

### Market data

EPIC/TKR	APH
Price (p)	59.0
12m High (p)	60.0
12m Low (p)	41.3
Shares (m)	474.3
Mkt Cap (£m)	279.8
EV (£m)	343.3
Free Float*	79%
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

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

### Key shareholders

Directors	12.5%
MVM Life Sciences	11.7%
Artemis	10.1%
Fidelity	9.4%
Slater Invests.	7.3%
River & Merc	5.0%
GVQ IM	5.0%

### Next event

Mar-18	Finals
May-18	AGM

### Analysts

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## Alliance Pharma

### Kelo-cote building international sales

Alliance Pharma's buy-and-build strategy to evolve into a profitable, cash generative, specialty pharma business is bearing fruit. Acquisition of the dermatology and wound care products from Sinclair Pharma has transformed the company into an internationally brand-oriented business. Performance of the enlarged group is being driven by two international growth brands, Kelo-cote and MacuShield, that are exceeding expectations, supported by bedrock products. Although the MHRA did not approve Diclectin, discussions continue which may or may not lead to reconsideration. Meanwhile, this will not impact the near-term financial performance.

- **Strategy:** Since inauguration, APH has adopted a buy-and-build model, with 32 deals over 19 years assembling a portfolio of >90 products and establishing a strong track record. It is accelerating growth through investing in two multi-market brands, with infrastructure supported by its passive products.
- **Interims:** Key figures had already been released to the market. Underlying 1H sales grew +2.9%, boosted at the reported level by currency (+£2.6m) to £50.3m (£46.4m). Cash generation (£10.7m, Hardman calculation) continues to be strong and was also boosted by the £4m warranty receipt from Sinclair Pharma.
- **Growth brands:** Sales of both 'Star Brands', Kelo-cote and MacuShield, grew beyond expectations to £6.2m (+32% CER) and £3.4m (+65% CER), respectively. This was driven by in-market growth and supplemented by new launches. Diclectin was not approved by the MHRA, but discussions continue.
- **Risks:** APH has a diversified strategy that includes International Star brand growth potential supported by Bedrock products. However, established sales patterns are not guaranteed and can be prone to unusual distributor buying patterns. The final outcome for Diclectin is subject to ongoing discussions.
- **Investment summary:** Although APH is forecast to have +6% CAGR in sales over the next three years, medium-term EPS growth will be held back by the investment in marketing and operational costs. The progressive dividend policy is expected to remain. Shares are trading on a 2017 P/E of 13.7x and carry a dividend yield of 2.3%, covered 3.3x. Approval of Diclectin would transform medium- to long-term growth prospects.

### Financial summary and valuation

Year end Dec (£m)	2014	2015	2016	2017E	2018E	2019E
Sales	43.5	48.3	97.5	102.9	111.0	117.7
Operating profit	10.7	12.8	23.5	25.5	28.2	31.4
Reported pre-tax profit	10.2	15.9	22.2	*28.9	26.6	29.7
Underlying EPS (p)	3.3	4.2	4.1	4.3	4.7	5.2
Reported EPS (p)	3.2	4.9	3.9	4.8	4.3	4.8
DPS (p)	1.0	1.1	1.2	1.3	1.5	1.6
Net (debt)/cash	-21.1	-71.5	-76.1	-57.5	-43.0	-26.6
Net debt/EBITDA (x)	1.6	5.3	2.8	2.0	1.4	0.8
P/E (x)	17.9	14.1	14.3	13.7	12.6	11.4
EV/sales (x)	7.9	7.1	3.5	3.3	3.1	2.9
EV/EBITDA (x)	26.1	25.2	12.8	11.8	10.8	9.9
Dividend Yield (%)	1.7	1.9	2.1	2.3	2.5	2.7

\*Includes £5m Sinclair settlement

Source: Hardman & Co Life Sciences Research

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## Interim results

### Key features

#### Operational

- ▶ **Growth brands:** Investment in Kelo-cote and MacuShield marketing is delivering results, with good growth in both in-market sales and from new launches. A new head of global marketing, particularly overseeing Kelo-cote, was hired in 1H'17
- ▶ **Diclectin:** The UK regulator, the MHRA, did not approve the marketing authorisation application for Diclectin, a product for nausea and vomiting in pregnancy. The applicant, Duchesnay Inc, will be continuing discussions with the regulator that will run well into 2018; the outcome could go either way
- ▶ **Hydromol:** The emollient market decreased slightly in 1H'17. Combined with non-availability of Hydromol Intensive, sales declined -4% to £3.4m

