



Codexis Reports First Quarter 2018 Financial Results

May 10, 2018

Total revenues increase 76% to \$14.0 million on sharply higher R&D revenue

Conference call begins at 4:30 p.m. Eastern time today

REDWOOD CITY, Calif., May 10, 2018 (GLOBE NEWSWIRE) -- Codexis, Inc. (NASDAQ:CDXS), a leading protein engineering company, announces financial results for the three months ended March 31, 2018 and provides a business update.

"We began the year with strong first quarter revenues of \$14 million, a 76% increase over the prior-year period," said Codexis President and CEO John Nicols. "That growth was driven by a 230% increase in R&D revenue with major contributions from our marquis customers Nestlé Health Science, Merck, Tate & Lyle and another global pharmaceutical customer.

"We also are off to an excellent start so far this year in delivering against the company's strategic objectives. In the Performance Enzymes segment, we began efforts to scale-up and commercialize enzymes we engineered for our second food ingredients partnership with Tate & Lyle, plus we commenced a new partnership with Porton Pharma Solutions to deepen our penetration into pharmaceutical manufacturing processes," said Nicols. "In our Novel Biotherapeutics segment, we advanced the development of our oral enzyme therapeutic candidate CDX-6114 for phenylketonuria, or PKU, and are on track to receive regulatory approval for a Phase 1 clinical trial before the end of the second quarter of 2018.

"Supported by the \$37 million net proceeds from the follow-on equity capital raise completed in April, we are well positioned to advance our Novel Biotherapeutics pipeline, and to capitalize on a wealth of additional opportunities with our proprietary CodeEvolver® protein engineering platform technology," he added.

First Quarter Financial Highlights

Beginning in 2018, Codexis is reporting two business segments. These segments are 1) its Performance Enzymes business, which consists of its protein catalyst and enzyme product and service offerings with a focus on pharmaceutical, food, molecular diagnostics and other industrial markets, and 2) its Novel Biotherapeutics discovery and development business.

Total revenues for the first quarter of 2018 were \$14.0 million, up 76% from \$8.0 million for the first quarter of 2017. Product revenue for the first quarter of 2018 was \$6.2 million, up 10% from \$5.6 million for the prior-year period, primarily due to higher demand for enzymes. Research and development (R&D) revenue for the first quarter of 2018 was \$7.9 million, up 230% from \$2.4 million for the first quarter of 2017, with the increase mainly attributable to collaborations with Nestlé Health Science and Tate & Lyle, as well as recognition of a license fee from Merck. R&D revenue for the first quarter of 2018 included \$4.6 million from the Performance Enzymes segment and \$3.3 million from the Novel Biotherapeutics segment. The company did not record R&D revenue from the Novel Biotherapeutics segment in the first quarter of 2017.

Gross margin on product revenue for the first quarter of 2018 was 38%, compared with 46% for the first quarter of 2017, with the decrease due to product mix.

R&D expenses were \$7.2 million for the first quarter of 2018, compared with \$5.8 million for the first quarter of 2017, with the increase due primarily to higher outside services related to CDX-6114 and increased costs associated with higher headcount and lab supplies. R&D expenses for the first quarter of 2018 included \$5.1 million from the Performance Enzymes segment and \$1.9 million from the Novel Biotherapeutics segment. R&D expenses for the first quarter of 2017 included \$4.1 million from the Performance Enzymes segment and \$1.5 million from the Novel Biotherapeutics segment.

Selling, general and administrative (SG&A) expenses for the first quarter of 2018 were \$7.7 million, compared with \$6.6 million for the first quarter of 2017, due primarily to an increase in outside services, accounting fees, employee compensation and recruiting costs and legal fees, partially offset by lower depreciation expense. SG&A expenses for the first quarter of 2018 included \$2.1 million from the Performance Enzymes segment, \$0.1 million from the Novel Biotherapeutics segment and \$5.4 million in corporate costs. The company did not record SG&A expenses from the Novel Biotherapeutics segment in the first quarter of 2017.

Net loss for the first quarter of 2018 was \$4.7 million, or \$0.10 per share, compared with a net loss for the first quarter of 2017 of \$7.5 million, or \$0.18 per share. Non-GAAP net loss for the first quarter of 2018 was \$2.5 million, or \$0.05 per share, compared with a non-GAAP net loss for the first quarter of 2017 of \$5.5 million, or \$0.13 per share. A reconciliation of GAAP to non-GAAP measures is provided below.

Cash and cash equivalents as of March 31, 2018 were \$24.3 million, compared with \$31.2 million as of December 31, 2017. In April 2018, Codexis completed a public offering for net proceeds of \$37.2 million.

2018 Financial Outlook

Codexis is affirming financial guidance for 2018, as follows:

- Total revenues are expected to be \$60 million to \$63 million, representing an increase of 20% to 26% over 2017;
- Product revenue is expected to be \$25 million to \$28 million; and
- Gross margin on product revenue is expected to be 45% to 48%.

