Delivering sustainable business growth

TRADING PERFORMANCE

Overview

Against the backdrop of the COVID-19 pandemic, the Group delivered a robust performance in 2020, with see-through revenues* down only 5% to £137.5m (2019: £144.3m), and a similar level of decline on a constant currency basis. On a statutory reported basis, revenues were down 4% to £129.8m (2019: £135.6m).

Whilst gross profit reduced, in line with revenues, by 4% to £82.8m (2019: £86.1m), a slowdown in the natural run rate of discretionary spend, coupled with continued good control over the rest of our operating cost base and lower financing and borrowing costs, resulted in underlying profit before tax increasing by 2% to £33.5m (2019: £32.9m).

Non-cash impairment and amortisation charges, coupled with acquisition costs for the Biogix acquisition, meant reported profit before tax decreased 58% to £13.0m (2019: £31.1m).

As previously announced, we have reclassified our portfolio into Consumer Healthcare brands and Prescription Medicines, in recognition of the inherently different characteristics of these categories, Consumer Healthcare brands being the main driver of growth within the business, whilst revenues from our largely unpromoted pharmaceutical products provide cash generation.

Consumer Healthcare brands performance

Our Consumer Healthcare brands continued to perform strongly notwithstanding the global challenges, with see-through revenues* up 1% to £93.0m (2019: £92.4m) and statutory revenues up 2% to £85.3m (2019: £83.7m). These brands now account for more than two thirds of Group see-through revenues*, with this proportion increasing further in 2021, with the inclusion of Amberen.

Kelo-cote – scar prevention and treatment

We were particularly pleased with the performance of Kelo-cote, which delivered good growth in 2020, continuing the trend from 2019, with sales up 12% to £34.7m (2019: £31.0m), due to further strong demand from China from the second quarter onwards, as local lockdown restrictions eased. Across the rest of the APAC region, ongoing local lockdown restrictions in response to the pandemic have had a more sustained impact on the brand's performance, likewise in South America and some countries within EMEA. Nevertheless, we expect sales across all these regions to return strongly once lockdown restrictions are eased.

In common with many consumer-facing businesses, the pandemic has resulted in an overall shift to online sales platforms, and we continue to focus on our digital marketing strategies to increase brand awareness both with end users of the product and with healthcare professionals around the globe. Pre-pandemic, digital was already an established and important sales channel for Kelo-cote, with around 40% of our Chinese sales being facilitated by online platforms.

Nizoral – medicated anti-dandruff shampoo

Nizoral sales were resilient, particularly in China, with the brand generating see-through sales* of £21.0m, up 4% on 2019 (2019: £20.2m).

China continues to be an important market for Nizoral and a future growth-driver for this key brand. As previously announced, in July 2020 we launched a new formulation of Nizoral (branded locally as Triatop) in China, to sit alongside the original formulations, and this has contributed to the robust overall brand growth this year.

We now have distribution agreements in place for all territories in the region. The vast majority of the product licence transfers have been completed. By the end of 2022, we will have concluded our partnership with Johnson & Johnson through the transition period.

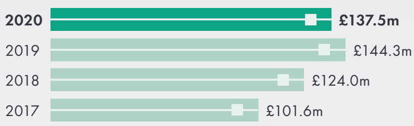
Other Consumer brands

Performance across the rest of our Consumer Healthcare portfolio was mixed, with revenues down 9% in 2020 to £37.3m (2019: £41.2m). Whilst we continued to see strong performances from some of the brands in this part of our portfolio, for example Ashton & Parsons™ (teething gel), which saw sales increase 27% to £3.4m (2019: £2.7m), boosted by new UK retail listings, following the launch of the new gel presentation, others faced more challenging trading conditions due to the pandemic.

Vamousse (prevention and treatment of head lice) naturally had a difficult year in 2020, with sales down 14% at £5.6m (2019: £6.5m), as a result of pandemic-related school closures in the US, the product's primary market.

2020 Highlights

- Strong performance from our Consumer Healthcare brands, with Kelo-cote continuing to show good growth (+12%), and Nizoral see-through sales* also proving resilient (4%)
- Substantial US acquisition completed in December 2020, bringing Amberen™, a highly successful and fast-growing brand into the Group, and creating scale in the Group's US operations
- New line extension for Nizoral launched in China in July 2020 – China continues to be a significant growth driver for both Kelo-cote and Nizoral



See-through Revenue*

£137.5m -5%

(2019: £144.3m)

Statutory Revenue

£129.8m -4%

(2019: £135.6m)

Completing this strategically significant acquisition bears testament to our ability to continue to deliver on our longer-term growth strategy, notwithstanding the global pandemic.

Whilst sales held up well during the first half of the year, sales in the second half of the year were significantly lower than those achieved during the same period last year. Despite this however, Vamousse has continued to gain market share in the US and is set to return strongly once lockdown is eased. We expect a recovery in sales as schools progressively reopen.

