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Reason for Report:

Change in Earnings Forecast

Changes	Previous	Current
Rating	--	Overweight
Price Tgt	--	\$12.00
FY11E Rev (mil)	\$121.7	\$123.1
FY12E Rev (mil)	\$160.1	\$161.7
FY11E EPS	(\$0.13)	(\$0.12)
FY12E EPS	--	\$0.16

Price:	\$8.87
52 Week High:	\$14.98
52 Week Low:	\$6.88
12-Month Price Target:	\$12.00

Based on 3x EV/2011 sales

Shares Out (mil):	39.0
Market Cap. (mil):	\$345.9
Avg Daily Vol (000):	53
Book Value/Share:	\$3.00
Net Cash Per Share:	\$2.90
Debt to Total Capital:	0%
Div (ann):	\$0.00
Est LT EPS Growth:	25%
P/E to LT EPS Growth (FY11):	NA
Est Next Rep Date:	03/10/2011
Fiscal Year End:	Dec

Rev (mil)	2010E	2011E	2012E
Mar	\$25.7A	\$28.2E	\$38.4E
Jun	\$24.5A	\$30.9E	\$40.3E
Sep	\$27.1A	\$32.3E	\$43.1E
Dec	<u>\$25.0E</u>	<u>\$31.7E</u>	<u>\$39.8E</u>
FY	\$102.3E	\$123.1E	\$161.7E
CY	\$102.3E	\$123.1E	\$161.7E

FY RM	3.4x	2.8x	2.1x
CY RM	3.4x	2.8x	2.1x

EPS	2010E	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	<u>(\$0.07)E</u>	<u>(\$0.01)E</u>	<u>\$0.04E</u>
FY	(\$0.32)E	(\$0.12)E	\$0.16E
CY	(\$0.32)E	(\$0.12)E	\$0.16E

FY P/E	NM	NM	55.4x
CY P/E	NM	NM	55.4x

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

Codexis, Inc. Overweight

(CDXS - \$8.87)

Biofuel & Carbon Capture Platforms Present Major Catalysts; Overweight

CONCLUSION:

In reporting solid 3Q sales and EBITDA upside driven by the company's pharma platform, Codexis indicated that a carbon capture partnership and the Shell/Cosan JV will both be finalized by year end. We view both of these events as positive catalysts for Codexis and reiterate our Overweight rating on the stock. We are lifting our FY10 sales and EBITDA estimates in-line with the company's upwardly revised guidance. Separately, Codexis acquired the IP portfolio of former parent company Maxygen in a move that frees Codexis of license payments and expands its own portfolio.

- **3Q results beat expectations on pharma platform strength.** Revenue of \$27.1 million (+35% y/y) exceeded our estimate of \$21.7 million. During the quarter, Codexis recorded \$4.5 million in revenue tied to shipments of an intermediate used in Merck's upcoming drug boceprevir (this large shipment drove segment level margins lower for the quarter). EBITDA was \$2.0 million in the quarter, which was \$3.3 million ahead of our forecast. In the quarter, Codexis cleared 5 biofuel development milestones under the Shell agreement, bringing the full year total to 7 out of 8.

- **Biofuel & carbon capture catalysts are approaching.** On the conference call, management indicated that the Shell/Cosan JV and a carbon capture partnership will likely be completed before year end. While commercial-scale revenue from the Shell/Cosan JV is unlikely to occur until 2012, we would view progress on this potential long-term revenue driver as a positive for CDXS shares. Similarly, a Shell-like partnership in carbon capture would present a pathway to commercialization for this technology, along with potential R&D revenues.

- **Codexis buys Maxygen IP portfolio.** In a move that we believe demonstrates Codexis' confidence in the eventual commercialization of the Shell biofuel program, the company announced a plan to purchase the IP portfolio it was previously licensing from former parent company Maxygen for \$20 million. The purchase also provides greater flexibility to Codexis to pursue bio-based chemical opportunities, which we view as an attractive market segment.

- **Maintain Overweight rating & \$12 target.** On the strength of 3Q results, CDXS raised its full year revenue guidance from \$94-\$98 million to \$100+ million and set an EBITDA target of \$7+ million. We are lifting our estimates in-line with the company's revised guidance. Our FY11/FY12 estimates remain largely unchanged, but see significant levers for upside.

