

Healthcare: Biotechnology

Evotec AG | EVT.GR - €13.94 - FSE | Buy

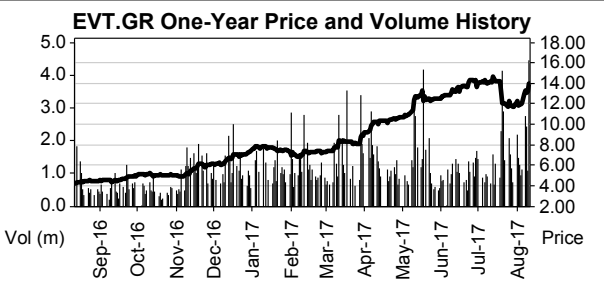
Company Update

Target Price Changed

Stock Data					
52-Week Low - High	€4.02 - €14.71				
Shares Out. (mil)	146.68				
Mkt. Cap.(mil)	€2,044.7				
3-Mo. Avg. Vol.	1,400,359				
12-Mo.Price Target	€17.00				
Cash (mil)	€187.0				
Tot. Debt (mil)	€7.8				
Est. 3Yr. EPS Growth	27%				

EPS €					
Yr Dec	—2016—	—2017E—		—2018E—	
		Curr	Prev	Curr	Prev
1Q	(0.01)A	0.05A	0.05A	0.06E	0.05E
2Q	0.03A	0.02A	0.03E	0.07E	0.03E
3Q	0.07A	0.05E	0.04E	0.06E	0.05E
4Q	0.12A	0.03E	0.02E	0.13E	0.12E
YEAR	0.20A	0.13E	0.13	0.33E	0.25E
P/E	0.0x	0.0x	0.0x	0.0x	0.0x

Revenue (€ millions)					
Yr Dec	—2016—	—2017E—		—2018E—	
		Curr	Prev	Curr	Prev
1Q	37.5A	50.2A	50.2A	85.9E	84.6E
2Q	38.0A	53.2A	42.5E	90.0E	76.7E
3Q	45.2A	51.9E	50.6E	89.8E	86.8E
4Q	43.9A	77.8E	76.4E	119.7E	116.1E
YEAR	164.5A	233.1E	219.8E	385.3E	364.3E



EVT: Impressive 2Q'17, as Integration and Cross-Selling Capture Our Attention

Evotec recorded a strong 2Q'17, delivering higher than expected revenues and income (post-fx), including 40% revenue growth. Mgt reiterated its 2017 financial guidance, including top-line growth of 15%, which we believe is very achievable. Still, the vast majority of our PT is not predicated on Evotec's financial performance, but by the value of its 80 partnered pipeline assets (see Exhibit 1). We believe the accretive Aptuit acquisition will expand its drug discovery business while providing the opportunity for further collaborations.

Evotec's strong performance and our confidence in its ability to continue to execute lifts our PT from €16.00 to €17.00.

2Q'16's financial performance was strong, including:

- Revenues of €53.2M (+40% vs. 2Q'16s €38M) vs. consensus' €46.9M and our €42.5M estimate
 - EVT Execute's revenues of €52.5M (+26% vs. 2Q'16s €41.2M)
 - EVT Innovate's revenues of €8.5M (+57% vs. 2Q'16s €5.4M)
- Net Income of €3.2M (-17% vs. 2Q'16s €3.9M) vs. consensus of €4.8M and our €4.0M estimate
 - Foreign exchange had a -€3.3M impact on 2Q'17s operating income
- EPS of €0.02 (-25% vs. 2Q'16s €0.03) vs. consensus of €0.04 and our €0.03 estimate
- Evotec currently has ~€187M in cash, which we project to be ~€100M by year-end following completion of the Aptuit acquisition.
- Following the strong 1H, mgt confirmed 2017 guidance of >15% group revenue growth, "significantly improved" Adjusted Group EBITDA and R&D expenses of ~€20M.