Sales of MacuShield (eye health supplement) for the first half of 2020 were down 21% compared with the second half of 2019, primarily due to the temporary closure of bricks and mortar retail outlets and opticians in the UK. However the second half of 2020 saw a reversal of this trend, with sales up 38% on those for the first half of 2020 and 10% up on those for the same period last year. Overall sales were down 18% on those for the previous year at £6.8m (2019: £8.2m), partly due to distributor stocking and changes in trading arrangements with a key distributor during the first half of 2019 resulting in sales being higher than normal for that period. With in-market sales in the UK now returning to growth, we again expect this brand to continue its growth trend in 2021 and beyond.

We are confident that as restrictions are eased, we will start to see a return in distributor-led demand for some of our other Consumer brands which were adversely affected by the pandemic in 2020.

Prescription Medicines performance

Revenues from our Prescription Medicines portfolio in 2020 were £44.5m, down 14% on the corresponding period last year (2019: £51.9m), with demand for our prescription-driven products being adversely impacted by delays to routine treatments, as healthcare professionals focused on maintaining hospital capacity to treat patients with COVID-19. However, we did see a modest recovery in the second half, with revenues up 7% on those for the first half, and we anticipate demand will return as local restrictions are eased and the provision of routine healthcare treatment normalises.

We continue to actively manage our Prescription Medicines portfolio, discontinuing or disposing of a small number of products which deliver very low revenues and margins, whilst continuing to put limited promotional support behind some of the larger brands such as Hydromol™, an emollient product for the treatment of eczema, and Forceval™, a nutritional support product, which continued to deliver double digit growth in the UK in 2020. As a result, we expect sales from this part of our portfolio to remain relatively stable, once the disruption to routine treatments caused by the pandemic has subsided. These products continue to provide good cash generation for the business and given their limited requirement for promotional investment, they continue to play an important part in the overall make-up of our product portfolio.

Regional performance

As previously announced, in the first half of 2020, we reorganised our regional performance commentary and segmental analysis, to align it more closely with the Group's commercial reporting structure, which focuses on the regions of Europe, Middle East and Africa (EMEA), Asia Pacific (APAC) and the Americas (AMER).

EMEA[1]

Across the EMEA region as a whole, revenues for 2020 were down 4% versus the previous year at £93.8m (2019: £97.4m).

As previously noted, EMEA accounts for over 90% of our Prescription Medicines revenues. Whilst we saw a reduction in demand for Prescription Medicines in 2020, due primarily to delays in routine treatments, this reduction was partially offset by continued good growth from our Consumer Healthcare portfolio in this region, in particular Kelo-cote, to satisfy both export and local demand.

Whilst our distributor business in EMEA performed strongly during the first half of the year, with revenues up 8% versus the comparable period last year, during the second half, the landscape became more challenging, as distributors sought to respond to changes in local trading conditions as a result of COVID-19, resulting in full year EMEA distributor revenues being down 9% on those for 2019.

APAC[2]

The revenue base in this region is dominated by Kelo-cote and Nizoral, which collectively accounted for just over 85% of sales in 2020.

See-through sales across the APAC region as a whole were down 3% versus the prior year at £37.0m (2019: £38.2m), primarily due to the reduction in both Kelo-cote and Nizoral sales across the majority of countries in the region, with the exception of China which, as previously noted, benefited from a recovery in demand from the second quarter onwards, as local lockdown restrictions eased.

AMER[3]

Sales in the AMER region fell by £2.0m (23%) to £6.7m in 2020 (2019: £8.7m), reflecting both the fall in Vamousse revenues in the US and weaker demand from our international distributor business in South America, in response to COVID-19.

Amberen pro-forma 2020 sales

$25.8m

(2019: $22.0m)

Year-on-year growth

+17%

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Amberen

Following the acquisition of Biogix Inc in the US in December 2020, we now have access to another fast-growing brand withn our Consumer Healthcare portfolio – Amberen, for the relief of menopause symptoms. This acquisition significantly enhances the scale of our business in the US.

Integration

Good progress has already been made with fully integrating the brand into Alliance and we expect this to be substantially complete by the end of the first half of 2021.

Annual value of the vitamin, mineral & supplement market in the US

$55bn

(growing at 7% p.a.)

Acquisitions

In December 2020, we successfully completed the acquisition of Biogix Inc and the Amberen brand, a highly successful and fast-growing brand for the relief of menopause symptoms. Headline consideration for the acquisition (excluding working capital and currency hedging costs) was US$110.0m (£81.8m), paid for in cash from the Group's existing financial resources.

As an established, clinically evidenced brand with significant sales and good growth potential, in a growing market, Amberen fits perfectly with our strategy of acquiring established consumer healthcare brands in territories in which we already have a presence. The acquisition of Biogix has created scale in our business in the US, whilst also providing us with a third key brand for the delivery of future organic growth.

Completing this strategically significant acquisition against the backdrop of the pandemic bears testament to our ability to continue to deliver on our longer-term growth strategy.

OPERATIONAL REVIEW

In 2021, we will be rolling out our new Innovation & Development (I&D) process and Digital Excellence training programme, to further support the growth of our main Consumer Healthcare brands.

As previously reported, the new global Sales & Operations Planning (S&OP) process rolled out in 2019 has proved invaluable to us this year in helping to manage the demand fluctuations caused by COVID-19 and in maintaining continuity of supply.

