

**stock research**
**RECOMMENDATION: SPECULATIVE BUY**
**AtCor Medical Holdings Limited**

The pivotal sales &amp; execution phase

 Stock Code: ACG  
 Last Price: \$0.165  
 Market Cap (fd): \$33.1m  
 Risk Level: High

**2 May 2016**
**EVENT**

- AtCor Medical Holdings Limited's (ACG) SphygmoCor test will fall within a United States CPT category 1 (reimbursement) code from January 2016.
- Select Equities will host AtCor at our Healthcare & Wellbeing Investor Conference on 3 May 2016.

 Paul Bates  
 Mark Southwell-Keely  
 Wayne Ma

**KEY HIGHLIGHTS**

- A Current Procedural Terminology (CPT) category 1 code was established on 1 January 2016 that covers AtCor's SphygmoCor test. Physicians will be able to seek reimbursement for tests conducted using the SphygmoCor system.
- The ability for physicians to be reimbursed allows AtCor to compete in the clinical care market. The company estimates the total addressable market in the United States is US\$0.8b.
- We forecast that AtCor's product sales will increase slightly in FY16 to 315 units before a robust increase in FY17 to 456 units.
- Patients who undertake the SphygmoCor test will only be reimbursed if their health insurer endorses this CPT category 1 code. AtCor is approaching health insurers to seek inclusion of the test on their list of approved procedures. At present seven private health insurers and seven of the 12 Medicare regions in the United States have endorsed the code (76m people covered).
- The company is investing in promoting their product in targeted areas before more aggressively expanding in the US market in FY17. The success of initial marketing efforts is likely to be critical in assessing the company's ability to create an enduring and profitable business.
- We see the granting of the CPT category 1 code as a key milestone for the company however the ability to effectively market the product to key stakeholders will ultimately dictate whether the product can become a commercial success.
- In the clinical trial segment of the market, a contract for the supply of the SphygmoCor system/clinical trial support was won in February 2016. The minimum value of the 15 month contract is for US\$0.6m.
- Demand for the use of AtCor's products as part of hypertension trials appears to be slowing. The company is pursuing opportunities for AtCor's technology to be used in clinical trials where the drug being tested impacts on the cardiovascular system.

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**SELECT EQUITIES RECOMMENDATION**

- Select Equities rates AtCor as a SPECULATIVE BUY. Patient investors will be rewarded if ACG can demonstrate a step change in sales arising from the opportunity to compete in the US clinical care market.

June Year End	FY15A	1H16	FY16E	FY17E
Revenue (\$m)	5.5	1.7	5.7	8.7
Net Profit (\$m)	-3.9	-2.3	-4.2	-2.3
EBITDA (\$m)	-3.9	-2.8	-4.2	-2.3
EBIT (\$m)	-3.9	-2.8	-4.2	-2.3
EPS (¢)	-0.8	-1.1	-2.1	-1.2
Ent. Value/Sales (x)	7.0	-14.4	5.5	3.6
Ent. Value/EBITDA (x)	-8.4	-11.3	-7.4	-13.5
Ent. Value/EBIT (x)	-8.2	-11.3	-7.4	-13.5
Diluted Shares (m)				200.7
Avg. Mthly Volume (m)				4.8
Diluted Mkt Cap (\$m)				33.1
Net Debt (\$m)				-1.9
Enterprise Value (\$m)				31.3



Source: Company Reports and Select Equities Research

Source: IRESS

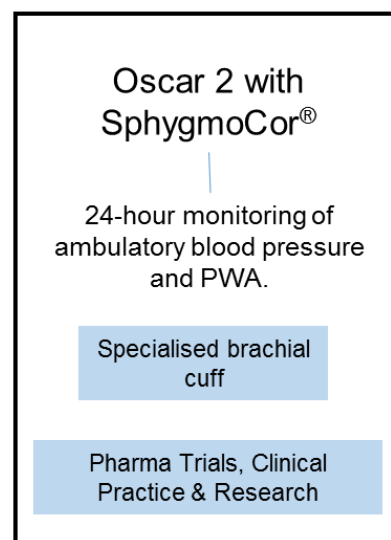
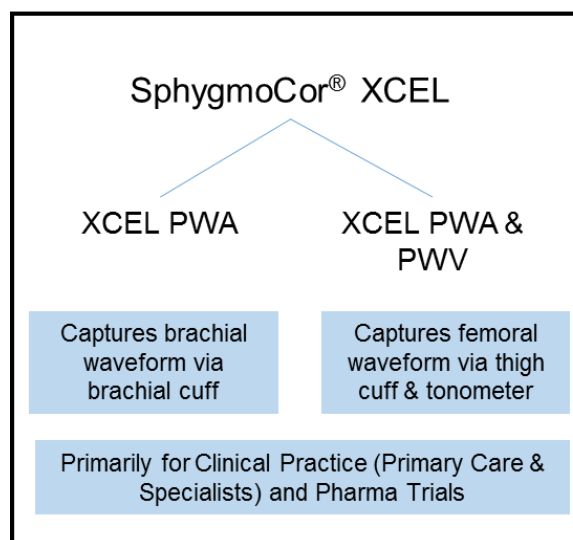
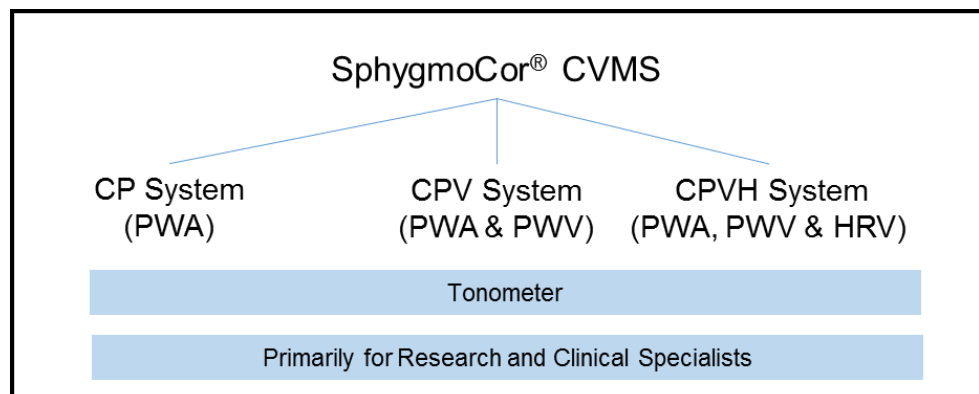
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**1H16 RESULTS**

