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Equity Research Report

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ITL Health Group (ITD)

Now a pure blood company post sale of non-core assets

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Key Points

- FY17 was a watershed year for ITL, with EBITDA and NPAT up 194% and 805% respectively over FY16.
- The sale of the Melbourne procedure packs plant for $14.4m allows for paying down debt, funding the commercialisation of MyHealthTest (MHT) and leaving funds for capital management.
- In our opinion, the market is undervaluing the traditional parts of ITL. Its start-up venture (MHT) could be disruptive and offer significant longer-term value.

ITL is flying under the radar

ITL decided not to connect with the market until it had a positive story to tell. We expect ITL will increase its marketing efforts to investors.

The FY17 result was a strong one for ITL, with large EBITDA margin expansion occurring (13.8% vs 5.0% pcp) due to scale benefits from greater revenue and a better sales mix.

The sale of the Melbourne operations in October allows for debt reduction, provides a funding source for MHT to commercialise its operations and provides the ability for dividends to recommence or capital management. The loss of $12.3m of revenue does have us forecasting lower EBITDA in FY18.

ITL launched its first high accuracy, convenient diabetes test from a dried blood spot in July'16. Various other tests such as Prostrate Cholesterol and Vitamin D will follow. We estimate this to be a $500m market and should MHT secure just 1% market share, we estimate it would generate positive EBITDA from this.

Investment Considerations

We use bear, base and bull cases to assess ITL. We also use DCF and EV/EBITDA multiples. ITL is part med-tech, part medical equipment (consumable) supplier.

The negatives are very low liquidity and low growth (until the FY17 result). The MHT division adds a speculative element that may burn cash in the near term. Valuation summary:

	Bear	Base	Bull
EV/EBITDA	0.55	0.59	0.66
DCF	0.45	0.53	0.90
Combined	**0.50**	**0.56**	**0.78**

Our bull case DCF is higher than our FY18 multiples valuation. We capture earnings in MHT in our terminal value.

We see high medium-term earnings growth potential from the BioMed division as it looks to sell existing products sold in Australia to other markets and secure further scale (margin improvement) benefits.

The base business is supported by a strong balance sheet. We estimate ITL is trading at 6.6x FY18 EV/EBITDA. In our opinion, the base business is worth materially than the current share price implies and MHT could add significant upside.

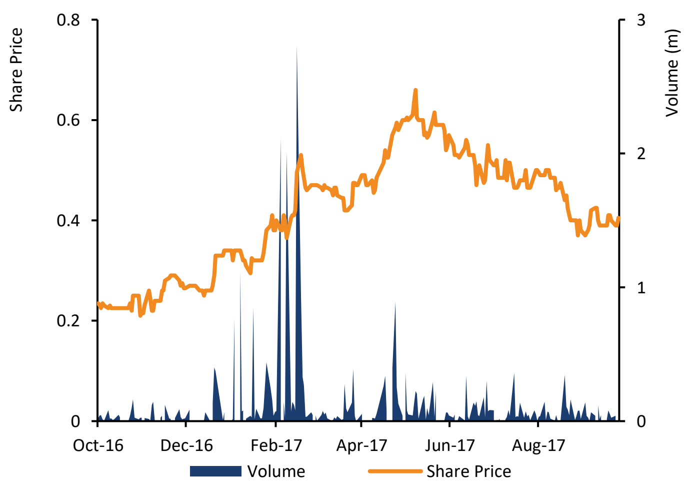
ITL Health Group

Recommendation	N/A
Current Share Price	$0.425
52 week range	$0.21 - $0.66
Shares Outstanding	96m
Market Cap	$41m
Avg. Monthly Turnover	1.0
Net cash FY18F	10.5
FY18F Enterprise Value	$30m

Financial forecasts & valuation metrics

Year-end June (A$)	FY17A	FY18F	FY19F	FY20F
Revenue ($m)	34.8	26.8	27.2	32.6
EBITDA ($m)	4.8	4.6	5.4	7.5
Underlying NPAT ($m)	3.4	2.6	3.4	4.8
EPS (¢)	3.6	2.8	3.5	5.2
EPS Growth (%)	802%	(23%)	26%	46%
Dividend (¢)	0.0	1.0	1.2	1.8
Net Yield (%)	0.0%	2.4%	2.8%	4.2%
Abnormals ($m)*	0.0	10.0	0.0	0.0
Reported NPAT ($m)*	3.4	12.6	3.4	4.8
EV/EBITDA (x)	9.1	6.6	5.5	3.9
Normalised P/E (x)	11.7	15.1	12.0	8.2

Share Price Performance and Volume



Source: CapIQ

Overview of ITL

For the FY17 result, ITL had three divisions, as summarised below. Post the sale of the Customised Procedure packs operations, the remaining parts of BioMed and HCA are likely to be combined into one division, with the core focus being blood culture testing and blood stream infection products.

