hardman&co

2nd October 2017

Sinclair Pharma

Demand growing in target markets

In 2016 Sinclair was transformed into a streamlined, pure-play aesthetics company with a concentrated, competitive portfolio of differentiated injectable products. Effective, longer-lasting, natural looking, minimally invasive treatments are benefiting from trends away from intensive plastic surgery and represent a major growth opportunity. Strong Silhouette sales in the US and Brazil, and declining Sculptra sales are pushing gross margins >70%. Demand in Brazil, the US, and China is set to deliver major value following approvals in the near- and mid-term. In market US demand has lifted InstaLift sales to $2.9m/£2.3m.

- **Strategy**: Sinclair operates in the aesthetics market with a focused portfolio of products for natural-looking and minimally-invasive treatments. It sells directly in Europe and Brazil and uses distributors elsewhere, including the US. It will be launching/re-launching principal products in new territories in coming years.

- **Sales:** Underlying (CER) sales growth for the interim period was a solid +6% to £20.1m (£17.3m), affected by some unusual buying patterns from some overseas distributors, e.g. South Korea, that did not reflect in-market demand. Net cash at the period end was £0.1m (31st Dec 2016: £16.8m).

- **InstaLift:** Following training of further US physicians towards a planned 1000 in 2017, demand from ThermiGen has been better than expected, with ex-factory sales reaching $2.9m/£2.3m compared to $2.0m forecast. Contributed to the gross margin improvement to 72.4% (70.5%). Full year sales forecast is $5.5m.

- **Refine:** Rights to the suture-based product for lifting heavy tissue were acquired in June 2017 for a full consideration of up to $11.3m. The product is patent protected and FDA approved, with the intention to target the growing breast lift market in the US, then expanding to other body aesthetics and geographies.

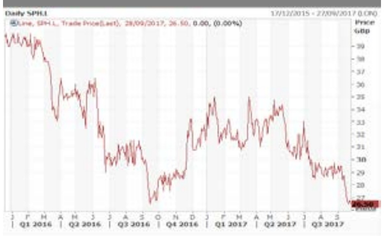
- **Investment summary:** Strong in-market demand for Sinclair's leading products shows the benefits of running a more streamlined business. Key will be the performance of Silhouette InstaLift in the US which is gaining sales traction. Even with very conservative expectations for InstaLift sales, Sinclair remains on target to deliver an EBITDA profit in 2017 and overall profitability in 2018. The risk/reward profile is looking increasingly favourable.

Financial summary and valuation

Year end Dec (£m)	2015	2016	2017E	2018E	2019E
Sales	25.0	37.8	47.0	61.5	74.9
Gross profit	17.1	26.7	34.8	46.1	57.3
EBITDA	-7.5	-6.1	1.3	9.8	18.9
Underlying EBIT	-12.4	-11.5	-4.0	4.5	13.5
Reported EBIT	-13.7	-6.8	-6.0	2.5	11.5
Underlying PTP	-28.3	-16.3	-7.5	1.0	11.0
Underlying EPS (p)	-5.5	-3.2	-1.3	0.3	1.8
Statutory EPS (p)	-5.8	-2.2	-1.7	-0.1	1.4
Net (debt)/cash	75.4	16.8	0.1	-4.1	-6.7
P/E (x)	-	-	-	-	14.6
EV/sales (x)	5.2	3.5	2.8	2.1	1.7
EV/EBITDA (x)	-	-	-	13.3	6.9

Source: Hardman & Co Life Sciences Research

Pharmaceuticals & Biotechnology



Source: Eikon Thomson Reuters

Market data

EPIC/TKR	SPH
Price (p)	26.1
12m High (p)	36.4
12m Low (p)	26.0
Shares (m)	503.8
Mkt Cap (£m)	131.5
EV (£m)	130.7
Free Float*	62%
Market	AIM

**As defined by AIM Rule 26*

Description

Sinclair operates in the aesthetics market with a portfolio of products targeting unmet clinical needs for natural-looking and minimally-invasive treatments. It is well established in Europe, has an affiliate in Brazil, the second largest market, and is now entering the US

Company information

CEO	Chris Spooner
CFO	Alan Olby
Chairman	Grahame Cook

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Key shareholders

Directors	2.3%
Toscafund	25.0%
Lansdowne Partners	11.9%
Abingworth LLP	5.9%
Schroders	5.8%
Fidelity	5.4%

