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COMPANY INFORMATION

Chromogenex PLC (LSE - CGX)

Date Prepared – Sep06

Company Eye Ranking

29/50

EDITOR'S NOTE

Chromogenex Plc, is a company that is involved in the development, design and manufacture of lasers and light based systems for the Aesthetic and Medical market. The company has an expanding product portfolio supporting two main delivery systems – the NLite™-V (a pulsed dye laser for treating acne, wrinkles and vascular lesions) and Chromolite™ (an intense pulse light device for hair removal). The company is based in Llanelli, Wales and has an installed base of over 200 in the UK and the US principally in the private aesthetic clinic sector. For the period ended 30 June 2006 The company announce a strong set of interim results with a significant

uplift in turnover and profit. The US FDA approval of Chromolite in January has had a very positive effect on revenues and the Group anticipates bringing out further improvements to this product to further improve its market position.

The new fat reduction/body shaping system being developed for Biocellulase Inc. is on track for launch later this year. Chromogenex is in negotiation for the exclusive distribution rights for the UK and Ireland. We believe that this particular sector of the market offers significant potential going forward and this company would be a good addition for short/medium time share holder.

CHART/RSI-14



FUNDAMENTALS

Company Name	Chromogenex PLC
Current Price	8.75p
Status	AIM
Market Cap	£5.18 m.
Shares in Issue	59.18 m.
Activities	Design, manufacture and distribute aesthetic and therapeutic laser and aesthetic light based technology devices
Sector	Health Care Equipment & Services
Corporate advisor	Corporate Synergy Plc
Registrar	Share Registrars Ltd

THE BUSINESS

Chromogenex plc (Chromogenex) is an advanced medical and aesthetic laser device company targeting acne, wrinkles and vascular lesions.

The Chromolite™ system introduced in 2004 has been well received in the market and has contributed greatly to the growth and profitability. The product is selling well in the major markets of UK, France, Germany and Canada. The

company received FDA 510k approval for the Chromolite™ in January this year thus paving the way for entry to the US market and sales to date have been encouraging. Chromogenex PLC anticipate a continued increase going forward backed by studies in the US and Germany which have confirmed the efficacy of Chromolite™ for hair removal and skin rejuvenation.

ACTIVITIES

The Group's principal activities are designing, manufacturing and distributing aesthetic and therapeutic laser and aesthetic light based technology devices and related products. The Group's main multifunctional products are The Chromolite and The Nlite - V.

The Chromolite is a depilation intense Xenon pulse light system and The Nlite-V is a 585nm PDL used for the treatment for Acne Vulgaris and other clinical skin lesions, as well as for aesthetic skin rejuvenation.



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PRODUCTS

Chromolite the new innovation from EUPhotonics the home of the NLite system. Chromolite is a IPL device using EUPhotonics own smartlite™ treatment technology. Employing a broad spectrum of light energy in a range of wavelengths, Chromolite supplies high levels of light power in millisecond bursts.

Chromolite also offer sophisticated, computer-driven precision and tremendous versatility. Due to the nature of treatment, intense pulsed light energy can be applied to the sub-surface skin layers for gentle and gradual results with reduced side effects and patient downtime.

NLite V, a revolutionary non-surgical laser treatment, has been making huge waves in the world of beauty since its launch some 4 years ago, with its ability to eliminate laughter lines, crow's feet and generally combat the signs of ageing. In fact, the results have been outstanding. But it gets even better. Recent research suggests that Nlite also helps active acne as

well as facial and body scarring. This discovery must be welcome news for anyone blighted with scarring or acne. Presently, alternative treatments can be harsh and leave the skin looking red and blotchy, Furthermore, despite the laborious after-care that must be religiously followed with these other treatments, results are not guaranteed.

Unlike existing methods, NLite is pain-free, has minimal side effects and is convenient -treatments can take as little as 30 minutes -so it's easy to fit into your lunch hour.

NLite-V is administered by manufacturer trained personnel, who use an ergonomically designed hand piece to direct the energy accurately to the affected area. After the session is completed, there should be no after-care required and there is minimal disruption to your daily routine. Also, unlike other treatments, you can go out in the sun immediately afterwards.

MARKET CONDITIONS

The market for aesthetic medicine and cosmetic laser equipment is growing rapidly worldwide, fuelled by new applications and innovative technology as well as expansion into non traditional markets.