#### Financial

- ▶ **Sales:** Underlying growth of +2.9% to £50.3m was boosted £2.6m by weakness of sterling against the Euro and Dollar: non-European customers now comprise ca.25% of sales. Driven by Kelo-cote (+32% CER) and MacuShield (+65% CER)
- ▶ **COGS:** Gross margins (57.6%) increased slightly on 1H'16 (+56%), leveraged by accelerating sales of Kelo-cote and MacuShield, the higher margin products
- ▶ **EBIT:** 1H'17 earnings were £14.0m (£13.5m), in line with forecasts. Although weakness of sterling has boosted the top line, APH is hedged naturally against movements in key currencies, with a significant proportion of its costs overseas
- ▶ **Dividend:** APH is continuing its progressive dividend policy. Interim dividends were increased +10% to 0.443p (0.403p) per share; to be paid 11<sup>th</sup> January 2018
- ▶ **Net debt:** Compared to a cash neutral 1H'16, cash generation (£10.7m) in the six months to 1H'17 was used to pay down debt, with APH ending the period with net debt of £63.4m, which was £1.2m better than forecast. Net debt is forecast to continue to reduce on the back of continued cash generation

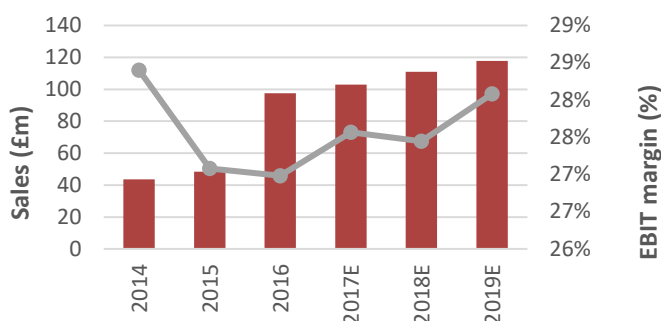
Actual vs expectations					
Interims to June (£m)	1H'16 actual	1H'17 actual	CER %	1H'17 forecast	Delta Δ
Group sales	46.4	50.3	+3%	50.4	-0.1
COGS	-20.4	-21.3		-21.9	+0.6
Gross profit	26.0	29.0		28.4	+0.6
Gross margin (%)	56.0	57.6		56.5	+1.1
SG&A	-12.9	-15.1		-14.5	-0.6
JV income	0.3	0.1		0.1	0
<b>Underlying EBIT</b>	<b>13.5</b>	<b>14.0</b>	<b>+4%</b>	<b>13.9</b>	<b>+0.1</b>
<b>EBIT margin (%)</b>	<b>29.0%</b>	<b>27.8%</b>		<b>27.6%</b>	<b>+0.2pp</b>
Underlying PBT	12.2	12.6		12.0	+0.6
Tax rate	18.5%	20.5%		20.4%	-0.1pp
Underlying net income	10.1	9.2		9.5	-0.3
Underlying EPS (p)	2.15	1.94	-10%	2.00	-0.06
Free cashflow*	0.1	10.7		10.0	+0.7
<b>Net cash/(debt)</b>	<b>-79.0</b>	<b>-63.3</b>		<b>-64.5</b>	<b>+1.2</b>

Numbers may not add up exactly due to rounding

\*Hardman definition: excludes £4m Sinclair receipt

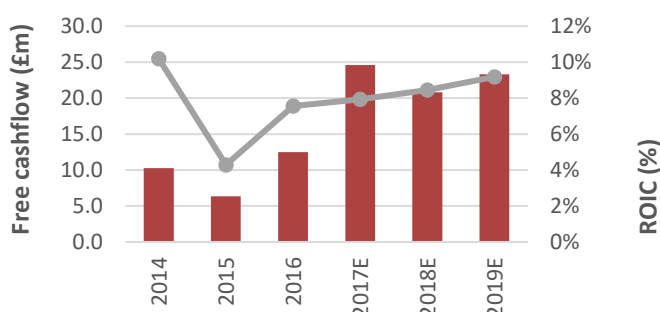
Source: Hardman & Co Life Sciences Research

