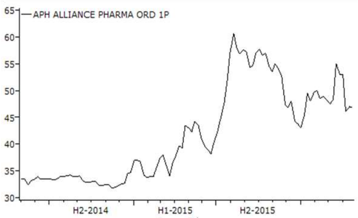
Pharmaceuticals & Biotech



Source: Fidessa

Market data

EPIC/TKR	APH
Price (p)	47.0
12m High (p)	63.0
12m Low (p)	36.2
Shares (m)	468.2
Mkt Cap (£m)	220.0
EV (£m)	291.6
Free Float*	75%
Market	AIM

**As defined by AIM Rule 26*

Description

Alliance Pharma acquires, markets and distributes medical and healthcare brands in the UK and Europe (direct sales) and the ROW (via distributor network), through a buy and build strategy, generating relatively predictable strong cash flows.

Company information

CEO	John Dawson
CFO	Andrew Franklin
Chairman	Andrew Smith

01249 466 966
www.alliancepharma.co.uk

Key shareholders

Directors	13.3%
MVM Life Sciences	11.9%
Aviva	9.6%
Artemis	8.0%
Nigel Wray	8.0%
Slater Investments	7.2%
Fidelity	7.2%

Next event

May-16	AGM
Sep-16	Interims

Analysts

Martin Hall 020 7148 1433
mh@hardmanandco.com
Gregoire Pave 020 7148 1434
gp@hardmanandco.com

Alliance Pharma

Managing a period of change

Alliance Pharma has adopted a buy-and-build strategy to evolve through a series of 28 acquisitions into a profitable, cash generative, specialty pharma business. The acquisition of part of the dermatology and woundcare products from Sinclair IS Pharma was transformational, broadly doubling the size of the company at a stroke, providing a more internationally-oriented business with the potential to exploit growth opportunities of its existing products. Moreover, it has made the enlarged group a more attractive and credible partner for in–licensing and M&A opportunities.

- **FY 2015 results**: Underlying sales growth was +5.0%, boosted to +11% reported by acquisitions. Net debt was slightly better than forecast at -£71.5m. However, 2015 numbers were not particularly important; the announcement provided management with the opportunity to update the market on integration.

- **Re-focused group:** APH now has a more balanced portfolio of actively managed growth products (52%) and a bedrock of established, low growth, cash generative niche medicines (48%), on a pro-forma basis. Growth opportunities are in Dermatology (32%), Mother & Child (16%) and Ophthalmology (4%).

- **Internationalisation:** Acquisitions in 2015 have also altered the sales mix. On a pro-forma basis. 50% of sales are derived from the UK, 25% of sales from Western Europe and the balance of sales in SE Asia, Eastern Europe and Latam. In addition, the group has more infrastructure in Europe and Asia.

- **Risks:** Doubling the size of the business creates potential integration risk. However, extensive planning, human resource reallocation and the provision of transitional services with the vendor should help to mitigate this. Individual product risks (eg Nu-Seals) now have much less impact.

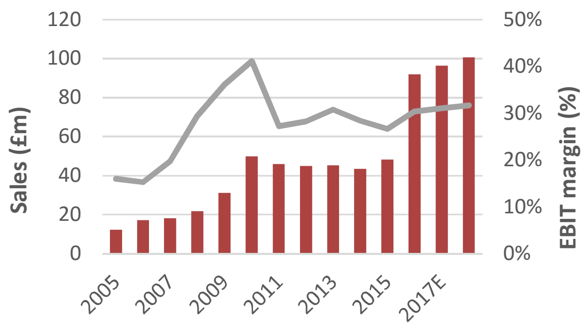
- **Investment summary:** The shares are trading on a 2016 PE of 11.1x with a CAGR growth rate of ca.9%. The progressive dividend policy offers a yield of 2.6% (2016E), covered 3.5x. After a period of no/low EPS growth the outlook is more favourable following the acquisition of the Sinclair products and with the addition of Diclectin into 2017 when timing of launch becomes clearer.

Financial summary and valuation

Year end Dec (£m)	2013	2014	2015	2016E	2017E	2018E
Sales	45.3	43.5	48.3	92.0	96.3	100.6
Operating profit	13.9	12.4	12.9	27.9	29.9	31.9
Reported pre-tax profit	12.1	10.2	15.2	22.2	26.1	28.8
Underlying EPS (p)	4.2	3.3	3.8	4.2	4.6	4.9
Reported EPS (p)	3.8	3.2	4.7	3.7	4.3	4.7
DPS (p)	0.9	1.0	1.1	1.2	1.3	1.5
Net (debt)/cash	-25.2	-21.2	-71.5	-64.9	-49.8	-32.4
Net debt/EBITDA (x)	1.7	1.6	5.3	2.3	1.6	1.0
P/E (x)	11.2	14.3	12.2	11.1	10.3	9.5
EV/sales (x)	6.4	6.7	6.0	3.2	3.0	2.9
EV/EBITDA (x)	19.9	22.2	21.8	10.1	9.5	8.9
Dividend yield (%)	1.9	2.1	2.3	2.6	2.8	3.1