Summary of EVT Execute's activities in 1H'17:

- EVT Execute' 26% revenue growth was driven by strong organic growth as well as milestone payments. But the primary driver of the Execute revenue growth came from the Cyprodex acquisition, which had a stronger start than we anticipated in generating €12.3 million in revenues in 1H'17.
 - If the integration of the Cyprodex business and the Toulouse facility can be replicated with the Aptuit acquisition, we could see further upside to the Aptuit revenues we described in our note last week.
 - As it stands, upside to our 2H'17 and future years' revenues could be reached by the major pharma contract that was signed in 1Q'17. Management is guiding to a €20M impact in 2017 from this contract.
- We believe the new drug discovery agreements and extensions of previous agreements contributed to Execute's 1H'17s performance, including with Dermira, Asahi Kasei, and Blackthorn Therapeutics.

Summary of EVT Execute's activities in 1H'17:

- As described in our July 31st note, Evotec's €256 million Aptuit acquisition adds the INDiGO platform (IND-enabling studies and support), high-end chemistry, manufacturing, and control (CMC) to Evotec's discovery capabilities, while expanding drug discovery further in CNS and respiratory diseases. Following the completion of this acquisition, expected in 3Q'17, Evotec will become a more vertically-integrated drug discovery business with its expanded capabilities, including its sophisticated, niche manufacturing and services to enable a successful IND submission to get assets into the clinic. In brief, the Aptuit acquisition not only adds new customers to Evotec's Execute business (only two of top 10 customers overlap), but it completes capabilities required to get an asset into the clinic.

Summary of EVT Innovate's activities in 1H'17:

- In 1H'17, the Evotec Innovate segment focused on further establishing its iPSC-based drug discovery platform, which includes a broad network of patient-derived iPSCs, which are cultured at industrial scale and screened for disease-relevant phenotypes and genotypes. Evotec has enhanced its iPSC capabilities through a strong network of partners, including Censo Biotechnologies (private) and Fraunhofer (private), which has facilitated continued progress in its iPSC alliances with Celgene (CELG.O-NC) in neurodegenerative diseases and Sanofi (SNY-NC) in diabetes.
- In our view, management suggested the possibility of achieving an early preclinical milestone in the Celgene alliance by year-end, which we believe to be a target ID in one of the multiple ongoing projects, including Alzheimer's disease, Parkinson's disease, ALS, and Huntington's disease. As a reminder, each project in the Celgene program could garner over \$250 million in milestones, as well as low double-digit royalties in what we believe will be blockbuster indications. While the timing of such industry leading research cannot be rushed, we would find the target ID in this iPSC collaboration to be a major sign of progress in this iPSC program.
- Meanwhile, the iPSC alliance in diabetes with Sanofi reached a preclinical proof-of-concept milestone in April. In this iPSC alliance, Evotec could earn over €300M in milestones as well as double-digit royalties.
- Partnerships with Bayer (BAYRY.PK-NC) continue to progress, with multiple milestones received in the multi-target program in endometriosis and chronic kidney diseases.
- Strategic investments in spin-offs continued, including Eternygen, Forge Therapeutics, and Facio Therapies in 1H'17.

Acquisitions, integrations and synergies are fostering growth:

- From our perspective, the Cyprotex and Aptuit acquisitions solidify and expand EVT Execute's capabilities as a one-stop-shop in drug discovery and preclinical development through IND. So far, Evotec seems to have handled the acquisitions it's conducted over the past few years, but it will be important for the company to continue to cross-sell its current customers while maintaining a productive, expanding workforce.
- As a reminder, Aptuit would add both INDiGO and high-end CMC services while expanding drug discovery efforts in CNS and respiratory indications. We expect considerable bilateral cross-sell opportunities to Aptuit's and Evotec's clients, which are unique and additive. Additionally, we see INDiGO as an opportunity for Evotec to gain control of the timing of late pre-clinical IND-enabling steps, and therefore have greater potential for accelerated milestone achievement in its 80 Innovate partnered programs.
- Regarding Aptuit's drug discovery division, involving ~190 employees, Evotec will evaluate each project individually and allocate resources accordingly.

National Unified Renal Translational Research Enterprise (NURTuRE):

- Evotec's involvement in the NURTuRE Consortium gives the company access to patient data and sample material from ~3,000 patients with chronic kidney disease and ~1,000 patients with nephrotic syndrome, which will assist in the identification of disease-causing mechanisms and expand Evotec's drug discovery in kidney diseases which should support its alliance with Bayer in CKD.

