

Universal Biosensors

Product Development on Track



Wilson HTM
INVESTMENT GROUP

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\$1.00

BUY

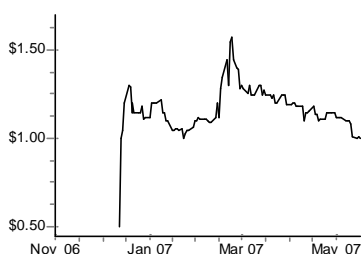
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Price Performance



Security/Capital Details

ASX Code	UBI
Market Cap	\$128 M
Issued Shares	128.1 M
Avg Mth T'over	0.36 M
12 Mth High – Low	\$1.58 - \$0.50

Key Data/Ratios – FY 2007

Cash	\$29M
Tech Value	\$99M
Net Debt / Equity	-62.6%
Interest Cover	x
ROE	-25.5%
EPS Growth	-29.9%
PEG Ratio	0.55 x
NTA / Share	\$ 0.21
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 is on track to bring its point-of-care testing devices to the market. The company is completing installation of its production facility and is on track to have the equipment validated by the end of June. We are confident that the company will conclude a marketing agreement with LifeScan to sell its glucose strip test. Development of the C-reactive protein strip test prototype is complete. The company's Prothrombin strip test validation program is on schedule, and is expected to be completed in 2009. Overall we believe UBI is on track to meet all its milestones and we maintain our buy recommendation, with a target price of \$2.03.

Key Points

- We believe UBI is on track to achieve all of its product development milestones in relation to the development of its glucose, C-Reactive Protein and Prothrombin point-of-care strip tests.
- The fitting out of the low volume production machinery at its Rowville facility is complete and the company is in the process of validating the equipment to ensure that it meets GMP standards. We anticipate that UBI should complete validation to both ISO-13485:2003 and Canadian standards by the end of June.
- The machinery can be used to produce all of the companies strip tests. Currently LifeScan, a subsidiary of Johnson & Johnson, has the option to market the glucose strips and we are confident that LifeScan will exercise its option either before, or soon after, EU regulatory approval have been received. We expect the company to apply for marketing approval in Q4 2007.
- In the event that LifeScan does not exercise its option then UBI would retain its production equipment to manufacture the C-Reactive protein and Prothrombin strip tests.
- Completion of the marketing agreement and final regulatory approvals for the glucose strip test should see the product on the market early in 2008.
- Both the C-Reactive Protein and Prothrombin strip tests have successfully been development. UBI indicates that the products work well and these projects are advancing towards the validation stage.
- There has been some recent weakness in the share price that we associate with a lack of news flow from the company. However there has been no change in the company's fundamentals and the management at UBI continue to show that they can meet their stipulated development milestones.
- Hence we reiterate our buy recommendation, with a DCF of \$1.74 and a 12 month price target of \$2.03

Year to Dec	NPAT (Rep) \$M	EPS (Norm) c	EPS Growth %	PER x	P/CF x	EV/EBITDA x	DPS c	Div Yld %	Franking %
2006a	-2.9	-4.7		-24.3	-39.0	-49.9	0.0	0.0	0
2007e	-7.7	-6.0	-29.9	-18.7	-26.8	-20.5	0.0	0.0	0
2008e	2.2	1.7	128.5	65.7	29.0	33.4	0.0	0.0	0
2009e	11.3	8.9	414.5	12.8	11.9	7.9	0.0	0.0	0

Universal Biosensors (UBI : \$1.13)

INVESTMENT FUNDAMENTALS

Yr Ending Dec	2005A	2006A	2007E	2008E	2009E
EPS Reported (c)		-4.5	-6.0	1.7	8.9
EPS Normalised (c)		-4.7	-6.0	1.7	8.9
EPS Growth (%)	N/A	N/A	-29.9%	128.5%	414.5%
PER Normalised (x)		-24.3	-18.7	65.7	12.8
DPS (c)	0.0	0.0	0.0	0.0	0.0
Payout (%)		0.0%	0.0%	0.0%	0.0%
Yield (%)		0.0%	0.0%	0.0%	0.0%
Franking (%)	0%	0%	0%	0%	0%