BioMed (70% of FY17 EBITDA)

ITL BioMedical has been developing and manufacturing a range of specialty medical products for the global clinical, blood banking, microbiology and laboratory markets for more than 23 years. It currently sells its products in ~55 countries and has sold 100's of millions of units.

Its products are protected by 50 families of patents, with the majority of the these focusing on the blood market. This market has been estimated by MarketsandMarkets to be growing at a CAGR of 8% to US4.8bn by 2021, driven by increased numbers of sepsis, an ageing population and growth in testing of blood for bacteria.

There are three core product groupings underpinning sales in this division that are manufactured in ITL's Malaysian production facility, being:

- Blood banking products (focuses on sharps safety for blood collection);
- Laboratory products (blood culture processing and testing); and
- Clinical products.

ITL have indicated that they have a pipeline of products that are expected to be commercialised over the coming 12 months, with these likely to impact sales in FY19.

The BioMed division had higher sales (scale benefits) and margins (more high margin products sold) in FY17. This has allowed for margin improvement, as highlighted by EBITDA margins of 33.0% in FY17 vs. 23.0% in FY16.

HCA (43% of FY17 EBITDA)

Healthcare Australia (HCA) provides medical and surgical solutions to both public and private hospitals throughout Australia. In FY17, it provided these solutions within three areas:

- Customised Procedure packs (just sold);
- Intravenous Blood Access Starter Kits; and
- Invasive Blood Pressure Monitoring Kits.

HCA was the owner of the only Australian (Melbourne based) procedure pack manufacturer with an ethylene oxide steriliser (difficult to get approvals for) and class 8 clean room assembly facility. This was sold in October 2017 for ~$14.4m. The Melbourne operations supported the customised procedure pack operations, which is highly competitive and utilised high Australian labour rates. In FY17, this part of the division generated $12.3m of revenue (division total was $21.1m) and an estimated $1.0m of EBITDA (after overhead allocation).

In 2015, manufacture of the intravenous blood access starter kits and invasive blood pressure monitoring kits (approximately 40% of the divisions revenue) were moved to Malaysia and has been a key driver of margin improvement in the division throughout FY17.

Our FY18 forecasts have incorporated the sale of the customised procedure packs operations.

MyHealthTest (-13% of FY17 EBITDA)

My Health Test (MHT) was acquired by ITL in December of 2015 and provides a simpler method for individuals to provide blood samples for the most common health related tests.

Blood test kits are able to be ordered online or purchased from pharmacies, allowing individuals to provide their own blood sample from home. Drops of blood are placed onto absorbent filter paper and mailed to ITLs laboratory in Canberra. The test is known as a dried blood spot (DBS) test and has been used in neo-natal testing for +60 years.

Once tested in the lab, the results are uploaded to a results portal on the company's website: www.myhealthtest.com. As the tests are generally sold on a subscription basis (~$35 each), customers are able to track their results online (or via a doctor), allowing simple and convenient management of various blood testable diseases and conditions, see Figure 1.

Figure 1: MHT business model

Source: Henslow

MHTs initial focus is the diabetes testing market. The first large marketing push coincided with diabetes week in July of 2017 and utilised the Macquarie radio network (via Alan Jones). 2,000 free test packs were issued as a result of the campaign, with >1,200 returned.

People diagnosed with diabetes require daily blood testing. The more comprehensive HbA1c test is conducted on a three-month basis (as recommended by the World Health Organisation), and is able to measure average blood glucose levels over a three-month time frame. However, these tests are on average conducted once per annum (potential exists for this market to grow three-fold).

MHT allows a convenient and cost-effective way to have a test conducted regularly, without having to attend a doctor's clinic or pathology centre.

In addition to diabetes, DBS samples can be used to test for a much larger panel of diseases and conditions. MHT are in the process of developing or releasing testing of:

- Prostate (expected to be released Q4 2017, test already developed);
- Thyroid (expected to be released Q4 2017, test already developed);
- Cholesterol (expected to be released Q4 2017, test already developed);
- Vitamin-D (expected to be available 2H 2018);
- Ferritin / Iron (expected to be available 2H 2018); and
- Vitamin B9 / Folate (expected to be available 2H 2018).

MHT can track results and provide recommendations of health checks (in the circumstance of an unusual or abnormal test result).

R&D is currently being conducted by Sydney University and the University of Canberra to help formulate additional tests. MHT was recently awarded a $2.6m CRC Project government grant in late June 2017, for continued development of additional DBS testing. Additional test procedures are anticipated for things like heavy metal contamination, fertility testing, blood markers for health improvements when undertaking a weight loss program, vitamin and hormone levels. The company has stated that the grant will accelerate the rollout of additional DBS test services. A condition of the grant is that ITL will at least match the spending on R&D provided by the grant.