- In 1H16, AtCor reported revenue of \$1.7m (down 35% seq) and NPAT of -\$2.3m (down 22% seq). The company did not win any new (pharmaceutical) clinical trial contracts in the half.
- Sales in the Americas fell as did sales in the EMEA region (-23% pcp) attributable to less hypertension drugs being developed. Growth was recorded in Australia and New Zealand (+22% pcp).
- Cash balance at 31 December 2015 was \$3.8m. The company is debt free.
- Expenses in 1H16 were \$4.4m (up 23% pcp). The company stated that currency movements were primarily responsible for the increase as 60% of expenses are denominated in USD or EUR. If currency movements are excluded, expenses would have increased by 10% (according to the company).
- The company received a refund of \$461,916 on 14 March 2016 under the R&D Tax Incentive scheme.

**CORE PRODUCTS**

AtCor's products all focus on central blood pressure and central aortic waveform analysis however have different capabilities and functions. The SphygmoCor CVMS and SphygmoCor XCEL series fall within the new CPT category 1 code. We present a summary below and see Appendix 1 for further explanation:



Abv.	Description	Purpose
PWA	Pulse Wave Analysis	Analyses the central aortic pressure waveform at the heart and provides key cardiovascular measurements such as central blood pressure. This is considered to be a more accurate measure than a blood pressure test conducted using a brachial cuff.
PWV	Pulse Wave Velocity	Measure of arterial stiffness (hardening of the arteries). This is seen as a predictor of future cardiovascular events.
HRV	Heart Rate Variability	This is a measure of the variation in the duration between heart beats and assists assessment of cardiovascular health.

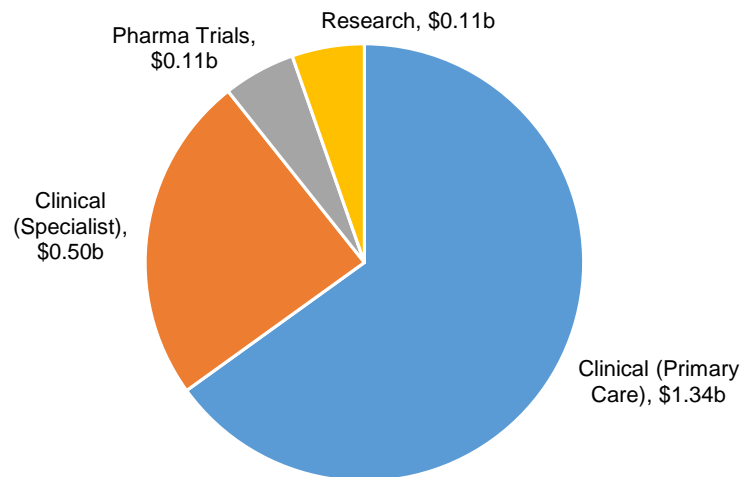
Source: Select Equities Research & company website.

**APPROVAL FOR REIMBURSEMENT***Medical professional reimbursement*

- Effective 1 January 2016, a Current Procedural Terminology (CPT) category 1 code 93050 from the United States Centers for Medicare and Medicaid Services has been established that applies to AtCor's SphygmoCor test. This means physicians will have a simple way to seek reimbursement for tests conducted using the SphygmoCor system (except for the Oscar 2 product which falls under a different code).
- To be classified in category 1, the test or procedure must be widely accepted within the medical community. This represents an upgrade from the earlier CPT category 3 code which is for emerging technologies and procedures.
- The national average payment for an individual test under this code has been set at US\$17.91 (with the rate being higher in major cities and private payers may reimburse up to 50% more). There are no variable costs associated with conducting the test.
- AtCor selling price for the SphygmoCor CVMS and SphygmoCor XCEL per unit is approximately US\$15,000. On the basis that the average payment is received, 838 tests would need to be conducted for a customer to break even. The unit would be paid off in under 12 months if 17 tests were completed each week. Initial conversations by the company with small practices indicated that 20 tests a week was not unreasonable. The number of tests conducted would vary depending on the size and focus of the practice. The doctor would also be able to earn income from their consultation fee and other ancillary services which would reduce the payback period. The company estimates that the useful life of the product is five years.
- To win clients that are not willing to pay a large capital outlay for the SphygmoCor device, AtCor is intending to offer a 36 month leasing option. Under this arrangement, doctors will pay for the device over a period of time and reimbursement income will allow them to be cash flow positive immediately (assuming a minimum of one test per day (on average) is conducted over the 36 month period). The company anticipates that this option will be attractive to about 50% of its target customers. This opens up a large number of potential clients that previously may not have been willing to adopt the technology due to its cost.