Exhibit 1: EVT Innovate – partnered programs and spin-offs

Program	Indication	Asset or Target ID	rNPV (\$M)	rNPV (€M)
LAB282				
Oxford, OSI, OUI	Multiple	Multiple	\$20	€ 17
Neurology, Musculoskeletal				
Celgene, IPSC Alliance	AD, ALS, PD, HD	Neuronal stem cells	\$1,393	€ 1,180
Facio Therapies	FSHD	DUX4 repressors	\$25	€ 21
Oncology				
Sanofi, Inserm Transfert	Oncology	RhoB modulators	\$5	€ 4
Carrick Therapeutics	Oncology	Multiple targets	\$5	€ 4
Exscientia	Oncology	Adenosine targets	\$5	€ 4
Metabolic, Renal				
CureNephron, w/ Bayer	CKD	Target ID	\$75	€ 64
Eternugen	NASH	NaCT, a.k.a. INDY	\$5	€ 4
TargetBCD, w/ Sanofi	Diabetes	Functional B cells	\$20	€ 17
TargetNASH, w/ Ellersbrook	NASH	Target ID	\$5	€ 4
Autoimmune, Pain, Inflammation				
Topas Therapeutics	Autoimmune	Liver-based tolerance induction	\$10	€ 8
Bayer	Endometriosis	Multiple	\$125	€ 106
Fibrocor Therapeutics	Fibrotic diseases	Target ID	\$5	€ 4
Panion, now Biogen	Chronic pain	Novel GPCR target	\$5	€ 4
Infectious Diseases				
Forge Therapeutics	Gram-negative	LpxC target	\$15	€ 13
Haplogen	Viral infections	PLA2G16	\$5	€ 4
Total			\$1,723	€ 1,460

AD = Alzheimer's disease; CKD = chronic kidney disease; FSHD = facioscapulohumeral dystrophy; GPCR = g-protein coupled receptor; HD = Huntington's disease; INDY = I'm not dead yet; NASH = nonalcoholic steatohepatitis; OSI = Oxford Sciences Innovation; OUI = Oxford University Innovation; PD = Parkinson's disease.

Sources: www.evotec.com; ROTH Capital Partners' estimates and www.xe.com exchange rate of 1.18 (\$/€)

VALUATION

We reiterate our Buy rating and increase our price target from €16.00 to €17.00: We reach our PT based on our sum of the parts analysis, including EPS, cash/share and our risk-adjusted net present value (NPV) of Evotec's partnered pipeline.

- In our EPS discount model, which includes our EPS projections in 2018 to 2020, we apply a 15% discount rate to account for the risk of the EVT Execute business which drives these EPS projections, to which we apply a 25X PE to account for the growth in EPS during those years to reach a value of €6.79/share.
- Our YE'17 cash/share estimate is €0.50, after including the €256M acquisition of Aptuit.
- Over half of our PT is driven by our risk-adjusted NPV for Evotec's identifiable partnered pipeline assets, which is €10.08. The leading pipeline program is the neurodegenerative diseases partnership with Celgene.

Factors that may impede shares of EVT.GR from achieving our price target include currency and trading risks, as well as execution risks that may be related to the integration of the Sanofi employees.

RISKS

Drug discovery and research risks: While Evotec AG is an experienced drug discovery company there is no assurance that the company can and will be able to continue to provide research services that outside parties will agree to, and pay for. We cannot define the explicit value that investors are attributing to Evotec's more stable, research services business versus the potential of its pipeline. If the expected value of Evotec's future revenue and profitability potential falls, investors should expect the value of their holdings could decline.

Currency and trading risks: Geographically, 57% of Evotec's 2015 revenues were generated with customers in Europe and 42% in the US. Because Evotec offers its services to worldwide customers there are currency risks to all investors and as such, investors may experience detrimental currency changes which may cause the value of their holdings to decline.

Partnering risks: Because Evotec AG's operating model relies on the initiation and continuation of partnerships with outside parties in mixed and fluctuating degrees of research efforts, Evotec and its shareholders are reliant upon the continued "best efforts" of outside parties. These parties may change their previous intentions towards the development agreements with Evotec and/or may fail in the quality and timeliness of their own execution efforts that may be detrimental to Evotec shareholders.

