



BUY

Price Target Price Implied Return

**25 cents
70 cents
180%**

Genera Biosystems Limited (GBI)

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Beckman Coulter Collaboration

Company Details

ASX Code:	GBI
Price:	25 cents
Shares on Issue (fully diluted):	105m
Market Capitalisation:	\$25m
12-Month Price Range:	24 – 29 cents
Monthly Volume (shares, Sept 2014)	0.9m

Financials

Year ending Jun	2014A	2015F	2016F	2017F
Lodge adj profit	(2.5)	(1.9)	9.3	10.7
Reported profit (pre abn)	(2.5)	(1.9)	9.3	10.7
EPS pre goodwill (¢)	(2.9)	(1.8)	8.9	10.2
EPS growth	4.0%	-24.0%	146.7%	157.0%
P/E ratio	-8.6 x	-13.8 x	2.8 x	2.5 x
DPS (¢)	0.0	0.0	0.0	0.0
NTA per share	\$0.01	\$0.01	\$0.01	\$0.19
Pr / NTA	25.0 x	25.0 x	25.0 x	1.3 x

Directors & Chief Executive

Lou Panaccio	Chairman
Richard Hannebery	Chief Executive Officer
Dr Karl Poetter	Executive Director (CSO)
Jim Kalokerinos	Non-Executive Director
David Symons	Non-Executive Director

Major Shareholders

Durbin Superannuation Fund	7.6%
JPS Distribution Pty Ltd	7.0%

Share Price Chart



Source: FactSet

Event: (a) Genera has announced that it has entered into a strategic commercial collaboration agreement with laboratory instruments company Beckman Coulter Life Sciences, Inc. Beckman is owned by Danaher Corporation (NYSE: DHR; Market Capitalisation: USD53 billion). (b) Genera has also appointed Richard Hannebery CEO.

Comment: (a) This is a good result for Genera and the fit with Beckman is sound.

The collaboration will initially be to integrate Genera's PapType™ HPV (human papilloma virus) assay (test) on a Beckman flow cytometry platform.

Genera's AmpaSand™ silica bead based platform has been developed to operate on flow cytometry instrumentation. Beckman has a strong flow cytometry franchise with a significant installed base of instruments within the global pathology market, but without a large market presence in MDx.

Following successful integration of PapType™, Genera will then move to integrate its respiratory (RTI-Plex™) and sexual health (STI-Plex™) panels on the Beckman platform.

While validating those assays, the company will collaborate on the development of further assays to broaden the AmpaSand™ based menu validated for the Beckman instrumentation. In general, the larger the menu of assays a company like Genera can offer, the more likely it is to be successful in terms of the selling proposition to pathology customers.

Importantly, Genera has stated that it will complete a large (n=6,000), comparative HPV screening study on the Beckman platform. Completion of this study is important for a number of reasons. It will provide:

- 1) Formal, independent data providing the performance characteristics of and validation for PapType™ HPV
- 2) Comparative data against a variety of other HPV assays important for marketing purposes, and
- 3) Ultimately, a peer-reviewed publication supporting the use of PapType™ HPV in a screening setting

It is highly likely that Genera will be hoping this collaboration is the start of a process that will lead to Danaher bidding for the company.

The announcement also indicates discussions with Genera's prospective partner IncellDx, Inc are continuing. While not essential, a deal with an IncellDx type company should provide Genera with access to some substantial US-based pathology customers and via a company with an additional complementary menu.

(b) The announcement that Genera has appointed Richard Hannebery as its CEO is also a positive for the company. An experienced, deal-making executive, someone of Richard's nature is the right choice for a company in Genera's position. His appointment is also further evidence that the company is truly completely through a somewhat dormant phase and looking to build.

Conclusion: The collaboration with Beckman is an important piece of the puzzle in the commercialisation of Genera's technology and should progress the company on numerous fronts (product validation, menu expansion, marketing and an eventual corporate transaction). Genera still needs a wider distribution partnership for selling into the broader market and if Beckman were to take on that role, it would be a significant positive for Genera.

The appointment of the new CEO brings focus to the company and sends a desirable signal to the investment and diagnostic communities.

Recommendation: We retain our BUY recommendation and raise our 12-month price target to 70 cents.