### Sales & margin



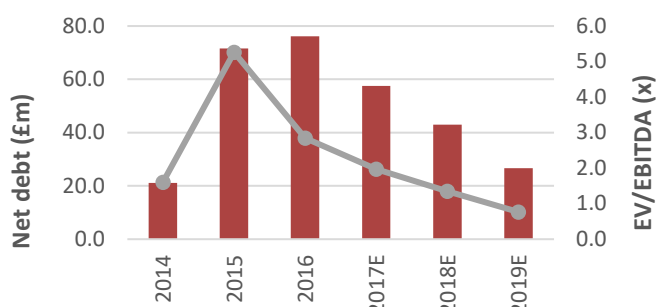
- ▶ 1H'17 underlying sales growth of +2.9% from 1H'16 to £50.3m
- ▶ Two recently acquired international brands (Kelo-cote and MacuShield) are driving notable sales growth
- ▶ EBIT margin is the underlying margin before share-based payments
- ▶ Gross margins up slightly in 1H'17 now that acquired high margin brands are gaining traction

### Free cashflow & ROIC



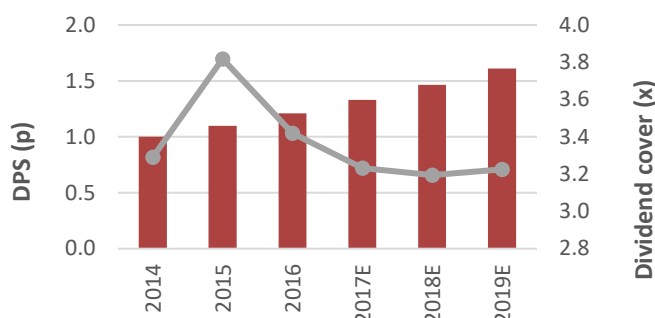
- ▶ 2016 investment and integration were offset by big jumps in gross profits generating free cash increases
- ▶ Driven by ex-Sinclair products acquired end FY2015
- ▶ Operating cashflow conversion is typically ca.100% of EBIT
- ▶ 2015 ROIC impacted by year end acquisition of Sinclair IS portfolio, returned to normal in 2016, after which it should return to ca.9% in 2019

### Net debt



- ▶ Net debt at 30th June 2017 was £63.3m, slightly better than expectations
- ▶ Financial covenants are well within the specified range, with net debt/EBITDA of 2.2x at the end of 1H'17, falling to around 2.0x at the full year 2017 (unusually high in 2015 due timing of Sinclair acqn.)
- ▶ Minimum interest cover (EBITDA/interest cost) of 4.0x. This is expected to be 9.6x in 2017
- ▶ Cash compensation from Sinclair Pharma has been used to pay down debt

### Dividends



- ▶ Progressive dividend policy since dividend commenced in 2009
- ▶ Interim dividend of 0.44p, +10%; forecast to rise to 1.33p for the full year (also +10%)
- ▶ Dividend cover of ca.3.4x in 2016 and 3.2x in 2017
- ▶ Scope to increase dividend

Source: Company data; Hardman & Co Life Sciences Research

## Operations update

### Star brands

One of the key reasons behind management's strategic move to acquire the pharmaceutical portfolio of Sinclair Pharma in 2016 was to make the business more international, providing additional infrastructure in Europe and Asia and an established international distribution network. Two acquired products, Kelo-cote (ex-Sinclair) and MacuShield (ex-MacuVision), have become APH's fastest growing products, both through growing in-market sales and launches in additional territories.

#### Kelo-cote

Kelo-cote is a fast drying, patent-protected scar treatment product. It is backed by Key Opinion Leaders: in the first half of the year, APH became the lead corporate sponsor of Scar Club, a network of clinicians, surgeons, and industry members. Patients undergoing elective surgery are a key target, therefore recommendations from KOLs are important in maximising market penetration.