COMPANY DESCRIPTION

Evotec AG is a drug discovery and development company. The Company operates through two segments. The EVT Execute segment provides standalone drug discover services on a typical fee-for-service basis or integrated drug discovery collaborations on partners' target through a range of commercial structures, including research fees, milestones and/or royalties. The EVT Innovate segment develops drug discovery programs and assets, both internally or through academic collaborations. The Company seeks to partner these into collaborations in return for upfront payments, ongoing research payments. It consists of all partnerships derived from its internally developed assets and platforms and its participations in certain companies. It includes clinical initiations and progress of clinical pipeline within partnerships; expansion of academic BRIDGE network; research and development (R&D) progress with CureX/Target X initiatives, and focuses on induced pluripotent stem cells (iPSC) platform.

Fiscal Period:	Actual															Projected						
	2011	2012	2013	2014	2015	Q116	Q216	Q316	Q416	2016	Q117	Q217	Q317	Q417	2017	Q118	Q218	Q318	Q418	2018	2019	2020
	Income Statement, in € (000)																					
Total Revenue	80,128	87,265	85,938	89,496	127,677	37,479	37,975	45,173	43,880	164,507	50,184	53,212	51,949	77,762	233,107	85,939	89,979	89,753	119,655	385,326	432,008	484,343
Cost of revenue	(45,143)	(56,242)	(54,716)	(60,118)	(89,690)	(25,008)	(24,442)	(24,784)	(31,719)	(105,953)	(31,402)	(34,981)	(33,247)	(49,768)	(149,398)	(54,461)	(57,021)	(56,878)	(75,827)	(244,188)	(270,606)	(299,769)
Gross Profit	34,985	31,023	31,222	29,378	37,987	12,471	13,533	20,389	12,161	58,554	18,782	18,231	18,702	27,994	83,709	31,478	32,958	32,875	43,828	141,139	161,402	184,574
Operating income and (expenses)																						
Research & development	(8,437)	(8,340)	(9,664)	(12,404)	(18,343)	(4,386)	(4,647)	(3,765)	(5,310)	(18,108)	(4,651)	(3,891)	(3,930)	(8,064)	(20,536)	(7,917)	(8,077)	(8,318)	(8,482)	(32,794)	(36,362)	(40,204)
Selling, general & administrative	(15,760)	(16,301)	(16,597)	(17,990)	(25,166)	(5,367)	(6,390)	(6,006)	(9,250)	(27,013)	(7,314)	(8,476)	(8,312)	(13,534)	(37,636)	(13,405)	(13,648)	(14,001)	(14,249)	(55,302)	(60,545)	(66,176)
Other operating (expenses)	(5,581)	(9,584)	(26,312)	(5,365)	17,162	26	3,149	1,369	13,365	17,909	2,893	2,660	2,687	2,713	10,953	2,741	2,768	2,796	2,824	12,048	13,253	14,579
Amortization of intangible rights	(1,703)	(2,768)	(3,222)	(2,462)	(2,860)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restructuring	0	0	(474)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Impairment of property, plant & equipment	0	0	(1,076)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Impairment of intangible assets	(2,058)	(3,505)	(22,023)	(14,967)	(7,242)	(1,417)	0	0	0	(1,417)	0	0	0	0	0	0	0	0	0	0	0	0
Reversal of impairment of intangible assets	1,501	0	0	6,444	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Income from bargain purchase	0	0	0	0	21,414	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Impairment of goodwill	0	0	(1,948)	0	0	0	0	0	(3,989)	(3,989)	0	0	0	0	0	0	0	0	0	0	0	0
Other operating income	1,426	2,202	4,410	15,352	14,353	4,403	6,692	5,866	22,003	38,964	6,706	5,823	5,881	5,940	24,350	5,999	6,059	6,120	6,181	26,785	29,464	32,410
