

22 March 2010

Vectura

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/08	25.2	(8.5)	(2.0)	0.0	N/A	N/A
03/09	31.2	(7.5)	(1.4)	0.0	N/A	N/A
03/10e	39.2	(7.3)	(1.6)	0.0	N/A	N/A
03/11e	27.2	(27.4)	(7.8)	0.0	N/A	N/A

Note: * PBT and EPS are normalised, excluding goodwill amortisation and exceptional items.

Investment summary: An attractive entry point

Vectura's investment case is geared to the success of its inhaled therapy portfolio, principally its two branded and two generic projects partnered with Novartis. The return of US rights to VR315 (presumed to be generic Advair) by Sandoz has dramatically impacted the share price; however, this may provide an attractive entry point as, while US regulatory hurdles remain, VR315 is still important to Vectura's US aspirations. Leaving VR315 in the US aside, the current share price (at a 52-week low) is supported by the rest of Vectura's pipeline, where key programmes should reach important development milestones over the next 18 months.

Sandoz returns VR315 rights in the US

Vectura has regained the US rights to VR315, along with a \$9.5m non-refundable payment. Sandoz retains a right of first negotiation option to the programme, and has provided a ring-fenced \$25m five-year loan to fund continued development of VR315 in the US. The EU rights to VR315, held by Sandoz, are unaffected.

NVA237/QVA149 support the investment case

Vectura's novel COPD therapies, NVA237 and QVA149, are partnered with Novartis. NVA237 is currently in two Phase III trials that should read out in December 2010 and March 2011, supporting a potential NDA filing mid-2011. Vectura should also receive a \$7.5m milestone once QVA149's Phase III starts in FY11.

Valuation: Risk-adjusted NPV £290m

Our valuation model is an rNPV of the four key products. We have updated this to reflect the changed economics for VR315 in the US and also a potentially more uncertain path to market. It indicates a value of £290m, including £60m cash.

Vectura's current valuation can largely be supported by these four programmes and its marketed products, and it appears that the market has largely written off VR315 in the US. However, if this was the case, Vectura's cash burn would decrease, which in addition to clinical progress of the four lead programmes, or deals on unpartnered assets, would represent further upside.

Price 45.5p
Market cap £147m

Share price graph



Share details

Code VEC
Listing FULL
Sector Pharmaceuticals & Biotechnology
Shares in issue 323.4m

Price

52-week High 96.2p Low 44.5p

Balance sheet at 30 September 2009

Debt/equity (%) N/A
NAV per share (p) 47.6
Net cash (£m) 59.4*

* Excl. deferred revenue liability

Business

Vectura is a UK speciality pharmaceutical company developing a range of inhaled therapies, principally for the treatment of respiratory diseases such as asthma and COPD.

Valuation

	2009	2010e	2011e
P/E relative	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/sales	2.5	2.3	4.5
ROE	N/A	N/A	N/A

Revenues by geography

	UK	Europe	US	Other
	31%	33%	36%	0%

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Update: VR315 – evaluating the US opportunity

Vectura has regained the US rights to VR315, the undisclosed generic inhaled corticosteroid/long-acting beta-2 agonist (ICS/LABA) combination previously licensed to Sandoz. In addition, Vectura has also received a \$9.5m non-refundable payment from Sandoz and a \$25m five-year loan specifically to fund development of VR315 in the US over the next five years.

Exhibit 1 summarises the terms of the new arrangement, which has no impact on the licence Sandoz holds to European rights to this programme.

Exhibit 1: Terms of revised US deal

	Sandoz	Vectura
Responsibilities	<ul style="list-style-type: none"> \$9.5m non-refundable payment (Q210) to discharge previous milestone and funding obligations; Manufacturing in US (and EU under separate deal); Option to market VR315 in US (right of first negotiation, albeit with no pre-agreed terms). 	<ul style="list-style-type: none"> Completion of US clinical development; US commercialisation for asthma/COPD; All legal and regulatory costs in US; Profit share obligation to Sandoz extinguished.
Loan economics	<ul style="list-style-type: none"> \$25m loan facility extended to Vectura; Loan ring-fenced for US investment in VR315; 3.5% fixed interest rate, with expiry the sooner of December 31 2017 or five years from first draw down. 	<ul style="list-style-type: none"> Majority of loan funding to be invested in 12-18 months (first draw-down expected in 2011); Repaid from 50% of royalty receipts (on NVA237/QVA149 and EU royalties on VR315 and VR632), and up to \$5m or \$10m from approval milestones on NVA237/QVA149.