*Patient reimbursement*

- In order for patients in the United States to be reimbursed for the cost of the SphygmoCor test, approval is required by health insurers.
- As at May 2015, seven private health insurers and seven of 12 Medicare regions (covering ~75m people) have approved the test for reimbursement. Reimbursements have now occurred in 20 states.
- Each of the 12 Medicare regions have an independent decision making process to determine if a product should be eligible for patient reimbursement. Once on the list, reviews are conducted periodically however the focus of reviews is generally on items that have a large number of claims or are high value (ACG is not likely fall into this category).
- AtCor has engaged a private health reimbursement consultant to assist in growing the number of health insurers that will reimburse patients costs for conducting the SphygmoCor test. Senior management has been progressing this along with a senior reimbursement executive and an ACG employee.
- Despite the strong body of scientific support, demonstrating the value of the SphygmoCor test to both medical practitioners and health insurers is an onerous challenge for the company. This not only requires substantial resources but for ACG to be successful there needs to be widespread uptake of the technology by both the medical professional and the health insurers funding the test.
- Select Equities considers the granting of the CPT category 1 code as a significant milestone for the company however the ability to effectively market the product to key stakeholders will ultimately dictate whether the product can become a commercial success. Given the company has overcome extensive regulatory challenges of bringing a new medical device to market, the success of initial marketing efforts are likely to be critical in assessing the company's ability to create an enduring and profitable business.

**GLOBAL  
ADDRESSABLE  
MARKET**


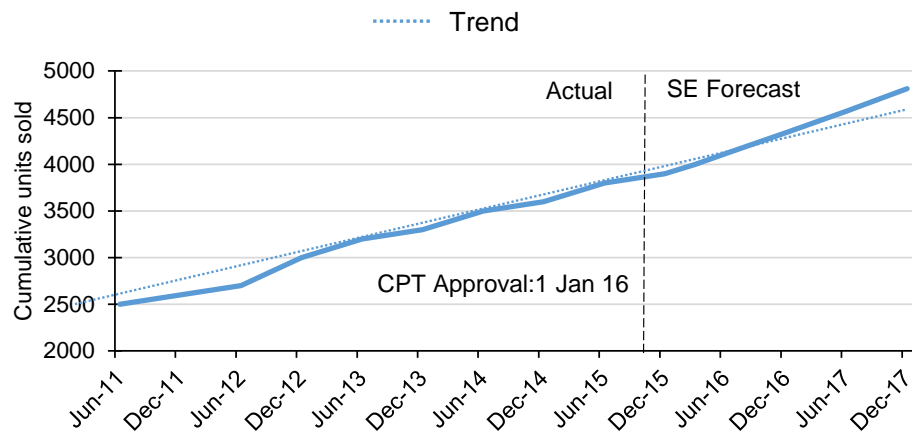
Source: Company reports.

**PRODUCT SALES  
OUTLOOK**

- Prior to the establishment of the CPT category 1 code that covers the SphymoCor test, AtCor has in the United States focused on selling their products for use by clinical specialists, pharmaceutical companies in drug trials and to research institutions.
- Primary care doctors and specialists will now be reimbursed for conducting the SphymoCor test. This puts AtCor on a level playing field with other tests that are eligible for reimbursement. The company will seek to target the clinical care market which the company estimates to have a total addressable market of US\$0.8b in the United States.
- To capitalise on opportunities flowing from the new category 1 code the following initiatives are in progress:
  - *telemarketing*: the company has entered into a fixed fee arrangement with a call centre to contact targeted potential buyers of AtCor's devices;
  - *revitalised web presence*: AtCor is investing in updating their website; and
  - *sales staff*: To take advantage of this opportunity, sales staff will focus on winning new sales in key regions of the United States with the size of the team to grow in FY17.

We have factored into our model higher Marketing & Advertising expense for 2H16 and lower costs associated with regulatory approvals.

- In order to most appropriately allocate the company's resources their focus is at present on four large metropolitan areas in the United States. The company has three full time sales personnel in the United States. AtCor's experience in these segments will be used to guide future sales efforts to take advantage of the US opportunity. This targeted approach will also allow more time for the SyphgmoCor test to be approved by health insurers with the company seeking to increase their marketing investment in FY17.

**PRODUCT SALES:  
ACTUAL &  
FORECAST**


Source: Select Equities Research

- We expect sales to break away from the trend and increase at a higher rate in FY17 due to 1) greater market wide recognition and the ability for physicians to be reimbursed for conducting the SyphgmoCor test and 2) increased marketing spend.
- Device sales have been broken down into sales to existing channels and sales to the clinical care market which in the US has been opened up by the granting of the CPT category 1 code. We forecast device sales to be 315 in FY16 (59 to the new primary care market) rising to 455 in FY17 (144 to the primary care market).
- Revenue from sales to the primary care market has been calculated on the basis that 50% of sales will be for units sold outright and the remainder will be leased with a 36 month payback period.

