

Akers Biosciences

Healthcare
AKR (FTSE AIM ALL SHARE)

Initiating Coverage

Buy Upside
57%

Buy on weakness

Akers Biosciences recently underperformed market expectations, however, we believe the resulting share price decline was overdone. The group's core business is positioned for growth, while a possible military contract renewal would result in further upside.

Investment Case

- DCF analysis indicates a fair value of 20p.
- Potential renewal of a military contract adds significant upside
- Operates in acyclical markets (healthcare and military)



Source: Proquote

Shares in issue	113.5m
Net Debt/(Cash)	\$(2.9)m
Market Cap	\$23.2m
Enterp. Value	\$20.2m
Next Event	Final Results - March 2010
<small>Net Debt is current year estimated</small>	

Forecasts (\$m)	12/07A	12/08A	12/09E	12/10E
Turnover	5.5	6.1	1.9	3.1
EBITDA	(1.3)	1.5	(0.9)	0.0
PBT	(0.5)	1.0	(0.9)	0.0
Tax (%)	0	0	0	0
EPS (p)	0.2	1.8	(0.8)	0.0
DPS (p)	0.0	0.0	0.0	0.0

Company Description

Designs, manufactures and markets point-of-care in-vitro diagnostic products

www.akersbiosciences.com



Investment case

Opportunity ~ favourable market fundamentals

Market growth is driven predominantly by an ageing population and technological innovation. We estimate that the global In-Vitro Diagnostic (IVD) market has grown by 6% in 2008 and expect that it will continue to grow at that rate until 2012. A larger senior population will require more medical treatment and attention, increasing demand for diagnostic tools. In addition, advances in diagnostic technology will further drive market demand by improving medical decision-making and outcomes and consequently reducing costs among strained healthcare providers.

Strategy ~ targeting high growth segments

Within the broader IVD market, certain segments are growing faster than others, offering opportunities to specialist providers such as Akers Biosciences, Inc. (ABI). Notably, most of ABI's core products target the Point of Care sector which is estimated to be growing over 10% annually. ABI currently sells four core Point of Care diagnostic products, and plans to launch three more core tests over the next year.

Valuation ~ 20p target price

We believe that the best method for valuing ABI is by discounting future cash flows, as the group is only beginning to ramp up product sales. In support of our DCF valuation we produced 6 years of detailed forecasts. For the period after that, our terminal value is calculated using a long term free cash flow growth rate of 3%. As such, our DCF analysis indicates a fair value of 20p/share, at which we set our target price.

Triggers ~ military contract renewal

ABI management expects the imminent renewal of a major US Military contract for its BreathScan device—ABI's previous contract was worth \$5m. New Jersey Representative Robert Andrews has requested a further \$20m appropriation for this project. Although there is no guarantee that the appropriation will be accepted by government, if it goes through (and is translated into a contract), we estimate that ABI's shares would be significantly rerated.

Introduction

ABI is an IVD test specialist. IVD tests are broadly defined as medical diagnostic assays conducted outside a living organism. The key purpose of these tests is to provide information that assists in the diagnosis of a condition. These tests are generally run in laboratories, however, increasingly, diagnostic tests are being performed at the Point of Care (POC), that is, at the site where the patient is being treated or seen (e.g. in doctors' clinics, pharmacies or by patients themselves). POC tests are more convenient than laboratory tests as they yield immediate information to physicians and patients and, as such, allow for more timely medical treatment.

ABI develops, manufactures, and supplies POC screening and testing products designed to bring healthcare information both rapidly and directly to the patient or healthcare provider. The company also supplies specialised POC detection tools to military, industrial, and consumer markets. ABI is incorporated in the US, where all its corporate operations currently reside. The group's shares are listed on AIM.

Opportunity: favourable market fundamentals

Global demand for IVD products is growing at an annual rate of 6%. In view of the industry's favourable fundamentals, we estimate that the sector will continue to outperform the economy for years to come.

Favourable fundamentals are driving supernormal market growth

We estimate that the £26bn global IVD market has grown by over 6% in 2008 and, as a result of favourable developments in the global marketplace, we expect that the market will continue to grow at that rate until 2012 (CAGR 07-12; Chart 1).