Other operating expenses	(4,747)	(5,513)	(1,980)	(9,732)	(8,503)	(2,960)	(3,543)	(4,497)	(4,649)	(15,649)	(3,813)	(3,163)	(3,195)	(3,227)	(13,397)	(3,259)	(3,291)	(3,324)	(3,358)	(14,737)	(16,211)	(17,632)
Total operating expenses	(29,778)	(34,225)	(52,573)	(35,759)	(26,347)	(9,727)	(7,888)	(8,402)	(1,195)	(27,212)	(9,072)	(9,707)	(9,555)	(18,885)	(47,219)	(18,582)	(18,956)	(19,523)	(19,907)	(76,048)	(83,654)	(91,801)
Operating income	5,207	(3,202)	(21,351)	(6,381)	11,640	2,744	5,645	11,987	10,966	31,342	9,710	8,524	9,146	9,110	36,490	12,896	14,002	13,352	23,920	65,091	77,748	92,773
Other non-operating income (expenses)																						
Interest income	413	655	261	469	533	227	270	118	248	863	253	313	316	319	1,201	322	326	329	332	1,309	1,336	1,362
Interest expense	(1,858)	(1,859)	(1,870)	(1,621)	(1,726)	(434)	(430)	(326)	(333)	(1,523)	(239)	(136)	(137)	(2,939)	(3,451)	(2,935)	(2,935)	(2,935)	(2,935)	(11,742)	(11,742)	(11,742)
Loss from equity investments	0	0	0	(10)	2,044	(2,128)	1,393	(90)	3,093	2,268	(801)	(3,827)	0	0	(4,628)	0	0	0	0	0	0	0
Other expense from long-term investments	0	0	0	0	(72)	(53)	0	0	(322)	(375)	(233)	0	0	0	(233)	0	0	0	0	0	0	0
Other income from financial assets	0	406	26	79	0	0	287	69	103	459	0	50	0	0	50	0	0	0	0	0	0	0
Other expense from financial assets	(77)	0	(174)	0	(15)	(1)	(156)	(53)	(129)	(339)	(202)	(172)	0	0	(374)	0	0	0	0	0	0	0
Foreign currency exchange gain (loss), net	1,360	(1,185)	(556)	2,266	1,868	(2,074)	1,451	(191)	3,333	2,519	(383)	(3,326)	0	0	(3,709)	0	0	0	0	0	0	0
Other non-operating income	211	171	16	146	383	0	6	3	(5)	4	17	2	0	0	19	0	0	0	0	0	0	0
Other non-operating expense	0	0	0	(107)	(120)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total non-operating income (expense)	49	(1,812)	(2,297)	1,222	851	(2,335)	1,233	(470)	3,180	1,608	(787)	(3,650)	179	(2,619)	(11,125)	(2,613)	(2,610)	(2,606)	(2,603)	(10,432)	(10,406)	(10,379)
Income before taxes	5,256	(5,014)	(23,648)	(5,159)	12,491	409	6,878	11,517	14,146	32,950	8,923	4,874	9,325	6,490	25,365	10,283	11,392	10,745	21,317	54,658	67,342	82,393
Current tax income (expense)	(1,153)	(793)	(299)	(1,858)	(2,641)	0	(2,911)	(2,955)	(1,995)	(7,861)	(2,144)	(1,594)	(1,610)	(1,626)	(6,974)	(1,642)	(1,659)	(1,675)	(1,692)	(6,668)	(6,802)	(6,938)
Deferred tax income (expense)	2,548	8,285	(1,486)	39	6,666	0	(74)	101	1,723	1,750	105	(46)	(46)	(47)	(34)	(47)	(48)	(48)	(49)	(192)	(196)	(200)
Tax rate	-26.5%	149.4%	-7.5%	-35.3%	-32.2%	386.6%	43.4%	24.8%	-9.3%	18.5%	22.9%	33.6%	17.8%	25.8%	27.6%	16.4%	15.0%	16.0%	8.2%	12.6%	10.4%	8.7%
Total tax gain (expenses)	1,395	7,492	(1,785)	(1,819)	4,025	(1,581)	(2,985)	(2,854)	1,309	(6,111)	(2,039)	(1,640)	(1,656)	(1,673)	(7,008)	(1,690)	(1,707)	(1,724)	(1,741)	(6,861)	(6,998)	(7,138)
Net Income (loss)	6,651	2,478	(25,433)	(6,978)	16,516	(1,172)	3,893	8,663	15,455	26,839	6,884	3,234	7,669	4,817	18,357	8,594	9,685	9,022	19,576	47,797	60,344	75,255
Average basic & diluted shares (000)	116,022	117,296	121,215	131,291	131,679	132,334	132,427	132,564	132,700	132,507	139,717	146,383	146,519	146,655	144,818	146,791	146,927	147,062	147,198	146,995	147,538	148,082
Net Income (loss) per share (basic)	€ 0.06	€ 0.02	(€ 0.21)	(€ 0.05)	€ 0.13	(€ 0.01)	€ 0.03	€ 0.07	€ 0.12	€ 0.20	€ 0.05	€ 0.02	€ 0.05	€ 0.03	€ 0.13	€ 0.06	€ 0.07	€ 0.06	€ 0.13	€ 0.33	€ 0.41	€ 0.51
Net Income (loss) per share (diluted)	€ 0.06	€ 0.02	(€ 0.21)	(€ 0.05)	€ 0.13	(€ 0.01)	€ 0.03	€ 0.07	€ 0.12	€ 0.20	€ 0.05	€ 0.02	€ 0.05	€ 0.03	€ 0.13	€ 0.06	€ 0.07	€ 0.06	€ 0.13	€ 0.33	€ 0.41	€ 0.51