Source: Edison Investment Research

US rights to VR315 were originally licensed to Sandoz in December 2006 in a profit-sharing deal which also included a \$2m upfront payment and up to \$63m in development and sales-based milestones (of which \$6m had been received in August 2009, presumably on entry into registration studies). Despite the termination of this arrangement, Sandoz and its parent Novartis continue to have a strategically important relationship with Vectura through the three remaining licensing deals. The economic terms of these deals are shown in Exhibit 2.

Exhibit 2: Key licensing deals with Novartis/Sandoz

Project	Deal terms	Due after March 2010
NVA237/QVA149	\$15m upfront and up to \$172.5m in milestones (April 2005). Mid single-digit (ie ~5%) royalty. \$7.5m paid (April 2009) on Phase III initiation with NVA237. Figures represent Vectura's 50% share of \$375m joint deal (with Sosei).	\$77.5m in milestones are due before US/EU launch. \$7.5m milestone due on Phase III start for QVA149 (mid 2010).
VR315 (Europe)	€5.6m upfront payment comprising €4m plus €1.6m in fee-for-service work (April 2006). €2.5m received April 2009 (presumably on start of registration trial). Sandoz funds clinical development, manufacture and marketing.	€7.5m on EU launch (€1.5m per major territory). Mid-teen royalty plus margin on manufacturing.
VR632 (Europe)	Up to €15.5m in milestones and development funding pre-launch, plus mid-teen royalties and margin on manufacturing (December 2007). Vectura funds formulation development, Sandoz funds clinical, manufacture and marketing.	Up to €9m before launch in main EU territories. Next milestone due after March 2010.

Source: Edison Investment Research

What does getting VR315 US rights back mean?

The fall in Vectura's share price following the announcement suggests that the market interpreted this new deal as signifying some concern by Sandoz about the regulatory environment/market opportunity for respiratory generics in the US. In particular, a) Sandoz did not receive a consideration from Vectura and had already made significant investment into VR315 (including investing >\$50m into manufacturing facilities), which it does not appear to have been reimbursed for, and b) the EU rights are unaffected (there is a defined regulatory pathway for respiratory generics in the EU).

The existing regulatory and potential legal hurdles to the development of generic versions of the market leading asthma/COPD therapies, Advair and Symbicort, include:

Demonstration of bioequivalence: The dose contained in the device relative to the dose actually delivered into the lungs differs in each formulation. Asthma drug formulations use very small doses of active ingredient, hence detection in the blood is particularly difficult; and it is not possible to measure bioavailability in lung tissue, thus surrogate pharmacodynamic endpoints have to be investigated. Due to the lack of an appropriate endpoint, generic inhaled corticosteroids have generally failed to secure US approval (although the FDA suggested exhaled nitric oxide as a possible biomarker to demonstrate bioequivalence).

No clear approval route for respiratory generics: There is no route for approval of a directly substitutable (ie, AB-rated) drug-device generic; and indeed the recently filed Citizen's Petition by GlaxoSmithKline states a case against permitting the approval of respiratory generics on this basis. Respiratory generic products will likely have to go through the 505(b)(2) route, which requires more extensive clinical studies but does confer three years of Hatch-Waxman exclusivity. Products coming through this route are deemed 'branded generics' and commercial success will probably require a sales and marketing effort similar to that required by branded competitors (possibly including DTC advertising) to achieve market share gains.

Intellectual property concerns: Commercialisation of respiratory generics may require challenging some patents held by the innovators, although in many cases the key patents are approaching expiry (eg GSK's US composition of matter patent on the fluticasone/salmeterol combination runs to September 2010 and a patent on the Diskus DPI device to September 2011).

