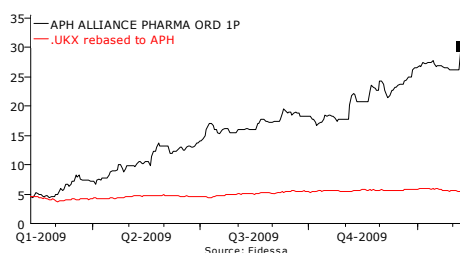


# Alliance Pharma plc Brands Upped to 56

29.25p

11 February 2010

## Share Price: 29.25p



Source – Fidessa

**12m High:** 30.25p

**12m Low:** 4.375p

**Market Cap:** £56.5m

**Shares in Issue:** 193.3m

**ANAV/Share:** 5.7p

**Gearing:** N/A

**Interest Cover:** 3.5x

**EPIC Code:** APH.L

**Sector:** Pharmaceuticals

**Market:** London AIM

**Nominated Advisor and Broker:**

Numis Securities

**PR:** Buchanan

**Website:** www.alliancepharma.co.uk

**Description:** Development, marketing and distribution of pharmaceutical products.

**Analyst:** Rae Ellingham

**Tel:** +44(0)20 7929 3399

**Email:** rae@hardmanandco.com

Speciality pharmaceutical company Alliance Pharma has agreed to acquire the trade and certain assets of Cambridge Laboratories (Ireland) Limited and Cambridge Laboratories Limited for consideration of between £14.3m and £16.4m plus the value of inventory estimated at circa £1.4m.

Eighteen products have been acquired, including:

- ImmuCyst, an immunotherapy for superficial bladder cancer
- Gelclair, an oral gel for the management of oral mucositis
- Procarbazine, a treatment for Hodgkin's Lymphoma; and
- A liquid formation of Vitamin E.

Total sales for the combined companies ("Cambridge") for the year ended 31 December 2009 were £10.6m. Cambridge will also benefit from the award of a £5.6m contract for a toxicology product purchased by the UK Government on a regular 2-3 year cycle. The current purchase is taking place between October 2009 and January 2011.

£7.5m of the base consideration of £14.3m is to be financed through a share placing. 28.8m new shares have been conditionally placed with both existing and new investors at a price of 26.0p per share, and these shares are expected to be admitted to AIM on 22 February.

The remainder of the base consideration is to be paid in cash. In order to affect this Lloyds Banking Group has provided Alliance with a new £4m term loan and extended the company's existing £5m working capital facility to £6m.

£10.2m is due on completion, £0.4m is payable in March 2010, £1.1m is payable in June 2010 and October 2010 respectively. The remaining £1.5m is due to be paid following the transfer of one of Cambridge's products to Alliance. Some of Cambridge's products are on licence from third parties and in one instance the product transfer is dependent on the execution of a related supply contract.

The amount of the deferred payments may be adjusted up or down depending on the level of toxicology sales prior to completion. Payment for the inventory will be made within one month of completion.

Y/E	Sales	Declared Profit	Adjusted Profit	Adjusted EPS	P/E Ratio	Div	Yield
Dec	£m	£m	£m	p.		p.	%
2007A	18.2	(3.21)	0.37	.23	129.5	-	-
2008A	21.8	2.4	2.4	1.55	18.9	-	-
2009E*	31.0	8.6	8.6	3.57	8.2	0.30	1.0
2010E*	44.4	13.8	13.8	4.58	6.4	0.30	1.0

\*not including any impairment, restructuring or amortisation charges

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The contingent consideration element, up to a maximum of £2.1m, is payable if Cambridge's ImmuCyst licence is extended beyond 31 March 2010. The actual amount payable is dependent on the level of ImmuCyst sales in 2010 and 2011.

Following the acquisition Cambridge's offices in both Dublin and Newcastle will transfer to Alliance together with around 30 staff. While the company will continue to employ a specialist sales staff of five it is likely that the remaining positions will be redundant.

We have updated our forecasts to reflect this acquisition and a trading update. Last month Alliance announced that its profit before tax for the full year to 31 December 2009 would be not less than £8.5m on sales of approximately £31m. The company has now announced that operating profit before impairment charges is expected to be approximately £11m and that net bank debt at 31 December 2009 was £21.7m. A final dividend of 0.23p per share is expected to be declared bringing the full year dividend to 0.30p per share, higher than we were forecasting.

Our new sales forecast for the year to 31 December 2010 is for £44.4m, previously £31.5m. Our new net profit before tax forecast is for £13.8m, previously £8.8m and our new eps forecast is for earnings per share of 4.6p, previously 3.3p. Our forecasts allow for additional staffing costs, promotional spend and office lease charges. They do not include an impairment charge – Alliance has indicated previously that it is likely to write-down the value of its development drug, Isprelor – or an allowance for one-off restructuring costs.

The acquisition of Cambridge is significant for Alliance increasing the total number of products in the company's portfolio from 38 to 56. The company continues to be well supported by its shareholders, MVM Life Science Partners has subscribed for 1.9m new shares in the placing, and four new institutional shareholders have been added to its share register. Despite a hugely impressive rise in share price over the last year the company continues to trade at a low 6.4x p/e ratio.

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Management	Major Shareholders										
<p><b>CEO:</b> John Dawson</p> <p><b>Finance Director &amp; Company Secretary:</b> Richard Wright</p> <p><b>Sales &amp; Marketing Director:</b> Tony Booley</p>	<table> <tr> <td>John Dawson</td> <td>32.2%</td> </tr> <tr> <td>Nigel Wray</td> <td>11.1%</td> </tr> <tr> <td>Aviva Investors Global Services</td> <td>9.9%</td> </tr> <tr> <td>MVM Life Science Partners</td> <td>9.0%</td> </tr> <tr> <td>Anthony Richard Booley</td> <td>3.5%</td> </tr> </table>	John Dawson	32.2%	Nigel Wray	11.1%	Aviva Investors Global Services	9.9%	MVM Life Science Partners	9.0%	Anthony Richard Booley	3.5%
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Key Dates	Key Milestones										
<p><b>Full Year Results:</b> March 2010</p> <p><b>AGM:</b> May 2010</p> <p><b>Interim Results:</b> September 2010</p>	<p><b>1998:</b> Alliance commences trading</p> <p><b>2001:</b> Acquires rights to Symmetrel, Slow K &amp; Distamine</p> <p><b>2003:</b> Floats on AIM</p> <p><b>2004:</b> Acquires rights to Forceval, Periostat &amp; 4 Dermatology brands</p> <p><b>2006:</b> Acquires rights to Syntometrine, Atarax, Deltacortril, Terracortril, Permitabs, Dermamist &amp; Hydromol</p> <p><b>2007:</b> Enters into joint venture partnership to market Forceval in the Chinese market</p> <p><b>2009:</b> Acquires Buccastem and Timodine Announces maiden dividend</p> <p><b>2010:</b> Acquires Cambridge Laboratories (Ireland) Limited and Cambridge Laboratories Limited</p>										

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**Hardman & Co**

4-5 Castle Court  
London  
EC3V 9DL  
United Kingdom

Tel: +44(0)20 7929 3399  
Fax: +44(0)20 7929 3377

[www.hardmanandco.com](http://www.hardmanandco.com)