Diary

Oct-17	WEM KOL conference
Jan-18	Trading update
Mch-18	Finals

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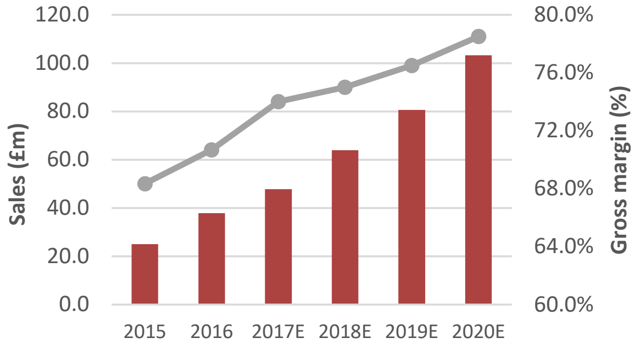
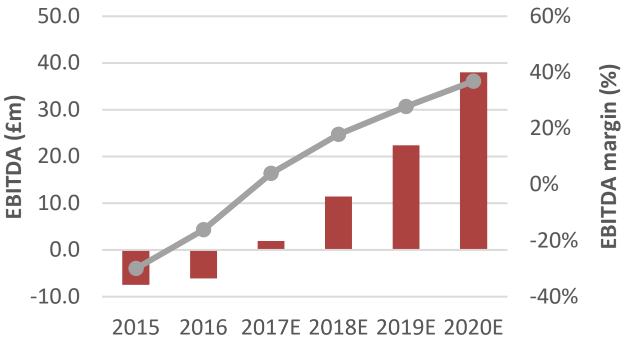
Sales & gross margin



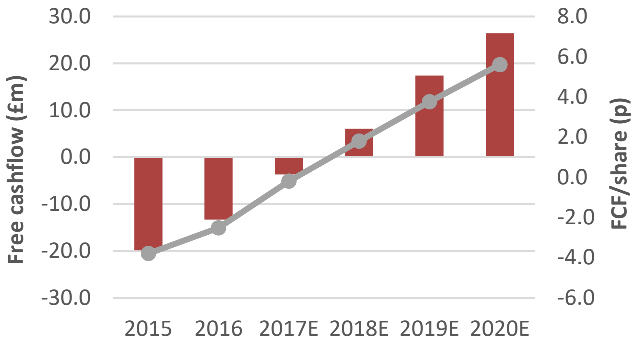
- Sales growth is being driven by the Silhouette product line (US and internationally), and Ellansé in new markets
- Forecasts for InstaLift in the US are conservative – trained physicians treating only 15 patients a year – suggesting significant upside potential to forecasts
- Group sales are still forecast to grow more than 30% CAGR over the next 5 years
- Gross margin is now over 72% and trending towards 80% reflecting increased sales of high margin products

EBITDA/EBITDA margin



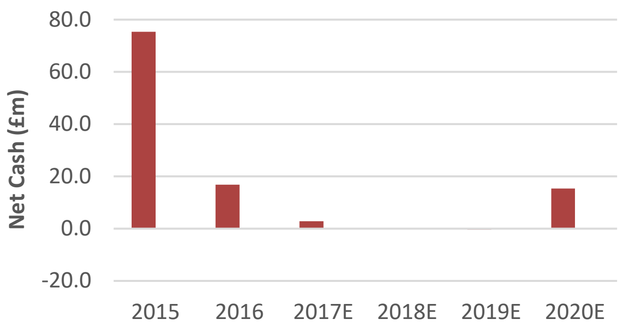
- Sinclair is already operating close to EBITDA breakeven and is forecast to be EBITDA positive during fiscal 2017
- Based on our sales assumptions, an EBITDA margin of ca.25% is achievable in 2019
- Medium/long-term EBITDA margin potential in excess of 40%
- Upside potential when a longer track-record for actual outcomes for Silhouette InstaLift in the US are known

Free cashflow



- The high level of seasonality suggests that Sinclair will become cashflow positive at the operational level in 2H'17
- Cashflow forecasts are conservative and very sensitive to the leverage effect of sales with future changes more likely to be in an upward direction
- Projections include substantial milestones due on Silhouette and Perfectha – ca.£5.4m in 2017, £8.0m in 2018 and £17.5m in 2019