Valuation data

Year ending Jun	2014A	2015F	2016F	2017F	2018F
Lodge adj profit	(2.5)	(1.9)	9.3	10.7	12.0
Reported profit (pre sig)	(2.5)	(1.9)	9.3	10.7	12.0
EPS_{adj} (¢)	(2.9)	(1.8)	8.9	10.2	11.4
EPS _{adj} growth	4.0%	(24.0%)	146.7%	157.0%	61.1%
P/E ratio	-8.6 x	-13.8 x	2.8 x	2.5 x	2.2 x
DPS (¢)	0.0	0.0	0.0	0.0	0.0
NTA per share	\$0.01	\$0.01	\$0.01	\$0.19	\$0.34
Pr / NTA	25.0 x	25.0 x	25.0 x	1.3 x	0.7 x

Balance sheet (\$M)

Year ending Jun	2014A	2015F	2016F	2017F	2018F
Cash	0.6	0.3	7.0	14.9	24.9
Receivables	0.1	0.4	2.1	2.9	3.5
Inventories	0.0	0.3	0.8	1.6	2.0
Other	0.1	0.1	0.1	0.1	0.1
Current assets	0.8	1.1	10.0	19.5	30.5
Net PPE	0.3	1.0	1.9	2.6	2.9
Capitalised development costs	1.9	2.3	3.1	4.0	4.8
Intangibles	1.8	2.0	1.9	1.8	1.8
FITB	0.4	0.5	0.5	0.5	0.5
Other	0.0	0.0	0.0	0.0	0.0
Non-current assets	4.4	5.8	7.4	8.9	10.0
Total assets	5.2	6.9	17.4	28.4	40.5
Debt	1.5	1.8	2.9	3.1	3.4
Provisions	0.2	0.3	0.3	0.3	0.3
Other	0.4	0.5	0.5	0.5	0.5
Total liabilities	2.1	2.6	3.7	3.9	4.2
Equity / reserves	24.8	27.3	25.6	25.6	25.6
Retained profits	(21.7)	(23.6)	(14.3)	(3.6)	12.0
Total s/h funds	3.1	3.7	11.3	22.0	37.6
Minorities	0.0	0.0	0.0	0.0	0.0
Total funds emp.	4.0	5.2	7.2	10.2	16.1

Ratio analysis

Year ending Jun	2014A	2015F	2016F	2017F	2018F
EBITDA / sales	-1000%	-45%	37%	35%	36%
EBITAg / sales	-1350%	-72%	34%	32%	34%
EBIT / sales	-1350%	-72%	34%	32%	34%
Return on assets	-59%	-32%	81%	70%	92%
Return on equity	-81%	-51%	82%	49%	32%

Profit and loss (\$M)

Year ending Jun	2014A	2015F	2016F	2017F	2018F
Sales revenue	0.2	2.9	24.9	29.7	42.3
<i>growth over pcp</i>	31%	1350%	759%	19%	42%
EBITDA	(2.0)	(1.3)	9.3	10.5	15.3
D&A	(0.7)	(0.8)	(0.9)	(1.0)	(1.0)
EBITAg	(2.7)	(2.1)	8.4	9.5	14.3
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	(2.7)	(2.1)	8.4	9.5	14.3
<i>growth over pcp</i>	4%	29%	125%	12%	34%
Net interest expense	(0.2)	(0.2)	0.4	0.9	1.3
Pre-tax profit	(2.9)	(2.3)	8.8	10.4	15.6
Tax	0.4	0.4	0.5	0.3	(3.6)
<i>Effective tax rate</i>	N/A	N/A	N/A	N/A	23%
Minorities	0.0	0.0	0.0	0.0	0.0
Lodge adjustments	0.0	0.0	0.0	0.0	0.0
Lodge adj profit	(2.5)	(1.9)	9.3	10.7	12.0
Reported Net Profit pre-adj.	(2.5)	(1.9)	9.3	10.7	12.0
Adjustment	0.0	0.0	0.0	0.0	0.0
Reported net profit	(2.5)	(1.9)	9.3	10.7	12.0

Cashflow (\$M)

Year ending Jun	2014A	2015F	2016F	2017F	2018F
EBIT	(2.7)	(2.1)	8.4	9.5	14.3
Net interest paid	(0.2)	(0.2)	0.4	0.9	1.3
D&A	0.7	0.8	0.9	1.0	1.0
Tax paid	0.4	0.4	0.5	0.3	(3.6)
Gross cash from op'ns	(1.8)	(1.1)	10.2	11.7	13.0
(Inc) / dec in w'k'g cap	0.0	(0.3)	(0.9)	(1.1)	(0.8)
Inc / (dec) in Other Liab.	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Operating cashflow	(1.8)	(1.4)	9.3	10.6	12.2
<i>growth over pcp</i>	-17%	22%	584%	14%	15%
Investing cashflows					
Capital expenditure	0.0	(0.7)	(1.2)	(0.8)	(0.6)
Asset sales	0.0	0.0	0.0	0.0	0.0
Development costs	0.0	(0.4)	(0.9)	(1.1)	(1.1)
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 equity raised	0.9	2.5	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Chg in loans	0.0	0.0	0.0	0.0	0.0
Other non-op flows	0.0	0.0	0.0	0.0	0.0
Net chg in cash	(0.9)	0.0	7.2	8.7	10.5

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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.

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