Developed countries account for the bulk of the IVD market. By imposing stricter disease control standards and, as a result, implementing wide-spread screening programs, western governments (and Japan) are stimulating demand for diagnostic products. Also, the move towards proactive rather than reactive testing in these countries will further boost demand for disease screening diagnostics. Finally, rising insurance coverage in Europe's larger markets, namely Germany and France, will also benefit the IVD market, as it will drive demand for high-end care and further stimulate innovation.

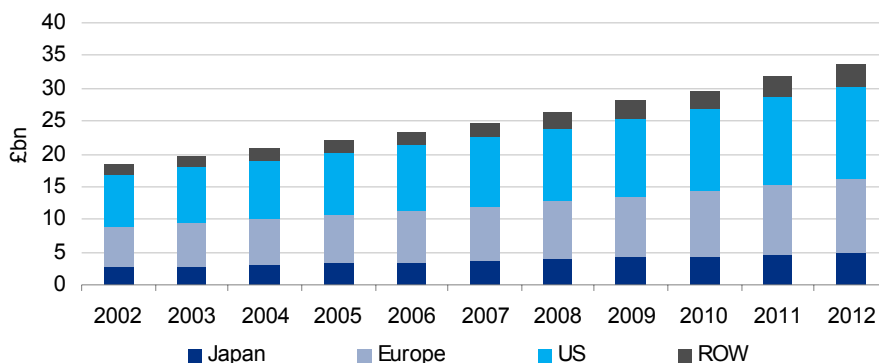
Meanwhile, developing markets are being propelled by an increase in affluence, and as a consequence spending on healthcare is rising. As developing economies grow, life expectancy will increase, creating further demand for quality healthcare, including access to IVD products. Also, as in developed countries, growth in private healthcare insurance will further stimulate IVD demand.

Market growing over 6% annually

Developed countries account for the bulk of the IVD market...

...however, developing markets are being propelled by an increase in affluence.

Chart 1: Global IVD Market, by country, Billion £



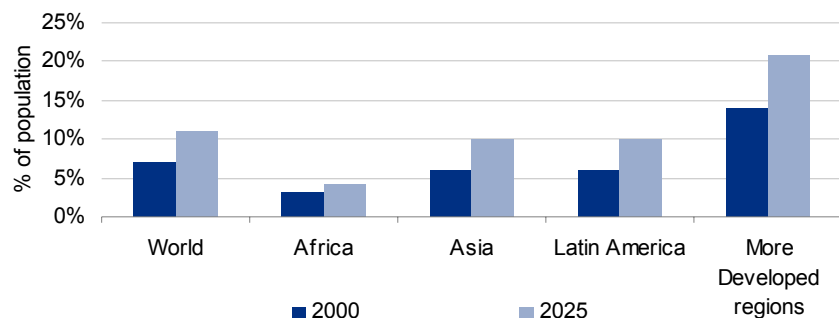
Source: extrapolated from reports by the Freedonia Group, Adams Business Associates, Frost and Sullivan and Siemens, at current exchange rates

Ageing population

Ultimately, IVD market growth is driven by an ageing population. As per United Nations estimates, the relative size of the global senior population will increase over the coming decades, particularly in the developed world (Chart 2), with elderly people living longer than ever before. A larger senior population will require more medical treatment and attention, increasing demand for diagnostic tools.

Ultimately, IVD market growth is driven by an ageing population.

Chart 2: Trends in ageing, by world region - population ages 65 and over, %



Source: United Nations, World Population Prospects, 2006

Technological innovation

Further growth in the IVD market will also be driven by advances in technology as healthcare providers seek ways to reduce costs while improving medical outcomes. Gains in diagnostic capability mean that test results are increasingly reported on-site, faster than if performed in a laboratory, and with greater specificity. Such improvements result in better decision-making by hospital staff, reducing costly medical errors. Technological advances in diagnostics also allow for better monitoring of treatment as well as early diagnosis of disease, both of which result in better outcomes and further reductions in costs to healthcare systems.

