



BUY	12 Month Target Price	AUD0.57	Genetic Technologies (GTG)
	Implied Return	AUD0.125 356%	

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GTG Company Data

Code	ASX:GTG; NASDAQ:GENE
Price	AUD0.125
12 month price target	AUD0.57
Implied return	338%

Shares on issue	464,605,152
Market capitalisation	AUD65m
12 month price range	AUD0.02 – 0.35
ASX Monthly Turnover	10.5m
NASDAQ Monthly Turnover*	117m

* Given in equivalent GTG shares; GENE ADRs 1:30 GTG shares

Financials

Year ending Jun	2011	2012f	2013f	2014f
Lodge adj profit	1.0	3.8	16.7	29.6
Reported profit	0.9	3.8	16.7	29.6
EPS adj (¢)	0.2	0.8	3.6	6.4
EPS growth	na	300.0%	325.0%	76.0%
P/E ratio	54.5 x	15.9 x	3.6 x	2.0 x
EV / EBIT	61.3 x	10.7 x	1.4 x	-0.2 x
CFPS (¢)	0.6	6.3	27.6	49.0
Price / CF	24.5 x	2.1 x	0.5 x	0.3 x
Cash per share	\$0.01	\$0.04	\$0.08	\$0.14
Pr / Cash	10.7 x	3.2 x	1.7 x	0.9 x
Cash (m)	5.1	18.9	32.6	59.2

* AUD millions; ** AUD

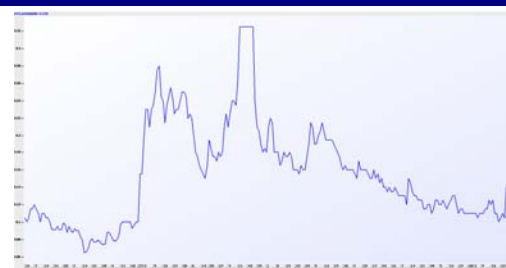
Board of Directors

Mel Bridges	Chairman
Dr Paul MacLeman	CEO
Huw Jones	Non-Executive Director
Dr Malcolm Brandon	Non-Executive Director
Tommaso Bonvino	Non-Executive Director
Dr Mervyn Cass	Non-Executive Director

Major Shareholders

Mervyn Jacobson	32.5%
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Share Price Chart



Source: Iress Market Technology

Quarterly Activities Report (4C) Commentary

Genetic Technologies Limited is an Australian Securities Exchange (GTG) and NASDAQ (GENE) listed molecular diagnostics company. The Company also retains a substantial Intellectual Property (IP) Portfolio from which it generates sizeable revenues.

Event: Genetic Technologies (GTG) Quarterly (4C) Report for the quarter ended 31 December 2011.

Comment: The report contains little new information and does not provide figures regarding BREVAGen™ sales. The company does state in the report that "further information regarding sales and operations will be provided to the Market in the Company's Half-Year Report". This report is due by the end of February 2012.

Analysis of the financials associated with the 4C suggest that BREVAGen™ is not having a material impact on revenues (nor was it expected to) and that licensing activities have been slower than last year.

As we and others have stated before, it will be difficult to gauge the success of the initial BREVAGen™ rollout until the end of the third quarter of sales (June 2012). Consequently, any sales figures GTG releases in the Half-Yearly Report are likely to be of limited significance.

Licensing revenues are traditionally lumpy and it is not surprising that revenues from this part of the business are taking a bit longer to be generated this year, given the extremely large size of many of the respondents in the current assertion suit (e.g. Bristol-Myers Squibb, GlaxoSmithKline and Pfizer). The suits against these larger companies are likely to be for very significant sums of money, which will cause the respondents to look closely at the suits. Larger companies also take longer to act simply because of the size of the task they face in gathering the relevant information.

The strength of GTG's patent position has been confirmed by the courts several times. Consequently, we see little, if any, risk that GTG will not achieve a satisfactory outcome from these suits. The timing of the cash flows is the unanswered question.

Other information in the 4C is that:

- 1) The company will soon be able to sell BREVAGen in California and Florida. These are the first and fourth most populous US states and represent about 17% of the country's population.
- 2) The marketing of BREVAGen™ is being tweaked to focus on lifetime estrogen exposure and the genetic factors that indicate a greater sensitivity to exposure.
- 3) Two contracts with top-10 preferred provider organisations (similar to a health insurance companies) have been signed and two others are in late stage negotiations (The contracts will cover 45% of the patients in BREVAGen™'s current markets).
- 4) Revenues from Australian testing operations are ahead of budget.
- 5) Cash burn for the quarter was: \$2.2 million.
- 6) Cash at the end of the quarter was \$12.6 million.

Recommendation:

BUY rating and 12-month price target of **57 cents** maintained.