Net cash/(debt)



- Net cash at 30th June 2017 was +£0.1m (including financing costs)
- This position was arrived at after paying a number of milestones and the first instalment of the Alliance Pharma warranty settlement
- The group's future cash position is affected by deferred considerations/milestone payments in 2018 and 2019
- Forecasts reflect the full drawdown of the £10m debt facility in two tranches during 2017 and 2018

Source: Company data; Hardman & Co Life Sciences Research

Interim results

Key features

Strong sales of Silhouette InstaLift and Silhouette Soft…

…weaker ex-factory sales of Ellansé and Perfectha

Product line extension with acquisition of Refine…

…part of the Silhouette brand but for body aesthetic procedures

Operational

- **Silhouette InstaLift:** Sales of \$2.9m/£2.3m in the US after only six months on the market. Strong demand from physicians for training, and repeat physician sales via the distributor, Thermigen, resulted in sales beating our forecast \$2.0m
- **Silhouette Soft:** Outside US, sales reached £7.3m: 12% CER growth. Although in line with forecasts, they were weakened by slower growth in the UK and France – now largely resolved through staff and management restructuring
- **Refine Support System:** Acquired successfully from Refine LLP in 1H'17 to expand the Silhouette brand to body aesthetic applications. Initially, intended to target breast aesthetic procedures and to be distributed by ThermiGen
- **Distributor stocking:** As described in July's trading update, ex-factory sales of Ellansé and Perfecta were slightly under expectations, due to unusual distributor buying patterns. In-market sales demand continues its strong growth

Group sales of £20.1m (£17.3m)…

…+6% CER growth excluding the +£1.8m currency benefit on translation

Financial

- **Group sales:** In the six-months to end-June 2017, SPH generated sales of £20.1m (£17.3m), representing reported growth of +16%. The currency impact on reported numbers was +£1.8m, giving CER growth of +6%
- **Gross margin:** Growth in high margin Silhouette sales and reduction in low-margin Sculptra sales pushed gross margins up 1.9pp to 72.4%
- **Net cash:** Following a number of known one-off payments, net cash at 30th June 2017 was £0.1m (31st Dec 2016: £16.8m). This includes an initial drawdown of £3m from its new £10m debt facility and its associated costs (-£0.6m)
- **EBITDA:** -£1.71m for 1H'17; sales growth in the US will impact the level of forecast profitability for the full year. Overall profitability expected in 2018

Interim results – actual vs expectations

Interims to June (£m)	1H'16 actual	1H'17 actual	CER %	1H'17 forecast	Delta
Group sales	17.3	20.1	+6%	21.0	-0.9
COGS	-5.1	-5.5		-6.0	+0.5
Gross profit	12.2	14.5		15.0	-0.4
Gross margin (%)	70.5%	72.4%		71.5%	+0.9pp
Sales & marketing	-9.2	-11.1		-11.0	-0.1
Administration	-7.3	-7.8		-7.6	-0.2
EBITDA	-1.9	-1.7		-1.2	-0.5
Underlying EBIT	**-4.3**	**-4.3**	**-0%**	**-3.7**	**-0.6**
EBIT margin (%)	-25.1%	-21.5%		-17.6	
Underlying PBT	-7.6	-6.6		-5.8	-0.8
Tax rate	+8.3%	+9.9%		+5.2	
Underlying net income	-7.0	-5.9		-5.5	-0.4
Underlying EPS (p)	**-1.4**	**-1.2**	**-16%**	**-1.1**	**-0.1**
Free cashflow*	-9.1	-5.1		-8.7	+2.4
Net cash/(debt)	**24.3**	**0.1**		**-1.2**	**+1.3**

Numbers may not add up exactly due to rounding
Source: Hardman & Co Life Sciences Research

Operational update

Overview

Key messages for the interim period were released to the market in a trading update in July: sales of the strategic brands (all but Sculptra) grew +17% on a CER basis, with strong growth in the US and Brazil. Brazil is SPH's biggest direct operation, with particularly strong Silhouette Soft sales in 1H'17. Sculptra is a legacy product, with residual sales to long-term customers. Silhouette InstaLift is gaining traction in the US, with 700 physicians trained in 1H'17, well on track to meet the 1000 target.