**NPV ANALYSIS:  
BASE CASE**

Base Case	30-Jun-16	31-Dec-16	30-Jun-17	31-Dec-17	30-Jun-18	31-Dec-18	30-Jun-19	31-Dec-19	30-Jun-20
AtCor Unit Price	\$15,000	\$15,000	\$15,000	\$15,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
Unit Sales	215	225	230	240	250	280	280	330	370
Revenue	\$3.2m	\$3.4m	\$3.5m	\$3.6m	\$3.0m	\$3.4m	\$3.4m	\$4.0m	\$4.4m
Unit Cost	\$3,500	\$3,433	\$3,368	\$3,303	\$3,240	\$3,178	\$3,118	\$3,058	\$3,000
Gross Margin	77%	77%	78%	78%	73%	74%	74%	75%	75%
Gross Profit	\$2.5m	\$2.6m	\$2.7m	\$2.8m	\$2.2m	\$2.5m	\$2.5m	\$3.0m	\$3.3m
OpEx	-\$1.0m	-\$1.0m	-\$1.0m	-\$1.0m	-\$0.8m	-\$0.9m	-\$0.9m	-\$1.0m	-\$1.1m
PBT	\$1.4m	\$1.6m	\$1.6m	\$1.8m	\$1.3m	\$1.6m	\$1.6m	\$2.0m	\$2.3m
Tax Rate	30%	30%	30%	30%	30%	30%	30%	30%	30%
NPAT	\$1.0m	\$1.1m	\$1.1m	\$1.2m	\$0.9m	\$1.1m	\$1.1m	\$1.4m	\$1.6m
Discount Rate	13.8%								
NPV	US\$21m								
AUD/USD	0.7614								
NPV	A\$28.1m								
NPV/Share (¢)	14.0								

- We have conducted a NPV analysis including sales of units within existing channels and the new primary care market.
- Based on the above assumptions, the NPV of the future unit sales is \$28.1m.
- The uptake of health insurers will be a key indicator of future sales into the primary care market.

**NPV ANALYSIS:  
BULL CASE**

Bull Case	30-Jun-16	31-Dec-16	30-Jun-17	31-Dec-17	30-Jun-18	31-Dec-18	30-Jun-19	31-Dec-19	30-Jun-20
AtCor Unit Price	\$15,000	\$15,000	\$15,000	\$15,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
Unit Sales	215	304	311	324	338	378	378	446	500
Revenue	\$3.2m	\$4.6m	\$4.7m	\$4.9m	\$4.1m	\$4.5m	\$4.5m	\$5.3m	\$6.0m
Unit Cost	\$3,500	\$3,433	\$3,368	\$3,303	\$3,240	\$3,178	\$3,118	\$3,058	\$3,000
Gross Margin	77%	77%	78%	78%	73%	74%	74%	75%	75%
Gross Profit	\$2.5m	\$3.5m	\$3.6m	\$3.8m	\$3.0m	\$3.3m	\$3.4m	\$4.0m	\$4.5m
OpEx	-\$1.0m	-\$1.4m	-\$1.4m	-\$1.4m	-\$1.1m	-\$1.2m	-\$1.2m	-\$1.3m	-\$1.4m
PBT	\$1.4m	\$2.1m	\$2.2m	\$2.4m	\$1.8m	\$2.1m	\$2.2m	\$2.6m	\$3.1m
Tax Rate	30%	30%	30%	30%	30%	30%	30%	30%	30%
NPAT	\$1.0m	\$1.5m	\$1.6m	\$1.7m	\$1.3m	\$1.5m	\$1.5m	\$1.9m	\$2.1m
Discount Rate	13.8%								
NPV	US\$29m								
AUD/USD	0.7614								
NPV	A\$37.5m								
NPV/Share (¢)	18.7								

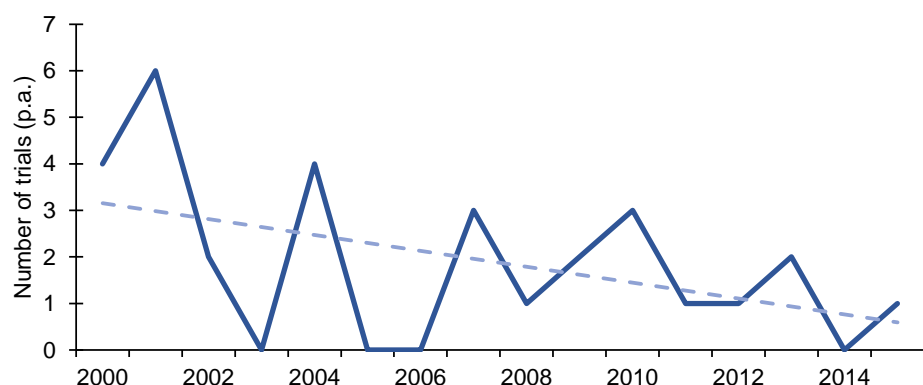
- Based on the above bull case assumptions, the NPV of the future unit sales is \$37.5m.