Non-GAAP Financial Measures

Revenues:			
Product revenue	\$ 6,163	\$ 5,586	
Research and development revenue	7,879	2,385	
Total revenues	14,042	7,971	
Costs and operating expenses:			
Cost of product revenue	3,825	3,002	
Research and development	7,178	5,839	
Selling, general and administrative	7,746	6,606	
Total costs and operating expenses	18,749	15,447	
Loss from operations	(4,707) (7,476)
Interest income	71	18	
Other income (expenses)	(60) 22	
Loss before income taxes	(4,696) (7,436)
Provision for (benefit from) income taxes	(2) 24	
Net loss	\$ (4,694) \$ (7,460)
Net loss per share, basic and diluted	\$ (0.10) \$ (0.18)
Weighted average common shares used in computing net loss per share, basic and diluted	48,385	41,250	

Codexis, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)
(In Thousands)

	March 31, 2018	December 31, 2017	
Assets			
Current assets:			
Cash and cash equivalents	\$ 24,300	\$ 31,219	
Accounts receivable, net	8,974	11,800	
Inventories	1,212	1,036	
Prepaid expenses and other current assets	1,481	984	
Total current assets	35,967	45,039	
Restricted cash	1,511	1,557	
Marketable securities	697	671	
Property and equipment, net	2,620	2,815	
Goodwill	3,241	3,241	
Other non-current assets	470	302	
Total assets	\$ 44,506	\$ 53,625	
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	\$ 2,597	\$ 3,545	
Accrued compensation	6,134	4,753	
Other accrued liabilities	5,304	4,362	
Deferred revenue	7,518	12,292	
Total current liabilities	21,553	24,952	
Deferred revenue, net of current portion	5,529	1,501	
Lease incentive obligation, net of current portion	354	460	
Financing obligation, net of current portion	243	302	
Other long-term liabilities	1,759	1,863	
Total liabilities	29,438	29,078	
Stockholders' equity:			
Common stock	5	5	
Additional paid-in capital	339,354	340,079	
Accumulated other comprehensive loss	—	(472)
Accumulated deficit	(324,291) (315,065)
Total stockholders' equity	15,068	24,547	
Total liabilities and stockholders' equity	\$ 44,506	\$ 53,625	

Codexis, Inc.
Segmented Information
(Unaudited)
(In Thousands)

	Three months ended March 31, 2018			Three months ended March 31, 2017		
	Performance Enzymes	Novel Biotherapeutics	Total	Performance Enzymes	Novel Biotherapeutics	Total
Revenues:						
Product revenue	\$ 6,163	\$ —	\$ 6,163	\$ 5,586	\$ —	\$ 5,586
Research and development revenue	4,566	3,313	7,879	2,385	—	2,385
Total revenues	10,729	3,313	14,042	7,971	—	7,971
Costs and operating expenses:						
Cost of product revenue	3,825	—	3,825	3,002	—	3,002
Research and development ⁽¹⁾	5,066	1,932	6,998	4,150	1,511	5,661
Selling, general and administrative	2,096	146	2,242	1,812	—	1,812
Total costs and operating expenses	10,987	2,078	13,065	8,964	1,511	10,475
Income (Loss) from operations	\$ (258)	\$ 1,235	\$ 977	\$ (993)	\$ (1,511)	\$ (2,504)
Corporate costs ⁽²⁾			(5,435)			(4,606)
Depreciation and amortization			(238)			(326)
Loss before income taxes			\$ (4,696)			\$ (7,436)

(1) Research and development expenses exclude depreciation and amortization.

(2) Corporate costs included unallocated selling, general and administrative expense, interest income, and other income and expenses.

Codexis, Inc.
Reconciliation of GAAP to Non-GAAP Financial Measures
(Unaudited)
(In Thousands, Except Per Share Amounts)

	Three Months Ended March 31,	
	2018	2017
(i) Research and development expense		
Research and development expense - GAAP	\$ 7,178	\$ 5,839
Non-GAAP adjustments:		
Depreciation expense ^(a)	(57)	(178)
Stock-based compensation ^(b)	(435)	(323)
Research and development expense - Non-GAAP	\$ 6,686	\$ 5,338
(ii) Selling, general and administrative expenses		
Selling, general and administrative expenses - GAAP	\$ 7,746	\$ 6,606
Non-GAAP adjustments:		
Depreciation expense ^(a)	(181)	(148)
Stock-based compensation ^(b)	(1,545)	(1,346)
Selling, general and administrative expenses - Non-GAAP	\$ 6,020	\$ 5,112
(iii) Net loss		
Net loss - GAAP	\$ (4,694)	\$ (7,460)
Non-GAAP adjustments:		
Depreciation expense ^(a)	238	326
Stock-based compensation ^(b)	1,980	1,669
Net loss - Non-GAAP	\$ (2,476)	\$ (5,465)

(iv) Net loss per share

Net loss per share - GAAP, basic and diluted	\$ (0.10)	\$ (0.18)
Adjustments to GAAP net loss per share (as detailed above)	0.05		0.05	
Net loss per share - Non-GAAP, basic and diluted	\$ (0.05)	\$ (0.13)

These non-GAAP financial measures exclude the following items:

(a) **Depreciation expense:** we provide non-GAAP information which excludes depreciation expense related to the depreciation of property and equipment. We believe that eliminating this expense from our non-GAAP measures is useful to investors, because the acquisition of property and equipment, and the corresponding depreciation expense, can be inconsistent in amount and can vary from period to period.

(b) **Stock-based compensation:** we provide non-GAAP information which excludes expenses for stock-based compensation. We believe the exclusion of this item allows for financial results that are more indicative of our operations. We also believe that the exclusion of stock-based compensation expense provides for a better comparison of Codexis' operating results to prior periods as the calculations of stock-based compensation vary from period to period and company to company due to different valuation methodologies, subjective assumptions and the variety of award types.



Source: Codexis, Inc.