

RBC Capital Markets, LLC

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FY Dec	2010A	2011E	2012E	
Revenue (MM)	107.1	121.4	168.7	
Prev.	101.9			
EBITDA (MM)	1.2	0.1	19.4	
Prev.	(0.9)			
EPS (Op) - FD	(0.25)	(0.27)	0.14	
Prev.	(0.29)			
P/E	NM	NM	65.4x	
Revenue (MM)	Q1	Q2	Q3	Q4
2010	25.7A	24.5A	27.1A	29.8A
Prev.				24.6E
2011	28.3E	28.5E	29.9E	34.7E
2012	38.8E	40.7E	43.3E	45.9E
EBITDA (MM)				
2010	0.7A	(1.3)A	(0.5)A	2.2A
Prev.				0.2E
2011	0.1E	(1.1)E	(1.1)E	2.2E
2012	3.9E	4.1E	5.3E	6.1E
EPS (Op) - FD				
2010	(0.05)A	(0.15)A	(0.08)A	(0.01)A
Prev.				(0.05)E
2011	(0.05)E	(0.10)E	(0.10)E	(0.01)E
2012	0.01E	0.01E	0.05E	0.07E

All values in USD unless otherwise noted.

COMPANY UPDATE | COMMENT

FEBRUARY 4, 2011

Codexis, Inc. (NASDAQ: CDXS)

Q410 Results: Commercialization Path on Track; Firing on All Cylinders

Outperform
Speculative Risk

Price:	9.15	Price Target:	14.00
Shares O/S (MM):	34.2	Implied All-In Return:	53%
Dividend:	0.00	Market Cap (MM):	313
Float (MM):	18.7	Yield:	0.0%
		Enterprise Val. (MM):	228
		Avg. Daily Volume (MM):	0.16

Reported Q410 Results on Thurs, Feb. 3rd

Investment Opinion

Net: We remain buyers as company's strong execution on existing pipeline and opportunities to leverage proprietary enzyme technology into large end-markets seem to be growing. Revenue of \$29.8M was above our estimate of \$24.6M on higher product revenue, while expenses remain well controlled. We see management forecast of "\$120M or greater" for FY11 as conservative given visibility of pharma pipeline and track record of execution on biofuels milestones. Shell-Cosan joint venture receipt of EU approval in the quarter is a major milestone towards commercialization of biofuels, in our view, paving a path towards use of Codexis enzymes in large-scale production of ethanol. Management continues to see opportunities in adjacent large end-markets, with the \$4B market for detergent alcohols a potential opportunity to leverage IP from the Shell relationship.

- **Continued Execution and Positive 2011 Outlook:** Rev / EPS of \$29.8M / (\$0.01) exceeded our estimates of \$24.6M / (\$0.05) on higher product revenue. FY11 guidance for revenues of "\$120M or greater" assumes achievement of 80% of standard and 50% of stretch goals with Shell.
- **Shell-Cosan J/V Clears Major Hurdle:** The joint venture received regulatory approval from the EU during the quarter, marking a critical step towards commercialization. Remaining clearing procedures include Brazilian regulatory approval and shareholder approval, which the j/v expects to occur in 1H11. Upon closure, the j/v will have a 16.5% ownership interest in Codexis, providing incentive to utilize the company's technology platform. Approval would result in an entity with combined 9% market share in crushed sugar cane production and 18% market share of Brazilian fuels distribution market.
- **Chemicals Industry Another Potential Addressable Market:** Management sees attractive opportunities in the Chemicals industry, with specific reference to the \$4B end-market for detergent alcohols. Technology developed through the Shell R&D relationship may be leveraged into this market, as Shell exclusivity does not extend beyond liquid transportation fuels. Codexis believes its enzymes can be used to create an end-product with identical specifications to existing detergent alcohols, allowing manufacturers to implement the product without any needed changes to existing equipment.

Priced as of prior trading day's market close, EST (unless otherwise noted).

For Required Conflicts Disclosures, see Page 4.

Valuation

Our valuation methodology employs EV/EBITDA, EV/Sales, and P/E multiples for both the pharma and the bioindustrials business segments. We derive our valuation multiples from public comparables and apply the multiples to our 2013 estimates, which we believe are the most representative of the company's intrinsic value given commercialization of the biofuels segment. Valuation for the pharma segment employs an EV/EBITDA multiple of 11.5x, an EV/Sales multiple of 3.25x, and a P/E multiple of 19x on our 2013 estimates. Valuation for the bioindustrials segment employs an EV/EBITDA multiple of 13x, EV/Sales multiple of 1.25x, and a P/E multiple of 26x on our 2013 estimates. We then discount back to present value at a 10% discount rate for pharma and an 18% discount rate for bioindustrials to arrive at our price target of \$14.

