



BUY

**12 Month Target
Price
Implied Return**

**AUD0.57
AUD0.13
338%**

Genetic Technologies (GTG)

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GTG Appoints Biotech Doyen Chairman

GTG Company Data

Code	ASX:GTG; NASDAQ:GENE
Price	AUD0.13
12 month price target	AUD0.57
Implied return	338%

Shares on issue	464,605,152
Market capitalisation	AUD70m
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

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 appoints Mel Bridges Non-Executive Chairman

Comment:

Continuing the transformation of Genetic Technologies into a global, cancer focussed, woman's health molecular diagnostics business, the company has appointed Australian biotechnology industry veteran Mel Bridges as its non-Executive Chairman. Mr Bridges is considered a doyen in the Australian biotechnology industry, particularly in the area of medical device development (which includes diagnostics). He has had 34 year association with and is currently Chairman of the Parma Corporation, an unlisted investment company with a focus on life sciences (medical devices, human therapeutics, veterinary therapeutics, etc). He was also a co-founder of ASX listed biotechnology companies Pan Bio and Impedimed, and is currently on the boards of ASX listed Alchemia (Chairman), Benitec, Tissue Therapies and Impedimed.

Mr Bridges addition to the board considerably strengthens it in terms of human diagnostics experience and his business acumen in this area should be a significant positive for shareholders. His presence also adds significantly to the legitimacy of the management lead turnaround that has been underway at Genetic technologies for the last two years. His willingness to accept the position of Chairman can also be seen as a vote of confidence in management and the company's strategy.

Further information on Mel Bridges can be found here (you will need a Linked In account to access the page): <http://www.linkedin.com/pub/mel-bridges/12/b27/16a>

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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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.

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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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