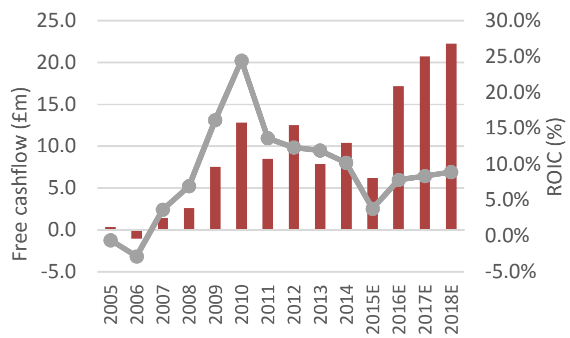
Source: Hardman & Co Life Sciences Research

Sales & margin



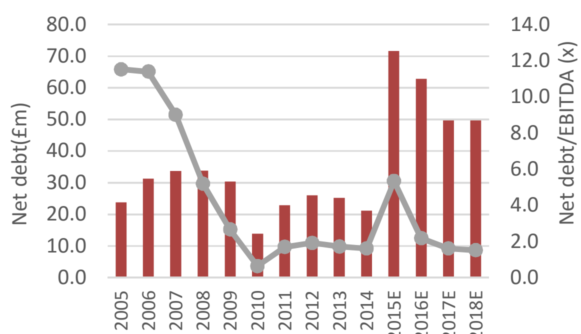
- After a period of strong headwinds from product issues in 2010-15, sales growth expected to be ca.5% CAGR 2016-2018
- Acquisition of products from Sinclair IS Pharma almost doubles the size of the sales base
- EBIT margin is underlying margin, before JV contributions and share based payments
- Target margin is 25-30%

Free cashflow & ROIC



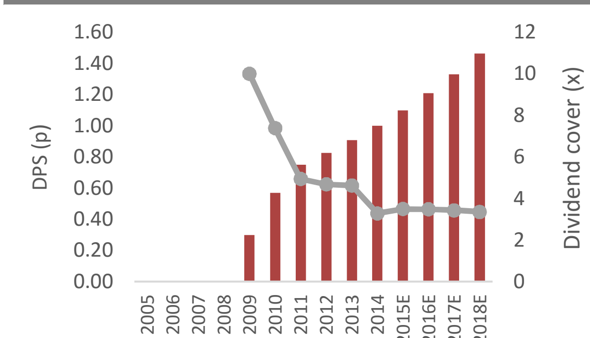
- Cashflow in 2012-14 was around £10m per annum, with the bulk of it used to pay dividends and acquisitions. Expected to rise to £15-24m in 2016-18
- Operating cashflow conversion is typically ca.100% of EBIT. However, cashflow for 2016 will be impacted by build-up of working capital on the acquired business
- Free cashflow of £6.2m in 2015 is attributed largely to working capital fluctuations and strategic decision to build inventory levels to protect against potential stock outs.
- 2015 ROIC impacted by year end acquisition of Sinclair IS portfolio, after which it should return to ca.10% in 2018

Net debt



- 2015 net debt was £71.5m, slightly below expectations
- Main financial covenants specify maximum leverage (net debt/EBITDA) of 3.25x – expected to be 2.3x at end of 2016
- 2015 leverage at 5.2x includes all debt of Healthcare Products acquisition but not EBITDA. On a pro-forma basis, it is estimated to have been 2.8x
- Minimum interest cover (EBITDA/interest cost) of 4.0x. This is expected to be 9.0x in 2016
- In the absence of significant acquisitions, free cashflow will be used to pay down debt

Dividends



- Progressive dividend policy since dividend commenced in 2009
- 2015 dividend of 1.1p, +10%
- Dividend cover of ca.3.5x in 2016
- Scope to increase dividend

Source: Company data; Hardman & Co Life Sciences Research

Refocusing the group

Key points from 2015 results

Presentation of 2015 results was more about the ongoing strategy and opportunity than the numbers

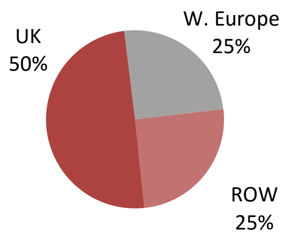
Alliance Pharma reported FY 2015 numbers that were very much in line with market expectations. However, these results were not important, because the company has undertaken a transformational acquisition of medical products from Sinclair IS Pharma that doubles the sales of the group and provides the foundations of a more internationally-oriented business that can exploit growth opportunities for some of the existing portfolio. In addition, the enlarged entity is a far more attractive proposition for attracting in-licensing and M&A opportunities.