Presumably these existing concerns have been compounded by the recent FDA Pulmonary Allergy Advisory Committee (AdCom) meeting held on March 10-11. At this meeting the FDA considered the design of potential post-approval clinical trials to assess safety concerns with use of currently marketed LABAs (specifically GlaxoSmithKline's Advair, AstraZeneca's Symbicort and Novartis' Foradil) in asthma, which is also likely to translate into more onerous requirements for novel LABA-containing programmes.

Sandoz has provided no comment regarding the basis of its decision, although Vectura has confirmed that this new deal is the result of long-running discussions. Thus it is not clear what Sandoz's true motivation was, especially as the retention of an option to market VR315 in the US and the extension of a loan to fund further US development suggests a continuing interest in this programme. Potentially, the likelihood that the 505(b)(2) pathway would apply to VR315 may have been a factor in Sandoz's decision; it is a generics company and so does not have a branded generic sales force. Consequently VR315 could be a less profitable and hence less attractive proposition than when the original US deal was struck.

Vectura's motivation is much clearer. By regaining full US rights to VR315 it will benefit from a bigger share of a significant market opportunity should it be successfully brought to market, and this drug would fit with Vectura's US commercial aspirations. Vectura also believes that the recent FDA AdCom has changed the dynamics of the LABA/ICS market in asthma by raising the bar for the development of new combination drugs (including GSK's Relovair, positioned as next-

generation Advair), which should delay their potential launch, in turn delaying switching from existing brands, providing a window of opportunity for branded generics.

Taking into account the regulatory/legal concerns discussed above (which apply to all potential respiratory generics – and may deter other competitors) and the shifting landscape in asthma following the AdCom, it may be that the market opportunity is actually smaller than previously anticipated. Nevertheless, a larger share of a smaller market may still be a compelling opportunity for Vectura, but it must be acknowledged that the recent developments in the US may mean VR315 is, or is at least is perceived to be, a riskier proposition than before.

Generic anti-asthma/COPD combinations

VR315 and VR632 are known to be generic versions of existing combination asthma/COPD products and assumed to be generic versions of Advair and Symbicort, although this has not been confirmed by Vectura. Advair and Symbicort are the leading combinations of inhaled corticosteroids (ICS, which reduce airway inflammation) and long-acting beta-agonists (LABAs, which dilate airways). Exhibit 3 lists the competing products in the asthma space: it is important to note that the bioequivalence/IP issues will also apply to other respiratory generics and that safety concerns regarding ICS/LABA use in the US are likely to impact the cost and timelines of all novel development programmes in this class.

Exhibit 3: Combination anti-asthma products

Notes: MDI = metered-dose inhaler; DPI = dry powder inhaler.