Sources: Company financial reports and ROTH Capital Partners

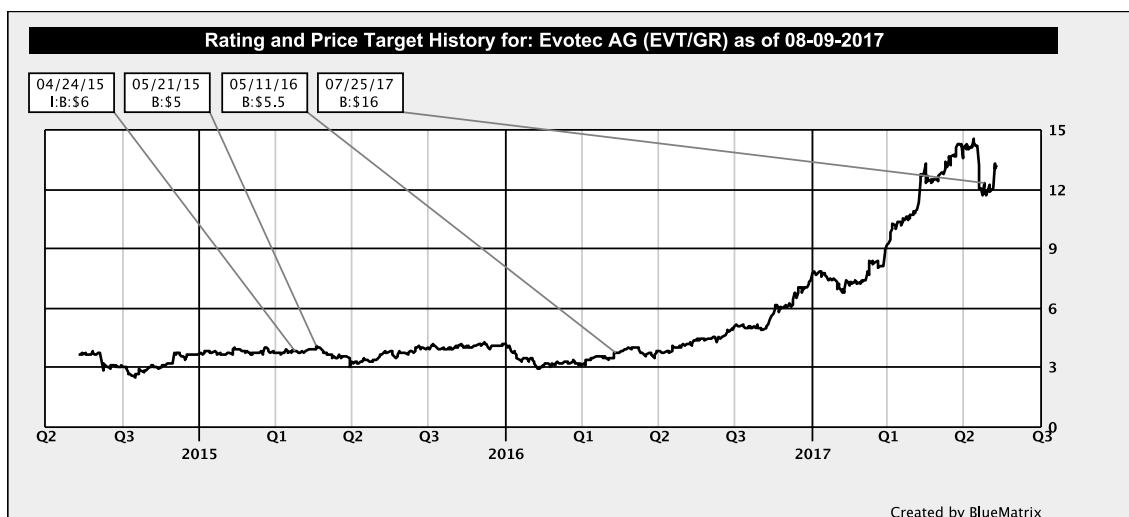
Michael Higgins
Senior Research Analyst
ROTH Capital Partners
mhiggins@roth.com