Silhouette InstaLift

Sales model

In the first full half year period since launch (in August 2016), sales of Silhouette InstaLift – sutures for minimally-invasive face lifts – have grown to $2.9m/£2.3m. InstaLift, branded as Silhouette Soft outside the US, is distributed by ThermiGen, which also trains physicians to use the product.

This prevents an accurate estimate of the number of current InstaLift users, although information released for the 1H'17 period has allowed us to refine our model, and support our sales matrix (see report dated 28th March 2017: '*Much more streamlined*'). The following parameters are unchanged:

- **Sutures:** Average six per patient, based on early experience
- **Physicians:** Average 500 fully trained physicians for duration of the half year
- **Price:** Each suture costs physicians $150/£120, with 40% retained by SPH

These assumptions, combined with the actual sales figure for the half year and additional physician retention information – in rest of world about 50% of physicians trained continue go on to use Silhouette and performance in the US to date is better than this – produces the figures below. In 1H'17, the average physician actually using InstaLift performed an estimated 26 procedures. Keeping this rate for the full year gives a conservative estimate of $5.5m/£4.0m for sales of InstaLift for the full year.

InstaLift physician uptake 1H'17

Trained physicians (%)	Trained physicians (n)	Av monthly procedures /physician	1H'17 sales ($m)	Forecast 1H'17 sales ($m)	Forecast FY 2017 sales ($m)
12%	60	12	$1.68m	-	$3.2m
18%	90	4	$0.84m	-	$1.6m
30%	154	1	$0.35m	-	$0.7m
40%	200	0	$0.00m	-	$0.0m
100%	**500**	**2.6**	**$2.88m**	**$2.0m**	**$5.5m**

Source: Hardman & Co Life Sciences Research

Label change

FDA approval of a change to the InstaLift label should further increase sales volumes in the medium term. Silhouette InstaLift can now be used via a self-anchoring procedure, as for Silhouette Soft; as a result, InstaLift can be directly marketed by Thermigen personnel without a 'medical trainer intermediary', reducing the time and expense to train physicians, and increasing uptake.

Refine™

Acquisition

In line with the strategy to expand the portfolio to body aesthetic applications, in June global rights to the Refine™ Support System were acquired from Refine LLC. The total consideration, including milestones and royalties, was up to $11.3m. This is a patented suture-mesh-anchor system that is FDA approved for lifting heavy tissue. As part of the Silhouette brand, it will first be marketed by ThermiGen in the US, with CE mark expected towards the end of 2019. Elsewhere, e.g. Latin America, Refine will be submitted for regulatory certification with first approvals expected in 2019.

Target markets

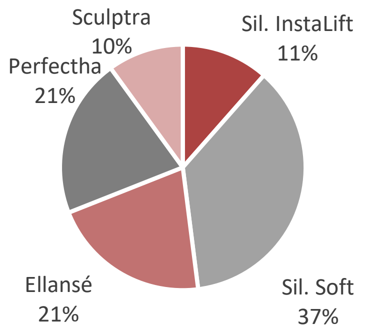
Refine is initially intended primarily for the breast surgery market, estimated at $600m in the US in 2016. Some 50,000-60,000 individuals undergo breast surgery procedures such as breast augmentation or lift in the US each year, and the breast lift market is growing as the demand for implants decreases.

Since Refine can be used alone or to enhance many cosmetic and reconstructive procedures, sales could piggy-back on existing procedures in addition to generating a new segment of the breast lift market. Penetration of the existing breast surgery market could be around 20%, generating $12m peak sales (estimated cost per unit of $1,000) just as a complementary procedure. For stand-alone use, sales volumes are expected to be further boosted because Refine can be applied under local anaesthetic. Finally, management anticipates future demand for Refine from the buttock and thigh aesthetic markets as the product gains commercial traction.

Ellansé, Perfectha, Sculptra

Ex-factory sales of Ellansé and Perfecta were slightly below expectations due entirely to distributor buying patterns. Importantly, in-market sales are seeing continued strong growth. For example, sales of Ellansé dermal filler were below forecasts by -£0.6m, reaching £4.2m in 1H'17 (£4.2m), representing ex-factory growth of -7% at CER – considerably less than the in-market sales growth of +47%. Notable was the impact of distributer ordering patterns in South Korea, the product's largest market.