- Underlying sales growth was estimated to be +5.0% to £48.3m (£43.5m)
- Gross margins increased from 57.5% to 59.4%
- Underlying operating profit increased from £12.4m to £12.9m
- Underlying basic EPS increased +17% to 3.85p (3.29p)
- Progressive dividend policy, rising 10% to 1.1p (1.0p)
- Net debt at period end was -£71.5m (-£21.1m) due to the Sinclair acquisition

Pro-forma sales

Herein all discussion about 2015 results will be on a pro-forma basis, assuming that the acquisitions of MacuShield (Feb 2015) and the portfolio from Sinclair IS (Dec 2015) has been in place for the whole year. Under these circumstances, group sales would have been £89.5m.

Geographical spread



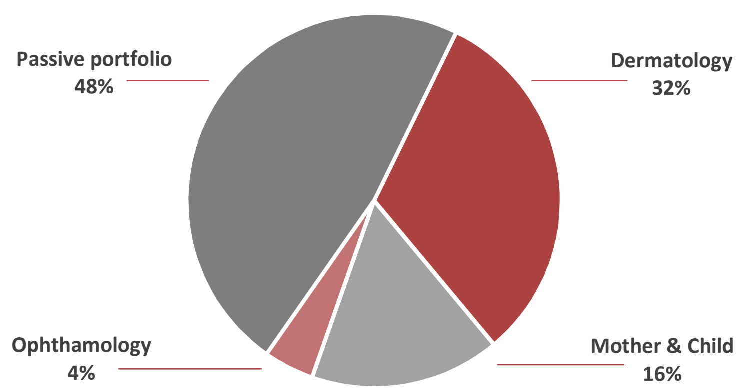
Pro-forma sales: £89.5m

Source: Hardman & Co Life Sciences Research

Geographical & organisational split

Acquisitions in 2015 have changed the geographical spread of the group, which now derives far more sales from Europe and Rest of the World (mostly SE Asia), providing APH with growth opportunities to sell some of its bigger brands into these new markets. Management has also taken the opportunity to focus the enlarged group into actively managed growth areas – dermatology, mother & child, ophthalmology – leaving the passive portfolio of bedrock drugs to generate sustainable cashflows.

Portfolio organisation



Source: Hardman & Co Life Sciences Research

Dermatology

In terms of the actively managed part of the portfolio, dermatology will be the largest segment, representing 32% of pro-forma sales. It will also contain a significant proportion of APH's largest products, notably:

- **Kelo-cote** – scar reduction, sales £7.7m, largest territory China
- **Flammazine/Flammacerium** – anti-infective for burns, sales £6.9m
- **Hydromol** – Emollient, sales £6.6m predominantly UK, opportunity for international expansion

Skin conditions are common and often poorly managed. Because skin problems vary in different parts of the world, coupled to the fact that products are usually applied locally – topical formulations such as creams and ointments – dermatology is not a field of medicine that is attractive to the major pharmaceutical companies. Moreover, many companies operating in this space often have one or two specialty products only. By creating a portfolio of products that cover a wide range of skin conditions, APH will have greater opportunity, as an enlarged entity, to cross-sell and expand products strong in one territory into other countries. Therefore, dermatology is expected to contribute a greater proportion of sales in the future compared to the current level of 32%. Our forecasts assume that Kelo-cote will see sales rise by about 10% compared to the level achieved by Sinclair IS Pharma.

Mother & Child

Like dermatology, Alliance Pharma now has a range of Mother & Child products within its portfolio covering a wide range of conditions targeted at pregnant/new mothers and their offspring. This segment represents 16% of the enlarged group sales and is forecast to represent an important growth area going forward.

- **Oxyplastine** – barrier cream for nappy rash, sales £2.3m, largest territories MEA and France
- **Syntometrine** – prevention of post-partum haemorrhage, sales £2.2m, largest territory UK
- **Timodine** – nappy rash infections, sales £1.6m predominantly UK
- **Diclectin** – nausea & vomiting in pregnancy, acquired 2015, filed with UK regulators with launch expected in mid-2017

The opportunity provided by Diclectin should not be underestimated. The UK commercial rights for this product were acquired in January 2015. It is currently with the UK Medicines & Healthcare Products Regulatory Authority and, once approved, it will be the only licensed product for treating nausea and vomiting in pregnant women. Although this is a sensitive area, Diclectin is largely de-risked having been available in Canada for over 30 years and approved by the FDA for the US market in 2013, since when it has developed into a $160m per annum drug for Duchesnay Inc.

Sales of Kelo-stretch have been affected by unusual buying patterns. APH's distribution partner in SE Asia bought high levels of stock last year in anticipation of sales responding from a marketing campaign. In the event, sales did not respond to the levels expected, so Menarini has surplus stock and will not be purchasing any Kelo-stretch during 2016. This has reduced our sales forecasts by £3.0m.