* Priced as of the close October 28, 2010.

INVESTMENT RECOMMENDATION:

The recent pullback in CDXS shares has improved the risk/reward profile and as commercialization catalysts approach, we believe valuations will expand.

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: 10/29/10

Price: \$8.87

Current disclosure information for this company can be found at:

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

	2010E				2011E				2012E				FY09	FY10E	2011E	2012E
	1QA Mar	2QA June	3QA Sept	4Q Dec	1Q Mar	2Q June	3Q Sept	4Q Dec	1Q Mar	2Q June	3Q Sept	4Q Dec				
Net Sales	25.7	24.5	27.1	25.0	28.2	30.9	32.3	31.7	38.4	40.3	43.1	39.8	82.9	102.3	123.1	161.7
Cost of Sales	5.2	6.1	8.6	5.2	7.8	9.9	9.7	8.2	13.3	14.6	14.9	11.8	16.7	25.1	35.6	54.6
Gross Profit	20.5	18.4	18.5	19.8	20.4	21.1	22.5	23.5	25.1	25.7	28.3	28.0	66.2	77.2	87.5	107.1
Research & development	13.0	13.0	13.1	13.5	13.5	14.0	14.5	14.5	14.5	15.5	15.5	16.0	45.9	52.6	56.5	61.5
Operations	2.0	2.0	1.5	1.8	1.5	1.5	2.0	2.0	2.0	2.0	2.5	2.5	8.9	7.3	7.0	9.0
SG&A	6.6	6.7	6.4	7.0	7.5	7.5	7.5	8.0	8.0	8.0	8.0	8.5	29.9	26.7	30.5	32.5
Operating Income from operations	(1.100)	(3.3)	(2.5)	(2.5)	(2.1)	(1.9)	(1.5)	(1.0)	0.6	0.2	2.3	1.0	(18.4)	(9.3)	(6.5)	4.1
Interest Expense, net	(0.3)	(0.6)	0.0	-	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	(1.2)	(0.9)	1.6	2.0
Other	-	-	-	-	-	-	-	-	-	-	-	-	(0.6)	-	-	-
Total Other Income (loss)	(0.3)	(0.6)	0.0	-	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	(1.9)	(0.9)	1.6	2.0
Pretax Income	(1.4)	(3.9)	(2.4)	(2.5)	(1.7)	(1.5)	(1.1)	(0.6)	1.1	0.7	2.8	1.5	(20.2)	(10.2)	(4.9)	6.1
Tax Provision	0.1	(0.1)	(0.3)	0.2	0.2	0.2	0.2	0.2	-	-	-	-	(0.1)	(0.2)	0.8	-
Net Income	(1.4)	(3.9)	(2.7)	(2.3)	(1.5)	(1.3)	(0.9)	(0.4)	1.1	0.7	2.8	1.5	(20.3)	(10.4)	(4.1)	6.1
Shares Basic	34.2	26.6	34.2	34.2	34.2	34.2	34.2	34.2	34.2	34.2	34.2	34.2	34.2	32.3	34.2	34.2
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	39.0	39.0	39.0	39.0
EPS-Reported Diluted	(\$0.04)	(\$0.15)	(\$0.08)	(\$0.07)	(\$0.04)	(\$0.04)	(\$0.03)	(\$0.01)	\$0.03	\$0.02	\$0.07	\$0.04	(\$0.59)	(\$0.32)	(\$0.12)	\$0.16
Depreciation and amortization	1.8	2.2	2.0	2.0	2.4	2.4	2.4	2.4	3.8	3.8	3.8	3.8	6.1	8.0	9.5	15.0
Non-cash stock comp & other	2.0	2.5	2.5	1.5	2.1	2.1	2.1	2.1	2.0	2.0	2.0	2.0	4.9	8.5	8.5	8.0
EBITDA	2.8	1.4	2.0	1.0	2.4	2.6	3.0	3.5	6.4	5.9	8.0	6.7	(7.3)	7.2	11.5	27.1
Margins:																
Gross Margin	79.7%	75.2%	68.4%	79.1%	72.3%	68.1%	69.8%	74.2%	65.4%	63.8%	65.6%	70.3%	79.9%	75.5%	71.1%	66.2%
R&D expense ratio	50.5%	53.1%	48.2%	53.9%	47.8%	45.2%	44.9%	45.8%	37.7%	38.5%	35.9%	40.2%	55.3%	51.4%	45.9%	38.0%
Operations expense ratio	7.8%	8.2%	5.5%	7.2%	5.3%	4.8%	6.2%	6.3%	5.2%	5.0%	5.8%	6.3%	10.7%	7.1%	5.7%	5.6%