Product sales – 1H'17



Source: Hardman & Co Life Sciences Research

Ellansé

Ellansé, the Group's #2 product after Silhouette Soft, is undergoing regulatory approval in a variety of additional jurisdictions, detailed below, as part of the strategy for new launches in the three biggest global aesthetics markets: Brazil, the US, and China. Currently, most sales are generated directly in Europe and via distributers in the Asia Pacific and Middle East regions. We expect a recovery in sales growth in the second half to a full year figure of £10.0m at CER. In readiness for new launches, SPH is transferring Ellansé manufacture to an FDA approved contract manufacturer that will also increase capacity going forward.

Sales – actual vs forecast

Product (£m)	1H'17 forecast	1H'17 actual	------ Growth ------ Reported	CER	In-market
Silhouette InstaLift	1.6	2.3	-	-	-
Silhouette Soft	7.2	7.3	+20%	+10%	+13%
Ellansé	4.8	4.2	0%	-7%	+47%
Perfectha	4.1	4.2	+14%	+5%	+23%
Sculptra	3.3	2.0	-38%	-43%	-40%
Group sales	**21.0**	**20.0**	**+16%**	**+6%**	

Source: Hardman & Co Life Sciences Research

Sculptra

Sales of Sculptra were significantly below our expectations, bringing in only £2.0m (£3.2m), a reduction of -43% at CER. This was attributable to destocking by certain wholesalers, but there have also been reduced in-market sales, which is expected to continue. We have dropped our forecast for the full year by £1.8m to £4.4m.

Developments by geography

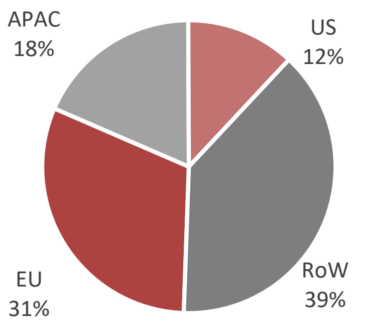
Direct presence

Brazil

The Brazilian affiliate was established in July 2016. With 35 staff in place, it has already become SPH's largest direct sales operation, predominantly due to Silhouette Soft which contributed £1.1m to the total £7.3m (+10% CER growth) in the half year.

Ellansé is to be launched in Brazil in 1H'18 following its likely approval. This is earlier than originally anticipated and is expected to be highly successful, with market research very positive and pre-launch preparations well underway. Ellansé is a new generation dermal filler with a 2-in-1 action that provides immediate correction of wrinkles and folds. A new advisory board has been formed specifically for Brazil.

Geographical sales – 1H'17



Source: Hardman & Co Life Sciences Research

Europe

Following slower than anticipated growth of Silhouette Soft in Europe due to issues local to the UK and France, the UK and French teams have undergone an overhaul and a new European senior management appointment has been made. Silhouette Soft did perform well in Spain and Germany, however.

Re-submission of Silhouette Soft for registration in Europe (following de-designation of its previous Notified Body) is complete, with the issuance of a new European CE Mark anticipated by the end of 2017. There is a very small risk that this does not happen in time, which would result in Silhouette Soft coming off the market temporarily.

Distribution partners

US

The US is a major target for Ellansé – pre-IDE (Investigational Device Exemption) preparations are ongoing. The aim is to start the pivotal trial (final trial pre-registration) in 2018.

China

Regulatory progress was also made with Ellansé in China with SPH's partner receiving approval from the China FDA to start clinical trials. These were recently initiated and recruitment should be complete by the end of 2017. Following launch, the company expects Ellansé to be a major opportunity since the Chinese market has a preference for volumizing and sculpturing aesthetics; however, value creation is likely to be in the medium term given the registration timelines characteristic of the territory.