VALUATION DATA

Yr Ending Dec	2005A	2006A	2007E	2008E	2009E
EV / EBITA (x)		-41.7	-16.6	57.1	8.5
EV / EBITDA (x)		-49.9	-20.5	33.4	7.9
CFPS (c)		-2.9	-4.2	3.9	9.5
Price / CF		-39.0	-26.8	29.0	11.9
Book Value / Share (\$)		0.3	0.2	0.2	0.3
Price / Book (x)		4.2	5.5	5.0	3.6

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	-6.2	3.8	14.5
Depreciation	0.3	0.5	1.5	1.6	1.1
EBITA	-0.2	-2.8	-7.7	2.2	13.3
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	-0.2	-2.8	-7.7	2.2	13.3
Net Interest Expense	0.0	0.0	0.0	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%	0.0%	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	-179.7%	128.5%	505.4%	
NPAT Growth (%)	N/A	-168.0%	128.5%	414.6%	

PROFITABILITY RATIOS

Yr Ending Dec	2005A	2006A	2007E	2008E	2009E
EBIT / Sales (%)				10.9%	30.1%
ROA (%)	N/A	-74.3%	-73.9%	14.7%	74.8%
ROE (%)	N/A	-16.9%	-25.5%	7.9%	32.9%
ROFE (%)	N/A	-114.0%	-104.6%	22.7%	145.4%

INTERIMS (\$m)

Half Yr	Jun 06	Dec 06	Jun 07	Dec 07	Jun 08
Yr Ending Dec	1H A	2H A	1H E	2H E	1H E
Sales Revenue	0.0	0.0	0.0	0.0	10.1
EBIT	-1.2	-1.6	-3.9	-3.9	1.1
Net Profit	-1.2	-1.7	-3.9	-3.9	1.1
EBIT / Sales (%)					10.9%

BALANCE SHEET (\$m)

Yr Ending Dec	2005A	2006A	2007E	2008E	2009E
Cash	0.0	29.2	16.6	19.4	31.1
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	16.6	22.4	37.8
Net PPE	0.0	6.8	12.5	13.2	12.5
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	13.5	13.4	12.5
Total Assets	0.0	36.7	30.1	35.8	50.3
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	3.6
Other	0.0	0.9	0.0	0.0	0.0
Total Liabilities	0.0	2.6	3.6	7.1	10.3
Equity	0.0	36.3	36.3	36.3	36.3
Reserves	0.0	0.5	0.7	0.7	0.7
Retained Profits	0.0	-2.7	-10.4	-8.2	3.1
Minorities	0.0	0.0	0.0	0.0	0.0
Total Equity	0.0	34.1	26.5	28.7	40.1
Total Funds Employed	0.0	4.9	9.9	9.4	8.9

LIQUIDITY & LEVERAGE RATIOS

Yr Ending Dec	2005A	2006A	2007E	2008E	2009E
Net Debt (Cash) (\$m)	0.0	-29.2	-16.6	-19.4	-31.1
Net Debt / Equity (%)		-85.8%	-62.6%	-67.4%	-77.7%
Interest Cover (x)					
Debt / CashFlow (x)	0.0	0.0	0.0	0.0	0.0

CASHFLOW (\$m)

Yr Ending Dec	2005A	2006A	2007E	2008E	2009E
EBIT	-0.2	-2.8	-7.7	2.2	13.3
Dep'n and Amort'n	0.3	0.5	1.5	1.6	1.1
Net Int Rec'd (Paid)	0.0	0.0	0.0	0.0	0.0
Tax Paid	0.0	0.0	0.0	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	-5.4	5.0	12.2
Capital Expenditure	-0.3	-4.1	-7.2	-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	-7.2	-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	-12.6	2.7	11.8

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