Evotec AG		Michael Higgins												
Balance Sheet, in € (000)		Senior Research Analyst ROTH Capital Partners mhiggins@roth.com												
Fiscal Period:	Actual						Projected							
	2011	2012	2013	2014	2015	2016	Q117	Q217	Q317	Q417	2017	2018	2019	2020
ASSETS														
Current assets:														
Cash and cash equivalents	17,777	39,065	45,644	48,710	44,497	83,940	77,616	87,999	95,668	90,485	90,485	138,282	198,627	273,882
Investments	44,651	25,094	50,499	40,112	89,443	42,330	107,359	99,050	99,149	9,248	9,248	9,285	9,322	9,360
Trade accounts receivables	10,393	15,053	17,777	25,259	20,933	27,448	30,411	26,279	26,410	26,542	26,542	27,073	27,615	28,167
Receivables from associated companies	0	0	0	0	136	852	925	1,677	1,682	1,687	1,687	1,704	1,721	1,738
Inventories	3,556	2,445	2,358	3,111	3,133	4,305	4,644	4,436	4,458	4,480	4,480	4,570	4,661	4,755
Current tax receivables	201	480	433	887	1,121	1,528	598	1,329	1,336	1,342	1,342	1,369	1,397	1,424
Deferred tax asset	2,373	0	0	0	0	0	0	0	0	0	0	0	0	0
Other current financial assets	1,355	1,478	1,995	1,094	1,018	1,592	2,262	3,554	3,572	3,590	3,590	3,661	3,735	3,809
Prepaid expenses and other current assets	2,965	4,489	3,820	6,127	6,659	7,240	9,359	8,907	8,952	8,996	8,996	9,176	9,360	9,547
Assets classified as held for sale	62	0	0	0	0	0	0	0	0	0	0	0	0	0
Total current assets	83,333	88,104	122,526	125,300	166,940	169,235	233,174	233,231	241,226	146,372	146,372	195,122	256,437	332,682
Non-current assets:														
Investments accounted via equity method & other LTIs	10	10	10	13	0	3,885	6,495	5,882	6,470	7,117	7,117	9,252	12,028	15,637
Property, plant and equipment	24,946	27,181	24,239	24,045	38,334	43,421	43,658	43,924	44,144	44,364	44,364	45,252	46,157	47,080
Intangible assets, excluding goodwill	67,652	63,266	39,826	30,210	25,154	22,454	21,941	29,985	30,135	30,286	30,286	30,891	31,509	32,139
Goodwill	42,202	42,342	40,136	44,815	45,648	93,227	93,446	83,717	84,136	84,556	84,556	86,247	87,972	89,732
Deferred tax asset	0	2,815	0	0	8,812	10,592	11,073	11,848	11,907	11,967	11,967	12,206	12,450	12,699
Non-current tax receivables	0	0	0	0	2,068	5,967	6,380	9,110	9,156	9,201	9,201	9,385	9,573	9,765
Other non-current financial assets	70	75	77	78	80	83	83	83	83	84	84	86	87	89
Other non-current assets	0	1,634	566	139	1,502	2,502	2,502	3,702	3,721	3,739	3,739	3,814	3,890	3,968
Total non-current assets	134,880	137,323	104,854	99,300	121,598	182,131	185,578	188,251	189,751	191,314	191,314	197,134	203,667	211,108
Total assets	218,213	225,427	227,380	224,600	288,538	351,366	418,752	421,482	430,978	337,686	337,686	392,255	460,104	543,790
LIABILITIES														
Current Liabilities														
Current loan liabilities	13,174	13,223	17,222	13,363	14,213	21,413	1,299	1,285	1,291	1,298	1,298	1,324	1,350	1,377
Current portion of finance lease obligations	32	1	5	0	0	190	148	116	117	117	117	120	122	124
Trade accounts payable	10,134	6,363	6,653	9,450	12,171	11,997	10,587	12,360	12,422	12,484	12,484	12,734	12,988	13,248
Advanced payments received	782	232	232	542	97	552	422	214	215	216	216	220	225	229
Provisions	11,045	6,914	5,788	3,694	16,694	15,539	11,316	13,569	13,637	13,705	13,705	13,979	14,259	14,544
Deferred revenues	5,875	5,548	6,051	2,806	8,763	15,355	14,265	14,586	14,659	14,732	14,732	15,027	15,327	15,634
Current income tax payables	492	502	741	1,046	232	802	1,097	855	859	864	864	881	898	916
Other current financial liabilities	1,147	234	342	1,384	633	1,503	78	172	173	174	174	177	181	184
Other current liabilities	152	865	1,919	783	3,597	6,039	5,510	3,703	3,722	3,740	3,740	3,815	3,891	3,969
Total current liabilities	42,833	33,882	38,953	33,068	56,400	73,390	44,722	46,860	47,094	47,330	47,330	48,276	49,242	50,227
Non-current liabilities														
Non-current loan liabilities	2,359	4,178	0	8,186	8,730	7,194	6,871	6,530	6,563	26,595	26,595	27,127	27,670	28,223
Long-term debt	0	0	0	0	0	0	0	0	0	140,000	140,000	140,000	140,000	140,000
Long-term finance lease obligations	1	0	14	0	0	30	8	0	0	0	0	0	0	0
Deferred tax liabilities	9,904	2,099	1,245	1,583	1,538	115	115	2,694	2,707	2,721	2,721	2,775	2,831	2,888
Provisions	14,618	18,817	18,586	17,957	27,342	14,801	14,573	15,249	15,325	15,402	15,402	15,710	16,024	16,345
Deferred revenues	9	12,516	8,382	4,344	6,509	41,129	38,396	35,243	35,419	35,596	35,596	36,308	37,034	37,775
Other non-current financial liabilities	1,244	1,388	1,233	1,079	925	771	733	694	697	701	701	715	729	744
Total non-current liabilities	28,135	38,998	29,460	33,149	45,044	64,040	60,696	60,410	60,712	221,016	221,016	222,636	224,289	225,974
STOCKHOLDERS EQUITY														
Share capital	118,316	118,547	131,460	131,711	132,584	133,052	146,569	146,670	146,841	147,013	147,013	148,310	149,618	150,938
Treasury shares	(1)	0	0	0	0	0	0	0	0	0	0	0	0	0
Additional paid-in capital	663,820	665,918	686,767	688,669	693,740	698,069	776,060	776,704	777,971	519,290	519,290	522,756	526,903	531,923
Accumulated other comprehensive income	(25,995)	(25,501)	(27,410)	(23,169)	(18,510)	(25,152)	(24,495)	(27,595)	(27,733)	(27,872)	(27,872)	(28,429)	(28,998)	(29,578)
Accumulated deficit	(608,895)	(606,417)	(631,850)	(638,828)	(622,312)	(595,473)	(585,873)	(582,577)	(574,908)	(570,091)	(570,091)	(522,294)	(461,949)	(386,694)
Equity attributable to shareholders	147,245	152,547	158,967	158,383	185,502	213,035	312,261	313,202	322,171	68,341	68,341	120,343	185,573	266,589
Non-controlling interest	0	0	0	0	1,592	901	1,073	1,010	1,000	1,000	1,000	1,000	1,000	1,000
Total Stockholders' equity	147,245	152,547	158,967	158,383	187,094	213,936	313,334	314,212	323,171	69,341	69,341	121,343	186,573	267,589
Total liabilities and stockholders' equity	218,213	225,427	227,380	224,600	288,538	351,366	418,752	421,482	430,978	337,686	337,686	392,255	460,104	543,790