Financial update

Profit & Loss

- **Sales:** 1H'17 CER growth was +6%; +17% excluding Sculptra. An acceleration is expected for the full year based on the solid in-market demand
- **Gross margin:** High (72.4%) and rising, especially with increased US sales for InstaLift, and Sculptra decreasing. Forecasts trending towards 80%
- **EBITDA:** Sinclair has fixed costs of ca.£47m (ex D&A). The leverage effect of sales will dictate the level of EBITDA profitability in 2017. Sinclair is forecast to be profitable overall at the EBIT level in 2018

Profit & Loss account

Year end Dec (£m)	2015	2016	2017E	2018E	2019E
GBP:EUR	1.378	1.223	1.223	1.223	1.223
GBP:USD	1.529	1.354	1.354	1.354	1.354
GBP:REAL	5.09	4.91	4.91	4.91	4.91
Group sales	**24.97**	**37.82**	**47.0**	**61.5**	**74.9**
COGS	-7.90	-11.09	-12.2	-15.4	-17.6
Gross profit	17.07	26.73	**34.8**	**46.1**	**57.3**
Gross margin	68.3%	70.7%	74.0%	75.0%	76.5%
Sales & marketing	-14.74	-21.69	-23.6	-25.9	-27.4
Administration	-14.70	-16.57	-15.2	-15.7	-16.4
EBITDA	-7.49	-6.13	**1.3**	**9.8**	**18.9**
EBITDA margin	-30.0%	-16.2%	2.8%	16.0%	25.2%
Depreciation	-0.45	-0.48	-0.4	-0.4	-0.4
Amortisation	-4.44	-4.93	-4.9	-4.9	-4.9
Other income	0.00	0.00	0.0	0.0	0.0
Underlying EBIT	**-12.37**	**-11.53**	**-4.0**	**4.5**	**13.5**
Share based costs	-1.31	-1.82	-2.0	-2.0	-2.0
Exceptional items	-0.05	6.54	0.0	0.0	0.0
Statutory Op. profit	-13.74	-6.82	**-6.0**	**2.5**	**11.5**
Net interest	-15.89	-4.74	-3.5	-3.5	-2.5
Pre-tax profit	**-28.27**	**-16.28**	**-7.5**	**1.0**	**11.0**
Reported pre-tax	-29.63	-11.56	-9.5	-1.0	9.0
Tax payable/receivable	0.95	0.43	0.8	0.4	-2.0
Underlying net income	**-27.31**	**-15.85**	**-6.7**	**1.4**	**9.0**
Statutory net income	-28.67	-11.13	-8.7	-0.6	7.0
Ordinary shares:					
Period-end (m)	496.7	503.8	503.8	503.8	503.8
Weighted average (m)	496.7	500.4	503.8	503.8	503.8
Fully diluted (m)	496.7	500.4	506.8	506.8	506.8
Underlying Basic EPS (p)	**-5.50**	**-3.17**	**-1.33**	**0.28**	**1.79**
Statutory Basic EPS (p)	-5.77	-2.22	-1.73	-0.12	1.40
U/I Fully-diluted EPS (p)	**-5.50**	**-3.17**	**-1.32**	**0.28**	**1.78**
Stat. Fully-diluted EPS (p)	-5.77	-2.22	-1.72	-0.12	1.39
DPS (p)	0.0	0.0	0.0	0.0	0.0

Source: Hardman & Co Life Sciences Research

Balance sheet

- **Net cash/(debt):** At 30th June 2017, Sinclair had net cash of £0.7m, with an initial £3m of its £10m bank overdraft facility having been drawn down. Management also prudently includes the costs associated with the drawdown (-£0.6m), giving a clean net cash position of +£0.1m
- **Provisions:** The balance sheet contains provisions for deferred liabilities in relation to Silhouette InstaLift and Perfectha milestone payments triggered by approvals and hitting specified sales targets. About £5m of these were paid in 1H'17 and will recur in fiscal 2018
- **Warranty:** A payment of £4m was made to Alliance Pharma in 1H'17 as part settlement of the warranty claim for Kelo-Stretch, which is classified under discontinued/disposals. A further £1m will be paid in 1H'18
- **Debt facility:** On the back of continued investment in marketing and training in the US (physician training), Europe (DTC advertising), and in its Brazilian affiliate, coupled with deferred considerations and milestone payments, Sinclair has started to draw down on its £10m loan facility