Advances in technology help reduce costs while improving medical outcomes

Some segments growing faster than others

Within the broader IVD market, certain segments are growing faster (Table 1) than others, offering opportunities to specialist providers. Most notably, the Coagulation, Diabetes & Glucose, Molecular/DNA and POC segments are all growing over 10% annually.

POC segment growing over 10% annually

Table 1: Global IVD Market, size and growth by segment

	£bn	Growth (%)
Clinical Chemistry	4.8	2.6
Immunoassays	5.4	4.7
Diabetes & glucose	5.5	11.0
Microbiology	1.3	5.7
Haematology	1.4	3.9
Point of Care (POC)	1.4	10.9
Coagulation	1.0	10.2
Molecular/DNA	1.7	15.3
Urine	0.4	5.3
Other	0.4	3.6

Source: Frost and Sullivan 2006

Strategy: targeting high growth segments

ABI currently sells four core diagnostic products. Each targets a high growth or under-exploited market. In addition, the company plans to launch three more core tests over the next year.

Core products

PIFA Heparin/PF4 Rapid Assay

Heparin is one of the most widely prescribed medications in the United States, with an estimated 12 million patients receiving the drug annually. However, a significant number of patients develop a prothrombotic state known as Heparin-Induced Thrombocytopenia (HIT), the clinical course of which can be severe. The major determinant in the pathogenesis of HIT appears to be antibodies to the Heparin/Platelet Factor 4 (PF4) complex.

Large potential market

ABI developed the PIFA Heparin/PF4 Assay to determine a patient's HIT antibody status. This test is a single-use, single patient test that can be performed in approximately 10 minutes. Traditional laboratory tests take hours to perform, are complicated and expensive to run, and fail to provide medical professionals with the time-sensitive results that they need to effectively treat their patients.

ABI's route to market for this test is through established distributors; the company has signed agreements with specialists Trinity Biotech, Corgenix and Cardinal Health. Between these three companies, ABI has access to c.70% of US hospitals and the product is also sold into the UK, Germany and the Netherlands. Currently the PIFA Heparin/PF4 Rapid Assay test represents 37% of ABI's revenue, however, given current growth rates—and with an improved version of the test in the pipeline—management expects it to become ABI's lead product.

Route to market through established distributors

BreathScan

BreathScan is a fast and portable way to help detect the presence of alcohol in an individual's breath. The device is a disposable breath condensate collection tube small enough to fit onto a keychain, and through which an individual can easily blow for a few seconds. The reagent within the tube is based on ABI's proprietary Micro Particle Catalyzed (MPC) Biosensor technology which permits rapid identification of medical conditions through biomarkers in breath condensate. The reactive micro particles are packaged into an ampule in the tube, which is crushed immediately prior to use, releasing the particles. Through a catalyzed process, these reactive particles form a complex with the biomarker in the breath condensate which is then viewed as a colour change.

Currently the group's main customer for BreathScan is the US Military. For the past five years, BreathScan key chains have successfully been used by the military to help ensure the safety of its troops and significantly reduce alcohol related incidents. The program involves the issuance of keychains, to military personnel, that contain a

disposable BreathScan alcohol breathalyser vial. Through a strict protocol, personnel are instructed to test themselves when "off base" in order to determine whether or not they are fit to drive a vehicle. Once used, keychains must be refilled with a new BreathScan breathalyzer vial.

Akers management expect the US Military contract to be renewed imminently. ABI's previous contract, worth \$5m, was the result of a congressional appropriation; appropriations are special instructions in government spending bills directing money to projects in Representatives' home states. The new appropriation request is for the military to fund breathalyzer refills and keychains. New Jersey Representative Robert Andrews has requested a \$20m appropriation for this project. Although there is no guarantee that the appropriation will be accepted, if it goes through, we believe ABI's share price would undergo a significant re-rating.

If \$20m government earmark is passed, ABI's share price would undergo a significant re-rating

Currently, BreathScan represents 31% of ABI's revenues. The company also recently negotiated an agreement with a major US distributor of over-the-counter products to market a private label version of the detector; pre-selling began in late 2008 and initial order fulfilment was executed in H1-09.

