.000	0.000	0.000	0.500	0.500	0.500	1.000	1.000	1.000	2.000	2.000	0.069	0.000	2.500	6.00
Grants	<u>2.722</u>	<u>0.492</u>	<u>0.379</u>	<u>0.479</u>	<u>0.250</u>	<u>0.250</u>	<u>0.250</u>	<u>0.250</u>	<u>0.700</u>	<u>0.700</u>	<u>0.700</u>	<u>0.700</u>	0.046	4.072	1.000	2.80
TOTAL	20.482	18.405	18.544	21.685	20.400	21.077	22.538	23.519	25.133	25.687	28.293	27.994	66.230	79.116	87.533	107.11
Gross Margins																
Pharma	24.8%	28.4%	18.8%	19.2%	25.0%	25.0%	25.0%	25.0%	30.0%	30.0%	30.0%	30.0%	16.6%	22.3%	25.0%	30.0%
Biofuels	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a				
Bio-industrials	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a				
Grants	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a				
Total	79.7%	75.2%	68.4%	72.7%	72.3%	68.1%	69.8%	74.2%	65.4%	63.8%	65.6%	70.3%	79.9%	73.9%	71.1%	66.2%

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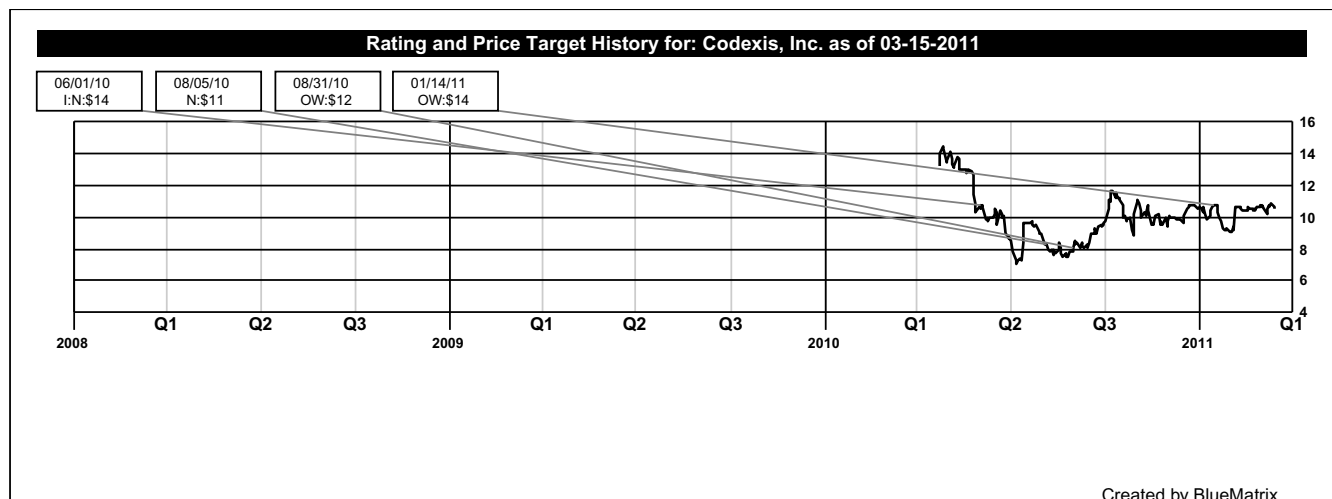
**Codexis
Balance Sheet**

(\$ Million)	FY10				FY11E				FY12E				Fiscal	Fiscal	Fiscal	Fiscal	Fiscal
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2008	2009E	2010E	2011E	2012E
Cash	29.2	100.3	99.3	72.4	70.0	66.8	64.8	61.9	58.3	55.3	54.5	52.5	37.1	55.6	72.4	61.9	52.5
Other current assets	21.5	14.3	20.5	19.8	23.3	25.9	27.1	28.9	31.3	32.4	33.9	34.6	11.2	11.8	19.8	28.9	34.6
Current Assets	50.7	114.6	119.8	92.2	93.3	92.7	91.8	90.8	89.6	87.8	88.3	87.1	48.3	67.4	92.2	90.8	87.1
Plant/Property/Equipment (Net)	21.3	21.3	21.0	21.5	21.6	21.7	22.3	23.0	29.2	35.5	41.7	48.0	16.0	21.6	21.5	23.0	48.0
Other long-term assets	11.9	7.8	7.3	27.7	27.7	27.7	27.7	27.7	27.7	27.7	27.7	27.7	6.5	10.1	27.7	27.7	27.7
TOTAL ASSETS	83.8	143.7	148.1	141.3	142.6	142.1	141.8	141.4	146.4	150.9	157.7	162.7	70.9	99.0	141.3	141.4	162.7
Current liabilities:																	
Notes Payable	-	-	4.0	-	-	-	-	-	-	-	-	-	5.2	7.9	-	-	-
Deferred revenue	9.4	4.6	9.3	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	10.6	24.7	0.5	0.5	0.6
Other Current Liabilities	28.0	26.3	23.0	27.0	27.7	26.4	24.8	22.7	24.5	26.3	28.3	29.7	26.6	31.5	27.0	22.7	29.7
Total Current Liabilities:	37.4	30.8	36.4	27.5	28.1	26.9	25.3	23.1	25.0	26.8	28.8	30.4	42.4	64.2	27.5	23.1	30.4
Long-Term Debt	-	-	-	-	-	-	-	-	-	-	-	-	8.5	-	-	-	-
Other liabilities	10.9	8.5	7.6	6.5	8.6	10.7	12.8	15.0	17.0	19.0	21.0	23.0	16.4	-	6.5	15.0	23.0
Total Liabilities	48.3	39.4	43.9	33.9	36.7	37.6	38.1	38.1	42.0	45.8	49.8	53.3	67.3	64.2	33.9	38.1	53.3
Preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stockholders' equity	35.5	104.3	104.1	107.4	105.9	104.5	103.7	103.3	104.4	105.1	107.9	109.4	3.6	34.8	107.4	103.3	109.4
TOTAL LIABILITIES & S.E.	83.8	143.7	148.1	141.3	142.6	142.1	141.8	141.4	146.4	150.9	157.7	162.7	70.9	99.0	141.3	141.4	162.7

