

The Motley Fool UK Discussion Boards

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Shares M / Meldex International plc

URL: <http://boards.fool.co.uk/although-i-would-like-to-believe-that-the-outlook-9196391.aspx>

Subject: Re: 42p price target

Date: 24/03/2005 00:03

Author: HaiderAli

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Although I would like to believe that the outlook is rosy (and my investment is in anticipation of that), looking at the results I fear that newsflow could take longer than some people expect - with consequences for the share price.

The 13 recs that bemarking has got so far reminds me of the tech boom when people with positive posts were rewarded perhaps more for the reassurance they offered panicky shareholders than anything else.

Personally I think that the tenor of the results was not very upbeat. People have made much of the possible announcement of deals perking up the share price. Well the results suggested to me that the company is saying don't expect much very soon.

2005 will be the year when several of our dosage form technologies will become demonstrable, enabling full commercialisation.

The key word there is demonstrable, IMHO. This suggests that actual sales will be some way further down the line.

The Company's licensing business model for the commercialisation of several of its XGEL(R) dosage form technologies and its Ostomy product mean that the rate at which revenues are generated rely entirely upon the speed and commercial endeavours of its licensees.

This is pretty much saying that 'don't blame us for any delays' it all depends on our customers. Again the emphasis seems to be on delay.

It is therefore difficult to accurately forecast the Company's financial performance during the early and pre commercialisation phase of its licensed technologies.

The ride could be rocky as brokers alternatively come up with optimistic and pessimistic numbers.

A strong cash position also enables the Company to delay licensing discussions for newer technologies like WAFERTABTM until a much later stage in their commercial development when they are demonstrable. This enables much higher value to be secured for shareholders from customers or licensees than was possible in the earlier stages of the Company's development when it had fewer resources.

Possibly the only positive to set off the negatives so far. But given deals could take longer than expected, how long the cash lasts will also vary.

The revenue and profit contribution of BioTec Films has been lower than anticipated in 2004 and this will continue in 2005 as the market for simple relatively unsophisticated dissolve-in-

the-mouth products has matured and become generic. There is more competition as these products do not require pharmaceutical standard manufacturing facilities and margins in this sector have been eroded.

The Company is continuing to develop in-the-mouth dissolving OTC and prescription medicine products which offer much higher margins and where the Company has significant formulation expertise and the protection of intellectual property.

Again the issue seems to be that the problem is now i.e. contribution of the Films business, but the solution (movement to higher margin businesses) is further away.

I'd also take issue with the point that appointment of the new directors suggests their confidence. If these had been big-hitters leaving prestigious jobs and perhaps, but they are relatively young.

Overall I think I called this one wrong. I had hoped that by these results deals would have been forthcoming.

I don't leverage my positions, so can ride this out if I want to, but fear that this could take many months and in which time the markets could become jittery. Again going by the experience of recent years you really can pick up bargains when that happens.

Would welcome any arguments why deals could be forthcoming in weeks rather than months.

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