Ophthalmology

At present, APH only has one product within its ophthalmology portfolio – MacuShield for the treatment and prevention of macular degeneration, which was obtained through the acquisition of MacuVision in February 2015. Last year's, sales were £3.5m, or £3.9m on a pro-forma basis, mostly in the UK and Ireland, and there is considerable opportunity to expand this product into overseas territories.

Macular degeneration is a common eye condition that leads to loss of vision among people over 50 years of age, it is sometimes referred to as age-related macular degeneration (AMD). The macular is a small area near the centre of the retina at the back of the eye and is required for sharp, central vision that allows us to visualise objects that are straight ahead. This region constitutes millions of light-sensing cells, making it the most sensitive part of the retina. When the macular is damaged, the centre of your field of vision becomes blurry, distorted or dark. Although AMD does not cause blindness itself, loss of central vision can interfere with everyday life.

Macular degeneration

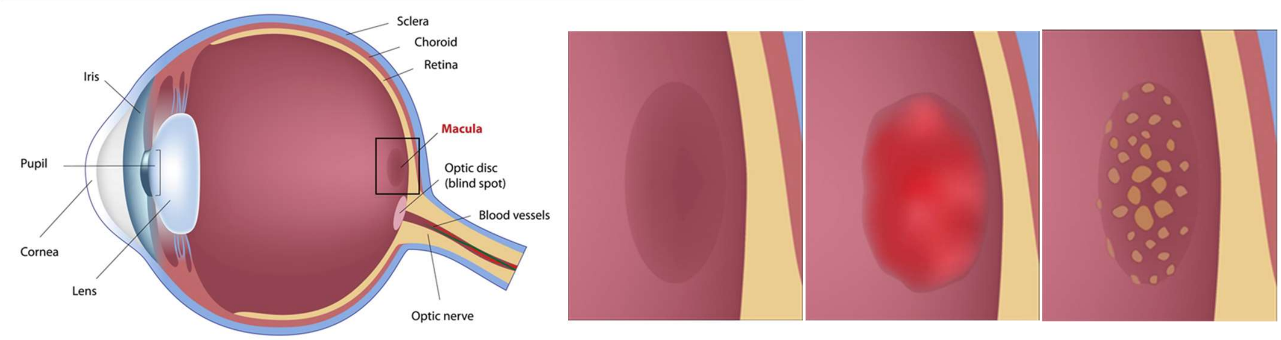


Diagram of the Eye | **Normal** | **Wet macular degeneration** | **Dry macular degeneration**

Source: La Palma Eye Care Center (http://lapalmaeye.com/macular-degeneration)

While age is the most common risk factor, other risk factors include:

- **Diet** – diet deficiency
- **Smoking** – doubles the risk
- **Race** –more common in Caucasians than African-Americans or Hispanics/Latinos
- **Family history/genetics** – people with family history of AMD carry a higher risk

Although AMD is a difficult to treat disease, steps can be taken to prevent it. Keeping the macula well nourished is important, therefore AMD occurs less often in people who exercise, avoid smoking, and eat nutritious foods including green vegetables and fish. In addition, taking dietary supplements has been shown to be beneficial.

The macula contains three carotenoid pigments – meso-zeaxanthine, zeaxanthine and lutein. As your age increases these macular pigments are reduced and require supplements to ensure adequate levels remain in the retina. Using carotenoids harvested from the marigold flower, MacuShield has been tested at leading research institutes (Waterford Institute of Technology, Institute of Vision Research, Whitfield Clinic) and is endorsed by eye care professionals. MacuShield contains a blend of these three nutrients to help prevent degeneration of the macula.

Although MacuShield is the only product in this portfolio at present, we see APH adding to its ophthalmology offering as and when the opportunity arises.

Bedrock portfolio

Under the revised organisation, the bedrock of passive products represents 48% of the enlarged group. These products are established drugs for niche indications, meaning that they do not face significant competition. Growth is expected to be in the order of 2% per annum.

- **Buccastem** – nausea & vomiting associated with migraine, sales £2.4m
- **Optiflo** – irrigation solution for catheter flushing, acquired with Sinclair portfolio, sales £3.2m

Overall, this group of about 70 products provides steady sales, profits and cashflows to the group.

Internationalisation

Acquisitions during 2015 have increased the internationalisation of the group. Not only did they bring products with sales that are generated outside the UK – sales of APH products are now made in over 90 countries – they also brought overseas infrastructure. The group HQ remains in the UK at Chippenham.

- **Paris** – International partnership management and French affiliate
- European affiliate offices in Dusseldorf, Milan and Madrid
- **China** – Wholly Owned Foreign Enterprise in Shanghai + joint ventures

Focus on China

In September 2015, APH added five child nutrition products to its existing business in China from Sinopharm Nutraceuticals. This was timely, given that the Chinese government undertook a review of the infant milk market which was disruptive and forced several competitors to withdraw from the market.

