



BUY	12 Month Target Price	AUD0.57	Genetic Technologies (GTG)
	Implied Return	489%	
		AUD0.097	

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2012 Preliminary Final

GTG Company Data

Code	ASX:GTG; NASDAQ:GENE
Price	AUD0.097
12 month price target	AUD0.57
Implied return	489%
Shares on issue	464,771,819
Market capitalisation	AUD55.7m
12 month price range	AUD0.08 – 0.225
ASX Monthly Turnover (90D Ave)	0.89m
NASDAQ Turnover (D Ave)*	20.6m

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

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
Greg Brown	Non-Executive Director

Major Shareholders

Mervyn Jacobson	29.4%
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Share Price Chart



Source: FactSet

Genetic Technologies Limited is an Australian Securities Exchange (GTG) and NASDAQ (GENE) listed molecular diagnostics company, focused on the rollout of its breast cancer risk test, BREVAGen™. The Company also retains a substantial Intellectual Property (IP) Portfolio from which it generates revenues.

Event: 2012 Preliminary Final Report - The Company reported its FY12 result and provided an operational update. The overall result showed that Genetic Technologies is making good progress with its key diagnostic product, BREVAGen, and the Company expects to regain momentum in its US patent assertion program following a weak FY12 revenue contribution.

Segment Analysis: BREVAGen: Sales of BREVAGen showed strong growth over FY12. The Company reported 125 tests sold in 1H12 and 416 for FY12, implying 291 tests were sold in the second half. **This equates to 230% growth on a HY basis.** While the Company only released revenues from BREVAGen calculated on a cash basis (payment levels are commercially sensitive and payment times are often in excess of 90 days for newly launched tests), **we believe the company would have generated in excess of \$210k in revenues on an accrual basis for the year (under the same assumptions, \$35k would have been generated by the 71 kits sold in July 2012).** Myriad Genetics (NASDAQ:MYGN) and Genomic Health (NASDAQ:GHDX) had revenues of \$500k and \$250k, respectively, in their first year of sales, selling tests with a greater benefit from nearer term use, but substantially fewer potential customers. **We are forecasting unit sales of BREVAGen to be between 2500-3500 units in FY13, with corresponding revenues of AUD1.25m to AUD1.75m.**

Patent Assertion: Revenues from the patent assertion program were well below expectations, primarily as a result of two US Supreme Court cases. The major one was Global-Tech v. SEB. Essentially, this decision had the effect of raising the bar in terms of induced infringement lawsuits (an induced infringement suit is one where the suit is filed against a party who has induced another party to infringe a patent). The second, but lesser case, was Mayo Collaborative Services v. Prometheus Labs, which related to the patenting of natural law. **In reality, neither of these suits will have much bearing on Genetic Technologies assertion program in the long run.** The reason is that the program is really about the cost a company will incur to defend the claim, as opposed to any ultimate damages award. What these decisions have done, however, is cause respondents to delay negotiations, as evidenced by the request by a respondent in the current suit for re-examination of the '179 patent. Ultimately, though, this is just delaying the inevitable. Given the increased uncertainty in terms of timing, we are forecasting AUD6m – AUD8m in patent assertion revenues in FY13. In terms of the re-examination request for '179, **we believe there is little risk the patent will be re-issued anything other than in full.**

Other assets: The efficiency of the 'heritage' segment of the Company's business continues to improve, although, as previously stated, this is a mature business and dramatic growth is unlikely. Other assets, such as RareCollect, are largely regarded as out-licencing or divestment opportunities, as they do not have an obvious role in the Company going forward.

Overall results: The Company reported a net loss of AUD5.3m for the FY12 period on consolidated revenues of AUD6.2m. This result included an abnormal gain (AUD5.1m) on the deconsolidation of a subsidiary company. Genetic Technologies ended FY12 with AUD8.9m in cash and cash equivalents.

Conclusion: Ultimately, **sales of BREVAGen have been solid** in the light of the first-year sales of two companies who have subsequently grown to be valued at over at over a billion dollars each. And while patent assertion was been disappointing in FY12, we believe revenues should be viewed as delayed and not lost. Over the coming weeks, we will be meeting with management and formally updating our forecasts for the current and upcoming years.

Recommendation:
Buy recommendation retained with a price target of 57 cents.

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Explanation of Lodge Partners recommendation system:

Recommendations are assessments of each Lodge Partners Analyst's view of potential total returns over a 1 year period.

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

We have divided our recommendations into three main categories:

Buy: Expected Total Return in excess of 15% over a 1 year period.

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.

Analyst Verification

I verify that I Marc Sinatra, have prepared this research report accurately and that any financial forecasts and recommendations that are expressed are solely my own personal opinions. In addition, I certify that no part of my compensation is or will be directly or indirectly tied to the specific recommendation or financial forecasts expressed in this report.

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