Valuation data

Year ending Jun	2010	2011	2012F	2013F	2014F
Lodge adj profit	(10.2)	1.0	3.8	16.7	29.6
Reported profit	(9.4)	0.9	3.8	16.7	29.6
EPS adj (¢)	(2.5)	0.2	0.8	3.6	6.4
EPS growth	na	na	300%	325.0%	76.0%
P/E ratio	na	54.5 x	15.9 x	3.6 x	2.0 x
DPS (¢)	0.0	0.0	0.0	0.0	0.0
Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Franking	0.0%	0.0%	0.0%	0.0%	0.0%
Payout ratio	0%	0%	0%	0%	0%
EV / EBIT	-6.1 x	61.3 x	10.7 x	1.4 x	-0.2 x
EV / EBITDA	na	na	na	na	na
CFPS (¢)	(1.1)	0.6	6.3	27.6	49.0
Price / CF	-12.7 x	24.5 x	2.1 x	0.5 x	0.3 x
Cash per share	\$0.01	\$0.01	\$0.04	\$0.08	\$0.14
Pr / Cash	16.5 x	10.7 x	3.2 x	1.7 x	0.9 x

Balance sheet (\$M)

Year ending Jun	2010	2011	2012F	2013F	2014F
Cash	3.3	5.1	18.9	32.6	59.2
Receivables	0.8	0.7	4.4	9.2	14.4
Prepayments & other assets	0.4	0.5	0.5	0.5	0.5
Other	0.1	0.0	0.0	0.0	0.0
Current assets	4.5	6.3	23.8	42.2	74.0
Net PPE	2.0	0.9	0.9	0.9	0.9
Investments	0.0	0.0	0.0	0.0	0.0
Goodwill/intangibles	1.8	1.7	1.7	1.7	1.7
Other intangibles	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Non-current assets	3.8	2.7	2.7	2.7	2.7
Total assets	8.3	8.9	26.5	44.9	76.7
Debt	1.6	1.2	3.5	5.3	7.4
Provisions	0.8	0.8	0.8	0.8	0.8
Other	0.2	0.2	0.0	0.0	0.0
Total liabilities	2.6	2.1	4.3	6.0	8.2
Equity / reserves	73.9	74.1	85.8	85.8	85.8
Retained profits	(68.4)	(67.5)	(63.7)	(47.0)	(17.4)
Total s/h funds	5.5	6.6	22.1	38.8	68.4
Minorities	0.2	0.2	0.1	0.1	0.1
Total funds emp.	2.8	1.8	3.3	6.3	9.3

Ratio analysis

Year ending Jun	2010	2011	2012F	2013F	2014F
EBITDA / sales	-70.5%	7.1%	21.5%	45.3%	51.5%
EBITAg / sales	-108.1%	9.1%	21.5%	45.3%	51.5%
EBIT / sales	-108.1%	5.1%	21.5%	45.3%	51.5%
Return on assets	-188.1%	24.5%	50.3%	135.2%	169.1%
Debt / equity	6.7%	1.0%	0.0%	0.0%	0.0%
Interest cover	na	-7.6 x	na	na	na

Profit and loss (\$M)

Year ending Jun	2010	2011	2012F	2013F	2014F
Total revenue	8.7	18.3	17.6	36.8	57.5
<i>growth over pcp</i>		110.0%	(3.0%)	109.0%	56.3%
EBITDA	(6.1)	1.3	3.8	16.7	29.6
Dep'n and amort'n	(3.3)	(0.4)	0.0	0.0	0.0
EBITAg	(9.4)	1.7	3.8	16.7	29.6
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	(9.4)	0.9	3.8	16.7	29.6
Pre-tax profit	(9.4)	0.9	3.8	16.7	29.6
Tax	0.0	0.0	0.0	0.0	0.0
<i>Effective tax rate</i>	0.0%	0.0%	0.0%	0.0%	0.0%
Preference dividends	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0
Lodge adjustments	0.9	(0.1)	0.0	0.0	0.0
Lodge adj profit	(10.2)	1.0	3.8	16.7	29.6
Reported profit (pre sig)	(9.4)	0.9	3.8	16.7	29.6
One-off items (post tax)	0.9	(0.1)	0.0	0.0	0.0
Reported net profit	(9.4)	0.9	3.8	16.7	29.6

Cashflow (\$M)

Year ending Jun	2010	2011	2012F	2013F	2014F
EBIT	(9.4)	0.9	3.8	16.7	29.6
Net interest paid/rec'd	0.2	0.1	0.3	1.0	1.8
Dep'n and amort'n	3.3	0.4	0.0	0.0	0.0
Tax paid	0.0	0.0	0.0	0.0	0.0
Gross cash from op'ns	(5.9)	1.4	4.1	17.7	31.4
Other	1.6	0.8	(0.3)	(1.0)	(1.8)
Operating cashflow	(4.3)	2.2	3.8	16.7	29.6
Investing cashflows					
Acquisitions	(1.3)	(0.1)	0.0	0.0	0.0
Disposals	0.3	0.1	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0	0.0
Divestments	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Financing cashflows					
Net financing cash flows	0.8	(0.3)	10.9	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Chg in loans	(0.2)	(0.3)	0.0	0.0	0.0
Other non-op flows	0.0	0.0	0.0	0.0	0.0
Net chg in cash	(4.8)	1.6	14.7	16.7	29.6
Cash & equivalents	3.3	5.1	19.8	36.5	66.1

Interims (\$M)

Half yearly	1H10	2H10	1H11	2H11
Sales revenue	4.7	4.0	14.1	4.2
EBITDA	(1.8)	(4.3)	4.0	(2.7)
EBIT	(4.0)	(5.4)	4.3	(3.4)
Lodge adj profit	(4.0)	(6.2)	4.2	(3.2)
Reported profit	(4.2)	(5.2)	4.0	(3.1)
EBITDA / sales	na	na	28.4%	na
% of FY EBIT	43%	57%	na	na

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Expected total Return is measured as (capital gain (or loss) + dividend)/purchase price

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Hold: Expected Total Return between 0% and 15% over a 1 year period.

Sell: Expected Total Return less than 0% over a 1 year period.

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