SG&A expense ratio	25.7%	27.2%	23.8%	28.0%	26.6%	24.2%	23.2%	25.3%	20.8%	19.9%	18.5%	21.4%	36.0%	26.1%	24.8%	20.1%
EBITDA Margin	10.7%	5.6%	7.5%	4.0%	8.5%	8.3%	9.4%	11.1%	16.6%	14.7%	18.6%	16.9%	-8.8%	7.0%	9.4%	16.8%
Operating Margin	-4.3%	-13.3%	-9.1%	-10.0%	-7.4%	-6.2%	-4.5%	-3.1%	1.6%	0.5%	5.3%	2.5%	-22.2%	-9.1%	-5.3%	2.5%
Pretax Margin	-5.6%	-15.8%	-9.0%	-10.0%	-6.0%	-4.9%	-3.3%	-1.9%	2.9%	1.7%	6.5%	3.7%	-24.4%	-10.0%	-4.0%	3.8%
Net Income Margin	-5.3%	-16.1%	-10.1%	-9.4%	-5.3%	-4.3%	-2.7%	-1.2%	2.9%	1.7%	6.5%	3.7%	-24.5%	-10.2%	-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	6.5	10.4	13.2	13.0	10.9	19.0	20.9	21.2	16.9	20.0	32.5	47.5	77.9
Generic	2.4	4.2	3.2	3.6	4.1	6.4	6.4	6.6	7.0	7.9	8.0	8.2	8.8	13.5	23.4	31.1
Innovator	4.5	4.3	7.4	2.9	6.3	6.8	6.6	4.3	12.0	12.9	13.3	8.7	11.2	19.0	24.1	46.8
Biofuels	16.0	15.5	16.2	18.5	17.0	17.0	18.5	19.5	17.7	17.7	19.2	20.2	62.8	66.2	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	4.0	1.5	1.5	3.0	4.0	1.5	1.5	3.0	4.0	9.3	7.9	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>0.0</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	3.6	1.0	2.8
TOTAL	25.7	24.5	27.1	25.0	28.2	30.9	32.3	31.7	38.4	40.3	43.1	39.8	82.9	102.3	123.1	161.7
Revenue % Change																
Pharma	39.4%	82.2%	108.4%	23.4%	50.5%	55.0%	23.2%	66.7%	82.1%	58.6%	63.3%	54.9%		62.6%	46.1%	64.2%
Generic	30.0%	157.4%	50.0%	0.0%	70.0%	50.0%	100.0%	80.0%	70.0%	25.0%	25.0%	25.0%		53.8%	73.5%	33.0%
Innovator	45.0%	41.1%	25.0%	75.0%	40.0%	60.0%	-10.0%	50.0%	90.0%	90.0%	100.0%	100.0%		69.5%	26.6%	94.6%
Biofuels	11.2%	6.6%	7.9%	-1.8%	6.2%	9.9%	14.6%	5.6%	4.0%	4.0%	3.7%	3.5%		5.4%	9.0%	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%	-24.1%	0.0%	76.3%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%		-15.3%	27.4%	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%	3.3%	9.8%	26.4%	19.1%	26.6%	36.2%	30.2%	33.6%	25.6%		23.4%	20.3%	31.3%
Gross Profit																
Pharma	1.719	2.409	1.985	1.306	2.611	3.288	3.249	2.722	5.704	6.258	6.364	5.059	3.310	7.419	11.869	23.38
Biofuels	16.041	15.504	16.180	18.500	17.039	17.039	18.539	19.539	17.729	17.729	19.229	20.229	62.806	66.225	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>0.000</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	3.593	1.000	2.80
TOTAL	20.482	18.405	18.544	19.806	20.400	21.077	22.538	23.511	25.133	25.687	28.293	27.988	66.230	77.237	87.525	107.10
Gross Margins																
Pharma	24.8%	28.4%	18.8%	20.0%	25.0%	25.0%	25.0%	25.0%	30.0%	30.0%	30.0%	30.0%	16.6%	22.8%	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%	79.1%	72.3%	68.1%	69.8%	74.2%	65.4%	63.8%	65.6%	70.3%	79.9%	75.5%	71.1%	66.2%

