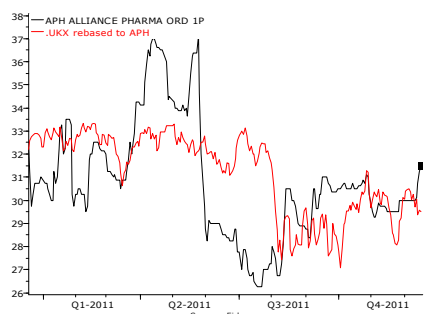


Alliance Pharma plc
Growing Dermatology

31.5p

19 December 2011

Share Price: 31.5p



12m High: 37.125p

12m Low: 26.25p

Market Cap: £75.4m

Shares in Issue: 239.4m

NAV/Share: 17p inc. intangibles

Gearing: 54%

Interest Cover: 9.8X

EPIC Code: APH.L

Sector: Pharmaceuticals

Market: London AIM

Nominated Advisor and Broker:

Numis Securities

PR: Buchanan

Website: www.alliancepharma.co.uk

Description: Marketing and distribution of established niche, out of patent pharmaceutical products.

Analyst: Rae Ellingham

Tel: +44(0)20 7929 3399

Email: research@hardmanandco.com

Alliance Pharma has today announced the acquisition of Quinoderm™ and Ceanel™ from Ferndale Pharmaceuticals for £1.5m in cash.

Quinoderm is an acne treatment while Ceanel is a shampoo for scalp psoriasis. The acquisition of Quinoderm follows on the heels of the acquisition of Rizuderm, a treatment for severe acne, which took place in September of this year.

Both products will be added to the company's Dermatology portfolio, which now accounts for circa 20% of Alliance's business.

In the 12 months to 30 September 2011 the combined products had sales of circa £0.6m. We understand that the gross margin earned on the two products is likely to be in the 50%-60% range and that the products will be earnings enhancing in 2012.

While sales of Quinoderm and Ceanel have been stable of late Alliance sees some scope for growing sales further. Dermatology is one of the areas in which the company invests significantly in promotional spend.

The acquisition is being funded through a £20m revolving credit facility, the current utilisation of which will be £6.5m following this deal.

It is the third acquisition that Alliance has made this financial year and the 21st acquisition made in the last 13 years. It brings the total number of products in Alliance's portfolio to 64. The company is continuing to evaluate further acquisition opportunities and has headroom of £14.0m readily at its disposal with which to pursue these.

Alliance is to release a trading update early in the New Year at which time we will update our forecasts.

Y/E	Sales	Declared Profit	Adjusted Profit	Adjusted Diluted EPS	P/E ratio	Div	Yield
Dec	£m	£m	£m	p.		p.	%
2009A	31.2	5.7	8.6	3.1	10.1	0.30	1.0
2010A	49.9	12.9	16.9	4.6	6.8	0.57	1.8
2011E	45.9	10.6	11.5	3.3	9.5	0.75	2.4
2012E	47.9	11.3	12.2	3.5	9.0	1.00	3.2

Alliance Pharma

19 December 2011

Management	Major Shareholders														
<p>CEO: John Dawson</p> <p>Finance Director: Richard Wright</p> <p>Portfolio Director – Established Products & International: Tony Booley</p> <p>Portfolio Director – Oncology & Dermatology: Peter Butterfield</p>	<table> <tr> <td>John Dawson</td> <td>25.2%</td> </tr> <tr> <td>Nigel Wray</td> <td>14.0%</td> </tr> <tr> <td>Aviva PLC</td> <td>10.5%</td> </tr> <tr> <td>Royal Bank of Canada</td> <td>10.0%</td> </tr> <tr> <td>MVM Life Science Partners</td> <td>8.2%</td> </tr> <tr> <td>Old Mutual Asset Managers</td> <td>3.2%</td> </tr> <tr> <td>Slater Investments Ltd</td> <td>3.1%</td> </tr> </table>	John Dawson	25.2%	Nigel Wray	14.0%	Aviva PLC	10.5%	Royal Bank of Canada	10.0%	MVM Life Science Partners	8.2%	Old Mutual Asset Managers	3.2%	Slater Investments Ltd	3.1%
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Slater Investments Ltd	3.1%														
Key Dates	Key Milestones														
<p>Full Year Results: March 2012</p> <p>Interim Results: September 2012</p>	<p>1998: Alliance commences trading</p> <p>2001: Acquires rights to Symmetrel, Slow K & Distamine</p> <p>2003: Floats on AIM</p> <p>2004: Acquires rights to Forceval, Periostat & 4 Dermatology brands</p> <p>2006: Acquires rights to Syntometrine, Atarax, Deltacortril, Terracortril, Permitabs, Dermamist & Hydromol</p> <p>2007: Enters into joint venture partnership to market Forceval in the Chinese market</p> <p>2009: Acquires Buccastem and Timodine Announces maiden dividend</p> <p>2010: Acquires Cambridge Laboratories (Ireland) Limited and Cambridge Laboratories Limited</p> <p>2011: Acquires two non-prescription pain and irritation relief products, Anbesol and Ashton & Parsons, from Reckitt Benckiser, subject to European Commission approval.</p> <p>Acquires the UK marketing rights to six products from Beacon Pharmaceuticals</p> <p>2011: Acquires Quinoderm and Ceanel from Ferndale Pharmaceuticals Limited</p>														

Alliance Pharma

19 December 2011

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