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Related Companies:
CDXS

Share Price:
10.14

Codexis, Inc. Overweight

(CDXS - \$ 10.14)

Clean Tech Industrials

Carbon Capture Partnership Announced, Presenting Another Leg of Growth; OW

CONCLUSION:

In an 8-K today, Codexis announced a partnership agreement with French power equipment giant Alstom Group to develop enzyme-based technology for carbon capture applications in the power generation market. We view this announcement as a significant step for Codexis' carbon capture platform, similar to the agreement the company has with RD Shell in the biofuel arena. While details of this 16-month exclusive development agreement are limited, we believe it solidifies another attractive growth opportunity for Codexis. Reiterate Overweight rating and \$12 target.

- **Codexis establishes carbon capture partnership with European industry giant.** This morning, Codexis disclosed a new partnership with Alstom Power, a subsidiary of the French power & transportation equipment manufacturer Alstom Group. Alstom Group is a \$20+ billion equipment company with strong relationships in the power industry around the globe, and in particular in Europe where carbon capture is already an established market. The 16-month, exclusive partnership agreement will aim to develop enzymatic approaches to carbon capture applications in the power generation industry based on technology developed by Codexis and its partner CO2 Solutions. If predetermined milestones are achieved, we believe the initial term of the agreement will be extended and the scope of the program will be expanded to include commercialization.
- **Difficult to quantify the near-term impact, but we view this as a significant step for Codexis.** Much like the company's partnership with RD Shell, we view today's announcement as a significant step for Codexis in commercializing its carbon capture technology. These agreements provide Codexis with a strategic funding partner that also provides a path to commercialization. No financial details were disclosed in today's 8-K, but it is likely that R&D funding would be recognized as revenue in 2011, similar to how the agreement with Shell is structured. We are making no changes to our estimates pending additional information on the size & structure of the partnership agreement.
- **Maintain Overweight rating & \$12 price target.** The distribution of Maxygen's holdings of CDXS shares to Maxygen shareholders creates a near-term overhang on the stock, but we believe the fundamental outlook for CDXS is very bright. The company's pharma platform provides positive EBITDA while the company pursues sizeable opportunities in biofuel, carbon capture, and chemicals. Today's announcement provides Codexis with a 'big brother' partner in the carbon capture platform (much like Shell in biofuel) and sets another growth platform in motion for the company.

PRICE TARGET AND JUSTIFICATION:

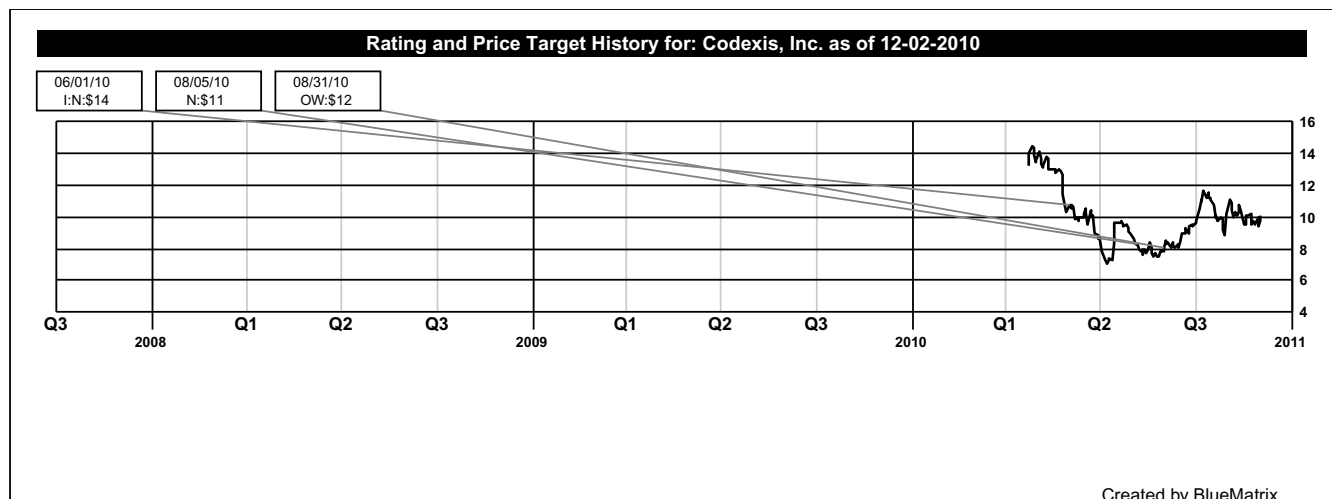
Our \$12 price target is based on an enterprise value to estimated CY11 revenue multiple of 3.0x.

RISKS TO ACHIEVEMENT OF TARGET PRICE:

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

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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

AL On/AL Off: Placed on/removed from the Alpha List maintained by Piper Jaffray (AL use discontinued March 2010)

NA: Not Available

UR: Under Review

Distribution of Ratings/IB Services Piper Jaffray				
Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	309	49.90	68	22.01
HOLD [N]	263	42.50	29	11.03
SELL [UW]	47	7.60	2	4.26

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Analyst Certification — Michael E. Cox, CFA, Sr Research Analyst — Mike J. Ritzenthaler, Research Analyst

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