Sources: Company financial reports and ROTH Capital Partners

Regulation Analyst Certification ("Reg AC"): The research analyst primarily responsible for the content of this report certifies the following under Reg AC: I hereby certify that all views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Disclosures:



Each box on the Rating and Price Target History chart above 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. **Distribution Ratings/IB Services** shows the number of companies in each rating category from which Roth or an affiliate received compensation for investment banking services in the past 12 month.

Distribution of IB Services Firmwide

Rating	Count	Percent	IB Serv./Past 12 Mos. as of 08/10/17	
			Count	Percent
Buy [B]	212	69.28	110	51.89
Neutral [N]	49	16.01	24	48.98
Sell [S]	5	1.63	3	60.00
Under Review [UR]	37	12.09	22	59.46

Our rating system attempts to incorporate industry, company and/or overall market risk and volatility. Consequently, at any given point in time, our investment rating on a stock and its implied price movement may not correspond to the stated 12-month price target.

Ratings System Definitions - ROTH employs a rating system based on the following:

Buy: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return of at least 10% over the next 12 months.

Neutral: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return between negative 10% and 10% over the next 12 months.

Sell: A rating, which at the time it is instituted and or reiterated, that indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

Under Review [UR]: A rating, which at the time it is instituted and or reiterated, indicates the temporary removal of the prior rating, price target and estimates for the security. Prior rating, price target and estimates should no longer be relied upon for UR-rated securities.

Not Covered [NC]: ROTH does not publish research or have an opinion about this security.

ROTH Capital Partners, LLC expects to receive or intends to seek compensation for investment banking or other business relationships with the covered companies mentioned in this report in the next three months. The material, information and facts discussed in this report other than the information regarding ROTH Capital Partners, LLC and its affiliates, are from sources believed to be reliable, but are in no way guaranteed to be complete or accurate. This report should not be used as a complete analysis of the company, industry or security discussed in the report. Additional information is available upon request. This is not, however, an offer or solicitation of the securities discussed. Any opinions or estimates in this report are

subject to change without notice. An investment in the stock may involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Additionally, an investment in the stock may involve a high degree of risk and may not be suitable for all investors. No part of this report may be reproduced in any form without the express written permission of ROTH. Copyright 2017. Member: FINRA/SIPC.