The demographics of baby boomers with high disposable income have resulted in increased demand for non-invasive cosmetic treatments.

EXPANSION

Chromogenex PLC has recently expanded its sales team to develop new markets and increase domestic sales in the UK and in overseas territories.

The company expect to appoint and develop new distributors in the Middle and Far East for all products during the remainder of this year.

DIRECTORS

Peter McGuinness, Executive Chairman

Peter McGuinness is Chairman of Skin Health Spa Plc, the holding company for Skin Health Spa UK and BriteSmile UK. Prior to this Peter worked as an investment consultant on Wall Street. Peter established one of the first laser hair removal clinics in central London in 1996 and in 1999 established Laser Aesthetics UK (now named Skinhealth Spa Plc), which is now one of the UK's leading laser and skin care clinic at 87 Wigmore Street, London W1. In October 2001 Peter introduced BriteSmile to the UK and developed the business into a market leader in tooth whitening technology with over 350 associated dental practices using the system on a revenue share basis. Peter has a proven track record and experience in marketing and commercialising new

technology in the cosmetic and anti-ageing marketplace. He received his MBA in International Business from Baruch College, New York.

Dr Leslie Russell, Managing Director

Dr Leslie Russell recently joined the Company as Managing Director and brings over 25 years' experience working in the healthcare industry with multi-national and early stage companies. With Baxter Healthcare he increased sales growth from \$25m to \$62m within a 5 year period. He was responsible for business development at Cambridge Life Sciences from 1988-1994 and played a major role in the sale of the company to Medeva and subsequent sale to Byk Gulden. Leslie has a wealth of experience in a variety of sectors from R&D through to business development, marketing and general management.



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David Morgan, Finance Director

David Morgan is a qualified accountant with 13 years' industrial experience in financial management. Prior to joining the Group in 1997 he controlled the treasury function at Alcoa Manufacturing (GB) Ltd. David was instrumental in restructuring EU Photonics and bringing the Group to profitability. He is responsible for the entire finance function at Chromogenex.

Christopher Williams MSc, Product Developments Director

Christopher Williams has worked in engineering and design for 24 years. For the last 16 years he was responsible for developing & designing all of the Group's products including the Chromos 694 (first ever hair removal system in the world) and the NLite™-V range.

Christopher has been responsible for bringing over eighteen products to market, many of which have been honoured with national and international innovation awards. He is also credited with ensuring that all products are designed in line with European and US medical requirements where necessary and has played key roles in applying for CE and FDA approvals for both the company and the products.

David Evans, Non-executive Director

David Evans has been chairman of two medical device companies which have been admitted to trading on AIM in the past 18 months and was Chief Executive Officer of Shield Diagnostics plc prior and during its merger with Axis to form Axis Shield plc. He brings to the Board a considerable depth of both public company and healthcare experience.

SHAREHOLDINGS

	Number	%		Number	%
Peter McGuinness	28,340,000	47.88	Hoodless Brennan	1,818,182	3.07
			David Morgan	125,000	0.21

FINANCIAL HISTORY

(Unaudited) Profit and loss account for the year ended 30 June 2006

£'000	6 month to 30 June 2006 (unaudited)	Year ended 31 December 2005
TURNOVER	2,074	3,287
Cost of sales	(815)	(1,685)
Gross profit	1,259	1,602
Administrative expenses	(1,177)	(1,727)
Amortisation of negative goodwill	155	310
OPERATING PROFIT	237	185
Interest payable and similar charges	(1)	(5)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	236	181
Taxation	-	1
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE YEAR	236	181
EARNINGS PER ORDINARY SHARE (PENCE) Basic	0.40p	0.39p
Diluted	0.35p	0.35p

Balance Sheet as at 31 December 2005

£'000	30 June 2006 (unaudited)	31 Dec 2005 (audited)
Intangible assets negative goodwill	(3)	(158)
other	314	153
Tangible assets	71	77
FIXED ASSETS	382	72
Stocks	1,406	1,219
Debtors	1,000	878
Cash at bank	192	277
CURRENT ASSETS	2,598	2,374
CREDITORS: Amounts falling due within one year	(997)	(739)
NET CURRENT ASSETS	1,601	1,635
TOTAL ASSETS LESS CURRENT LIABILITIES	1,983	1,707
NET ASSETS / (LIABILITIES)	1,983	1,707
Called up share capital	592	592
Share premium	1,500	1,500
Merger reserve	(302)	(302)
Profit and loss account	193	(83)
EQUITY SHAREHOLDERS' FUNDS	1,983	1,707