**PHARMACEUTICAL  
TRIALS**

- AtCor announced on 5 February 2016 that it has won a contract with a large international pharmaceutical company to supply the SyphgmoCor system and undertake clinical trial support.
- The minimum value of the 15 month contract is for US\$0.6m. There is also a chance that subsequent contract wins with this client will materialise.

*Clinical trials - hypertension*

- Due to the close link with AtCor's technology, hypertension clinical trials have been the focus of their pharmaceutical services business.
- The company stated in their 1H16 results that there has been a slowdown in the development of hypertension drugs. Less research on new hypertension drugs is being conducted as improvements have been more incremental resulting in pharmaceutical companies not being able to charge large premiums for new products.
- Below we have set out the number of drugs approved by the FDA since 2000 that list "hypertension" as an approved use in the summary description. Although this is a lagging indicator due to the regulatory approval time, the number of new "hypertension" drugs being brought to market in the United States appears to be declining.



Source: FDA Novel Drug Approvals, CenterWatch & Select Equities Research

*Other clinical trials*

- There is potential for AtCor's technology to be used in any clinical trial where the drug being tested impacts on the cardiovascular system including for example inflammatory disorders and heart failure.
- Over the past three years, AtCor has won contracts for trials focusing on chronic

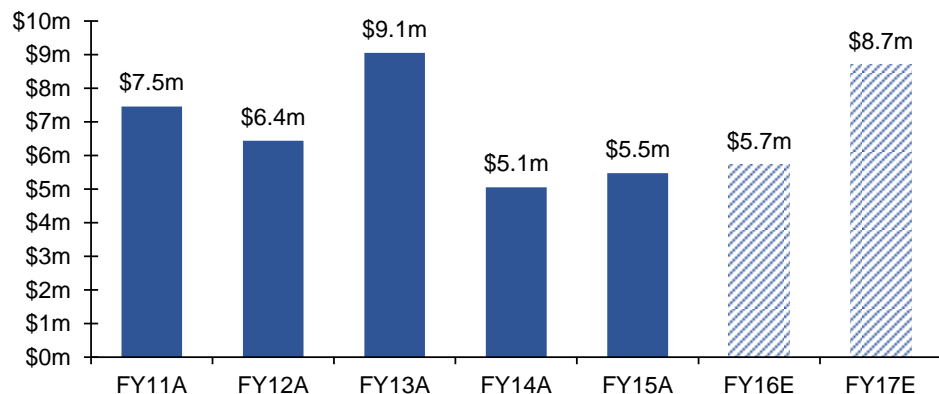
- obstructive pulmonary disease, gout, psoriasis, diabetes and Alzheimer's disease.
- Improved success in AtCor's pharmaceutical trials business is linked to the widespread adoption of the SphymoCor in clinical practice. This is because drug manufacturers will need to better understand the effect that a new drug has on central blood pressure and arterial stiffness if this is a test frequently performed by clinicians.

*Forecast revenue from Pharmaceutical trials (Sale of Services)*

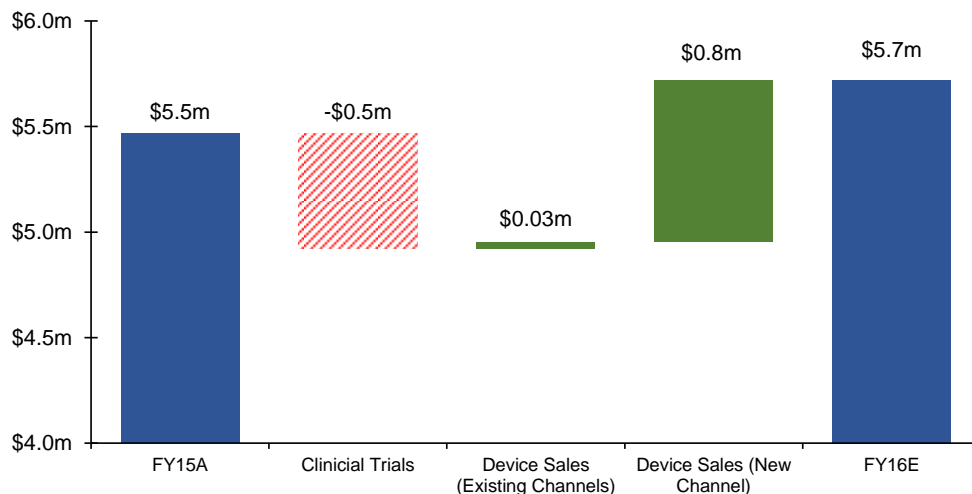
- Select Equities has apportioned revenue from the contract announced on 5 February 2016 evenly over the 15 month duration. No upside above the minimum levels has been included in our estimates
- We have estimated that no further contracts will be won in 2016, reflecting the absence of contract wins in 1H16 and the market conditions. In 2H17 our model includes the commencement of a new contract with the value being similar to AtCor's most recent contract win.