Free Radical Enzymatic Device (FReD)

Free radicals are substances implicated in numerous disease processes and are often associated with smoking and the consumption of processed foods and alcohol. There is a multi-billion dollar market in the United States for anti-oxidant products designed to reduce free radical activity. Until now, there has been no easy way to monitor their efficacy.

Using ABI's proprietary MPC Biosensor technology platform, the group developed FReD, a non-invasive, disposable breath-based POC test to measure free radical activity in the blood. On 31 December 2008, ABI transferred the technology pertaining to FReD to Pulse Health, a nutraceuticals specialist, for \$3m. As part of the deal, ABI has a multi-year supply agreement to produce breath tests for Pulse Health. In addition ABI will earn a royalty for every tube produced. Already this product accounts for 32% of ABI's revenue. Moreover, Pulse Health recently signed a contract with a leading nutraceutical product company which ABI expects will lead to larger volume orders.

Tri-Cholesterol

ABI's POC Tri-Cholesterol self test is used to screen for elevated cholesterol as a risk factor in coronary artery disease, a leading cause of death. Elevated cholesterol is one of the largest independent risk factors for the disease. The rapid assays provide semi-quantitative determinations of high-density lipoprotein (HDL), low density lipoprotein (LDL) and total cholesterol levels in whole blood obtained from a finger stick. The tests have been designed in a strip format; an enzymatic colour reaction from a drop of blood produces results in approximately three minutes. The tests are packaged in kits containing finger stick devices and all other necessary accessories.

There are multiple other products on the market which provide a total cholesterol reading, however, with the exception of ABI's proprietary Tri-Cholesterol test, none to our knowledge are able to provide additional readings for HDL (good cholesterol) and LDL (bad cholesterol). Knowledge of these three testing endpoints enables individuals to have a more complete profile of their health.

Late last year, ABI signed an agreement with a leading US distributor of over-the-counter products to supply Tri-Cholesterol tests that will be marketed under their house brand. Once FDA approved (submitted), the test will appear on the shelves of major retail stores across the US (expected in early 2010).



Pipeline

ABI also intends to launch three new core tests over the next year: Breath Ketone, Breath PulmoHealth and BreathScan PRO.

Breath Ketone

An estimated 220 million people worldwide suffer from diabetes. Every diabetic is at risk of developing Ketoacidosis, a severe and potentially life-threatening condition. Ketones are acids that build up in the blood and are warning signs of Ketoacidosis. ABI's Breath Ketone test detects the presence of ketones in a diabetic's breath. The assay is expected to be the only rapid, disposable POC breath ketone test in the world. A US clinical trial was recently successfully completed for this test; ABI is now in early discussions with relevant distributors.

Breath Ketone is expected to be the only rapid, disposable POC breath ketone test in the world.

Breath PulmoHealth

Currently, diagnostic methods used for the detection of lung-related diseases involve costly blood tests, radiologic exams or invasive surgical procedures. The Breath PulmoHealth test is a non-invasive and simple POC diagnostic tool that detects lung disease from breath condensate. The test will first be developed to detect lung cancer and ABI expects to begin clinical trials for this test in 2010.

BreathScan PRO

BreathScan PRO is a line extension that combines the disposable BreathScan alcohol breathalyser with a digital reader that can produce quantitative measurements of breath alcohol levels. Product development is complete, and the company expects to finish clinical trials by the end of the year.

Competitive environment

Through constant innovation, smaller players consistently manage to carve out new opportunities in fast growing niche segments within the broader IVD market.

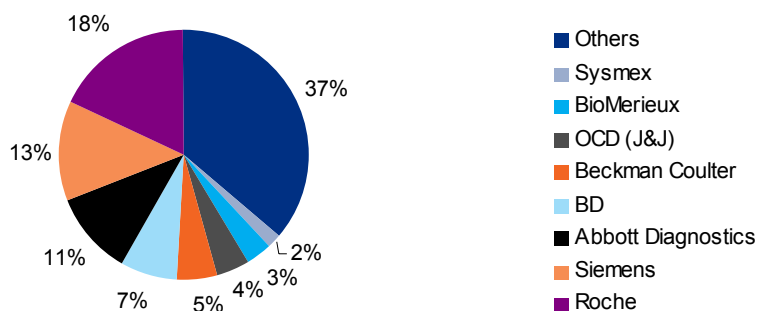
The IVD sector is dominated by several large companies that together control over 60% of the market (Chart 3). Most of these large players control product distribution channels and have established technology platforms with diversified test menus. For this reason, smaller players often have to partner with market leaders so as to commercialise their products. These companies tend to concentrate on developing reagents and new tests for use on one of the majors' platform devices. This is especially true for the Clinical Laboratory Testing market, where most tests are run by automated analysers.