Name	Developer(s)	Device	Notes
Advair/Seretide (fluticasone+ salmeterol)	GSK	MDI or DPI (Diskus)	Marketed for asthma/COPD. Available as 100/50, 250/50 and 500/50 dose combinations.
Symbicort (budesonide+ formoterol)	AstraZeneca	MDI or DPI (Turbuhaler)	Approved for asthma/COPD. Available as 100/6, 200/6 and 400/12 dose combinations. In the US, available as 320/4.5, 160/4.5 and 80/4.5. No DPI available in the US.
Fostair (beclometasone+ formoterol)	Chiesi/UCB	MDI	Marketed for asthma in Germany & UK only 100/6. 382-pt Phase III trial vs Seretide (250/50) (results: June 2010).
Dulera (mometasone+ formoterol)/MFF258	Merck & Co	DPI or MDI	Filed US (July 2009). 100/10, 200/10 and 400/10 doses. Phase III trials included five in asthma (2,790-pts) and two III in COPD. May have to conduct additional studies. Royalty due to Novartis.
Flutiform (fluticasone+ formoterol)	SkyePharma/ Abbott/ Mundipharma	MDI	US complete response received Jan 2010. EU filing expected Q110. 100/10 and 250/10 dose combinations. Nine Phase III studies (3,300-pts) completed: additional studies required.
Fluticasone + salmeterol	Meda/Almirall	DPI (Novolizer)	Europe only. Generic version of Advair.
VR315 (pos fluticasone + salmeterol)	Sandoz/ Vectura	Gyrohaler (DPI)	Assumed to be in EU registration studies. Sandoz has EU rights; Vectura retains US rights.
VR632 (pos. budesonide+ formoterol)	Sandoz/ Vectura	Gyrohaler (DPI)	Phase II. Sandoz has EU rights; Vectura retains US rights.
QMF-149 (mometasone + indacaterol)	Novartis	DPI (Twisthaler)	1,500-pt Phase II study (results: May 2011). Potential once-daily product. Royalty due to Merck.
Relovair (Fluticasone + GW642444) (formerly Horizon)	GSK/Theravance	DPI	500-pt, 52 wk safety study (results: May 2011); 1,000-pt Phase III exacerbation study (results: August 2011); 200-pt safety study (results: Nov 2010). Five major Phase III studies in COPD planned (total >6,000 pts).
Fluticasone + milveterol	GSK/Theravance	DPI	Possible discontinued. (Phase II)
AVE-2635 (ciclesonide+ formoterol)	Sanofi-Aventis/ Nycomed	DPI	1,145-pt Phase II study completed. 240-p Phase II study completed. Probably discontinued.
CHF-5188 (budesonide + carmoterol)	Chiesi	MDI	113-pt, 4-wk Phase II study three-way crossover vs budesonide and Seretide (results: July 2010).
ADC-4022 (theophylline)	Pulmagen	N/A	91-pt Phase II co-administered with budesonide completed.
MAP0005 (budesonide + formoterol)	MAP Pharmaceuticals	MDI (Tempo)	Phase IIa completed in April 2008. 104/5.4 and 312/16.2 doses comparing to 160/9 (2X80/4.5) dose of Symbicort.
Budesonide + formoterol	Orion Pharma	DPI (Easyhaler)	Phase III studies planned (same combination as Symbicort).
LAS100977 + ICS	Forest/Almirall	DPI (Genuair)	LABA + undisclosed ICS. Development plans not yet disclosed. (Phase II as single agent).
Fluticasone + salmeterol	Vectura	Duohaler (DPI)	

Source: Edison Investment Research

Vectura also has two unpartnered generic ICS/LABA projects that use its Duohaler device (an older dual-reservoir DPI), which are effectively suitable for Europe only. Some development activities are underway with one of these programmes (presumed to be the generic Advair). Both projects were previously licensed to an undisclosed EU-based company (believed to have been Merck KGaA), which discontinued development after a portfolio review. Vectura and the former partner are seeking a new licensee.

Vectura's R&D pipeline

Vectura's focus is entirely on inhaled drug therapy, principally for treatment of asthma and chronic obstructive pulmonary disease (COPD), and includes novel therapies and generics/branded generics. In addition to VR315 and VR632, Vectura is conducting exploratory development work on other respiratory generics (possibly including tiotropium), antifungals and products for lung transplant rejection (presumably immunosuppressants). However, it is NVA327 and QVA149 that are likely to be the main revenue drivers.

Exhibit 4 summarises disclosed projects in the company's R&D pipeline.