**FUNDING**

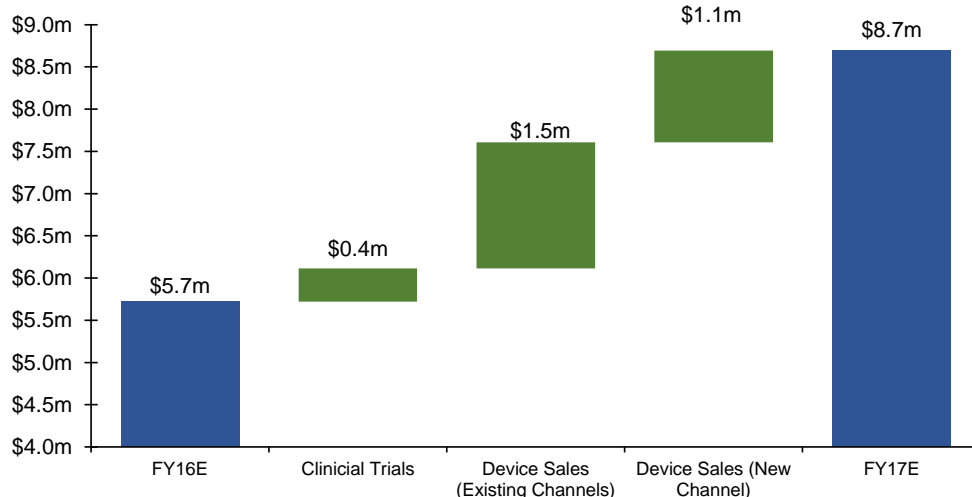
- The Company has raised equity capital of \$38.8m since inception.
- In 1H16, ACG raised \$3m (net) and in 2015 \$3m (net).
- We consider that further equity capital will be necessary. Based on our model, for ACG to finish both FY17 and FY18 with a zero cash balance, \$0.7m will be required in FY17 and \$2.9m in FY18.
- AtCor has previously been able to obtain support from institutional and high net worth investors. If the company cannot show that progress is being made towards growing sales, it may be difficult for funds to be raised at an attractive valuation.
- The likelihood the company will require further funding should be considered when making an investment decision.

**REVENUE**


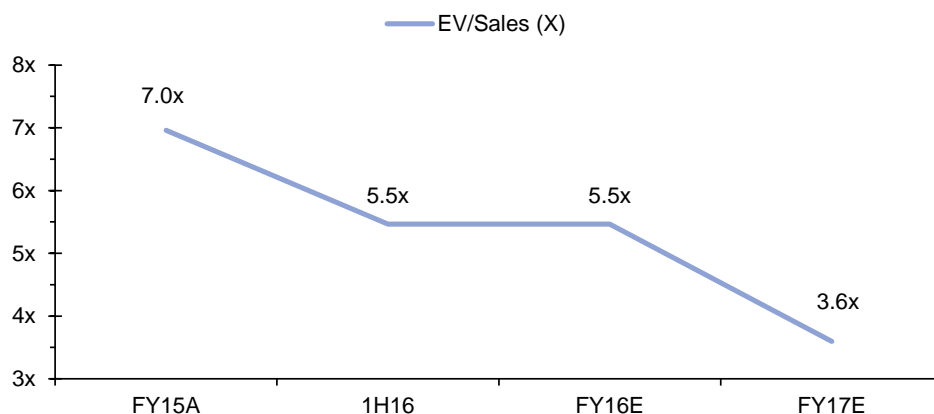
Source: Select Equities Research

**FY15-FY16  
REVENUE BRIDGE**


Source: Company Reports & Select Equities Research

**FY16-FY17  
REVENUE BRIDGE**


Source: Company Reports & Select Equities Research

**VALUATION**


Source: Select Equities Research

**BUSINESS  
DESCRIPTION**

- AtCor Medical Holdings Limited (ACG) is the developer and marketer of the SphygmoCor system, a medical device used for cardiovascular management.
- Their products measure central blood pressure and conduct central aortic



waveform analysis in a non-invasive way and can conduct important measurements than cannot be detected by standard blood pressure tests.

- The SphygmoCor test is now well recognised within the medical profession with the technology being featured in over 1000 peer-reviewed studies. As at March 2016, over 4,000 SyhygmoCor systems are in use worldwide.
- The company actively manages its Intellectual Property and has obtained patent protection in key medical device markets.
- In the United States, the company has over 700 clients, 200 of which are clinical practices.
- The technology forming the basis for the SphygmoCor system was invented by Dr Michael O'Rourke, a current non-executive director of the company.
- AtCor listed on the ASX on 7 November 2005 at an offer price of \$0.50 per share.

## **RISK FACTORS**

- New innovations may be brought to market that render ACG's technology obsolete.
- The company may not be able to reach the point where it achieves critical scale and becomes profitable.
- Investment in new products will be required to be made on an ongoing basis as technology evolves.
- Further products may be subject to delays and take longer than anticipated to be released to the market.
- AtCor is likely to need to raise further capital before reaching profitability. We expect this will be required in FY17 & FY18 unless the company records sales that are significantly better than expected.
- AtCor may be subject to litigation arising from any malfunction or defect in their product in multiple jurisdictions.
- The CPT code is not specific to Atcor. As such a competitor's product that fits within the definition of this code would be eligible for reimbursement. If the code does not get sufficient utilisation, it could be removed when the United States Centers for Medicare and Medicaid Services reviews the list of approved codes.
- Some fundamental components of the SyphgmoCor device are provided by one supplier only.
- Government regulators may change laws surrounding the sale or eligibility for reimbursement of AtCor's products.
- Currency movements are likely to cause variability in earnings as a large proportion of the company's sales are denominated in USD.