Nevertheless, smaller players such as ABI often focus on selling directly into focal niches in which they face little direct competition. This is especially true for the POC testing market, a fast growing market where devices are evolving quickly and as such platforms often rapidly become obsolete. Finally, if a smaller company proves successful in gaining market share in a given segment, often a larger player will acquire it.

The IVD sector is dominated by several large companies that together control over 60% of the market

Nevertheless, smaller players often focus on selling directly into focal niches in which they face little direct competition.

Chart 3: Global IVD Market, market share by company



Source: Frost and Sullivan



Financial analysis and valuation

Financial Analysis

Our revenue assumptions are summarised in the table below (Table 2).

Turnover growth driven by accelerated roll out of core tests.

Table 2: Detailed revenue forecasts

Revenues (\$m)	09-H1	09-H2	12/09E	12/10E
PIFA	0.36	0.35	0.71	1.24
BreathScan	0.31	0.30	0.60	1.00
FReD	0.51	0.11	0.62	0.58
Other				0.30
Total Revenue	1.18	0.76	1.93	3.12

Source: Daniel Stewart

We expect PIFA sales growth to accelerate as the group is already experiencing stronger demand from its key distributors—namely from US distributor Cardinal Health.

We have not included a BreathScan military contract renewal in our forecasts—growth in BreathScan sales are entirely driven by demand from current military programs and from an expanding retail business. Should a major military contract come through, our forecasts would be significantly upgraded.

In 09, FReD sales were H1-weighted due to the structure of the PulseHealth agreement (signed in 08). In 2010 we expect sales to be more evenly distributed over the year. Moreover, future FReD sales will be supported by a major joint product launch between PulseHealth and a leading nutraceutical product company.

We maintain a gross margin of 79% (as in H1-09) in H2-09E and in 2010E.

We forecast that operating costs will remain constant in H2-09E and 2010E, as management, having just completed a round of cost-cuts, remains committed to maintaining strict cost controls.

Operating costs are expected to remain stable.

Finally, we expect the group's net cash position to remain above \$2.8m as the business is forecast to be cash generative by the end of 2010.

Valuation

Because ABI is not yet sustainably profitable, we feel that valuing the company on near term earnings forecasts does not capture the group's earnings potential. As such, we believe that the best method for evaluating ABI is by discounting future cash flows. In support of our DCF valuation we produced 6 years of detailed forecasts. For the period after that, our terminal value is calculated using a long term free cash flow growth rate of 3%. ABI's beta according to Bloomberg is 0.4. However, we assumed a higher beta of 1.4 given the firm's higher risk profile. These assumptions give us a conservative discount rate of 11.5% and our DCF analysis results in a fair value of 20p/share, at which we set our target price.

DCF analysis indicates a 20p target price

Profit and loss

Table 3: Revenues (\$m)

Year end December	2007A	2008A	2009E	2010E
Total Revenue	5.52	6.08	1.94	3.12
Product cost of sales	(2.01)	(1.37)	(0.41)	(0.66)
Product gross margin (%)	64	49	79	79
License cost of sales	0.00	0.00	0.00	0.00
Total cost of sales	(2.01)	(1.37)	(0.41)	(0.66)
Gross profit	3.51	4.71	1.53	2.47
Administrative expenses	(2.88)	(1.70)	(1.65)	(1.65)
Research and Development expenses	(0.13)	(0.43)	(0.38)	(0.38)
Noncash share based compensation	(1.85)	(1.19)	(0.45)	(0.45)
Amortization of non-current assets	(0.41)	(0.48)	(0.42)	(0.42)
Total operating costs	(5.26)	(3.79)	(2.90)	(2.90)
Income/(Loss) from operations	(1.76)	0.92	(1.37)	(0.43)
Net interest	(0.61)	(1.15)	0.01	0.01
Exceptionals	0.00	(1.00)	0.40	0.00
PBT	(2.37)	(1.23)	(0.96)	(0.42)
PBT (DSC)	(0.51)	0.95	(0.91)	0.03
Tax	0.64	0.70	0.00	0.00
PAT	(1.72)	(0.53)	(0.96)	(0.42)
PAT (DSC)	0.13	1.65	(0.91)	0.03
Weighted average basic & diluted shares outstanding (m)	62.26	92.71	113.50	113.50
EPS	(2.77)	(0.58)	(0.84)	(0.37)
EPS (DSC)	0.21	1.78	(0.80)	0.03