MHT is looking to secure customers via:

- Being recommended by health-related support groups (i.e. diabetes Australia);
- Subscription (where people with a diagnosed affliction receive test kits in line with the recommended frequency of testing);
- GP's (on the basis that many patients don't get tested on a regular basis due to the effort required via the current methodology of referral, blood test at a pathology clinic and revisit the doctor); and
- Partnering with existing suppliers of medical testing to large corporates (as a service to staff).

The division is still in its infancy in terms of commercialisation and has just started to market its products. Its laboratory received accreditation from the National Association of Testing Authourity (NATA) and the Royal College of Pathology of Australasia (RCPA) in May 2017.

In our opinion, a critical element of the success of MHT is developing its subscription business, whereby patients are sent test kits on a regular basis (developing the recurring revenue side of the business). Gaining the backing of key health support groups also provides a low-cost way to market their tests.

Drivers

MHT commercialisation

The benefits of MHT methodology over the traditional method of blood testing are:

- **Ease of collection.** No use of a needle or a trained nurse to collect the blood sample. There is no need to get a doctor's referral and revisit the doctor to review the results (although this could still occur);
- **Sample preservation.** A DBS sample does not require refrigeration to preserve the integrity of the sample (lower cost);
- **Sample stability:** the sample is stable for a very long time and can be retested;
- **Ease of transport:** The sample can be sent via Australia Post; and
- **Clinical acceptance:** 60+ years of clinical usage in the neo-natal screening programs, clinical acceptance of DBS samples is already established and approval from the TGA.

Medicare statistics indicate that the following number of tests were undertaken in Australia in FY16, which is much lower than the potential number that could be covered if testing was undertaken as recommended, see Figure 2.

Figure 2: Australian tests, potential market and Henslow forecasted MHT tests

Test	FY16 No.	Market		Est number tests - base case (k)			
Type	Tested (m)	Potential (k)	FY18	FY19	FY20	FY21	FY22
Diabetes	1.5	9.0	2.7	13.5	36.0	67.5	90.0
Prostate	1.7	3.2	1.3	9.6	25.6	41.6	64.0
Thyroid	4.9	5.0	0.3	3.0	10.0	20.0	50.0
Cholesterol	1.7	5.6	0.0	5.6	28.0	56.0	112.0
Vitamin D	2.9	16.0	0.0	1.4	21.6	50.4	144.0
Ferritin (Iron)	0.6	6.4	0.0	0.0	3.2	16.0	64.0
Folate B9	2.0	2.0	0.0	0.0	1.0	5.0	20.0
Total	**15.3**	**47.2**	**4.2**	**33.1**	**125.4**	**256.5**	**544.0**
Share of Potential Market %			0.0%	0.1%	0.3%	0.5%	1.2%
Share of FY16 Market %			0.0%	0.2%	0.8%	1.7%	3.6%

Source: ITL and Henslow base case estimates

In total (for the main items ITL plan to test for), there were ~15.3m tests undertaken in FY16. In many cases, several tests would have been taken from the one blood sample provided. MHT is anticipated to make testing much easier, which is likely to lead to an increase in the number of tests undertaken (assuming the technology is adopted).

As MHT is moving to conduct multiple tests from the one test kit, we estimate that the addressable market is ~5m individual kits for multiple tests. Knowing the Diabetes test costs $35, we estimate that a bundled test costs $100. On this basis, the addressable market for MHT in Australia is conservatively $500m (this excludes any contribution from increased testing).

As no one else is offering the same solution as MHT in Australia, the key questions are:

- What market share can MHT take; and
- Will the increased convenience of using MHT lead to an increase in tests (expected)?

Our base case forecast is calling for $20.2m of revenue in FY22 (3.6% of the estimated market). Our bull case is for $40.5m revenue in FY22 (7.2% market share). The real upside for MHT is the possibility of it gaining 20% market share (i.e. $100m of revenue). Our base case incorporates a 65% gross profit margin and due to only needing one centralised lab, overheads are likely to be low (the business should be very scalable).

The unknown factor at this point is the cost of customer acquisition (i.e. marketing). By the end of 2017, ITL will be able to assess how many people of 2,000 that received free test kits from the diabetes marketing campaign apply for a repeat test.

In our opinion, should MHT start to show signs of being successful in Australia, the next medium-term step to grow the division is to expand into other countries. However, the technology is also likely to garner the attention of some of the larger global medical services companies (several of whom ITL already have a relationship with) and the division could partner with or be sold to one of them (assuming the business has gained acceptance by patients and the medical industry). There is no guarantee MHT will deliver the success needed for a high-priced sale but it certainly adds to the appeal.

