

Universal Biosensors

Steady progress towards first product



Wilson HTM
INVESTMENT GROUP

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\$1.37

BUY

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Price Performance



Security/Capital Details

ASX Code	UBI
Market Cap	\$181 M
Issued Shares	132.2 M
Avg Mth T'over	0.36 M
12 Mth High – Low	\$1.58 - \$0.50

Key Data/Ratios – FY 2007

Cash	\$22.1 M
Cash Burn Rate	\$10 M
Tech Value	\$159 M
Interest Cover	x
ROE	-24.7%
EPS Growth	-25.8%
PEG Ratio	0.72 x
NTA / Share	\$ 0.22
DCF	\$ 1.74
12 Mth Price Target	\$ 2.03

BUY: Total return +10% or more over a 12 month period

HOLD: Total return expected to be between +10% to -10% over a 12-month period

SELL: Total return expected to be -10% or more over a 12 month period

TOTAL RETURN OR TSR = capital growth in share price + expected dividend yield in that period

Recommendation

UBI continues to make steady progress towards bringing its glucose test strip device to the market. The device is in the late stages of validation testing and we expect UBI to be in a position to submit a CE Mark application close to year end. UBI has also bolstered its regulatory affairs team to support the company's regulatory submissions. UBI maintains a working relationship with Lifescan and we anticipate UBI will sign a distribution agreement once the glucose diagnostic device receives CE Mark. We retain our buy recommendation with a current price target of \$1.74 and a 12 months price target of \$2.03.

Key Points

- UBI continues to progress towards the launch of its first product, the glucose strip test diagnostic device, which is in the late stages of validation testing.
- The data from the validation process will be used to complete a technical file that will be submitted to an EU notified body. If the technical file is approved the glucose strip test device will receive CE Mark accreditation, indicating it can be sold in the EU. We are confident UBI will be in position to submit the technical dossier close to the end of the year and we expect the device to receive CE Mark certification in 1H-2008.
- In the middle of 2007 UBI's 'Quality Management System' was certified as being ISO 13485:2003 compliant on a global basis. This certification covers the development, production and distribution system of the company's in-vitro diagnostic devices and is an essential step towards the company's products achieving CE Mark certification.
- One of the main risks now faced by UBI is to ensure its regulatory submissions are complete and accurate in order to minimise delays in the regulatory process. UBI has bolstered its regulatory team by hiring of Dr Adrian Oates to the position of VP of quality and regulatory affairs. Dr Oates previously held senior quality and regulatory affairs posts at CSL and Cochlear and brings to UBI additional global regulatory experience.
- Given the strength of UBI's management and the quality of its regulatory affairs team we are highly confident the company's application for CE Mark accreditation for its glucose strip test device will proceed efficiently.
- UBI continues to maintain a working relationship with Lifescan and we believe that a distribution agreement for the glucose strip test will be negotiated with Lifescan once the viability of the device has been proven.
- UBI continues to work towards bringing its first products to the market and we are confident the company will be in position to meet its next development milestone of finalising a regulatory submission for its glucose test strip device. We maintain our buy recommendation with a current valuation of \$1.74 and a 12 month price target of \$2.03.



Universal Biosensors (UBI : \$1.37)

PROFIT & LOSS (\$m)					
Yr Ending Dec	2005A	2006A	2007E	2008E	2009E
Sales Revenue	0.0	0.0	0.0	20.3	44.3
EBITDA	0.1	-2.3	-7.6	3.8	14.5
Depreciation	0.3	0.5	0.9	1.6	1.1
EBITA	-0.2	-2.8	-8.5	2.2	13.3
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	-0.2	-2.8	-8.5	2.2	13.3
Net Interest Expense	0.0	0.0	-0.8	0.0	0.0
Pre-tax Profit	-0.2	-2.7	-7.7	2.2	13.3
Tax	0.0	0.2	0.0	0.0	2.0
Tax rate (%)	0.0%	-8.0%	-0.3%	0.0%	15.0%
Minorities / pref divs	0.0	0.0	0.0	0.0	0.0
Equity accounted NPAT	0.0	0.0	0.0	0.0	0.0
Net Profit	-0.2	-2.9	-7.7	2.2	11.3
Abn's / Extraord's	0.0	0.0	0.0	0.0	0.0
Reported Net Profit	-0.2	-2.9	-7.7	2.2	11.3
Revenue Growth (%)	N/A	N/A	N/A	N/A	118.8%
EBIT Growth (%)	N/A	-	-206.4%	126.0%	505.4%
NPAT Growth (%)	N/A	-	-168.2%	128.5%	414.6%

BALANCE SHEET (\$m)					
Yr Ending Dec	2005A	2006A	2007E	2008E	2009E
Cash	0.0	29.2	15.8	18.5	30.3
Receivables	0.0	0.0	0.0	1.0	2.2
Inventories	0.0	0.0	0.0	2.0	4.4
Other	0.0	0.6	0.0	0.0	0.0
Current Assets	0.0	29.8	15.8	21.6	36.9
Net PPE	0.0	6.8	15.5	16.2	11.9
Investments	0.0	0.0	0.0	0.0	0.0
Intangibles	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	1.0	0.2	0.0
Non-current Assets	0.0	6.8	16.5	16.4	11.9
Total Assets	0.0	36.7	32.2	37.9	48.8
Current Payables	0.0	1.5	3.6	4.2	6.7
Current Debt	0.0	0.0	0.0	0.0	0.0
Non-Current Debt	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.2	0.0	2.9	0.0
Other	0.0	0.9	0.0	0.0	0.0
Total Liabilities	0.0	2.6	3.6	7.1	6.7
Equity	0.0	36.3	38.2	38.2	38.2
Reserves	0.0	0.5	0.7	0.7	0.7
Retained Profits	0.0	-2.7	-10.2	-8.0	3.3
Minorities	0.0	0.0	0.0	0.0	0.0
Total Equity	0.0	34.1	28.6	30.8	42.2
Total Funds Employed	0.0	4.9	12.9	12.3	11.9

CASHFLOW (\$m)					
Yr Ending Dec	2005A	2006A	2007E	2008E	2009E
EBIT	-0.2	-2.8	-8.5	2.2	13.3
Dep'n and Amort'n	0.3	0.5	0.9	1.6	1.1
Net Int Rec'd (Paid)	0.0	0.0	0.8	0.0	0.0
Tax Paid	0.0	0.0	0.2	0.0	0.0
Dec / (Inc) W'kg Cap	0.0	-0.4	0.0	0.0	0.0
Other	0.2	0.8	0.8	1.2	-2.3
Operating Cash Flow	0.3	-1.9	-5.9	5.0	12.2
Capital Expenditure	-0.3	-4.1	-8.2	-2.3	-0.4
Asset Sales	0.0	0.0	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0	0.0
Other Inv. Flows	0.0	0.0	0.0	0.0	0.0
Investing Cash Flow	-0.3	-4.1	-8.2	-2.3	-0.4
Equity Raised	0.0	30.8	0.0	0.0	0.0
Inc / (Dec) in Loans	0.0	0.0	0.0	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0	0.0
Other Fin. Flows	0.0	0.0	0.0	0.0	0.0
Financing Cash Flow	0.0	30.8	0.0	0.0	0.0
Net Cash Flow	0.1	24.8	-14.1	2.7	11.8

	Glucose Strip Test	Prothrombin time test	C-reactive protein test
2H-07	Submit EU marketing application		
1H-08	Approval to market test		
	Agreement with LifeScan to market test		
2H-08		Complete product development	Complete product development

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