APH owns the global rights to Kelo-cote outside the US, with the product currently sold in 65 countries. China is its lead market and 1H sales growth was particularly strong in Asia Pacific (notably Hong Kong, Singapore, and South Korea): underlying growth of +32% to a reported £6.2m was boosted by weakness of sterling.

To harness full value from overseas sales, the decision was taken to repatriate the distribution agreements from affiliates in France, Germany, and Italy; this was completed in 1H'17 with no cash costs or issues regarding stocking. There is room for further repatriation going forward, and a new hire has been made to oversee global marketing. The company has restated its expectation that the product could achieve £20-25m in sales within five years (representing 12% CAGR).

#### MacuShield

APH's fastest growing product is MacuShield (+65% CER for 1H'17), a nutritional supplement for macular degeneration. It is differentiated from competition by containing all three macular pigments, extensive data from multiple clinical trials, and by being competitively priced.

Total sales of MacuShield in 1H'17 were £3.4m (£2.0m). The UK remains the biggest market – MacuShield is the most recommended eye care supplement in this territory – and increased domestic distribution (e.g. retailing at Boots, Walgreens Boots Alliance) has resulted in sales CAGR of +19% since acquisition. There were also distribution launches in new territories in 1H'17, with growth seen in Romania, Serbia, and Greece – further launches are expected in the next half year.

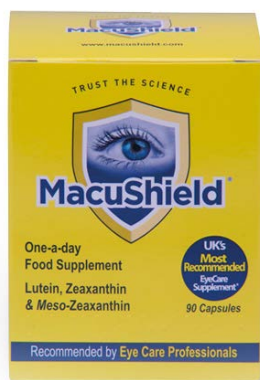
Since APH holds global rights to MacuShield (with the exception of the Americas and Caribbean), this product has significant growth potential. The nutraceuticals market in China is estimated at around \$1bn and is growing; however, the macular degeneration market is more fragmented than the scar treatment market, and MacuShield is sold in both the ophthalmic and consumer healthcare arenas. Therefore, the current aim is to reach £15m sales within 5 years (16% CAGR).

#### Kelo-Cote



Source: Alliance Pharma

#### MacuShield

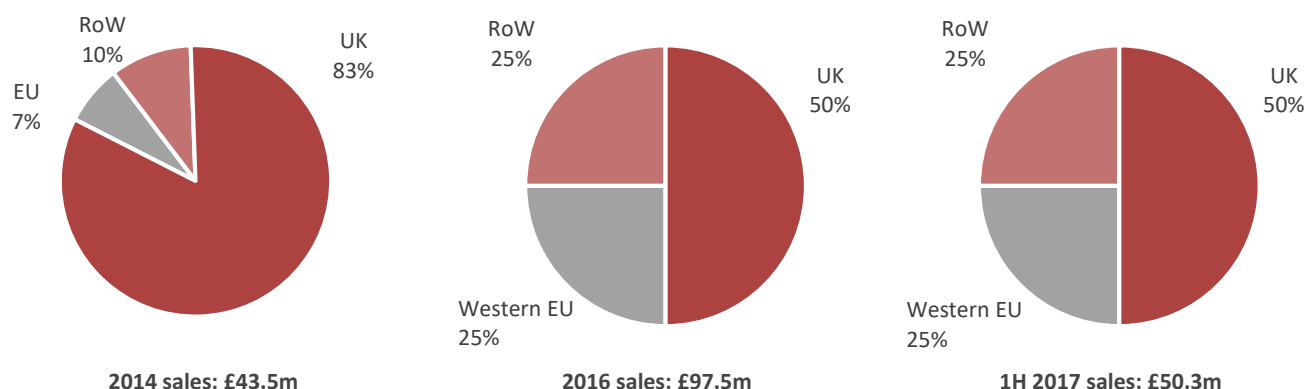


Source: Alliance Pharma

## Geographical analysis

Reported sales of £50.3m (£46.4m) were boosted £2.6m by exchange rate movements, representing overall underlying growth of +3% on 1H'16. Alliance has a large footprint in Europe and its international sales continue to grow; currently, it has customers in more than 90 countries. APH has a natural currency hedge: a reasonable proportion of its operating costs are based in Euros, with some in US\$. In addition, it has EUR and US\$ denominated debt. Therefore, the effect of currency movement on PBT is not marked.