We have also put in place a new software tool, to support our budgeting, forecasting, and monthly reporting processes, through automating workflows such as consolidations and report generation. Our new system allows for robust real-time data provision and better customised reporting for users.

Our ERP system has progressed well and is on track to go live in Q2 2021, providing business benefits and scale-up capability through the standardisation of processes.

The Group continued to deliver a robust performance in 2020, despite the challenges of the pandemic. Whilst top line revenue growth was constrained, our Consumer Healthcare brands continued to perform well.

People

In 2020 Alliance took part for the first time in the Great Place to Work® survey, to increase our understanding of employee engagement within the business. We were extremely pleased to achieve a Trust Index© rating of 79%, just six percentage points below that for the World's Best Workplaces Top 25, and to have been Great Place to Work-Certified™ both in the UK and in China.

Our social impact activities during the year focused on providing financial support to charities local to our office locations, to enable them to better support those impacted by COVID-19. During the year, Alliance donated more than £150,000 to charities in several different countries, to support them in delivering services through the pandemic. We also continued our donations to International Health Partners, donating approximately 12,000 units of product with a value in excess of £100,000 in 2020, to support those suffering due to a lack of access to medicines.

Throughout the year, there have been numerous examples of our employees 'going the extra mile' and thinking creatively to ensure that our products continue to be available to consumers and patients who need them, overcoming the challenges that remote working has brought, and continuing to deliver great results. In addition to maintaining the performance of the base business as we navigated our way through the challenges of local lockdowns and the uncertainties of Brexit, we have also successfully completed a large and strategically significant acquisition – an achievement which, again, bears testament to the strength of our culture and the 'can do' attitude of our people, wherever in the world they may be located.

Our UK-based facilities team have made good use of the time spent in lockdown to make a start on further significant refurbishment works at our Avonbridge House headquarters in Chippenham – a project made considerably easier by almost all other employees working from home. Internal designs have been changed to create more collaborative workspaces, and we continue to evaluate how we develop our future ways of working to make best use of our office space once pandemic restrictions are eased.

Operational impacts

As an established, office-based business, we are fortunate in that we have been able to successfully transition to remote working as needed, with minimal disruption to our business operations.

Consumer Healthcare revenues

£93.0m

+ 1% (see-through* basis)

Cash on hand

£18m

at the start of the pandemic

Undrawn credit facility

£86m

at 31 December 2019

Financial impacts

We entered the pandemic with a strong balance sheet, and our robust operational and financial performance in 2020 meant we did not need to make use of the various UK government assistance schemes, and have not furloughed employees, or had to make any redundancies, as a result of the pandemic.

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The Group currently employs more than 200 people in 11 locations around the world; all committed to the successful delivery of Alliance's vision: "To be a leading international healthcare business built around products which are clinically valuable to patients. We will be both the partner and employer of choice."

We recognise that great results can only be achieved through the combined efforts of our dedicated team of colleagues around the globe, our partners, and customers, and through the strong collaborative culture that we have built within Alliance. At no time has this culture of working together been more valuable to us than during 2020, as we have sought to navigate the challenges of the global pandemic.

On behalf of the Board, I would like to take this opportunity to extend my sincere thanks to all those who have worked so hard to deliver an excellent performance for Alliance in 2020, against the backdrop of the global pandemic, in what continue to be unprecedented and challenging times.

Whilst inevitably a challenging year, due to the uncertainty brought about by the global pandemic and consequential restrictions imposed by governments around the world, the Group's performance, and achievements in 2020 bear testament to the robustness and resilience of our product portfolio, our business model, and our people. As a result of our robust performance, we have not needed to make use of any of the UK government assistance schemes, nor have we furloughed any of our employees, or made any redundancies due to the pandemic.

Current trading and outlook

2021 has started well for the Group. Our integration of the Biogix business is on track and we remain confident in our ability to continue to respond effectively to the challenges of COVID-19, and to maintain our robust operational and financial performance to deliver results in line with market expectations.

Operationally, the priorities for the Group in 2021 will be:

- Continuing to invest in our Consumer Healthcare brands in order to maximise their organic growth potential, supported by the rollout of our new I&D process and Digital Excellence training programme;
- Integrating Biogix and Amberen into the US-based Alliance business;
- Continuing to review opportunities to add selectively to our portfolio; our focus remains on augmenting our Consumer Healthcare brands in international markets where we already have a presence.

Peter Butterfield
Chief Executive Officer
23 March 2021

* Non-IFRS alternative performance measures (see note 33). See-through revenue incudes sales from Nizoral as if they had been invoiced by Alliance. For statutory accounting purposes the product margin on Nizoral sales is included within Revenue, in line with IFRS 15.

1 This combines revenues previously disclosed under the UK and Republic of Ireland and Western Europe, with revenues from our distributor business across Central and Eastern Europe, the Middle East and Africa, all of which were previously reported as part of International revenues.

2 APAC revenues were recognised previously as part of International revenues.

3 This region comprises revenues previously disclosed under the US (including Canada) segment, together with revenues from South America, previously included as part of International revenues.