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Related Companies:	Share Price:
CDXS	9.97
MBLX	13.85

Codexis, Inc. Neutral

(CDXS - \$9.97)

Clean Tech Industrials

Shell Expands Investment in Biofuels Development; Maintain Neutral Rating

CONCLUSION:

Over the past week, Shell has furthered its commitment to commercializing biofuels by extending an existing relationship with Canadian cellulosic ethanol developer Iogen and by making a direct investment in Madison, WI-based Virent. While one could argue the Virent investment spreads Shell across competing technologies & pathways to commercialization, we view these moves by Shell as an incremental positive for Codexis. We continue to rate CDXS shares at Neutral as we await better visibility around Shell's timeline on biofuel commercialization.

- **Royal Dutch Shell extends R&D agreement with partner Iogen.** Over the past week, Shell has made two incremental moves that demonstrate the company's commitment to commercializing cellulosic biofuels. First, Shell extended its R&D funding agreement with Canadian cellulosic ethanol developer Iogen for another two years through mid-2012. Shell and Iogen have previously established a joint venture (Iogen Energy) which is working toward commercializing cellulosic ethanol in Saskatchewan, Canada using wheat straw as the feedstock. Iogen Energy is currently operating a 170k gallon pilot facility, which was constructed in 2004. R&D work is being performed to lower operating and capital costs for an upcoming decision on a commercial-scale facility – which is expected to be made later this year. Codexis – through its exclusive partnership with Shell – would incorporate its biocatalysts in this commercial-scale facility once constructed.
- **Virent investment expands Shell's reach in the biofuels market.** In keeping form with how many strategic partners are approaching the biofuels market, Shell announced a direct investment in Virent Energy Systems. Shell began a 5-year development agreement with Virent in 2008, but up to this point had not made a direct investment. Virent has developed a thermochemical process to convert a variety of ag feedstocks to 'green' gasoline, which bypasses the blending and infrastructure obstacles of ethanol. Terms of the investment were not disclosed, but we would estimate it was in the single digit or low double digit million dollar range.
- **We view these Shell announcements as incremental positives for CDXS.** We believe an expanded commitment on the behalf of Shell to the commercialization of cellulosic biofuels is positive for CDXS. We are still waiting for an explicit timeline from Shell on the construction of a cellulosic biofuel facility that will incorporate Codexis biocatalysts, and accordingly we rate CDXS shares at Neutral. The Virent investment represents a competing pathway, but would note that strategic partners are commonly pursuing multiple pathways in parallel and do not view this as a wavering commitment to Codexis.

PRICE TARGET AND JUSTIFICATION:

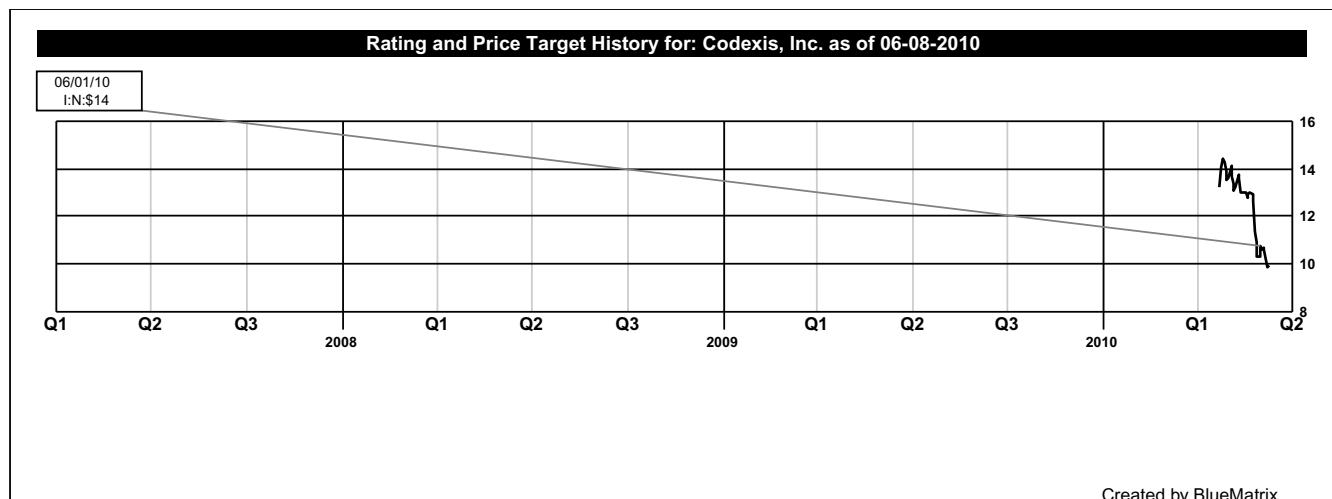
Our \$14 price target is based on an enterprise value to estimated CY11 revenue multiple of 4.0x.

RISKS TO ACHIEVEMENT OF TARGET PRICE:

Facility construction delays, reduced regulatory support for biofuels, competing enzyme-based (or other) technologies, a sustained drop in oil prices

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T: Transferring Coverage

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S: Suspending Coverage

OW: Overweight

N: Neutral

UW: Underweight

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UR: Under Review

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Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
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Analyst Certification — Michael E. Cox, CFA, Sr Research Analyst

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