BioMedical division growth

The Biomedical division develops and sells its products into three key markets:

Figure 3: Biomedical customers and products

	Blood Banking	Clinical	Laboratory
Key Products*	• Samplok Sampling Kit • Samplok Tube Holder • Platypus Needle Guard • Donorcare Needle Guard	• Samplok Adapter Cap • Samplok Adapter Cap 2 • Samplok Tube Holder • CrocClamp	• Samplok Tube Holder • Samplok Adapter Cap • Samplok Adapter Cap 2 • Safety Subculture Unit

Source: ITL BioMed Website **see appendix for a detailed product line*

Fresenius and bioMerieux are the two largest distributors of this divisions product range. However, several of BioMed's contract announcements do not reference revenue size. This makes it hard to interpret how material each contract is, in proportion to revenue. However, Figure 3 details a steady flow of contract announcements for Bio medical's various products.

Figure 4: Recent SSK contract announcements

Date	Announcement	Country
Feb-16	• SSK receives FDA approval for sale in Taiwan	Taiwan
Mar-16	• OneBlood a major not for profit blood bank, with 200 hospital partners, 80 donor centres and 200 red busses added as a customer	USA
Jul-16	• Unnamed community blood bank signs 14-month contract extension	USA
Oct-16	• Successful multi-year tender by bioMerieux's for UK NHSBT, resulting in increased SSK sales in the UK • Announces bioMerieux global distribution contract with 150 countries and 42 subsidiaries • Launches DonorCare Needle Guard 2 and in November announces sales of +1m units	UK & Global
Dec-16	• Five-year distribution agreement with bioMerieux Canada, for Safety SubCulture Unit	Canada
Apr-17	• Two-year supply agreement with the New Zealand Blood Service	NZ
Jul-17	• Announces that the largest blood centre in Brazil (Pro-Sangue) is to use SSK product	Brazil
Jul-17	• 12-month contract extension with a large US blood bank for its SSP product	USA

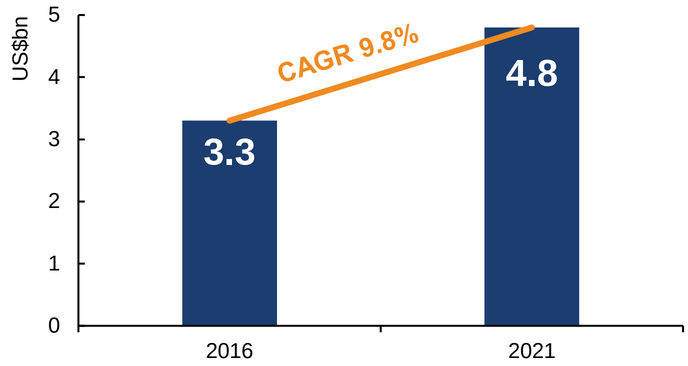
Source: Company Announcements

High sector growth expected

The BioMedical division has consistently grown, with revenues increasing at a CAGR of 9.4% between FY13-FY17.

The blood culture market is estimated to grow at a CAGR of 9.8%, as per Figure 5. This allows for increased scale and profitability. We have modelled divisional revenue to grow at 2% in FY18 (we assume some customers have large stocks, impacting FY18 growth), then picking up to 10% in later years (in line with the forecast industry growth rate). Due to recent contract wins (detailed in Figure 4), revenue growth could be higher than forecast.

Figure 5: Global blood culture market size



Source: Marketsandmarkets

Blood stream infection (BSI) is driving increased use of ITL products

Blood infection occurs in hospital, and the most common cause is incorrect technique of inserting intravenous Starter Kits (I.V.). The cost to the hospital of when this occurs is high (estimated to be up to $50k per patient). ITLs product range (whilst more expensive than some on the market), is designed to materially reduce the risk of blood infection.

ITL estimates its IV starter kits have ~20% market share in Australia. ITL is looking grow this market share and to take this product overseas in the near term.

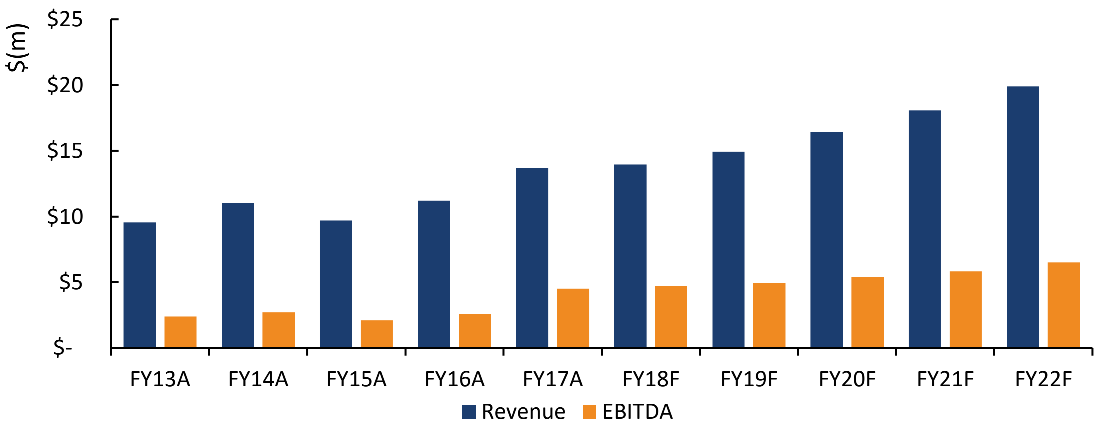
New markets

ITL has had most of its success in the blood banking segment, however the clinical market is ~10x larger than blood banking (see Figure 3 for the clinical product range). Several of ITLs products that address the clinical market are expected to receive the CE (European approvals) that open up new markets for existing products (including IV starter kits). This could be a material driver in FY19, with approvals anticipated towards the end of FY18.