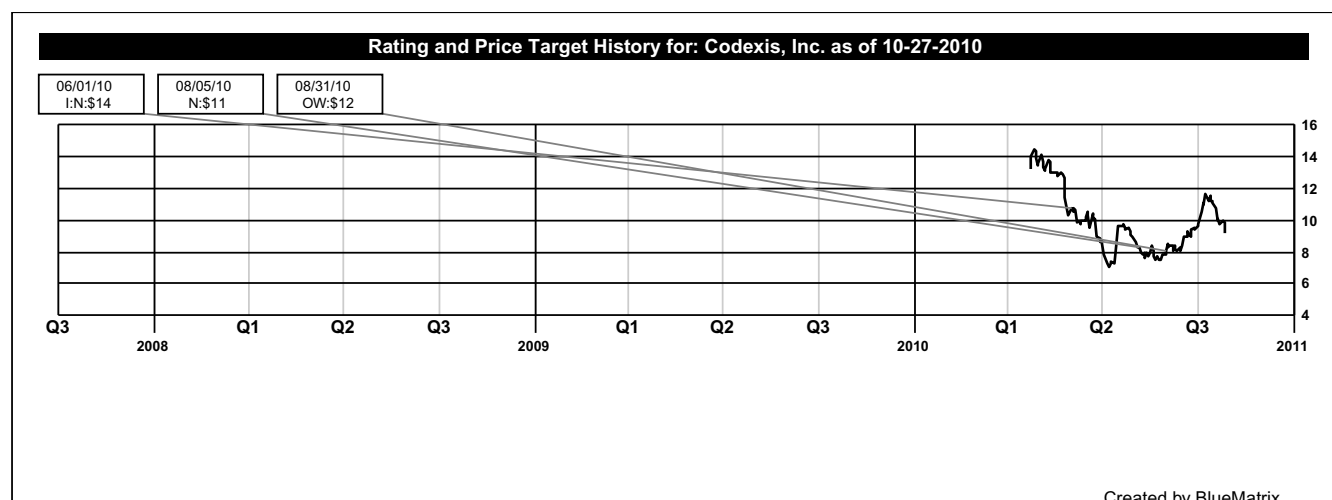
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Balance Sheet