### Development of international sales



Source: Hardman & Co Life Sciences Research

### International

International sales represented 25% (£12.6m) of group revenue in 1H'17, +9% CER growth on the previous period. The strong sales of Kelo-cote in the Asia Pacific region balanced the slower performance in the Middle East and Africa, where there were fluctuations in distributor stocking. Most international distributor relationships are managed from the Paris office, and the majority have transitioned successfully from Sinclair to Alliance.

### Western Europe

Outside the UK, £12.6m (25%) of 1H'17 sales were in continental Europe, up from £11.7m in 1H'16. Underlying sales weakened in France (-4%), the largest non-UK affiliate, and Germany, Austria, and Switzerland sales were as expected, up +4% at CER. Aloclair, the mouth ulcer treatment, drives sales in Spain and Italy: sales in Spain increased +18% on an underlying basis, bringing in £1.7m, and Italy showed a slight decline (-2% CER) to £1.4m. Growth is expected to particularly improve in France, Germany, and Italy now that distribution agreements have been repatriated from organisations such as Recordati.

### UK

Hydromol is a 'local hero' product in the UK. It generated £3.4m in the half year, a minor decline (-4%) on the corresponding period, largely the result of non-availability of Hydromol Intensive, the intensive action presentation for clinically dry areas, which has now resolved. In addition, the emollient market has weakened slightly. Overall, UK sales totalled £25.2m, +3% growth. This was affected by volatile distributor buying patterns, but there have been additional distribution gains: e.g. Ashton and Parsons Infants Powders are now being sold via Morrisons supermarkets.

## Financials

### Profit & Loss

- ▶ **SG&A:** Following the Diclectin decision made by the MHRA, management is reconsidering how marketing personnel will be re-deployed
- ▶ **Tax:** The tax rate is reverting to normalised levels of around 22% in the absence of any further reduction in the UK corporation tax rate. Deferred tax associated with the reduced intangible tax relief on Kelo-stretch will impact 2017 only