Securing approval would allow for existing market channels to sell additional ITL product.

Figure 6 shows the forecast revenue and EBITDA growth of the BioMed division. We see potential for scale to grow EBITDA faster than forecast, hence our forecasts could be on the conservative side.

Figure 6: BioMed divisional revenue and EBITDA



Source: Company Reports & Henslow base case forecasts

Sale of HCA assets provides capital management potential

In our opinion, receiving ~$14.4m of cash for a low margin business implies these assets were sold for a high multiple and is a good outcome for investors. Due to the difficulties in obtaining regulatory approvals, the replacement cost of these assets is high. We believe this is part of the reason why a high price was achieved.

The proceeds of the sale could be utilised as follows:

- Help fund the commercialisation of MHT;
- Pay down company debt (potential for up to $5.3m at FY17), although ITL may elect to retain some debt in Malaysia which has a low interest rate;
- Provide potential for ITL to undertake bolt-on acquisitions;
- Allow for the recommencement of dividends in FY18, a special dividend, or a buyback; and
- Leave the company with options around spending capex to grow the business.

Whilst this transaction lowers revenue and EBITDA (we estimate $1m, post removing some overheads) of the existing HCA division, we see it as being very positive for the company. FY18 will still receive three months contribution from procedure packs, though this will be recorded as discontinued operations and be excluded from underlying earnings in FY18. Notwithstanding its low margins, $1m of EBITDA is significant for a company the size of ITL. With higher losses forecast for MHT in FY18, we forecast earnings to marginally decline in FY18 due to the sale, however the stronger balance sheet sets the company up for growth in FY19.

We believe the sale is a material catalyst for the stock and once the company completes its roadshow, the much-improved balance sheet should add to the investability of the company for institutional investors.

EBITDA margin expansion

As ITL has transferred the manufacture of several key blood product groups to Malaysia, increased the volumes sold and sold more higher margin products (some recently introduced), we have seen an increase in EBITDA margins in FY17.

Figure 7: Historical and forecast revenue and EBITDA margin trends

($m)	FY16A	FY17A	FY18F	FY19F	FY20F	CAGR FY17-20
BioMed	11.2	13.7	14.0	14.9	16.4	6.3%
HCA	19.9	21.1	12.0	10.0	10.5	(20.8%)
MHT	0.0	0.0	0.9	2.3	5.7	701.0%
Eliminations	0.0	0.0	0.0	0.0	0.0	0.0%
Operating revenue	**31.1**	**34.8**	**26.8**	**27.2**	**32.6**	**(2.2%)**
BioMed	2.6	4.5	4.7	5.0	5.4	6.0%
HCA	0.5	2.8	2.4	2.5	2.6	(1.7%)
MHT	(0.4)	(0.8)	(1.0)	(0.5)	1.3	14.5%
Unallocated	(1.1)	(1.7)	(1.5)	(1.5)	(1.8)	0.0%
Total EBITDA	**1.6**	**4.8**	**4.6**	**5.4**	**7.5**	**16.2%**
BioMed	23.0%	33.0%	33.8%	33.2%	32.7%	
HCA	2.5%	13.1%	19.7%	24.7%	25.0%	
MHT	nm	nm	(116.3%)	(23.1%)	22.4%	
Total EBITDA Margin	**5.0%**	**13.8%**	**17.1%**	**19.8%**	**23.1%**	

Source: Company reports, Henslow base case forecasts

As shown by Figure 7, EBITDA margins in the BioMed and HCA divisions made a step change in FY17, due to lower COGS and scale benefits. With additional distribution partners and geographies that products are being sold into, we expect that scale benefits should see further margin expansion in the future.

EBITDA margins in HCA are forecast to increase further in FY18, due to reduced low margin revenue. This is driven by the sale of the Melbourne based procedure packaging operations, with higher margin revenue remaining.

MHT EBITDA margins are forecast to be positive in FY20, although we note that it is difficult to forecast this division with much certainty at this point in time and FY20 also includes $0.8m of revenue from the Government grant.

Financials

We generated bear, base and bull forecasts. For this section, we show only our base case forecasts to analyse the financials.