Balance sheet

Year end Dec (£m)	2015	2016	2017E	2018E	2019E
Shareholders' funds	104.6	100.3	103.5	101.7	112.6
Cumulated goodwill	52.8	65.2	65.2	65.2	65.2
Total equity	157.4	165.6	168.8	167.0	177.8
Share capital	5.0	5.0	5.0	5.0	5.0
Reserves	99.6	95.3	98.5	96.7	107.5
Provisions/liabilities	78.4	39.4	34.0	25.9	8.4
Deferred tax	20.1	24.1	22.6	23.5	21.8
Long-term debt	0.0	0.0	5.0	8.8	8.8
Short-term loans	0.0	0.0	0.0	1.2	1.2
less: Cash	75.4	16.8	5.1	5.9	3.3
less: Deposits	0.0	0.0	0.0	0.0	0.0
less: Non-core invests.	0.1	0.0	0.0	0.0	0.0
Invested capital	**127.7**	**147.0**	**160.0**	**155.2**	**149.5**
Fixed assets	1.4	1.7	4.0	6.6	7.7
Intangible assets	70.2	83.7	82.1	80.2	77.3
Goodwill	52.8	65.2	65.2	65.2	65.2
Inventories	5.8	3.8	4.8	6.2	7.6
Trade debtors	*9.1*	*11.9*	*11.8*	*12.4*	*13.1*
Other debtors	*6.0*	*1.4*	*1.4*	*1.4*	*1.4*
Tax credit/liability	*-2.0*	*-1.1*	*-1.1*	*-1.1*	*-1.1*
Trade creditors	*-6.9*	*-4.9*	*-5.4*	*-6.8*	*-7.7*
Other creditors	*-8.6*	*-14.7*	*-2.8*	*-9.0*	*-14.0*
Debtors less creditors	-2.4	-7.4	3.9	-3.1	-8.3
Invested capital	**127.7**	**147.0**	**160.0**	**155.2**	**149.5**
Net cash/(debt)	**75.4**	**16.8**	**0.1**	**-4.1**	**-6.7**

Source: Hardman & Co Life Sciences Research

Cashflow

- **Investment:** Because of continued investment in products and marketing, Sinclair will only be close to cashflow breakeven at the operational level in fiscal 2017, with payment of the first warranty tranche (-£4m) seeing outflow of ca.-£6.5m at the free cashflow level. This will revert to cash inflow in fiscal 2018
- **Milestones/deferred consideration:** Cash payments in relation to milestones for Silhouette InstaLift and Perfectha are due in the next two years (shown under acquisitions), with about £5m having been paid in 1H'17
- **Cap-ex:** Sinclair is planning to make investments in manufacturing lines to support the sales growth, pre-clinical trial work for FDA approvals, and line extensions for Perfectha, which will result in higher cap-ex (ca.£2.5-3.0m) in each of the next two years
- **Net cash/(debt):** Forecasts have been adjusted to allow for drawdown of the £10m debt facility in two tranches. At the end of fiscal 2017, Sinclair is forecast to be broadly cash neutral at the year end. In 2018 and 2019, the company will turn cashflow positive at the free cashflow level, but milestone payments will leave the company in a cash neutral position. However, the leverage effect of high margin Silhouette InstaLift sales in the US could significantly change this position

