



BUY	12 Month Target	\$0.57	Genetic Technologies (GTG)
	Price	0.155	
	Implied Return	366%	

Marc Sinatra
+61 3 9200 7050
m.sinatra@lodgepartners.com.au

GTG Company Data

Code ASX:GTG; NASDAQ:GENE
Price AUD0.155
12 month price target AUD0.57
Implied return 366%

Shares on issue 464,605,152
Market capitalisation AUD72m
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

Yr to 30 June	2011A	2012E	2013E	2014E
Revenue*	18.2	17.7	36.8	57.5
COGS*	2.0	3.7	6.9	12.8
Expenses*	15.3	10.4	14.2	17
Profit (before tax)	0.9	3.5	15.7	44.8
Profit (after tax)*	0.9	3.5	15.7	44.8
Earnings per share**	0.002	0.008	0.039	9
P/E	>100	26.3	5.4	1.7

*AUD millions; **AUD

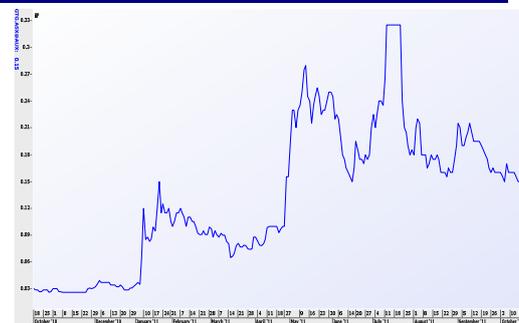
Board of Directors

Sidney Hack 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%

Share Price Chart



Source: Iress Market Technology

BREVAGen™ US rollout on track

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:

GTG launched its flagship breast cancer risk test, BREVAGen™, in the United States in late June this year. Today the company provided the first market update on the progressive rollout.

Key points from the update were:

- Early adopters (both physicians and patients) are using the test
- Reimbursement via the stacked-CPT code route is working
- First US healthcare plan provider contract in place
- Sales team efficiently reaching physicians

Analysis:

The early stages of any diagnostic rollout are about demonstrating that the business model works. Today's announcement demonstrates that consumers are being reached, the test is being sold, monies are being collected and preferred provider organisations are willing to include BREVAGen™ among their reimbursable tests. Overall, it indicates that the rollout is proceeding to plan, the business model is working and that BREVAGen™ is being accepted by the market.

That the company has the confidence to expand the number of territories in which it has sales representatives strongly supports the view that expected levels of sales are occurring.

With most diagnostics, it is the third quarter of sales that are considered important. In the meantime, investors should focus on any proxies for sales that the company may release. The more closely a proxy is linked to the point of sale, the more emphasis investors should give it.

Of the information in today's announcement, the fact that 600 test kits were placed in physician's offices in the first two weeks of the rollout is probably the key piece of data. Obviously, a doctor is unlikely to accept the kits unless they saw the utility of the test and were planning on using it on their patients.

Recommendation:

Today's announcement is clearly a positive for GTG and was in line with our expectations. Consequently, we maintain our **BUY** rating and 12-month 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.

Contact Lodge Partners:Melbourne

Level 5, 60 Collins St
Melbourne Vic, 3000

Phone: +61 3 9200 7000

Fax: +61 3 9200 7077

www.lodgepartners.com.au