**APPENDIX 1:  
PRODUCTS**

AtCor's products enable physicians to assess cardiovascular health and improve patient outcomes. The company citing the US Centers for disease control and prevention states that the target population for the SphygmoCor test is 105m in the United States. The SphygmoCor technology is used by all hospitals contained in a list of the Best Hospitals compiled by the US News & World Report 2015-2016. Below we have summarised features of ACG's core products and their purpose.

***SphygmoCor CVMS***

These tests use a tonometer (a high fidelity sensor) to measure a patient's central blood pressure non-invasively. Central blood pressure has been shown to be a predictor of future cardiovascular events. This product is primarily used by researchers and clinical specialists.

***SphygmoCor CP system***

This enables Pulse Wave Analysis (PWA) to be performed. This can be used to measure central aortic systolic pressure, aortic augmentation index and central pulse pressure. Waveform information can assist doctors to better manage patient's blood pressure and treatment plan. This is different from information received from a traditional brachial (arm) cuff based blood pressure test.

***SphygmoCor CPV system***

Pulse Wave Velocity (PWV) can also be measured between two arterial locations. This reveals information about aortic and arterial tree stiffness.

***SphygmoCor CPVH system***

This system can perform PWA, PWV and Heart Rate Variability (HRV) analysis. HRV measurement can be taken over 6 hours.

***Regulatory approvals:***


Source: Company Announcements & Select Equities Research

***SphygmoCor XCEL***

- Enables measurements of the central aortic pressure to be taken in 60 seconds.
- The systems technology automates the data capture process increasing efficiency for both clinical trial staff and for patients.
- In 2013, the SphygmoCor XCEL received the highest possible rating of 'excellent' by the European Artery Society guidelines. This was the first cuff based device to be given this rating.
- The primary use is for clinical practice (primary care & specialists) and in pharmaceutical trials.

***SphygmoCor XCEL PWA***

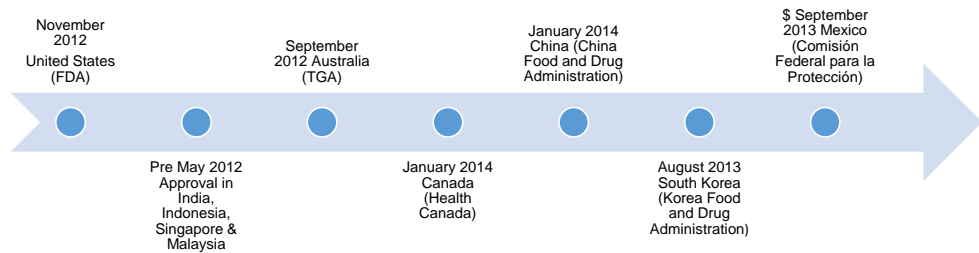
- Uses a standard brachial cuff to record a brachial waveform. The device uses this data to provide a central aortic waveform.

- Measures arterial stiffness and brachial and central blood pressure.

#### *SphygmoCor XCEL PWV*

- Uses a thigh cuff to test femoral waveform and a tonometer to capture the carotid waveform.
- Assists reduction of target organ damage to assess arterial stiffness and pressure wave reflection.

#### *Regulatory approvals:*



Source: Company Announcements & Select Equities Research

#### ***Oscar 2 with SphygmoCor***

- An ambulatory blood pressure monitor (ABPM) combined with SphygmoCor technology.
- Enables 24-hour monitoring of ambulatory blood pressure and pulse wave analysis.
- It was jointly produced by AtCor and SunTech Medical, a specialist ABPM manufacturer with the project commencing in January 2012.
- The product received FDA approval in March 2016. It is being jointly marketed by AtCor (focusing on clinical trials) and SunTech Medical (clinical practice and research). In Europe and Asia and North America, SunTech has permitted AtCor to sell the product through their distributors. SunTech is also distributing the product in the US.
- The company estimates the global ambulatory blood pressure market to be 45,000 units p.a. with half of this being sales to the clinical trials market.
- The Oscar 2 is targeted towards customers in the pharmaceutical trials and clinical practice & research segments.