Profit & loss

Figure 8: Historical and forecast Profit and Loss

($m)	FY16A	FY17A	FY18F	FY19F	FY20F	CAGR FY17-20
BioMed	11.2	13.7	14.0	14.9	16.4	6%
HCA	19.9	21.1	12.0	10.0	10.5	-21%
MHT	0.0	0.0	0.9	2.3	5.7	701%
Eliminations	0.0	0.0	0.0	0.0	0.0	
Operating revenue	**31.1**	**34.8**	**26.8**	**27.2**	**32.6**	-2%
% change (on pcp)	*10%*	*12%*	*-23%*	*1%*	*20%*	
BioMed	2.6	4.5	4.7	5.0	5.4	6%
HCA	0.5	2.8	2.4	2.5	2.6	-2%
MHT	(0.4)	(0.8)	(1.0)	(0.5)	1.3	15%
Unallocated	(1.1)	(1.7)	(1.5)	(1.5)	(1.8)	
Total EBITDA	**1.6**	**4.8**	**4.6**	**5.4**	**7.5**	16%
Depreciation	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	0%
Amortisation	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)	53%
Total EBIT	**0.7**	**3.9**	**3.7**	**4.5**	**6.5**	18%
% change (on pcp)	*-63%*	*467%*	*-7%*	*23%*	*44%*	
Net Interest	(0.4)	(0.4)	(0.1)	0.0	0.0	-135%
Underlying profit before tax	0.3	3.6	3.5	4.5	6.5	22%
Tax	0.0	(0.1)	(0.9)	(1.2)	(1.7)	139%
Abnormals	0.0	0.0	10.0	0.0	0.0	
Reported NPAT	**0.3**	**3.4**	**12.6**	**3.3**	**4.8**	**12%**
Normalised NPATA	**0.4**	**3.5**	**2.7**	**3.4**	**5.0**	**13%**
% change (on pcp)	*-83%*	*805%*	*-22%*	*27%*	*46%*	
Normalised EPS (cps)	**0.4**	**3.6**	**2.8**	**3.5**	**5.2**	**12%**

Source: Company reports and Henslow forecasts

Key items to note from the P&L are:

- The sale of part of HCA in FY18 lowers revenue and overall EBITDA in the HCA division. Although the most profitable products have been retained (margins increase off lower revenue);
- Whilst FY17 delivered strong growth, EBITDA of $4.8m was below guidance of $5.0m. We believe timing of orders and lower capitalisation of MHT development costs mostly led to the small miss relative to guidance. Despite this, EBITDA is up a very strong 194% over pcp;
- We forecast for MHT to be profitable in FY20. In our opinion, this division is likely to have relatively low fixed costs and should it start to gain sales traction, earnings beyond FY20 could be hockey stick in nature;
- Whilst ITL is not expected to pay tax until FY19, we still assume a tax expense is incurred on future earnings in the P&L. Due to R&D concessions, we assume a 26% tax rate commencing in FY18. As a result of a tax rate of just 3.5% in FY17, we forecast slightly lower EPS in FY18;
- We assume losses from MHT increase in FY18 due to higher marketing costs, though somewhat offset by booking ~$1m of revenue from a Government grant and increased capitalisation of costs;
- ITL guided that it spent $2.2m on R&D in FY17, yet only capitalised $1.2m ($1.0m expensed). This could be a swing factor for ITL in FY18 should it choose to capitalise a greater portion;
- We have included $10m of abnormal profits in FY18, relating to the sale of HCA assets. Due to carried forward capital losses, we assume this is tax free to ITL. On a reported basis, FY18 should deliver record NPAT; and
- The 2H17 was more or less in line with the 1H17, in terms of revenue and gross profit. Although corporate overheads increased (we assume through gearing up MHTs operations). Given the bias towards the 1H (seasonality), this bodes well for organic growth in FY18. Post the sale of the Procedure Packs business, ITL is expected to be less seasonal.

ITL has not provided FY18 guidance. We forecast FY18 EBITDA to be marginally lower in FY18 (before returning to growth in FY19), with the key factors being:

- Continued growth in Biomed;
- A decline in HCA earnings due to the sale;
- Potential lower corporate overheads due to the sale of part of the operation; and
- A larger loss in MHT as it increases marketing spend to commercialise the division.

Balance sheet

Figure 9: ITL balance sheet

($m)	FY16A	FY17A	FY18F	FY19F	FY20F
Cash	0.6	2.7	10.5	11.4	11.7
Receivables	5.0	4.8	3.7	3.8	4.5
Inventory	6.7	6.2	4.2	4.4	4.6
Property Plan & Equip	6.1	6.1	5.3	5.5	5.7
Intangibles	3.6	4.7	7.1	9.2	11.5
Other Assets	3.4	3.2	2.3	1.2	1.2
Total Assets	**25.5**	**27.7**	**33.2**	**35.4**	**39.2**
Payables	3.7	3.5	2.7	2.8	3.3
Borrowings	6.1	5.3	0.0	0.0	0.0
Provisions	1.4	1.3	1.2	1.2	1.3
Other	0.0	0.0	0.0	0.0	0.0
Total Liabilities	**11.2**	**10.1**	**3.9**	**3.9**	**4.6**
Total Equity	**14.3**	**17.6**	**29.3**	**31.4**	**34.5**
Gearing (ND/ND+E)	28%	13%	-56%	-57%	-51%
Interest Cover (EBIT/Interest)	1.8	10.6	nm	nm	nm
ND/EBITDA	3.5	nm	nm	nm	nm
Debtor days	59	51	51	51	51
Creditor days	43	37	37	37	37
NTA per share $	0.11	0.13	0.23	0.23	0.24
Share price / NTA (x)	3.8	3.2	1.8	1.8	1.8