Addition of the Sinclair portfolio is also important for this region, given the largest market for Kelo-cote is China. It also brought Atopiclair (atopic eczema) and Papulex (acne), which derive their largest sales from markets in SE Asia.

Sales growth in SE Asia will be affected in 2016 by overstocking of Kelo-stretch by it APH's distribution partner, Menarini which did not see the expected response of sales to a marketing campaign. The impact on APH would have been £1.2m margin loss. However, as a result of rebalancing the cost base, APH has maintained its planned profitability.

APH also has two joint ventures – Unireg (Forceval) and Synthasia (Suprememil) – in China.

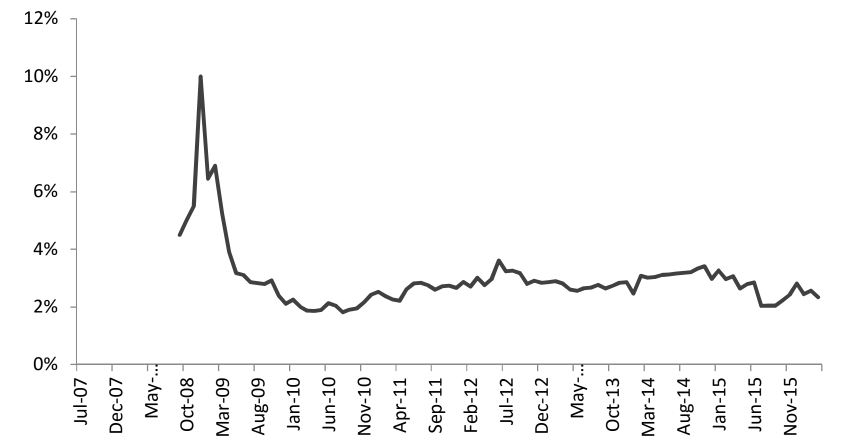
To support the group's increased activity in the SE Asian region, the group has recently appointed a new Regional Business Manager – Roger Lim – who will be based in Singapore from where he will coordinate the group's international distributor-based business in the region.

Financials & Investment case

Valuation

Alliance Pharma is currently trading on a 2016 PE of 11.1x with a CAGR EPS growth rate 2015-2018 of ca.9% – some 3-4 PE points below its more recent trading levels. Given that the 2016 forecast is being held back by some pre-launch costs for Diclectin, which is expected to receive regulatory approval mid-2017, the medium term attraction of APH is even greater. The prospective dividend yield is 2.6% with a progressive dividend policy that is currently covered 3.5x times.

Dividend yield



Source: Hardman & Co Life Sciences Research

APH has historically generated a 5 year ROIC of 15%, with free cashflow largely being reinvested in product acquisitions. We expect free cashflow to annualise at around £15-24m per annum over the next few years. Whilst this will initially be used to pay down group borrowings, there remains the capacity and likelihood that further bolt-on acquisitions will take place, given that the balance sheet still has up to £30m of unutilised banking facilities, and the Company remains well within its banking covenants. This could lead to further earnings and ROIC-enhancing acquisitions.

Profit & Loss

- **Sales** – Lower than expected sales of Kelo-stretch and some marginal adjustments based on 2015 actual numbers have reduced 2016 forecasts by -£4.0m to 92.0m.
- **Gross margin** – Despite Kelo-stretch being a relatively low margin product, the loss of sales in 2016 will lower the gross margin by about £1.2m
- **Marketing** – Management intends to focus marketing expenditure and reduce general overhead which will recover the gross margin shortfall, thus maintaining EBIT
- **Profit** – Although sales are being reduced, there is sufficient flexibility in the costs base to maintain reported pre-tax profits at £22.2m for 2016, and £26.1m in fiscal 2017