Exhibit 4: Vectura's R&D pipeline

Product	Indication	Device	Dev stage	Notes
VR315 (pos. fluticasone + salmeterol)	Asthma/ COPD	Gyrohaler (DPI)	Phase III	Licensed to Sandoz (Novartis) for Europe. Undisclosed generic ICS/LABA combination, believed to be a version of Advair. Assumed to be in EU registration studies. US rights re-acquired from Sandoz in March 2010.
VR632 (pos. budesonide+ formoterol)	Asthma/ COPD	Gyrohaler (DPI)	Phase II	Licensed to Sandoz (Novartis) for Europe. Undisclosed generic ICS/LABA combination, assumed to be a version of Symbicort. Vectura retains rights to the US, where it could be sold as a branded product (as no Symbicort DPI is approved in US).
NVA237 (glycopyrronium bromide)	COPD	Breezhaler	Phase III	Licensed to Novartis . Likely to be second LAMA to reach the market. 1,065p-pt one year Phase III study (including tiotropium as active control (results: March 2011) and 26-week 800-pt Phase III vs placebo (results: Dec 2010). Filing mid 2011.
QVA149 (glycopyrronium Br + indacaterol)	COPD	Breezhaler	Phase II	Licensed to Novartis . Aims to be first LAMA/LABA combination to market. Patent-protected, branded product; Phase III expected to start Q210; filing due 2011/12.
VR496	Cystic fibrosis/ COPD	Gyrohaler (DPI)	Phase II	Inhaled formulation of heparin. EU/US orphan drug status for CF. Phase II (results: early 2011). Endpoints are: safety, lung function (FEV1 and FVC); anti-inflammatory activity; mucolytic activity; microbiological bacteria count/density and cystic fibrosis questionnaire (CFQ-R). Seeking to partner asthma/COPD rights.
VR040	Parkinson's disease "off episodes"	Aspirair (DPI)	Phase II	Inhaled formulation of apomorphine. Phase IIb "at-home" study results due 2010. Two earlier Phase IIa studies showed improvement in treatment of off episodes and UPDRS III (p=0.016). Partner being sought for further development.
Duohaler Project (possibly fluticasone + salmeterol)	Asthma/ COPD	Duohaler (DPI)	Phase II	Some development activities of assumed generic form of Advair, underway, pending EU partnership. Assumed generic version of Symbicort on hold. Former licensee (possibly Merck KGaA) retains royalty interest. Acquired with Innovata.
VR147	Migraine	DPI	Phase I	Formulation of a triptan. Licensing partner sought.
VR004	Erectile dysfunction	Aspirair (DPI)	Phase IIa completed	Formulation of apomorphine. Licensing partner sought.
VR776	Premature ejaculation	Aspirair (DPI)	Phase IIa completed	Formulation of clomipramine, a marketed, off-patent, neuroactive drug. Licensing partner sought.

Source: Edison Investment Research

Valuation

We have updated our valuation model for Vectura to reflect the changed economics for VR315 in the US and also a potentially more uncertain path to market. The model now indicates a value of £290m. This comprises a risk-adjusted net present value of the four key inhaled drug programmes

(and attempts to capture the value of future milestone revenue is captured in an equivalent sales royalty) – calculated at £173m – to which we have added forecast net cash at end March 2010 (£60m) and a £60m (four times sales) value of the business that currently generates royalty revenue. The total valuation of £290m compares very favourably with the current market capitalisation of £147m.

The most important component is the rNPV, which only considers Vectura's four key projects (NVA237, QVA149, VR315 and VR632) and uses our revenue forecasts, estimates of the economics of the partnerships and probabilities of success; it also includes a 'base' cost of running the business (which has increased now that Vectura is responsible for US development and commercialisation of VR315) and uses a 12.5% weighted average cost of capital.

Our assumptions and rNPV model output is summarised in Exhibit 5.

Exhibit 5: Vectura core business valuation model

Notes: For the generic products, the target market is the current value of the (assumed) brand product being genericised; generic market growth is slightly negative, to account for likely discounted pricing of generics and general price erosion following generic entry.

Product(s)	Status	Probability of success	Est launch	Est peak market	Current market value	Est maximum	Est peak sales
NVA237 and QVA149	Phase II/III	65%	2012	15%	\$7,000m	6%	\$2,079m
EU Advair generic (VR315)	Phase III	60%	2012	20%	\$3,000m	17%	\$521m
US Advair generic (VR315)	Phase III	50%	2013	20%	\$2,700m	80%	\$469m
EU Symbicort generic (VR632)	Phase II	40%	2012	20%	\$2,000m	17%	\$347m
Total rNPV							£173m
Marketed products							£60m
FY09e net cash							£57m
Total valuation							£290m

Source: Edison Investment Research

The c 25% fall in Vectura's share price following the VR315 US announcement indicates market scepticism about this opportunity. Therefore we have carried out a sensitivity analysis based on the probability of success for VR315 in the US, keeping all other assumptions constant. Note that we also very conservatively keep the base cost of the business (including R&D spend on VR315) constant as, in our view, Vectura will continue to invest in this programme unless a point is reached where it is obvious that VR315 will not be launched on the US market. Exhibit 6 summarises the results of this analysis.

