



## **Dutton Associates Announces Investment Opinion: AP Pharma Strong Speculative Buy In Update By Dutton Associates**

January 10, 2007

EL DORADO HILLS, Calif., Jan 10, 2007 (BUSINESS WIRE) -- Dutton Associates updates its coverage of AP Pharma (Nasdaq:APPA) with an upgrade of its rating to Strong Speculative Buy. The 10-page report by Dutton senior analyst Stephen L. Handley is available at [www.jmdutton.com](http://www.jmdutton.com) as well as from First Call, Bloomberg, Zacks, Reuters, Knobias, and other leading financial portals.

We are maintaining our Strong Speculative Buy rating, although our previous one-year price target of \$3.00 per share now appears to be too ambitious (in view of recent announcements, the stock's current price, and possible dilution from additional equity financing), we have somewhat arbitrarily reduced this target to \$2.00. This should, in effect, represent a partial advance to a higher level we would expect once APF530 is commercialized, which we now assume will be in 2009. Its primary focus is on bioerodible systems, either injectable or implantable, that incorporate its proprietary Biochronomer(TM) technology. Management is now devoting virtually all of the Company's resources to the clinical trials and regulatory documentation in support of the eventual commercialization of its key compound, APF530, which is being developed for the prevention of acute and delayed chemotherapy-induced nausea and vomiting (CINV), where there is an important identifiable need for APF530's therapeutic features. On December 21, management announced that it now believes it will not meet a previously announced target of filing this compound's NDA in 2007. The concentrated focus on APF530 means that management is pursuing a high risk/high reward strategy. We believe that this is the correct move because we judge that the risk of not eventually achieving commercialization of APF530 is very low, while the probability of this compound ultimately achieving great commercial success is quite high.

### **About Dutton Associates**

Dutton Associates is one of the largest independent investment research firms in the U.S. Its 31 senior analysts are primarily CFAs, and have expertise in many industries. Dutton Associates provides continuing analyst coverage of over 140 enrolled companies, and its research, estimates, and ratings are carried in all the major databases serving institutions and online investors.

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SOURCE: AP Pharma

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