Profit & Loss account						
Year end Dec (£m)	**2013**	**2014**	**2015**	**2016E**	**2017E**	**2018E**
Sales	**45.3**	**43.5**	**48.3**	**92.0**	**96.3**	**100.6**
Cost of goods	-17.9	-18.5	-19.6	-40.5	-41.9	-43.3
Gross Profit	27.3	25.0	28.7	51.5	54.4	57.3
Admin & marketing	-12.9	-12.5	-15.6	-23.6	-24.5	-25.5
Underlying EBITDA	14.6	13.2	13.4	28.8	30.8	32.8
EBITDA margin	32.3%	30.2%	27.7%	31.3%	32.0%	32.6%
Depreciation	-0.3	-0.3	-0.3	-0.5	-0.6	-0.6
Amortisation	-0.4	-0.5	-0.2	-0.3	-0.3	-0.3
Other income	0.0	0.0	0.0	0.0	0.0	0.0
Underlying EBIT	**13.9**	**12.4**	**12.9**	**27.9**	**29.9**	**31.9**
Share based costs	-0.6	-0.6	-0.6	-1.2	-1.2	-1.2
Share of JV profit/(loss)	0.0	0.3	0.2	0.3	0.3	0.3
Exceptional items	0.0	-0.6	4.5	-1.7	0.0	0.0
Statutory EBIT	13.3	11.2	17.0	25.3	29.0	31.0
Net financials	-1.2	-1.0	-1.8	-3.1	-2.8	-2.2
U/lying pre-tax profit	**12.7**	**10.7**	**11.9**	**24.8**	**27.3**	**29.7**
Exceptional items	0.0	0.0	0.0	0.0	0.0	0.0
Reported pre-tax	12.1	10.2	15.2	22.2	26.1	28.8
Underlying tax	-2.2	-2.0	-1.4	-5.1	-6.0	-6.6
Exceptional tax	-0.3	0.3	-1.1	0.0	0.0	0.0
Reported taxation	-2.4	-1.8	-2.5	-5.1	-6.0	-6.6
Tax rate	20%	17%	16%	23%	23%	23%
Underlying net income	**10.5**	**8.7**	**10.5**	**19.7**	**21.3**	**23.0**
Statutory net income	9.7	8.4	12.7	17.1	20.1	22.1
Weighted shares (m)	250.8	264.1	272.7	468.2	468.2	468.2
Fully diluted shares (m)	265.0	265.6	279.1	474.5	474.5	474.5
U/lying basic EPS (p)	**4.20**	**3.29**	**3.85**	**4.22**	**4.55**	**4.92**
U/lying fully-dil. EPS (p)	**3.98**	**3.27**	**3.76**	**4.16**	**4.49**	**4.86**
Statutory basic EPS (p)	3.85	3.17	4.65	3.65	4.30	4.73
Stat. fully-dil. EPS (p)	3.64	3.16	4.55	3.60	4.24	4.67
DPS (p)	**0.91**	**1.00**	**1.10**	**1.21**	**1.33**	**1.46**

Source: Company reports; Hardman & Co Life Sciences Research

Key metrics						
Year end Dec	**2013**	**2014**	**2015**	**2016E**	**2017E**	**2018E**
Growth						
Sales	-1%	-4%	11%	90%	5%	4%
Gross profit	0%	-9%	15%	79%	6%	5%
U/lying operating profit	10%	-12%	4%	117%	7%	6%
Fully diluted EPS	71%	-18%	15%	11%	8%	8%
DPS	10%	10%	10%	10%	10%	10%
Operating ratios						
Cost of goods	39.6%	42.5%	40.6%	44.0%	43.5%	43.0%
Gross margin	60.4%	57.5%	59.4%	56.0%	56.5%	57.0%
Admin & marketing costs	28.5%	28.7%	32.3%	25.6%	25.4%	25.3%
Underlying EBITDA	32.3%	30.2%	27.7%	31.3%	32.0%	32.6%
Underlying EBITA	31.7%	29.5%	27.1%	30.7%	31.4%	32.0%
Underlying EBIT	30.8%	28.4%	26.7%	30.4%	31.1%	31.7%
Statutory EBIT	29.4%	25.7%	35.1%	27.5%	30.1%	30.8%
Effective tax rate (%)	18.0%	19.0%	20.0%	23.0%	23.0%	23.0%

Source: Hardman & Co Life Sciences Research

Balance sheet

- Net debt at end 2015 was £71.5m, comprising cash of £3.2m, long-term loans of £59.0m and short-term loans and overdrafts of £15.8m
- Inventory levels rose in 2015 to £12.9m (£5.9m) due to the purchase of £4.7m stock on closing the Sinclair portfolio acquisition and the intentional build-up of inventory (ca.£2m) over the course of 2015