Codexis
Statement of Cash Flow

(\$ Millions)	FY10				FY11E				FY12E				Fiscal	Fiscal	Fiscal	Fiscal	Fiscal
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2008	2009	2010E	2011E	2012E
Operating:																	
Net Income	(1.4)	(3.9)	(2.7)	(0.5)	(1.5)	(1.3)	(0.9)	(0.4)	1.1	0.7	2.8	1.5	(45.1)	(20.3)	(8.5)	(4.1)	6.1
Depreciation/Amortization	1.8	1.9	2.0	2.6	2.4	2.4	2.4	2.4	3.8	3.8	3.8	3.8	4.6	7.8	8.3	9.5	15.0
Share-based compensation	1.7	2.3	2.5	2.3	2.1	2.1	2.1	2.1	2.0	2.0	2.0	2.0	3.5	4.8	8.7	8.5	8.0
Changes in operating assets and liabilities:	(14.1)	(6.9)	0.9	(4.7)	(2.9)	(3.9)	(2.7)	(4.0)	(0.5)	0.6	0.6	0.8	0.8	(1.0)	(24.9)	(13.4)	1.5
Net Cash Flow for Operating Activities	(12.0)	(6.7)	2.7	(0.3)	0.1	(0.7)	0.9	0.1	6.4	7.0	9.2	8.0	(36.3)	(8.7)	(16.4)	0.5	30.6
Investing:																	
Purchases of plant, property, equipment	(1.3)	(1.9)	(1.5)	(2.3)	(2.5)	(2.5)	(3.0)	(3.0)	(10.0)	(10.0)	(10.0)	(10.0)	(8.5)	(10.8)	(7.0)	(11.0)	(40.0)
Other	13.6	(39.0)	48.7	(21.5)	-	-	-	-	-	-	-	-	15.6	(0.4)	1.8	-	-
Acquisitions	-	-	-	1.0	-	-	-	-	-	-	-	-	-	(1.3)	1.0	-	-
Net Investing Cash Flow	12.3	(40.9)	47.2	(22.7)	(2.5)	(2.5)	(3.0)	(3.0)	(10.0)	(10.0)	(10.0)	(10.0)	7.1	(12.5)	(4.2)	(11.0)	(40.0)
Financing:																	
Net change in long-term debt	(1.3)	(1.3)	(1.3)	(4.0)	-	-	-	-	-	-	-	-	(4.3)	(6.1)	(8.0)	-	-
Issuance of equity/preferred	-	72.7	0.0	1.3	-	-	-	-	-	-	-	-	0.4	-	-	-	-
Other	(1.5)	(1.5)	(0.8)	-	-	-	-	-	-	-	-	-	-	0.1	(3.7)	-	-
Net cash provided by Financing Activities	(2.8)	69.8	(2.0)	(2.7)	-	-	-	-	-	-	-	-	(3.9)	(6.0)	(11.8)	-	-

Important Research Disclosures



Notes: The boxes on the Rating and Price Target History chart above indicate the date of the Research Note, the rating, and the price target. Each box 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.

Legend:

I: Initiating Coverage

R: Resuming Coverage

T: Transferring Coverage

D: Discontinuing Coverage

S: Suspending Coverage

OW: Overweight

N: Neutral

UW: Underweight

B: Buy (Piper Jaffray discontinued use of the B, N, and S ratings on June 30, 2009)

N: Neutral

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Distribution of Ratings/IB Services Piper Jaffray				
Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	313	49.70	67	21.41
HOLD [N]	267	42.40	27	10.11
SELL [UW]	50	7.90	3	6.00

Note: Distribution of Ratings/IB Services shows the number of companies currently in each rating category from which Piper Jaffray and its affiliates received compensation for investment banking services within the past 12 months. FINRA rules require disclosure of which ratings most closely correspond with "buy," "hold," and "sell" recommendations. Piper Jaffray ratings are not the equivalent of buy, hold or sell, but instead represent recommended relative weightings. Nevertheless, Overweight corresponds most closely with buy, Neutral with hold and Underweight with sell. See Stock Rating definitions below.

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