Source: Company data, Daniel Stewart

Cashflow

Table 4: Cashflows (\$m)

Year end December	2007A	2008A	2009E	2010E
EBIT	(1.76)	0.92	(1.37)	(0.43)
Depreciation & Amortisation	0.46	0.55	0.45	0.48
EBITDA	(1.30)	1.46	(0.92)	0.04
Share option related charges	1.85	1.19	0.45	0.45
Working capital movements	(0.68)	(1.89)	(0.49)	(0.33)
Operating CF	(0.12)	0.76	(0.96)	0.16
Interest	0.00	0.00	0.00	0.00
Capex	(1.90)	(0.65)	(0.62)	(0.30)
Tax	0.00	0.00	0.00	0.00
FCF	(2.02)	0.11	(1.58)	(0.14)
Acquisitions/Disposals	0.00	0.00	0.00	0.00
Share issues (net)	0.27	4.60	0.02	0.00
Debt repayment	2.72	(1.29)	0.00	0.00
Exceptionals	0.00	0.00	0.40	0.00
Other	0.27	(0.55)	0.00	0.00
Change in cash	1.25	2.87	(1.16)	(0.14)
Cash at beginning of period	0.04	1.29	4.16	3.01
Cash at end of period	1.29	4.16	3.00	2.87

Source: Company data, Daniel Stewart

Balance sheet

Table 5: Balance Sheet (\$m)

Year end December	2007A	2008A	2009E	2010E
Non-current assets				
Property, plant and equipment, net	0.19	0.34	0.37	0.37
Intangible assets, net	2.78	2.74	2.87	2.69
Deferred financing costs	0.05	0.00	0.00	0.00
Long-term Receivables, net of current portion	0.00	1.25	2.18	2.18
Other assets	0.01	0.01	0.01	0.01
Total non-current assets	3.04	4.34	5.42	5.25
Current assets				
Inventories	0.70	0.41	0.91	1.15
Trade and other receivables	1.92	2.12	0.97	1.13
Cash and cash equivalents	1.31	4.31	3.01	2.87
Other assets	0.09	0.09	0.09	0.09
Total current assets	4.02	6.94	4.98	5.25
Total assets	7.06	11.27	10.40	10.50
EQUITY				
Share capital	66.54	77.80	78.27	78.72
Accumulated deficit	(66.99)	(67.52)	(68.47)	(68.89)
Total equity (deficit)	(0.44)	10.28	9.79	9.82
Non-current liabilities				
Borrowings, net of current portion	(0.35)	0.00	0.00	0.00
Obligations under finance leases	0.00	0.00	0.00	0.00
Total non-current liabilities	(0.35)	0.00	0.00	0.00
Current liabilities				
Trade and other payables	(1.69)	(0.91)	(0.69)	(0.77)
Borrowings	(5.34)	(0.09)	(0.09)	(0.09)
Obligations under finance leases	0.00	0.00	0.00	0.00
Accrued interest payable	(0.13)	0.00	0.00	0.00
Total current liabilities	(7.15)	(1.00)	(0.78)	(0.86)
Total liabilities	(7.50)	(1.00)	(0.78)	(0.86)
Net assets	(0.44)	10.28	9.63	9.64

Source: Company data, Daniel Stewart

Key risks

Reliance on quick client uptake of core products poses the most significant risk to ABI's revenue growth. Strong competition from a large new entrant and regulatory risks also make the company vulnerable.

