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**Reason for Report:**

Company Update

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:	\$10.44
52 Week High:	\$14.98
52 Week Low:	\$6.88
12-Month Price Target:	\$14.00

3x EV/2012E sales

Shares Out (mil):	39.0
Market Cap. (mil):	\$407.2
Avg Daily Vol (000):	166
Book Value/Share:	\$3.10
Net Cash Per Share:	\$2.10
Debt to Total Capital:	0%
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	\$29.8A	\$31.7E	\$39.8E
FY	\$107.1A	\$123.1E	\$161.7E
CY	\$107.1A	\$123.1E	\$161.7E

FY RM	3.8x	3.3x	2.5x
CY RM	3.8x	3.3x	2.5x

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	(\$0.01)A	(\$0.01)E	\$0.04E
FY	(\$0.26)A	(\$0.12)E	\$0.16E
CY	(\$0.26)A	(\$0.12)E	\$0.16E

FY P/E	NM	NM	65.2x
CY P/E	NM	NM	65.2x

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

## Codexis, Inc. Overweight

(CDXS - \$10.44)

### New Details Surface from the Shell-Cosan JV on Capacity Plans; Overweight

**CONCLUSION:**

We are maintaining our Overweight rating and \$14 price target on shares of CDXS following additional details that were disclosed today on the Shell-Cosan JV. The JV, named Raizen, has yet to attain the blessing from Brazilian regulators, but announced today that they will be focused on boosting the crushing capacity by approximately 65% from 60 million tons to 100 million tons and the ethanol capacity from 580 million gallons to over 1.3 billion gallons over the next 5 years. The near-term opportunity for Codexis is to use their technology to enhance the first-generation ethanologen currently used in the facilities.

- **The near-term opportunity is in enhancement of the first-gen yeast biocatalyst.** Raizen is comprised of Cosan's milling & ethanol assets – which bring 60 million tons of crushing capacity and 580 million gallons of ethanol capacity to the JV – along with Shell's robust network of distribution channels – through some 4,500 service stations in Brazil. Raizen management announced today plans to increase crushing capacity by approximately 65% to 100 million tons and increase ethanol capacity to over 1.3 billion gallons over the next 5 years. Shell included their partnership in Codexis among the JV's assets, and we believe that Codexis stands to benefit starting this year from research projects in improving the rate and yield of the ethanologens currently employed in the facilities.
- **Over the next several years, Codexis will be well positioned to supply enzymes for cellulosic fuels and chemicals.** With their foot in the door in Brazil, and an opportunity to address 100 million tons of crushed bagasse with their enzyme cocktails, we see Codexis as well positioned to participate in advanced fuels and chemicals. Consolidation will likely be an important theme going forward for the Brazilian ethanol industry, and given the significant number of family owned and operated plants, Raizen will be poised to acquire facilities driving the growth management outlined today.
- **Maintain \$14 price target and Overweight rating on shares.** We believe that approval from the Brazilian authorities, expected in the next two to three months, will be a catalyst for shares of CDXS. Also this year, we are looking for customer agreements & 'Go to Market' partners in the chemicals platform, as well as additional clarity on the Brazilian opportunities with Raizen 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: 02/14/11

Price: \$10.47

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
<b>Margins:</b>																
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	FY09	FY10E	2011E	2012E
	Mar	June	Sept	Dec	Mar	June	Sept	Dec	Mar	June	Sept	Dec				
<b>Revenue</b>																
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
<b>Revenue % Change</b>																
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%
<b>Gross Profit</b>																
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
<b>Gross Margins</b>																
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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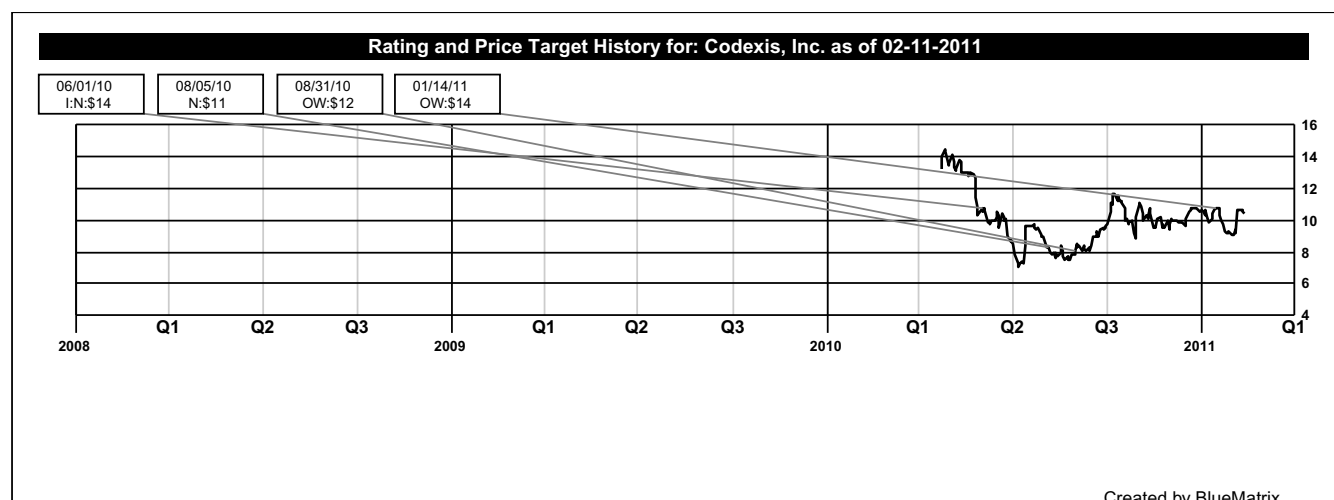
**Codexis**  
**Balance Sheet**

(\$ 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					
<b>Operating:</b>																	
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
<b>Investing:</b>																	
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)
<b>Financing:</b>																	
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



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## 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)

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			Count	Percent
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HOLD [N]	267	42.90	26	9.74
SELL [UW]	45	7.20	2	4.44

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