Source: Company reports and Henslow forecasts

Key points in relation to the balance sheet are:

- The $14.4m of sale proceeds for the Melbourne operations has the balance sheet in a strong net cash position in FY18. This gives ITL the ability to fund the commercialisation and marketing of MHT;
- We forecast inventory to fall due to the sale of the Melbourne operations; and
- The balance sheet looks very clean to us, with no unusual items.

ITL has the potential to undertake capital management initiatives.

Cashflow statement

Figure 10: Historical and forecast cashflow statement

($m)	FY16A	FY17A	FY18F	FY19F	FY20F	CAGR FY17-20
EBITDA	1.6	4.8	4.6	5.4	7.5	16%
Operating Cashflow	0.6	5.4	6.6	5.2	5.5	1%
OPCF / EBITDA %	**37%**	**112%**	**144%**	**96%**	**74%**	
Maintenance Cap-ex	(0.3)	(0.9)	(2.0)	(1.0)	(1.0)	2%
Expansion Cap-Ex	(1.0)	(1.5)	8.8	(3.2)	(3.4)	
Dividends	(0.2)	0.0	(1.0)	(1.2)	(1.7)	
Free Cash Flow	**(0.9)**	**2.9**	**12.4**	**(0.2)**	**(0.6)**	**159%**
Debt movement/Other	0.4	(0.5)	0.7	1.0	0.9	
Net cashflow	**(0.5)**	**2.4**	**13.1**	**0.8**	**0.3**	

Source: Company reports and Henslow forecasts

Key points in relation to the cashflow statement are:

- Due to our assumption that the sale of Melbourne operations also includes the sale of stock (we estimate $2.0m), operating cashflow is very high in FY18;

- We assume the resumption of full tax payments in FY20 (no tax payments also helps bolster near-term cashflow conversion); and
- The sale of the Melbourne operations (excluding stock) bolsters expansion capex in FY18. We forecast that ITL will spend in the order of $3-4m pa to fund the development of MHT.

We expect high near-term cashflow at ITL and this is a key attraction.

Peer Comps

In health, there are two distinct categories of companies that we look at, being:

a) Medtech, and
b) Medical supply.

The reason for the distinction is that we see MHT as medtech and the other divisions as medical supply operations. Medtech often trades on revenue multiples, as companies in this arena are often pre-earnings (as is the case with MHT). We value MHT on a different basis compared to the BioMed and HCA divisions, though note that as it has no available data to support the likely success of the division, we apply a revenue multiple of 3.0x (noting revenue is forecast to be low and was zero in FY17).

Figure 11 shows the closest peers to MHT (that have sensible revenue multiples). Based on this information, it would appear that medical testing (Med-tech) companies trade on a wide range of EV/Revenue multiples. Whilst the average FY19 EV/Revenue multiple of this peer comp set is 6.3x. We assume 3.0x in our valuation for MHT, due to its early stage of commercialisation and noting the much smaller size of MHT. We use FY19F revenue, as FY18 still has only a part year contribution from most of the additional tests guided to be released in 2H FY18.

Figure 11: International med-tech supplier comparisons

	Share	Market	Gearing		EV / Revenue		EV / EBITDA (x)		PER (x)		EPS Growth (%)	
Company	**Price**	**Cap.**	**(ND / ND + E)**	**EV**	**FY18F**	**FY19F**	**FY18F**	**FY19F**	**FY18F**	**FY19F**	**FY18F**	**FY19F**
Myriad Genetics	47.0	3,217	-1%	3,213	3.3	3.2	20.2	19.4	35.7	32.0	-141%	-12%
Foundation Medicine	49.7	1,791	-114%	1,743	8.1	6.0	-11.2	-16.0	-9.7	-11.3	-40%	14%
NantHealth	6.0	644	30%	775	6.1	4.9	-12.6	-5.2	-11.5	-9.6	64%	-20%
Invitae	12.6	614	23%	634	12.1	4.0	-7.5	-6.7	-6.9	-16.7	19%	58%
Quotient	6.4	242	96%	357	n/m	17.5	-12.4	-8.4	-2.4	-4.4	-13%	44%
Fulgent Genetics	6.1	108	-37%	93	3.4	2.4	2.4	n/m	17.6	7.1	n/m	n/m
Average					6.6	6.3	-3.5	-3.4	3.8	-0.5	-22%	17%
ITL	**0.43**	**41**	**13%**	**30**	**1.6**	**1.6**	**6.4**	**5.5**	**15.1**	**12.0**	**-23%**	**26%**
Difference to Medtech					-75%	-75%	282%	261%	299%	2613%	-4%	52%