Profit & Loss account						
Year end Dec (£m)	2014	2015	2016	2017E	2018E	2019E
GBP:EUR	-	1.284	1.223	1.223	1.223	1.223
GBP:USD	-	1.432	1.354	1.354	1.354	1.354
<b>Sales</b>	<b>43.5</b>	<b>48.3</b>	<b>97.5</b>	<b>102.9</b>	<b>111.0</b>	<b>117.7</b>
Cost of goods	-18.5	-19.6	-42.6	-43.8	-46.7	-48.9
Gross profit	25.0	28.7	54.8	59.1	64.3	68.8
Admin & marketing	-12.5	-15.6	-28.8	-31.1	-34.2	-36.1
<b>Underlying EBITDA</b>	<b>13.2</b>	<b>13.6</b>	<b>26.7</b>	<b>29.1</b>	<b>31.8</b>	<b>34.7</b>
EBITDA margin	30.2%	28.1%	27.4%	28.3%	28.7%	29.5%
Depreciation	-0.3	-0.3	-0.3	-0.5	-1.2	-1.5
Amortisation	-0.5	-0.2	-0.1	-0.3	-0.2	-0.2
Other income	0.0	0.0	0.0	0.0	0.0	0.0
Share of JV profits/(loss)	0.3	0.2	0.3	0.3	0.3	0.3
<b>Underlying EBIT</b>	<b>12.4</b>	<b>13.1</b>	<b>26.3</b>	<b>28.4</b>	<b>30.5</b>	<b>33.1</b>
Share based costs	-0.6	-0.6	-0.7	-1.4	-1.4	-1.5
Exceptional items	-0.6	4.5	0.0	*5.0	0.0	0.0
Statutory EBIT	11.2	17.0	25.6	32.0	29.1	31.6
Net interest	-1.0	-1.1	-2.8	-2.8	-2.3	-1.7
Other financials	0.0	0.1	-0.6	-0.2	-0.2	-0.2
<b>U/lying pre-tax profit</b>	<b>10.7</b>	<b>12.8</b>	<b>23.5</b>	<b>25.5</b>	<b>28.2</b>	<b>31.4</b>
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0
<b>Reported pre-tax</b>	<b>10.2</b>	<b>15.9</b>	<b>22.2</b>	<b>*28.9</b>	<b>26.6</b>	<b>29.7</b>
Underlying tax	-2.0	-1.4	-4.1	-5.2	-6.0	-6.7
Exceptional tax	0.3	-1.1	0.0	-0.9	0.0	0.0
Tax payable/credit	-1.8	-2.5	-4.1	-6.1	-6.0	-6.7
Tax rate	17.4%	15.6%	18.6%	21.0%	22.6%	22.7%
<b>Underlying net income</b>	<b>8.7</b>	<b>11.5</b>	<b>19.4</b>	<b>20.3</b>	<b>22.2</b>	<b>24.6</b>
Statutory net income	8.4	13.5	18.1	22.9	20.6	22.9
<b>Ordinary shares:</b>						
Period-end (m)	264.1	468.2	472.6	474.3	474.3	474.3
Weighted average (m)	264.1	272.7	469.4	472.6	474.3	474.3
Fully diluted (m)	265.6	299.2	505.0	508.1	509.8	509.8
<b>U/lying basic EPS (p)</b>	<b>3.29</b>	<b>4.20</b>	<b>4.14</b>	<b>4.30</b>	<b>4.68</b>	<b>5.19</b>
Statutory basic EPS (p)	3.17	4.93	3.85	4.84	4.34	4.84
<b>U/lying fully-dil. EPS (p)</b>	<b>3.27</b>	<b>3.83</b>	<b>3.85</b>	<b>4.00</b>	<b>4.35</b>	<b>4.83</b>
Stat. fully-dil. EPS (p)	3.16	4.50	3.58	4.50	4.04	4.50
<b>DPS (p)</b>	<b>1.00</b>	<b>1.10</b>	<b>1.21</b>	<b>1.33</b>	<b>1.46</b>	<b>1.61</b>

\*Warranty receipt: A £5m accrual in 2017 due to Kelo-stretch, with £4.0m cash received in 2017 and £1m to be received in cash by 30<sup>th</sup> June 2018  
Source: Hardman & Co Life Sciences Research

## Balance sheet

- ▶ **Net debt** – At 30<sup>th</sup> June 2017, APH had net debt of -£63.5m, negatively impacted by weak sterling, but still a decrease of -4% at CER
- ▶ **Loans** – Underlying cash generation will reduce debt by £20m in 2017, which will be boosted by the £4m warranty cash settlement
- ▶ **ROIC** – Has improved to 7.8% during 1H'17, and is expected to continue rising as acquired products gain sales traction and loans are paid off

Balance sheet						
@31st December (£m)	2014	2015	2016	2017E	2018E	2019E
Shareholders' funds	70.8	162.4	179.3	195.8	209.5	224.8
Cumulated goodwill	3.6	26.0	26.0	26.0	26.0	26.0
Total equity	74.4	188.5	205.3	221.9	235.5	250.8
Share capital	2.6	4.7	4.7	4.7	4.7	4.7
Reserves	68.1	157.8	174.5	191.1	204.7	220.0
Provisions/liabilities	0.4	1.5	1.7	1.7	1.7	1.7
Deferred tax	6.1	37.0	29.7	29.7	29.7	29.7
Long-term loans	19.2	59.0	57.6	38.9	28.4	20.2
Short-term debt	3.3	15.8	25.8	25.8	21.8	13.6
less: Cash	1.4	3.2	7.2	7.2	7.2	7.2
<b>Invested capital</b>	<b>98.4</b>	<b>272.5</b>	<b>286.8</b>	<b>284.7</b>	<b>283.9</b>	<b>282.8</b>
Fixed assets	0.4	1.0	1.8	3.4	3.7	3.3
Intangible assets	85.3	233.9	238.5	238.5	238.5	238.5
JV assets	2.7	2.9	2.9	2.9	2.9	2.9
Goodwill	3.6	26.0	26.0	26.0	26.0	26.0
Inventories	5.9	12.9	15.4	16.2	17.5	18.5
Trade debtors	6.6	8.8	20.5	21.7	23.4	24.8
Other debtors	1.7	2.8	6.2	6.5	7.0	7.5
Tax liability/credit	-1.0	-2.1	-2.5	-2.0	-2.1	-2.2
Trade creditors	-1.7	-1.2	-5.7	-5.8	-6.2	-6.5
Other creditors	-5.2	-12.7	-16.3	-22.7	-26.9	-30.0
Debtors less creditors	0.4	-4.3	2.2	-2.2	-4.7	-6.4
<b>Invested capital</b>	<b>98.4</b>	<b>272.5</b>	<b>286.8</b>	<b>284.7</b>	<b>283.9</b>	<b>282.8</b>