Product uptake risk

Key milestones involve the market uptake of the group's core products, namely BreathScan. As mentioned above, Akers management expect an imminent renewal of a major US Military contract for its BreathScan device. There is no guarantee that this contract will be renewed.

Competition from a large player

Should a large player with global marketing and direct distribution capacities develop competing tests to ABI's, ABI would have difficulty maintaining its market advantage. However, a more likely scenario is that ABI would get taken-out rather than out-competed (or ABI would out-license or sell its technology), on the basis of already owning the niche technology.

Regulatory risk

As ABI operates in a highly regulated sector, there exists the risk that the company will face delays in launching new products. However, given that ABI's current products have already been approved in several jurisdictions, the company is clearly experienced in navigating the regulatory process. In addition, regulation governing the approval of IVD products is far less strict than that for pharmaceutical drugs.

Management

Edward Mulhare, Chairman and Non-Executive Director

Mr. Mulhare joined the Board in April 1994 and was named chairman in October 2008. He has served as the chairman of the board of SenTech EAS Corporation since May 1994, and over the past ten years has served as a director of fifteen companies including Aldila Inc., Truck Components, Inc., Pan American Diamond Co., McGraw Industries, Inc., and American Silver Co. He served as the chairman of the board and chief executive officer of Merrill Lynch Interfunding, Inc., which managed a \$1.6 billion leveraged acquisition portfolio. In addition, he has served as executive vice president of Republic National Bank of New York and vice president of Prudential Insurance Company.

Thomas A. Nicolette, President and Chief Executive Officer

Mr. Nicolette, who started as a consultant to the Company, was elected a member of the Board in May 2006. Since 2000 he has served as principle of Nicolette Consulting Group Limited. In that role, Mr. Nicolette has been an officer and/or director of companies in the USA, Canada, Mexico, UK, France and Germany. Prior, he has served as Chief Executive Officer of several US based public companies. The largest, KNOGO Corporation, was a NYSE listed multinational company with subsidiaries and manufacturing facilities in 42 countries around the world employing over 4,000 people. KNOGO, recognized as the founder of the Electronic Article Surveillance (EAS) anti-shoplifting industry, was sold to Sensormatic Electronics in 1994 and is now part of Tyco International's ADT Security. Mr. Nicolette is a graduate of Michigan State University School of Criminal Justice.

Raymond F. Akers Jr. PhD, Executive Vice Chairman of the Board

Dr. Akers co-founded the Company in 1989. He has over 24 years of experience in the diagnostics industry having co-founded Drug Screening Systems, Inc., a publicly listed company, in 1987 and Akers Medical Technology Inc. in 1984. He was chief executive officer and vice president of research and development of Drug Screening Systems, Inc. until the sale of the company in 1989 and served as president and chief executive officer of Akers Medical Technology Inc. until 1987. Dr. Akers holds a Ph.D. in Neurochemistry from Northwestern University, and is the inventor of the Company's technology platforms.

Daniel Seckinger, MD, Non-Executive Director

Dr. Seckinger, joined the Board in February 1994. He was elected to The College of American Pathologists Board of Governors and served for four years as chairman of the Council on Scientific Affairs. He is Past President of the College of American Pathologists and the American Registry of Pathology. Dr. Seckinger served as Chief of Pathology and Director of Laboratories at Cedars Medical Center for thirty years and presently is Clinical Professor in the Department of Pathology at the University of Miami School of Medicine. He was elected to the American Medical Association House of Delegates and served for nine years.

Charles Spencer Bunker, Non-Executive Director

Mr. Bunker joined the Board in October 2008. He is a Chartered Accountant with over 25 years of experience as a corporate financier. As a founding member of Kerburn Rose, an independent corporate finance house, he has made a significant contribution to the value enhancement of a number of businesses across a range of sectors. He is a former Chairman of the Board of Governors of the European Business School and of Regent's College, the UK based American college. He has a



personal interest in the healthcare sector in which ABI is involved, having served as a nonexecutive Director of both a leading NHS Trust and Health Authority.