#### *Regulatory approvals:*



**AtCor Medical Holding Limited**

 Select Equities Research  
 Small Caps

Code	ACG				June Year End	FY15A	1H16	FY16E	FY17E	
Last sale (\$)	02-May-16				\$0.165					
# Shares (m)					200.7					
# Performance Rights & Options (m)					0.0					
Diluted Mkt Cap (\$m)					33.1					
Net Debt (\$m)					-1.9					
Enterprise Value (\$m)					31.3					
June Year End	FY15A	1H16	FY16E	FY17E	Financial Position (\$m)					
Financial Performance (\$m)					Cash & Equivalents	3.4	3.8	1.9	0.0	
Sale of Goods	4.5	1.5	5.3	7.9	Accounts Receivable	1.5	1.6	2.4	2.7	
Sale of Services	1.0	0.2	0.4	0.8	Inventories	0.5	0.6	0.6	0.7	
Total Revenue	5.5	1.7	5.7	8.7	PPE	0.3	0.2	0.3	0.4	
Gross Profit	3.6	1.3	4.5	7.0	Goodwill	0.0	0.0	0.0	0.0	
EBITDA	-3.9	-2.8	-4.2	-2.3	Intangibles	0.0	0.0	0.0	0.0	
D & A	0.0	0.0	0.0	0.0	Deferred Tax Asset	0.0	0.0	0.0	0.0	
EBIT	-3.9	-2.8	-4.2	-2.3	Other Assets	0.2	0.1	0.0	0.0	
PBT	-3.9	-2.8	-4.2	-2.3	Total Assets	6.0	6.3	5.2	3.7	
NPAT (normalised)	-3.9	-2.3	-4.2	-2.3	Accounts Payable	1.5	1.2	1.2	1.3	
Abnormals	0.0	0.0	0.0	0.0	Borrowings	0.0	0.0	0.0	0.0	
NPAT (reported)	-3.9	-2.3	-4.2	-2.3	Provisions	0.2	0.2	0.2	0.2	
EPS (¢)	-0.8	-1.1	-2.1	-1.2	Other Liabilities	0.0	0.0	0.0	0.0	
DPS (¢)	0.0	0.0	0.0	0.0	Total Liabilities	1.6	1.4	1.4	1.5	
NTA / Share (¢)	2.4	2.4	1.9	1.1	Net Assets	4.3	4.9	3.8	2.1	
Book Value / Share (¢)	2.4	2.4	1.9	1.1	Issued Capital	35.8	38.8	38.8	39.5	
Valuation/Performance Ratios					Reserves	1.5	1.3	1.3	1.3	
Ent. Value/Sales (x)	7.0	5.5	5.5	3.6	Retained Earnings	-33.0	-35.3	-36.4	-38.7	
Ent. Value/ EBITDA (x)	-8.1	-7.4	-7.4	-13.5	Total Equity	4.3	4.9	3.8	2.1	
Ent. Value/ EBIT (x)	-8.1	-7.4	-7.4	-13.5	Cash Flows (\$m)					
Revenue Growth (%)	8.2%	-40.9%	4.6%	52.0%	Net Receipts	-2.4	-2.7	-4.7	-2.5	
EBITDA Growth (%)	4.0%	-6835%	9.4%	-45.2%	Net Interest	0.0	0.0	0.0	0.0	
NPAT Growth (%)	1.4%	-5702%	9.3%	-45.1%	Income Taxes Paid	0.0	0.0	0.0	0.0	
EPS Growth (%)	-50.7%	-4494%	179%	-45.1%	Other Operating Activities	0.5	0.0	0.0	0.0	
P/NTA (x)	0.1	0.1	0.1	0.2	Operating Cash Flow	-2.0	-2.7	-4.7	-2.5	
P/BV (x)	0.1	0.1	0.1	0.2	Net Purchase of PPE	0.0	0.0	-0.1	-0.1	
Gross Margin (%)	79.8%	64.9%	71.7%	71.2%	Acquisitions & Investments	0.0	0.0	0.0	0.0	
EBITDA Margin (%)	-70.8%	-164%	-74.0%	-26.7%	Other investing Activities	0.0	0.0	0.0	0.0	
EBIT Margin (%)	-70.8%	-164%	-74.0%	-26.7%	Investing Cash Flow	0.0	0.0	-0.1	-0.1	
NPAT Margin (%)	-70.8%	-136%	-73.9%	-26.7%	Net Change in Debt	0.0	0.0	0.0	0.0	
Current Ratio (x)	3.6	4.6	3.7	2.3	Net Change in Equity	3.0	3.0	3.0	0.7	
Net Debt/Equity (%)	-79.6%	-37.9%	-49.3%	2.3%	Dividends	0.0	0.0	0.0	0.0	
ROE (%)	-89.3%	-46.9%	-112%	-108.1%	Financing Cash Flow	3.0	3.0	3.0	0.7	
ROIC (%)	-438%	-206%	-222%	-105.7%	Net Inc/Dec Cash	1.0	0.3	-1.7	-1.9	
Interim Results (\$m)					Cash at Beginning of Yr	2.2	3.4	3.4	1.9	
Revenue	1.9	2.4	2.1	1.7	Net FX Effect on Cash	0.3	0.0	0.1	0.0	
EBITDA	-1.6	0.0	-2.9	-2.8	Cash at End of Year	3.4	3.8	1.9	0.0	
D & A	-0.1	0.0	0.0	0.0	Free Cash Flow Analysis					
EBIT	-1.7	0.0	-2.9	-2.8	Operating Cash Flow	-2.0	-2.7	-4.7	-2.5	
PBT	-1.7	0.0	-2.9	-2.8	Δ Working Capital	-0.2	0.3	1.0	0.2	
NPAT	-1.7	0.0	-2.9	-2.3	Normalised OCF	-2.1	-2.4	-3.6	-2.3	
*Note: Results have been rounded to zero.					Less Maintenance CapEx	0.0	0.0	-0.1	-0.1	
					Free Cash Flow	-2.2	-2.5	-3.7	-2.4	
					FCF/NPAT Conversion (%)	56%	107%	87%	102%	
					P/FCF (x)	-15.2	-13.5	-9.0	-13.9	
					Substantial Shareholders					
									No. (m)	%
					The Curran Family Super Fund				15.5	7.7%
					Australian Ethical Investment				13.8	6.9%
					O'Rourke Super Fund (N. Exec D)				10.3	5.1%

Source: Company Reports and Select Equities Research

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