Source: Hardman & Co Life Sciences Research

Key metrics						
Year end Dec (£m)	2014	2015	2016	2017E	2018E	2019E
Net cash/(debt)	-21.1	-71.5	-76.1	-57.5	-43.0	-26.6
Net debt/EBITDA (x)	1.6	5.3	2.8	2.0	1.4	0.8
Net debt/equity (%)	-28%	-38%	-37%	-26%	-18%	-11%
NAV/share (p)	27	35	38	41	44	47
Stock days	48	71	53	56	55	56
Debtor days	66	58	77	75	74	75
Creditor days	33	57	48	48	48	48
Interest cover (x)	11.4	10.8	9.2	9.6	13.3	19.7
Dividend cover (x)	3.3	3.8	3.4	3.2	3.2	3.2
Cap-ex/depreciation (x)	0.4	2.7	3.4	4.4	1.3	0.7
NOPAT	10	12	22	23	24	26
After-tax ROIC	10.2%	4.3%	7.6%	7.9%	8.4%	9.2%
Cap-ex/sales (%)	0.3%	1.3%	1.2%	1.9%	1.4%	0.8%

Source: Hardman & Co Life Sciences Research



## Cashflow

- ▶ Investment in business system infrastructure has been included in capital expenditure, with an associated increase in subsequent depreciation

Cashflow						
Year end Dec (£m)	2014	2015	2016	2017E	2018E	2019E
Operating profit	12.4	13.1	26.3	28.4	30.5	33.1
Depreciation	0.3	0.2	0.3	0.5	1.2	1.5
Amortisation	1.1	0.2	0.1	0.3	0.2	0.2
<i>Inventories</i>	-0.4	-7.0	-2.4	-0.9	-1.3	-1.1
<i>Receivables</i>	2.8	2.3	-14.1	2.1	-1.7	-1.4
<i>Payables</i>	-1.8	-3.3	10.1	-0.1	0.4	0.3
Change in working capital	-1.8	-8.0	-6.5	1.1	-2.6	-2.2
Exceptionals/provisions	0.0	4.5	0.0	4.0	1.0	0.0
Other	1.4	-0.1	-0.3	0.0	0.0	0.0
<b>Cashflow from ops.</b>	<b>13.4</b>	<b>9.9</b>	<b>20.0</b>	<b>34.3</b>	<b>30.2</b>	<b>32.5</b>
Net interest	-0.9	-1.0	-3.0	-2.8	-2.3	-1.7
Tax paid/received	-2.0	-1.9	-3.0	-4.6	-5.3	-6.3
<b>Operational cashflow</b>	<b>10.5</b>	<b>7.0</b>	<b>13.9</b>	<b>26.8</b>	<b>22.6</b>	<b>24.6</b>
Capital expenditure	-0.1	-0.6	-1.1	-2.0	-1.5	-1.0
Capitalised R&D	-0.1	0.0	-0.3	-0.3	-0.3	-0.3
Sale of fixed assets	0.0	0.0	0.0	0.0	0.0	0.0
<b>Free cashflow</b>	<b>10.3</b>	<b>6.4</b>	<b>12.5</b>	<b>24.6</b>	<b>20.8</b>	<b>23.3</b>
Acquisitions	-3.3	-133.9	-6.0	-1.7	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	-2.4	-2.6	-5.2	-5.7	-6.3	-6.9
Other investments	-0.5	0.0	-1.0	0.0	0.0	0.0
<b>CF after investments</b>	<b>4.1</b>	<b>-130.1</b>	<b>0.3</b>	<b>17.1</b>	<b>14.5</b>	<b>16.4</b>
Share repurchases	0.0	0.0	0.0	0.0	0.0	0.0
Capital increases	0.0	79.8	1.3	0.5	0.0	0.0
Currency effect	0.0	-0.1	-6.2	1.0	0.0	0.0
<b>Change in net debt</b>	<b>4.1</b>	<b>-50.4</b>	<b>-4.6</b>	<b>18.6</b>	<b>14.5</b>	<b>16.4</b>
Opening net cash/(debt)	-25.2	-21.1	-71.6	-76.1	-57.5	-43.0
<b>Closing net cash/(debt)</b>	<b>-21.1</b>	<b>-71.6</b>	<b>-76.1</b>	<b>-57.5</b>	<b>-43.0</b>	<b>-26.6</b>
Hardman CF/share (p)	3.9	2.3	2.7	5.2	4.4	4.9