Balance sheet

@ 31st Dec (£m)	2013	2014	2015	2016E	2017E	2018E
Shareholders' funds	64.7	70.8	162.4	173.9	187.8	203.1
Cumulated goodwill	1.1	3.6	26.0	26.0	26.0	26.0
Total equity	65.8	74.4	188.5	199.9	213.8	229.1
Share capital	2.6	2.6	4.7	4.7	4.7	4.7
Reserves	62.0	68.1	157.8	169.2	183.1	198.4
Provisions/liabilities	0.4	0.2	1.5	1.5	1.5	1.5
Deferred tax	6.3	6.1	37.0	37.0	37.0	37.0
Long-term loans	20.9	19.4	59.0	52.3	37.2	19.8
Short-term loans	5.0	3.3	15.8	15.8	15.8	15.8
less: Cash	0.7	1.4	3.2	3.2	3.2	3.2
Invested capital	**96.1**	**98.4**	**272.5**	**277.3**	**276.1**	**273.9**
Fixed assets	0.6	0.4	1.0	1.3	1.5	1.8
Intangible assets	86.0	85.3	233.9	233.9	233.9	233.9
JV assets	2.0	2.7	2.9	2.9	2.9	2.9
Goodwill	1.1	3.6	26.0	26.0	26.0	26.0
Inventories	5.5	5.9	12.9	13.5	14.1	14.8
Trade debtors	9.1	6.6	8.8	15.0	15.7	16.4
Other debtors	1.5	1.7	2.8	3.1	3.2	3.4
Trade creditors	-1.1	-1.7	-1.2	-2.2	-2.3	-2.3
Tax liability	-1.2	-1.0	-2.1	-2.3	-2.4	-2.5
Other creditors	-7.4	-5.2	-12.7	-14.0	-16.7	-20.4
Debtors less creditors	1.0	0.4	-4.3	-0.4	-2.4	-5.5
Invested capital	**96.1**	**98.4**	**272.5**	**277.3**	**276.1**	**273.9**

Source: Company reports; Hardman & Co Life Sciences Research

Balance sheet metrics

@ 31st Dec (£m)	2013	2014	2015	2016E	2017E	2018E
Net cash/(debt)	-25.2	-21.2	-71.5	-64.9	-49.8	-32.4
Gearing (%)	-38.3%	-28.6%	-38.0%	-32.5%	-23.3%	-14.1%
Net debt/EBITDA (x)	1.7	1.6	*5.3	2.3	1.6	1.0
NOPAT	11	10	10	22	23	25
After-tax ROIC	11.9%	10.2%	3.8%	7.8%	8.3%	9.0%
Interest cover (x)	10.9	11.4	10.7	9.0	10.6	14.5
Dividend cover (x)	4.6	3.3	3.5	3.5	3.4	3.4
Cap-ex/depreciation (x)	1.1	0.4	2.7	1.6	1.4	1.4
Cap-ex/sales (%)	0.7%	0.3%	1.3%	0.9%	0.8%	0.8%
NAV/share (p)	26	27	35	37	40	43
Stock days	44	48	71	52	52	52
Debtor days	41	66	58	60	58	58
Creditor days	40	33	57	37	42	48

**Net debt is impacted by acquisition whereas EBITDA has minimal contribution in 2015*
Source: Company reports; Hardman & Co Life Sciences Research

Cashflow

- 2015 free cashflow was above expectations at £6.2m and is forecast to be between £15-24m in each of the next three years
- Net debt is forecast to fall from significantly over each of the next three years, despite the company's progressive dividend policy
- Net debt: EBITDA was 5.3x in 2015. However, this was biased by the acquisition of the Sinclair portfolio late in the year. The ratio on a pro-forma basis was 2.8x and is expected to fall to 2.3x in the current year

Cashflow

Year end Dec (£m)	2013	2014	2015	2016E	2017E	2018E
Operating profit	13.9	12.4	12.9	27.9	29.9	31.9
Depreciation	0.3	0.3	0.2	0.5	0.6	0.6
Amortisation	0.4	1.1	0.2	0.3	0.3	0.3
Inventories	-0.1	-0.4	-7.0	-0.6	-0.6	-0.6
Trade/other receivables	-1.1	1.8	2.3	-6.2	0.7	0.7
Trade & other payables	-1.6	-1.8	-3.3	1.0	-0.1	-0.1
Exceptionals/provisions	0.0	0.0	4.5	0.0	0.0	0.0
Other	0.2	0.1	-0.1	0.0	0.0	0.0
Cashflow from ops.	**12.1**	**13.5**	**9.7**	**23.0**	**30.8**	**32.7**
Net interest	-1.3	-0.9	-1.0	-3.1	-2.8	-2.2
Tax	-2.5	-2.0	-1.9	-3.0	-5.0	-6.0
Operational cashflow	**8.2**	**10.6**	**6.8**	**16.8**	**23.0**	**24.5**
Capital Expenditure	-0.3	-0.1	-0.6	-0.8	-0.8	-0.8
Capitalised R&D	-0.1	-0.1	0.0	0.0	0.0	0.0
Free cashflow	**7.9**	**10.4**	**6.2**	**16.0**	**22.2**	**23.7**
Acquisitions	-9.6	-3.3	-133.9	-5.0	-1.4	0.0
Dividends	-2.0	-2.4	-2.6	-4.4	-5.7	-6.2
Other investments	4.7	-0.9	0.0	0.0	0.0	0.0
Cashflow after invest.	**0.9**	**3.9**	**-130.3**	**6.6**	**15.1**	**17.5**
Share repurchases	0.0	0.0	0.0	0.0	0.0	0.0
Share issues	0.1	0.0	79.8	0.0	0.0	0.0
Currency effect	0.0	0.0	0.1	0.0	0.0	0.0
Change in net debt	**1.0**	**3.9**	**-50.4**	**6.6**	**15.1**	**17.5**
Opening net cash	-26.0	-25.0	-21.1	-71.5	-64.9	-49.8
Closing net cash	**-25.0**	**-21.1**	**-71.5**	**-64.9**	**-49.8**	**-32.3**
Hardman CF/share (p)	3.1	3.9	2.3	3.4	4.7	5.1

Source: Company reports; Hardman & Co Life Sciences Research

Disclaimer

Hardman & Co provides professional independent research services. Whilst every reasonable effort has been made to ensure that the information in the research is correct, this cannot be guaranteed.

