



Collagen Solutions in £12m plan for growth

Bio-medical firm with Glasgow
base in stock and bond offer

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COLLAGEN Solutions, which makes medical-grade biomaterials at a facility in Glasgow, has announced plans to raise £12 million to ensure it achieves the growth levels required to reach profitability by 2019.

The company, which is listed on the alternative investment market (AIM), has launched a conditional placing and open offer to raise £8m from new and existing investors, while it plans to raise a further £4m through the issuing of bonds.

Its target is to generate a five-fold increase in revenue over five years, reaching profitability in 2019. For its last financial year, ending April 30, Collagen generated revenue of £3.2m, up from £1m the previous year. Interim revenue to September 30 was up 30 per cent to £1.9m,

with a £983,313 pre-tax loss posted.

Collagen said it planned to use the funds to invest in the development and commercialisation of high value device products, accelerate the launch of its Chondro-Mimetic implant that treats bone and cartridge defects, and aid expansion of its existing medical collagen supply business.

Jamal Rushdy, chief executive of **Collagen Solutions**, said: "This strategically important funding round strengthens our balance sheet and provides the resources to accelerate our core biomaterials and tissue business.

"Furthermore, the capital will provide the company with the opportunity to fund the development of a range of new products for use in the rapidly emerging field of regenerative medicine."

Collagen said it received a conditional commitment from specialist

healthcare strategic investor Norgine Ventures to subscribe up to £4m in senior secured private bonds with warrants.

Norgine has committed more than €60m (£51m), usually in the form of venture debt, to fast-growing healthcare companies, such as MedTech, Diagnostics, and Specialty Pharma.

The placing comprises 123.8 million ordinary shares at the offer price of 5p per share, which will raise £6.2m. A five-for-one open offer at 5p for almost 36m shares will raise a further £1.8m.

Based on Monday's closing price of 5.62p, the offer represents a nine per cent discount.

If the offer is fully subscribed, Collagen said the placing shares would represent 36.5 per cent of the enlarged share capital.

Since Mr Rushdy moved from chief business officer to chief exec-



utive, Collagen has introduced a number of investment initiatives to accelerate the rate of growth, including global commercial infrastructure and the development of a pipeline of medical devices.

Analysts at Hardman & Co said: “Management has re-iterated its aspirational, but achievable, target to grow sales five-fold within five years. This equates to a demanding CAGR (compound annual rates growth) for sales of 38 per cent.”

The analysts said the key for the business would be the time it takes to obtain CE Marking for Chondro-Mimetic, which is targeted for the second half of this year, and signing up a commercial partner.

Hardman said it expected sales to grow “substantially” as customers receive new regulatory approvals and commercial investments realise new business.

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