Lee Meyers, Vice President Operations

25 years of senior level experience in Operations, Research and Development, Sales and Marketing, Quality Assurance and Regulatory Affairs in medical device and diagnostic product manufacturing environments. Mr. Meyers holds a BS in Biology from Rutgers University.

Patrice Laterra McMorrow, Vice President Business Development

21 years experience in sales and marketing within the medical device, pharmaceutical and ophthalmic eyewear industries. Competencies include strategic and tactical planning, sales operations, distribution management, and sales training. Ms. McMorrow holds an MBA from Seton Hall University.



Disclosure Checklist

Company	Code	Disclosure
Akers Biosciences	AKR	3, 6, 10

Source: Daniel Stewart

1. Within the past twelve months Daniel Stewart & Co plc and/or its affiliates has managed or co-managed a public offering for this Company, for which it received fees or the promise of fees
2. Daniel Stewart & Co plc and/or its affiliates act as corporate broker or nominated advisor to this Company
3. Daniel Stewart & Co plc and/or its affiliates regularly hold/may hold in future trading positions (which may include options) in this Company
4. Daniel Stewart & Co plc and/or its affiliates holds more than 5% of the securities of this Company
5. The Company holds more than 5% of the securities of Daniel Stewart & Co plc and/or its affiliates
6. Daniel Stewart & Co plc and/or its affiliates may currently be providing, expects to provide within the next three months or may have provided within the previous twelve months, investment banking services to this Company, which have given rise to payment or the promise of payment
7. The author and/or an individual responsible for production of this report has direct ownership of stock in this Company
8. The author responsible for the production of this report received or purchased shares in the issuer, prior to a public offering of the shares.
9. Daniel Stewart and Company is party to an agreement with this company for the publication of research on it
10. This research note has been disclosed to the Company, with resulting amendments, prior to its dissemination
11. Daniel Stewart & Co and/or its affiliates act as financial advisor to this company

The Daniel Stewart recommendation structure is based on relative upside/downside to target price. The target price is set on a rolling 12 month view. Upside or downside of 10% or more is categorised as Buy or Sell respectively, and less than 10% a Hold.

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Distribution of Ratings

	All Companies	Of which are Investment Banking Clients in the last 12 months
Buy	63%	30%
Hold	29%	15%
Sell	8%	0%

data as of Q2'09 30 September 2009

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Key Assumptions

- 79% Gross margins

Income (\$m)	12/07A	12/08A	12/09E	12/10E
Turnover	5.5	6.1	1.9	3.1
Gross Profit	3.5	4.7	1.5	2.5
EBITDA	(1.3)	1.5	(0.9)	0.0
EBIT	(1.8)	0.9	(1.4)	(0.4)
PBT	(0.5)	1.0	(0.9)	0.0
EPS (Adj.) (p)	0.2	1.8	(0.8)	0.0
DPS (p)	0.0	0.0	0.0	0.0

Cash Flows (\$m)	12/07A	12/08A	12/09E	12/10E
Op. CF	(0.1)	0.8	(1.0)	0.2
FCF	(2.0)	0.1	(1.6)	(0.1)
FCFPS (p)	(3.2)	0.1	(1.4)	(0.1)

Balance Sheet (\$m)	12/07A	12/08A	12/09E	12/10E
Fixed Assets	3.0	4.3	5.4	5.2
Current Assets	4.0	6.9	5.0	5.2
Current Liabilities	(7.2)	(1.0)	(0.8)	(0.9)
Capital Employed	(0.1)	10.3	9.6	9.6
Long-term Liabilities	(0.3)	0.0	0.0	0.0
Net Assets	(0.4)	10.3	9.6	9.6
Net Debt/(Cash)	4.4	(4.2)	(2.9)	(2.8)

Data is adjusted
DSC EPS is fully diluted

Recent News / Events

Nov.4 – Trading statement
Sept.30 – Interim results
Sept.29 – Distribution agreement

Management Team

Thomas Nicolette – President and CEO
Edward Mulhare – Chairman

Major Shareholders

Brittany Capital	23%
John Harvey	9%
Saltburn Ltd.	7%
R. F. Akers	7%
SpreadEx Ltd.	5%
Milan Hldg. Co.	4%