Source: Hardman & Co Life Sciences Research

## Changes to forecasts

Following publication of interim results for 2017, forecasts have been adjusted to reflect a marked improvement in gross margins from 56.0% to 57.6%. Offsetting this, APH is continuing to invest in marketing and is facing increased regulatory costs, increasing SG&A. The overall effect is to modestly reduce (-2%) underlying EBIT from £29.0m to £28.4m in 2017. These changes – improving gross margins offsetting higher SG&A costs – follow through to fiscal years 2018 and 2019.

The effect on cashflow is also modest and the company remains comfortably on schedule to reduce debt and hit its leverage target of 2.0x net debt/EBITDA.

## Company matters

### Registration

Incorporated in England and Wales with company registration number: 04241478

### UK Headquarters:

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### Board of Directors

Board of Directors				
Position	Name	Nominations	Remuneration	Audit
Chairman	Andrew Smith	C	C	M
Chief Executive Officer	John Dawson	M		
Chief Financial Officer	Andrew Franklin			
Deputy CEO	Peter Butterfield			
Non-executive director	Thomas Casdagli	M	M	
Non-executive director	Nigel Clifford	M	M	M
Non-executive director	David Cook	M	M	C

*M = member; C = chair*

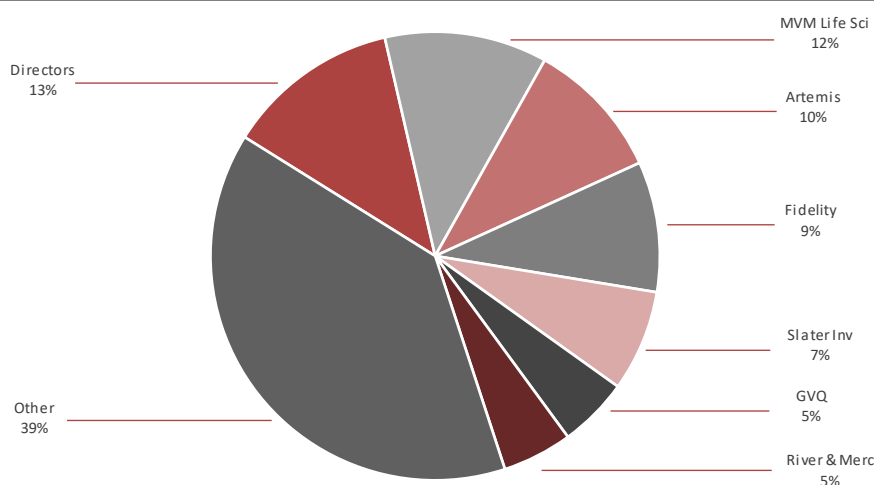
*Source: Company reports*

### Share capital

Number of Ordinary shares in issue on 9<sup>th</sup> October 2017: 474,307,589

Number of options outstanding: 35.53 million

### Key shareholders (@ 22<sup>nd</sup> May 2017)



*Source: Company website; Hardman & Co Life Sciences Research*

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