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RISK FACTORS

In addition to the other relevant information, the following specific factors should be considered carefully when evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. Before making an investment decision, prospective Investors should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. A prospective Investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her. There are various risk and other factors associated with an investment of the type described in this document. In particular: The value of an

investment in the Company is largely dependent upon the expertise of the Directors and their ability to identify and acquire or invest in suitable companies or businesses. There can be no certainty that the Company will be able to identify suitable acquisition targets or complete the purchase of any identified targets at a price the Directors consider acceptable. In the event of an aborted acquisition it is likely that resources may have been expended on investigative work and due diligence, which cannot be recovered.

The acquisition of other businesses can involve significant commercial and financial risks and there can be no certainty that any acquired business will not have a material adverse effect on the operations, results or financial position of the Company.

OUTLOOK

The Group operates in a competitive market environment and is continually seeking to expand its product offering and sales. Chromogenex PLC hopes to add complementary products in the second half of the year that will enhance its offering particularly in the UK where

the sales environment has been challenging. Additionally it anticipates bringing out further improvements to its key Chromolite product to further improve its market position. The prototype launch of the body-contouring product developed for its US partner is anticipated by the year end.

CONTACT

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RANKING

	Ranking out of 50 (50 being highest)
Business model - competitive advantage	
Competition	34
Customers	22
Low cost	22
Management	20
- corporate governance	
- quality	
- shareholding	
Product	32
Sector	34
Financial evaluation	
Early and profitable exit potential	34
Financial strength	26
- cash flow	22
- conservative accounting	20
- need for funding	20
Growth at a reasonable price	36
Risk	20
Overall average rating	29



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FURTHER INFORMATION ABOUT THE RANKING

Competitive advantage

Companies are assessed according to their business model and how this translates into strong and sustainable competitive advantage. This can only be achieved with low cost activities and doing something different from the competition. This 'differentiation' must add value to the customer who is then prepared to pay a premium price. The differentiation is most obvious in the product but it can exist anywhere in the company's

value chain of activities, such as easy payment terms, convenient locations, superior management, and quality of suppliers. Companies that do not achieve competitive advantage because they have the same costs and/or do the same as the competition are marooned in a profitless zone. They helplessly try to compete with the one weapon left open to them, which is the disaster of cutting prices and typically leads to similar retaliation by competitors, with disastrous results.

THE FOLLOWING ELABORATES ON THE RANKING CRITERIA

Competition

How intense is the competition and are there barriers to entry?

Customers

Is the company controlling its customers and therefore its revenue streams? Are customers glued to the company and providing valuable and reliable recurring revenue or are they one-off, or 'transactional', providing shaky revenue? The company should ideally have weak and numerous customers.

Low costs

Has the company achieved low cost activities thus allowing more of the top line revenue to trickle down to the profit line?

Management

Is there good corporate governance? What is the quality of management, as this is crucial to any business? Are the directors' shareholdings significant but not so large that they control the company?

Product

Is the product different from the competition and adds value to the customer? Are there threatening substitutes? Does it have a powerful brand?

Sector

Is the company in an attractive sector that is profitable and adds value?

Services tend to be more protected than products from international competition. Does the sector ride the tailwind of multi-year mega trends? Is the business well positioned in the current stage of the economic cycle? What is its resistance to a recession?

Profitable exit potential

What is the potential for selling the share profitably? This is more applicable to pre-flotation investments.

Financial strength

Does the company have strong cash flow, the lifeblood of any business? Is the accounting conservative or is there 'accounting for growth'? Does it need more funding? Is the profit margin healthy and at least equal to its sector? What has been the track record in the growth rate of profits?

Growth at a reasonable price

Does the share offer growth at a reasonable price? This is commonly measured using the PEG. This is the price earnings ratio (PE) divided by the forecast growth rate in earnings per share (EPS). The lower the PEG the better and under 1.0 is considered good for a blue chip company and under 0.6 for a small growth company.

Risk

What is the risk rating of the share due to factors such as new markets, its business model and strategies?

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