Exhibit 6: VR315 US sensitivity analysis

Probability of success	0%	10%	20%	30%	40%	50%
Valuation	£122m	£156m	£189m	£223m	£257m	£290m

Source: Edison Investment Research

Our sensitivity analysis suggests that Vectura's current valuation can largely be supported by the company's four lead programmes (NVA237, QVA149 and EU respiratory generics) and the marketed products. It appears that the market has largely written off VR315 in the US; however, if this was actually the case, the discontinuation of this programme would significantly decrease Vectura's cash burn, representing upside to the stock. In addition, clinical progress of the four lead programmes or deals on unpartnered assets could also represent upside.

Sensitivities

Vectura's business is subject to the usual risks associated with biotech companies, ie, the possibility of projects failing in clinical studies, or trials rendering inconclusive or contradictory data, thus making projects unviable. There is a key sensitivity around assumed launch dates for the generic projects, with no guidance from Vectura/Sandoz on this. Additional sensitivities to the assumptions used in our valuation model, both on the up and the down side, are as follows:

Identity of VR315 and VR632. Our model is based on the assumption that these are generic versions of Advair and Symbicort, respectively.

Litigation and development of generic combinations. Although generic drugs might be developed successfully, litigation or other regulatory obstacles raised by the brand company might keep them off the market. Indeed, GSK has recently filed a Citizen's Petition, and the FDA is expected to provide some comment on this by mid-year.

VR632 in the US. The possibility of a future US licensing deal on this project – even with AstraZeneca (the originator of Symbicort, of which VR632 is presumably a version) as a branded DPI form of Symbicort – may offer additional upside. However, as Vectura has regained the US rights to VR315, and the FDA is taking a more cautious stance regarding new LABA/ICS combinations (there is potential VR632 may be viewed this way because a Symbicort DPI is not available in the US), near-term prospects of a US deal on VR632 look increasingly unlikely.

'Non-core' projects (VR496, VR040, VR147, VR004 and VR776) are excluded from our valuation. Any licensing deals for these would constitute upside.

Financials

We have updated our financial model to include the \$9.5m payment from Sandoz (recognised in full in FY11) and the new \$25m loan facility. We have also increased our R&D spending assumptions to £50m in FY11 and £53m in FY12 to reflect the increased spend on VR315 US development as Vectura is now solely responsible for this programme.

We project revenues of £39m and a pre-tax loss of £19m (normalised £7m, adjusting for amortisation and non-cash items) for the year to March 2010. We assume R&D spending of £40.4m in FY10, and assume Vectura will fully repay the \$10m financial liability to the Royalty Securitization Trust (Paul Capital) by September 2010 (FY11).

We expect Vectura to end FY10 with cash of £64m, in line with company guidance, representing sufficient cash to well beyond fiscal 2011, in the absence of any further milestones. However, substantial milestones (and possibly royalties) are presumed payable on successful development of NVA237, QVA149, and VR315 (EU) and VR632 (EU), which may fall due in the 2011/12 period: the move of QVA149 into Phase III studies in Q2 calendar 2010 (FY11) will trigger a \$7.5m milestone. Our financial model and forecasts are presented in Exhibit 7.