Cashflow

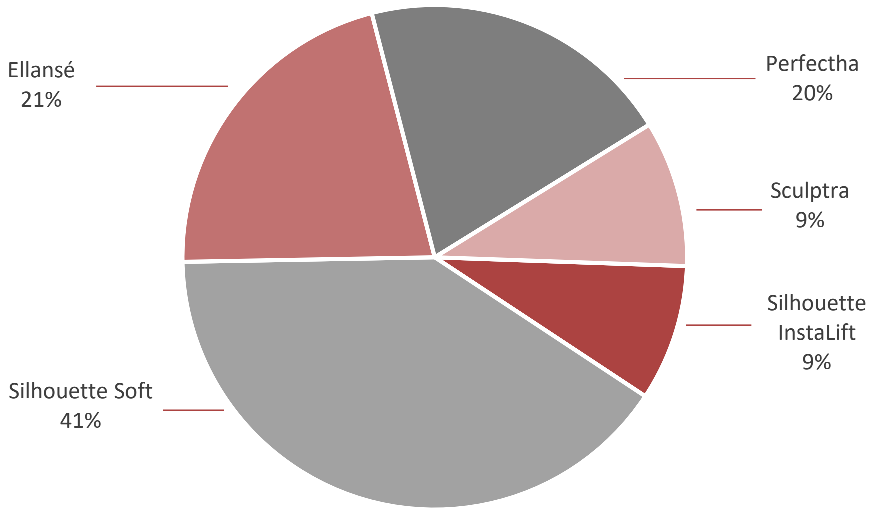
Year end Dec (£m)	2015	2016	2017E	2018E	2019E
Underlying EBIT	**-12.4**	**-11.5**	**-4.0**	**4.5**	**13.5**
Depreciation	0.5	0.5	0.4	0.4	0.4
Amortisation	4.4	4.5	4.9	4.9	4.9
Inventories	*-0.3*	*2.4*	*-0.9*	*-1.5*	*-1.4*
Receivables	*-2.3*	*-3.1*	*0.1*	*-0.6*	*-0.7*
Payables	*-2.8*	*1.6*	*-1.9*	*1.4*	*1.0*
Change in working capital	-5.4	0.9	-2.7	-0.7	-1.1
Exceptionals/provisions	-0.5	-4.0	-1.6	0.0	0.0
Other	0.0	-4.0	0.0	0.0	0.0
Company op cashflow	**-13.9**	**-9.7**	**-3.0**	**9.1**	**17.8**
Net interest	-4.5	-2.8	-0.1	-0.6	-0.6
Tax paid/received	-0.5	-0.1	-0.6	-0.6	-0.8
Operational cashflow	**-18.9**	**-12.6**	**-3.7**	**7.9**	**16.4**
Capital expenditure	-1.0	-0.7	-2.7	-3.0	-1.5
Sale of fixed assets	0.0	0.0	0.0	0.0	0.0
Free cashflow	**-19.9**	**-13.3**	**-6.4**	**4.9**	**14.9**
Dividends	0.0	0.0	0.0	0.0	0.0
Acquisitions	-8.8	-49.4	-5.4	-8.1	-17.5
Disposals	130.5	3.6	-5.4	-1.0	0.0
Other investments	0.0	0.0	0.6	0.0	0.0
Cashflow after invests.	**101.8**	**-59.1**	**-16.7**	**-4.2**	**-2.6**
Share repurchases	0.0	0.0	0.0	0.0	0.0
Share issues	0.0	0.0	0.0	0.0	0.0
Currency effect	-1.0	0.5	0.0	0.0	0.0
Change in net debt	**178.3**	**-58.6**	**-16.7**	**-4.2**	**-2.6**
Hardman FCF/share (p)	-3.8	-2.5	-0.7	1.6	3.3
Opening net cash	-103.0	75.4	16.8	0.1	-4.1
Closing net cash	**75.4**	**16.8**	**0.1**	**-4.1**	**-6.7**

Source: Hardman & Co Life Sciences Research

Changes to forecasts

- **Ellansé:** Lower than expected sales in 1H'17, although caused by distributor buying patterns, have led us to reduce our sales forecast for the full year from £10.7m to £10.0m
- **Sculptra:** For reasons highlighted earlier in this report, expectations for Sculptra were reduced at the time of the trading statement, sales being reduced from £6.2m to £4.4m

Sales by product – 2017E



Source: Hardman & Co Life Sciences Research

- **Sales:** Compared to our previous publication (12th July 2017), sales have been reduced by -2% to reflect the change in Ellansé forecast
- **COGS:** The change in COGS is directly linked to the drop in sales expectations, the gross margin remaining at 74%
- **Amortisation:** The first half amortisation charge was higher than expected which has a knock-on effect for the full year
- **EBITDA:** Consistent with the management KPI to be EBITDA positive in fiscal 2017, forecasts suggest that EBITDA will be £1.3m, down from £1.5m

Changes to forecasts

Year end December (£m)	2016 actual	--------- 2017E --------- old	new	Delta	Change %
Sales	37.82	47.8	47.0	-0.8	-2%
COGS	-11.09	-12.4	-12.2	+0.2	+2%
Sales & marketing	-21.69	-23.6	-23.6	nc	
Administration	-16.57	-15.2	-15.2	nc	
EBITDA	**-6.13**	**1.5**	**1.3**	**-0.1**	-14%
Depreciation	-0.48	-0.5	-0.4	+0.1	nm
Amortisation	-4.93	-4.5	-4.9	-0.4	-9%
Underlying EBIT	**-11.53**	**-3.4**	**-4.0**	**-0.6**	

Numbers may not add up exactly due to rounding
Source: Hardman & Co Life Sciences Research

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