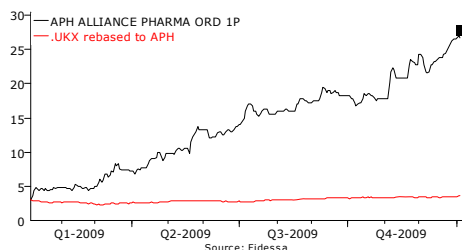


# Alliance Pharma plc 27.5p

## A Positive End to the Year

7 January 2010

### Share Price: 27.5p



Source – Fidessa

**12m High:** 27.5p

**12m Low:** 3.0p

**Market Cap:** £53.1m

**Shares in Issue:** 193.3m

**NAV/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](http://www.alliancepharma.co.uk)

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

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Alliance Pharma has released a pre-close trading update ahead of its full year to 31 December 2009 financial results.

Following continuing strong trading in the last few months of 2009 the company now expects full year sales of circa £31m and normalised pre tax profit for the year to exceed £8.5m. This is well ahead of the current market expectation of circa £7.5m.

Brands performing particularly well include anti-inflammatory agent Deltacortril, the aspirin Nu-Seals, Buccastem which is used to treat nausea and Timodine, an anti-fungal and anti-bacterial skin cream.

While news flow today tends to be centred on the trading arm of Alliance's business the company also has a development arm. It has previously been announced that in the absence of third party support Alliance will not continue with clinical trials of its development drug, Isprelor. As a part of year end procedures the carrying value of Isprelor, currently £2.8m, is to be assessed and a decision made on whether an impairment charge should be recognised. A similar exercise was carried out in 2007 when Alliance wrote off the full £3.4m carrying value of a second development drug, Posidorm.

We have upgraded our full year 2009 and 2010 forecasts, increasing not only our sales forecasts but also our margin assumption to better reflect the strong performance of high margin brands. We have assumed higher sales of Alliance's dermatology range, in which the company has recently increased its investment, while retaining our cautious stance on the outlook for Deltacortril, where a new player is expected to enter the market. We have maintained a conservative dividend forecast given 1) the debt on Alliance's balance sheet, £30.2m as at end June 2009 and 2) the fact that Alliance's business model encompasses the acquisition of brands. We now expect pre-tax profit of £8.6m on sales of £31m in 2009 and pre-tax profit of £8.8m on sales of £31.5m in 2010.

Alliance has £7.5m in convertible loan notes in issue, exercisable at 21p. With Alliance's share price now exceeding 21p it is timely to consider the impact of a conversion on equity holders. Based on our forecasts a conversion would, at today's share price, be circa 10% dilutive.

Alliance is due to release its full year results for the year ended 31 December on 24 March 2010.

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	0.23	121.8	-	-
2008A	21.8	2.4	2.4	1.55	23.5	-	-
2009E	31.0	8.6	8.6	3.57*	7.7	0.20	0.7
2010E	31.5	8.8	8.8	3.27	8.4	0.20	0.7

\*not including any impairment charge



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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Anthony Richard Booley	3.5%										
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 – payable on 15 January 2010</p>										

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