Price Target Impediment

- Future product revenues and royalties from biofuels are contingent upon Shell's commercialization of biocatalysts developed by Codexis. Failure to reach commercialization or reduction in R&D funding will limit revenues that can be achieved from the Bioindustrials business segment.
- Lower prices of traditional sources of energy such as oil could potentially reduce the demand for alternative sources of energy, which would lower the outlook for biofuel production.
- Low levels of adoption of biocatalysts in pharma manufacturing could result in significantly lower growth rates than we are forecasting for pharma product and service revenue.
- Inability of biofuel production to meet regulatory requirements would result in a lower than expected growth rate for the biofuels industry.

Company Description

Codexis commenced operations in March 2002 after being incorporated in January 2002 as a wholly owned subsidiary of Maxygen, Inc. The company operates a proprietary technology platform that enables the creation of optimized biocatalysts that make existing industrial manufacturing processes faster, cleaner, and more efficient than current methods. Codexis has commercialized its biocatalysts in the pharmaceutical industry and is developing biocatalysts for use in producing advanced biofuels under a multi-year research and development collaboration with Shell.

Codexis, Inc. CDXS												
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	Fiscal Year 2011				Fiscal Year 2012				Annual Results			
	Q111E Mar-11	Q211E Jun-11	Q311E Sep-11	Q411E Dec-11	Q112E Mar-12	Q212E Jun-12	Q312E Sep-12	Q412E Dec-12	FY10A	FY11E	FY12E	FY13E
Revenues												
Pharma	10,569.9	11,530.8	12,491.7	13,452.6	17,905.5	19,533.3	21,161.0	22,788.8	36,884.0	48,045.1	81,388.6	102,709.2
Bioindustrials	16,930.9	16,940.9	17,402.9	21,028.9	19,754.5	20,432.7	21,619.5	22,682.8	66,148.0	72,303.6	84,489.6	110,343.4
Grants	831.0	-	-	207.8	1,132.9	708.1	566.4	424.8	4,072.0	1,038.8	2,832.2	-
Total Revenues	28,331.9	28,471.7	29,894.6	34,689.3	38,792.9	40,674.0	43,347.0	45,896.4	107,104.0	121,387.5	168,710.3	213,052.6
Sequential Growth	(5.0%)	0.5%	5.0%	16.0%	11.8%	4.8%	6.6%	5.9%	29.2%	13.3%	39.0%	26.3%
YoY Growth	10.2%	16.3%	10.3%	16.4%	36.9%	42.9%	45.0%	32.3%				
Cost of Revenues	6,381.3	6,961.4	7,541.5	8,121.6	10,939.4	11,854.4	12,644.7	13,551.6	27,982.0	29,005.7	48,990.1	66,716.9
Gross Profit	21,950.6	21,510.3	22,353.1	26,567.7	27,853.5	28,819.7	30,702.3	32,344.8	79,122.0	92,381.7	119,720.2	146,335.6
Total Gross Margin	77.5%	75.5%	74.8%	76.6%	71.8%	70.9%	70.8%	70.5%	73.9%	76.1%	71.0%	68.7%
Other Operating Expenses												
R&D	14,653.0	15,283.1	15,970.8	16,673.5	17,326.3	18,004.6	18,709.4	19,441.8	52,405.0	62,580.4	73,482.0	76,597.3
SG&A	9,353.6	9,641.7	9,950.2	10,288.5	10,359.6	10,431.1	10,503.1	10,575.6	33,841.0	39,234.0	41,869.3	48,727.8
Total Operating Expenses	24,006.6	24,924.8	25,921.0	26,962.1	27,685.8	28,435.6	29,212.5	30,017.4	86,246.0	101,814.5	115,351.3	125,325.1
Sequential Growth	9.1%	3.8%	4.0%	4.0%	2.7%	2.7%	2.7%	2.8%				
EBITDA	129.4	(1,134.0)	(1,097.4)	2,171.1	3,923.7	4,141.9	5,251.4	6,090.9	1,185.0	69.2	19,407.9	38,044.9
EBITDA Margin	0.5%	(4.0%)	(3.7%)	6.3%	10.1%	10.2%	12.1%	13.3%	1.1%	0.1%	11.5%	17.9%
YoY Growth	(82.5%)	15.9%	(119.5%)	(5.4%)	2931.5%	-	-	180.5%	-	(94.2%)	27965.8%	96.0%
Operating Income (EBIT)	(2,056.0)	(3,414.4)	(3,567.9)	(394.4)	167.6	384.0	1,489.8	2,327.4	(7,124.0)	(9,432.7)	4,368.9	21,010.5
Operating Margin	(7.3%)	(12.0%)	(11.9%)	(1.1%)	0.4%	0.9%	3.4%	5.1%	(6.7%)	(7.8%)	2.6%	9.9%
Sequential Growth	(556.9%)	(66.1%)	(4.5%)	88.9%	NA	129.1%	287.9%	56.2%				
Other Income (Expense)												
Interest Income	406.7	382.1	354.2	330.9	333.6	366.2	492.7	551.6	166.0	1,473.9	1,744.1	2,360.5
Interest Expense	(105.6)	(91.0)	(73.9)	(63.6)	(50.6)	(50.6)	(50.6)	(50.6)	(1,200.0)	(334.1)	(202.3)	(202.3)
Interest (Net)	301.1	291.1	280.3	267.3	283.1	315.6	442.2	501.0	(1,034.0)	1,139.8	1,541.9	2,158.3
Other (Net)	60.0	27.6	(88.9)	(141.3)	-	-	-	-	-	(142.6)	-	-
Total Other Income (Expense)	361.1	318.7	191.4	126.0	283.1	315.6	442.2	501.0	(1,034.0)	997.2	1,541.9	2,158.3
Pretax Income (EBT)	(1,694.9)	(3,095.7)	(3,376.5)	(268.4)	450.7	699.7	1,932.0	2,828.4	(8,158.0)	(8,435.5)	5,910.8	23,168.8
Income Taxes (Benefit)	192.7	192.7	192.7	192.7	275.0	275.0	275.0	275.0	384.0	770.8	1,100.0	1,100.0
Net Income	(1,887.6)	(3,288.4)	(3,569.2)	(461.1)	175.7	424.7	1,657.0	2,553.4	(8,542.0)	(9,206.3)	4,810.8	22,068.8
EPS from Cont. Ops	(0.05)	(0.10)	(0.10)	(0.01)	0.01	0.01	0.05	0.07	(0.25)	(0.27)	0.14	0.64
Extraordinary Items												
Foreign Exchange Gain (Loss)	-	-	-	-	-	-	-	-	-	-	-	-
Warrants FV Adjustment	-	-	-	-	-	-	-	-	(884.1)	-	-	-
Total Extraordinary Items	-	-	-	-	-	-	-	-	(884.1)	-	-	-
Net Income to Common (GAAP)	(1,887.6)	(3,288.4)	(3,569.2)	(461.1)	175.7	424.7	1,657.0	2,553.4	(7,657.9)	(9,206.3)	4,810.8	22,068.8
EPS from Extraordinary Items	-	-	-	-	-	-	-	-	0.03	-	-	-
EPS to Common (GAAP)	(0.05)	(0.10)	(0.10)	(0.01)	0.01	0.01	0.05	0.07	(0.22)	(0.27)	0.14	0.64
Average Shares Outstanding - Diluted	34,452	34,452	34,452	34,452	34,452	34,452	34,452	34,452	34,452	34,452	34,452	34,452