(\$ Million)	FY10E				FY11E				FY12E				Fiscal	Fiscal	Fiscal	Fiscal	Fiscal
	Q1A	Q2A	Q3A	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2008	2009E	2010E	2011E	2012E
Cash	29.2	100.3	99.3	73.5	70.9	68.2	66.6	62.9	59.6	57.0	56.6	55.0	37.1	55.6	73.5	62.9	55.0
Other current assets	21.5	14.3	20.5	21.7	25.6	28.5	29.8	33.1	35.8	37.2	38.8	39.7	11.2	11.8	21.7	33.1	39.7
Current Assets	50.7	114.6	119.8	95.1	96.5	96.7	96.5	96.0	95.4	94.2	95.4	94.7	48.3	67.4	95.1	96.0	94.7
Plant/Property/Equipment (Net)	21.3	21.3	21.0	21.0	21.1	21.3	21.9	22.5	28.8	35.0	41.3	47.5	16.0	21.6	21.0	22.5	47.5
Other long-term assets	11.9	7.8	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	6.5	10.1	7.3	7.3	7.3
TOTAL ASSETS	83.8	143.7	148.1	123.5	124.9	125.2	125.6	125.8	131.5	136.5	144.0	149.5	70.9	99.0	123.5	125.8	149.5
Current liabilities:																	
Notes Payable	-	-	4.0	-	-	-	-	-	-	-	-	-	5.2	7.9	-	-	-
Deferred revenue	9.4	4.6	9.3	9.4	9.6	10.2	10.7	10.2	11.0	11.8	12.7	13.4	10.6	24.7	9.4	10.2	13.4
Other Current Liabilities	28.0	26.3	23.0	23.2	23.8	22.7	21.4	20.4	22.0	23.6	25.4	26.7	26.6	31.5	23.2	20.4	26.7
Total Current Liabilities:	37.4	30.8	36.4	32.6	33.4	32.9	32.1	30.5	33.1	35.4	38.1	40.1	42.4	64.2	32.6	30.5	40.1
Long-Term Debt	-	-	-	-	-	-	-	-	-	-	-	-	8.5	-	-	-	-
Other liabilities	10.9	8.5	7.6	(10.9)	(8.8)	(6.7)	(4.6)	(2.4)	(0.4)	1.6	3.6	5.6	16.4	-	(10.9)	(2.4)	5.6
Total Liabilities	48.3	39.4	43.9	21.7	24.6	26.3	27.5	28.1	32.6	36.9	41.6	45.7	67.3	64.2	21.7	28.1	45.7
Preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stockholders' equity	35.5	104.3	104.1	101.8	100.3	99.0	98.1	97.7	98.8	99.5	102.3	103.8	3.6	34.8	101.8	97.7	103.8
TOTAL LIABILITIES & S.E.	83.8	143.7	148.1	123.5	124.9	125.2	125.6	125.8	131.5	136.5	144.0	149.5	70.9	99.0	123.5	125.8	149.5

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Statement of Cash Flow

(\$ Millions)	FY10E				FY11E				FY12E				Fiscal 2008	Fiscal 2009	Fiscal 2010E	Fiscal 2011E	Fiscal 2012E
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
Operating:																	
Net Income	(1.4)	(3.9)	(2.7)	(2.3)	(1.5)	(1.3)	(0.9)	(0.4)	1.1	0.7	2.8	1.5	(45.1)	(20.3)	(10.4)	(4.1)	6.1
Depreciation/Amortization	1.8	1.9	2.0	2.0	2.4	2.4	2.4	2.4	3.8	3.8	3.8	3.8	4.6	7.8	7.7	9.5	15.0
Share-based compensation	1.7	2.3	2.5	1.5	2.1	2.1	2.1	2.1	2.0	2.0	2.0	2.0	3.5	4.8	8.0	8.5	8.0
Changes in operating assets and liabilities:	(14.1)	(6.9)	0.9	(0.9)	(3.1)	(3.4)	(2.2)	(4.8)	(0.2)	1.0	1.1	1.2	0.8	(1.0)	(21.1)	(13.5)	3.0
Net Cash Flow for Operating Activities	(12.0)	(6.7)	2.7	0.2	(0.1)	(0.2)	1.5	(0.7)	6.7	7.4	9.6	8.4	(36.3)	(8.7)	(15.8)	0.5	32.1
Investing:																	
Purchases of plant, property, equipment	(1.3)	(1.9)	(1.5)	(2.0)	(2.5)	(2.5)	(3.0)	(3.0)	(10.0)	(10.0)	(10.0)	(10.0)	(8.5)	(10.8)	(6.7)	(11.0)	(40.0)
Other	13.6	(39.0)	48.7	-	-	-	-	-	-	-	-	-	15.6	(0.4)	23.3	-	-
Acquisitions	-	-	-	(20.0)	-	-	-	-	-	-	-	-	-	(1.3)	(20.0)	-	-
Net Investing Cash Flow	12.3	(40.9)	47.2	(22.0)	(2.5)	(2.5)	(3.0)	(3.0)	(10.0)	(10.0)	(10.0)	(10.0)	7.1	(12.5)	(3.4)	(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	-	-	-	-	-	-	-	-	-	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)	(4.0)	-	-	-	-	-	-	-	-	(3.9)	(6.0)	(11.7)	-	-

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

S: Sell

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MP: Market Perform

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Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
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HOLD [N]	260	43.20	24	9.23
SELL [UW]	46	7.60	1	2.17

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