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Reason for Report:

Earnings Announcement

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:	\$9.15
52 Week High:	\$14.98
52 Week Low:	\$6.88
12-Month Price Target:	\$14.00

Based on 3x EV/2012 sales

Shares Out (mil):	39.0
Market Cap. (mil):	\$356.9
Avg Daily Vol (000):	155
Book Value/Share:	\$3.10
Net Cash Per Share:	\$2.10
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:	04/04/2011
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	<u>\$29.8A</u>	<u>\$31.7E</u>	<u>\$39.8E</u>
FY	\$107.1A	\$123.1E	\$161.7E
CY	\$107.1A	\$123.1E	\$161.7E

FY RM	3.3x	2.9x	2.2x
CY RM	3.3x	2.9x	2.2x

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	<u>(\$0.01)A</u>	<u>(\$0.01)E</u>	<u>\$0.04E</u>
FY	(\$0.26)A	(\$0.12)E	\$0.16E
CY	(\$0.26)A	(\$0.12)E	\$0.16E

FY P/E	NM	NM	57.2x
CY P/E	NM	NM	57.2x

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

Codexis, Inc. Overweight

(CDXS - \$9.15)

Healthy 4Q Upside; A More Focused Shell will be Positive for Shares in FY11;OW

CONCLUSION:

We maintain our Overweight rating and \$14 price target on shares of CDXS following healthy 4Q upside and a management team that continues to be confident in the progress they will make in 2011. Cellulosic enzymes, diesel, and wastewater treatment remain important, but management is particularly upbeat about the chemicals platform with detergent alcohol products starting to make their way into customer trials in 1H11. Shell is whittling down its biofuels investments from 10 to 5 this year; algae is the first to go. We believe Codexis will benefit from this increased focus which will play itself out in the JV between Shell and Cosan.

- **Management continues to be particularly upbeat about their prospects in chemicals with the path to market becoming more defined in 2011; Shell focuses their efforts in biofuels.** In 2010, management built out potential end market applications for their gene-shuffling technology into a myriad of high-volume markets. The challenge for management this year will continue to build out these platforms, and begin customer trials of the detergent alcohols as the path to commercialization becomes more clear. Also in 2011, Shell will reduce the number of biofuel investments from 10 down to 5 as it focuses on the most promising technologies. We believe that a more focused Shell will result in positive developments for shares of CDXS as the year unfolds, starting with the collaborative R&D to improve the efficiency of Brazilian ethanol plants and participate financially in the cost savings.
- **4Q results presented healthy upside to consensus numbers; guidance was in-line for FY11.** 4Q results included EPS of (\$0.01) on revenues of \$30 million, handily beating PJC estimates of (\$0.07) in EPS on \$25 million in revenue. Guidance for revenues in 2011 came in-line with consensus at \$120 million.
- **Maintain \$14 price target and Overweight Rating on shares.** Though the distribution of CDXS shares to Maxygen shareholders has created somewhat of an overhang in the near-term, in our view, Codexis is well-positioned to participate in a number of large and important end markets and we recommend that investors accumulate shares. This year we look for customer agreements, 'Go to Market' partners in the chemicals platform, and Brazilian opportunities with Shell to catalyze shares. Our \$14 price target is based on an enterprise value multiple of 3x our 2012 revenue estimate.

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: 02/03/11

Price: \$9.15

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	82.9	107.1	123.2	161.7
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	16.7	28.0	35.6	54.6
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	66.2	79.1	87.5	107.1
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	45.9	52.4	56.5	61.5
Operations	2.0	2.0	1.5	-	1.5	1.5	2.0	2.0	2.0	2.0	2.5	2.5	8.9	5.5	7.0	9.0
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	29.9	28.3	30.5	32.5
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	(18.4)	(7.1)	(6.5)	4.1
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	(1.2)	(1.0)	1.6	2.0
Other	-	-	-	-	-	-	-	-	-	-	-	-	(0.6)	-	-	-
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	(1.9)	(1.0)	1.6	2.0
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	(20.2)	(8.2)	(4.9)	6.1
Tax Provision	0.1	(0.1)	(0.3)	(0.1)	0.2	0.2	0.2	0.2	-	-	-	-	(0.1)	(0.4)	0.8	-
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	(20.3)	(8.5)	(4.1)	6.1
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	34.2	32.4	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)	(\$0.01)	(\$0.04)	(\$0.04)	(\$0.03)	(\$0.01)	\$0.03	\$0.02	\$0.07	\$0.04	(\$0.59)	(\$0.26)	(\$0.12)	\$0.16
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	6.1	8.6	9.5	15.0
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	4.9	9.3	8.5	8.0
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	(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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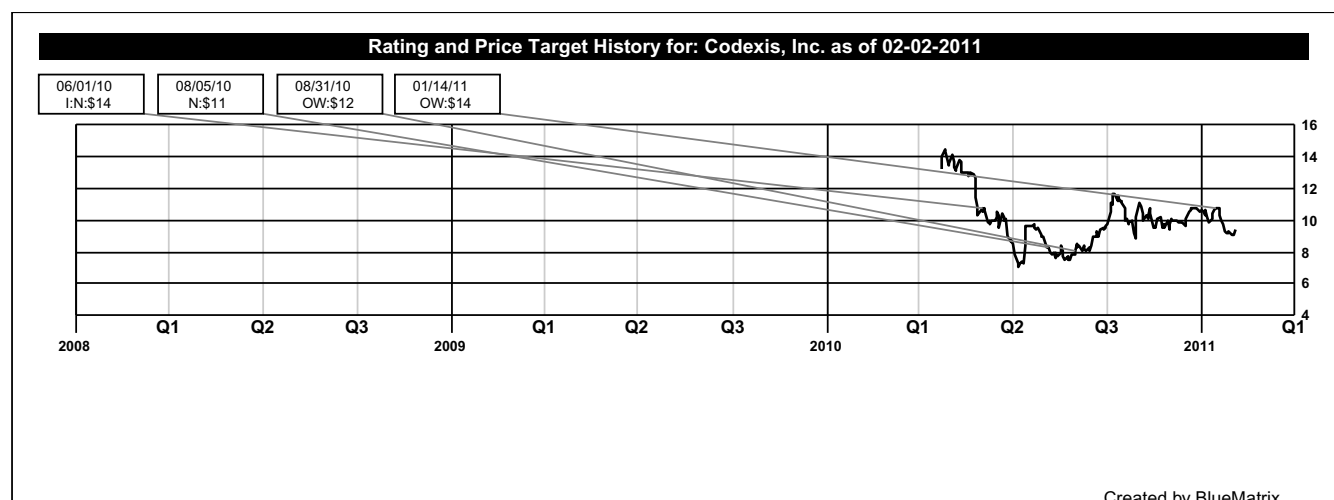
**Codexis
Balance Sheet**

(\$ Million)	FY10E				FY11E				FY12E				Fiscal 2008	Fiscal 2009E	Fiscal 2010E	Fiscal 2011E	Fiscal 2012E
	Q1A	Q2A	Q3A	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
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)	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)	(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	50.10	69	22.04
HOLD [N]	267	42.70	30	11.24
SELL [UW]	45	7.20	2	4.44

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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