The research reflects the objective views of the analysts named on the front page. However, the companies or funds covered in this research may pay us a fee, commission or other remuneration in order for this research to be made available. A full list of companies or funds that have paid us for coverage within the past 12 months can be viewed at http://www.hardmanandco.com/

Hardman & Co has a personal dealing policy which debars staff and consultants from dealing in shares, bonds or other related instruments of companies which pay Hardman for any services, including research. They may be allowed to hold such securities if they were owned prior to joining Hardman or if they were held before the company appointed Hardman. In such cases sales will only be allowed in limited circumstances, generally in the two weeks following publication of figures.

Hardman & Co does not buy or sell shares, either for its own account or for other parties and neither does it undertake investment business. We may provide investment banking services to corporate clients.

Hardman & Co does not make recommendations. Accordingly, we do not publish records of our past recommendations. Where a Fair Value price is given in a research note this is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. Hardman & Co may publish further notes on these securities/companies but has no scheduled commitment and may cease to follow these securities/companies without notice.

Nothing in this report should be construed as an offer, or the solicitation of an offer, to buy or sell securities by us.

This information is not tailored to your individual situation and the investment(s) covered may not be suitable for you. You should not make any investment decision without consulting a fully qualified financial adviser.

Hardman Research Ltd, trading as Hardman & Co, is an appointed representative of Capital Markets Strategy Ltd and is authorised and regulated by the Financial Conduct Authority (FCA) under registration number 600843. Hardman Research Ltd is registered at Companies House with number 8256259. However, the information in this research report is not FCA regulated because it does not constitute investment advice (as defined in the Financial Services and Markets Act 2000) and is provided for general information only.

Hardman & Co Research Limited (trading as Hardman & Co)
11/12 Tokenhouse Yard
London
EC2R 7AS
T +44 (0) 207 929 3399

Follow us on Twitter @HardmanandCo *(Disclaimer Version 2 – Effective from August 2015)*

Hardman Team

Management Team			
+44 (0)20 7929 3399			
John Holmes	jh@hardmanandco.com	+44 (0)207 148 0543	Chairman
Keith Hiscock	kh@hardmanandco.com	+44 (0)207 148 0544	CEO

Marketing / Investor Engagement		
+44 (0)20 7929 3399		
Richard Angus	ra@hardmanandco.com	+44 (0)207 148 0548
Max Davey	md@hardmanandco.com	+44 (0)207 148 0540
Antony Gifford	ag@hardmanandco.com	+44 (0)7539 947 917
Vilma Pabilionyte	vp@hardmanandco.com	+44 (0)207 148 0546
Neil Pidgeon	nrp@hardmanandco.com	+44 (0)207 148 0504

Analysts			
+44 (0)20 7929 3399			
Agriculture		**Bonds**	
Doug Hawkins	dh@hardmanandco.com	Brian Moretta	bm@hardmanandco.com
Yingheng Chen	yc@hardmanandco.com		
Meghan Sapp	ms@hardmanandco.com		
Building & Construction		**Consumer & Leisure**	
Tony Williams	tw@hardmanandco.com	Mike Foster	mf@hardmanandco.com
Mike Foster	mf@hardmanandco.com	Steve Clapham	sc@hardmanandco.com
Financials		**Life Sciences**	
Brian Moretta	bm@hardmanandco.com	Martin Hall	mh@hardmanandco.com
Mark Thomas	mt@hardmanandco.com	Gregoire Pave	gp@hardmanandco.com
Media		**Mining**	
Derek Terrington	dt@hardmanandco.com	Ian Falconer	if@hardmanandco.com
Oil & Gas		**Property**	
Stephen Thomas	st@hardmanandco.com	Mike Foster	mf@hardmanandco.com
Mark Parfitt	mp@hardmanandco.com		
Services		**Special Situations**	
Mike Foster	mf@hardmanandco.com	Steve Clapham	sc@hardmanandco.com
		Paul Singer	ps@hardmanandco.com
Technology		**Utilities**	
Mike Foster	mf@hardmanandco.com	Nigel Hawkins	nh@hardmanandco.com

Hardman & Co

11/12 Tokenhouse Yard
London
EC2R 7AS
United Kingdom

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

www.hardmanandco.com