Company Reports, RBC Capital Markets estimates

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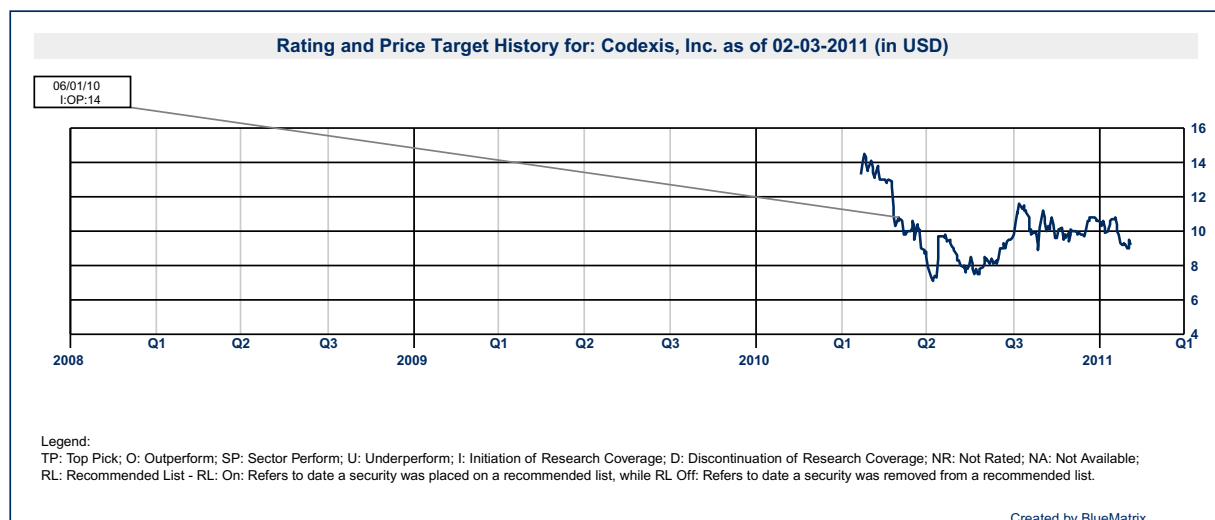
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