Exhibit 7: Vectura financial model

	£'000s	2007	2008	2009	2010e	2011e
Year end 31 March						
PROFIT & LOSS						
Revenue		14,051	25,225	31,203	39,183	27,220
Cost of sales		(3,295)	(4,399)	(3,864)	(3,519)	(1,863)
Gross profit		10,756	20,826	27,339	35,664	25,357
EBITDA		(6,419)	(10,567)	(7,161)	(6,311)	(26,013)
Operating profit (before GW and except.)		(7,638)	(12,199)	(8,761)	(7,911)	(27,663)
Goodwill amortisation		(1,952)	(10,177)	(10,200)	(10,000)	(10,000)
Exceptionals		0	0	0	0	0
Share-based payment		(1,633)	(2,702)	(1,900)	(1,800)	(2,500)
Operating profit		(11,223)	(25,078)	(20,861)	(19,711)	(40,163)
Net interest		2,682	3,709	1,300	600	300
Profit before tax (norm)		(4,956)	(8,490)	(7,461)	(7,311)	(27,363)
Profit before tax (FRS 3)		(8,541)	(21,369)	(19,561)	(19,111)	(39,863)
Tax		1,396	2,163	2,900	2,000	2,000
Profit after tax (norm)		(3,560)	(6,327)	(4,561)	(5,311)	(25,363)
Profit after tax (FRS3)		(7,145)	(19,206)	(16,661)	(17,111)	(37,863)
Average number of shares outstanding (m)		155.2	315.8	320.6	322.2	323.4
EPS - normalised (p)		(2.3)	(2.0)	(1.4)	(1.6)	(7.8)
EPS - FRS 3 (p)		(4.6)	(6.1)	(5.2)	(5.3)	(11.7)
Gross margin (%)		76.5%	82.6%	87.6%	91.0%	93.2%
EBITDA margin (%)		N/A	N/A	N/A	N/A	N/A
Operating margin (before GW and except.) (%)		N/A	N/A	N/A	N/A	N/A
BALANCE SHEET						
Fixed assets		129,717	116,980	116,300	105,700	95,050
Intangible assets		122,176	111,999	112,000	102,000	92,000
Tangible assets		5,635	3,389	3,500	2,900	2,250
Investment in associates		1,228	914	0	0	0
Trade investment & others		678	678	800	800	800
Current assets		85,961	84,980	80,500	70,586	31,873
Stocks		202	190	100	126	87
Debtors		8,230	5,986	6,400	6,400	6,000
Cash		77,529	78,804	74,000	64,060	25,786
Other		0	0	0	0	0
Current liabilities		(15,578)	(16,329)	(25,800)	(30,301)	(18,597)
Creditors		(8,470)	(9,970)	(14,700)	(15,000)	(16,000)
Other creditors		0	0	0	0	0
Short-term borrowings		(2,708)	(860)	(1,200)	(5,000)	0
Deferred income		(4,400)	(5,499)	(9,900)	(10,301)	(2,597)
Long-term liabilities		(18,150)	(16,091)	(5,400)	(5,097)	0
Long-term borrowings		(11,262)	(7,897)	(5,400)	(2,500)	0
Deferred income		(6,888)	(8,194)	0	(2,597)	0
Provisions and other long-term liabilities		0	0	0	0	0
Associated with assets held for sale		0	0	0	0	0
Net assets		181,950	169,540	165,600	140,888	108,326
CASH FLOW						
Operating cash flow		(7,906)	(3,682)	(3,600)	(12,440)	(32,074)
Net interest		2,813	3,723	3,200	600	300
Tax		1,396	2,163	2,900	2,000	2,000
Capex		(2,438)	(745)	(1,600)	(1,000)	(1,000)
Purchase of intangibles		0	0	0	0	0
Acquisitions/disposals		16,914	1,359	0	0	0
Financing		50,071	4,094	211	0	0
Dividends		0	0	0	0	0
Other		0	0	0	0	0
Net cash flow		60,850	6,912	1,111	(10,840)	(30,774)
Opening net debt/(cash)		(2,858)	(63,559)	(70,047)	(67,400)	(56,560)
HP finance leases initiated		(149)	(424)	0	0	0
Other		0	0	(3,758)	(0)	0
Closing net debt/(cash)		(63,559)	(70,047)	(67,400)	(56,560)	(25,786)

Source: Edison Investment Research

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