Source: CapIQ & Iress

Figure 12: ASX listed peers

	Share	Market	Gearing		EV / Revenue		EV / EBITDA (x)		PER (x)		EPS Growth (%)	
Company	**Price**	**Cap.**	**(ND / ND + E)**	**EV**	**FY18F**	**FY19F**	**FY18F**	**FY19F**	**FY18F**	**FY19F**	**FY18F**	**FY19F**
Nanosonics	2.68	802	-241%	740	9.4	7.7	54.7	28.9	81.5	29.8	-13%	-174%
Ellex Medical Lasers	1.09	131	10%	138	1.7	1.4	44.5	21.2	n/m	72.3	n/m	350%
PRO Medicus	5.97	617	-189%	594	15.0	10.7	23.6	15.1	42.9	25.5	-70%	-68%
Paragon Care	0.88	146	18%	164	1.3	1.2	8.9	8.2	13.0	12.1	-28%	-7%
SomnoMed	3.84	222	-85%	208	2.9	2.1	42.4	12.0	68.1	20.7	n/m	n/m
Average					*6.1*	*4.6*	*34.8*	*17.1*	*51.4*	*32.1*	*-37%*	*25%*
ITL	**0.43**	**40.8**	**13%**	**30**	**1.6**	**1.6**	**6.4**	**5.5**	**15.1**	**12.0**	**-23%**	**26%**
Difference to peers					-73%	-66%	-82%	-68%	-71%	-63%	38%	3%

Source: CapIQ & Iress

In order to get some sense of multiples for the traditional parts of ITL, we have looked at more traditional medical supply companies listed in Australia (see Figure 12). The multiple range is very large and generally the multiples are high, though the average FY19F EV/EBITDA multiple is 17.1x.

Due to the smaller size and lower liquidity of ITL to peers in Figure 12, we estimate that it should trade at a discount to its peer group. Demonstration of high earnings growth could have us revisiting our assumption. On this basis, we estimate an FY18 EV/EBITDA multiple of 7.5x, though note this could move up should ITL show traction in MHT or secure approvals to sell additional BioMed products to international markets.

Investment Thesis

Scenario assumptions

We forecast bear, base and bull case scenarios and maintain valuations under each scenario. This allows for a sense of valuation, should MHT gain little traction (bear case), or a lot of traction (bull case). Our base case forecast is in between. The scenario analysis only impacts MHT, which is a material swing factor for ITL.

Figure 14: Key assumptions used in scenarios for MHT

	--------- Bear Case ---------			-------- Base Case --------			--------- Bull Case ---------		
Key MHT assumptions	**FY18**	**FY19**	**FY20**	**FY18**	**FY19**	**FY20**	**FY18**	**FY19**	**FY20**
Total Tests (k)	2.1	16.5	61.5	4.2	33.1	125.4	8.5	66.3	250.8
Revenue per Test ($)	38.1	38.8	38.0	38.1	38.8	37.9	38.1	38.8	37.9
Gross Profit per Test ($)	24.8	25.2	24.7	24.8	25.2	24.6	24.8	25.2	24.6
Est. market share (%)	0.2%	0.3%	0.6%	0.2%	0.5%	1.1%	0.2%	0.7%	2.1%

Source: Henslow estimates

With an estimated 15m tests undertaken in FY16 for ITL's addressable market, our bear case is assuming just 61.5k tests in FY20, or 0.6% of the current market. Aspirationally, ITL would like to secure 4% of the total market. Our base case forecasts this to occur in FY22.

Multiples valuation

We use EV/EBITDA for the BioMed and HCA division and EV/Revenue multiples for MHT. Our multiples have been set by referencing peer comps (not straight forward in Med-tech), see Figures 12 and 13.

Figure 15: ITL multiples based valuation

$m	Bear Value	Base Value	Bull Value
BioMed FY18F EBITDA	4.7	4.7	4.7
HCA FY18F EBITDA	2.4	2.4	2.4
Unallocated costs FY18	(1.5)	(1.5)	(1.5)
Total EBITDA - before MHT	5.6	5.6	5.6
Multiple (x)	7.0	7.5	8.0
BioMed & HCA valuation	**39.1**	**41.9**	**44.7**
MHT FY19 Revenue (excl. grant)	0.6	1.3	2.6
Multiple (x)	3.0	3.0	3.0
MHT valuation	**1.9**	**3.9**	**7.7**
Net Cash FY18F	11	11	11
Equity Value	**52**	**56**	**63**
No. Shares (m)	96	96	96
Valuation per Share ($)	**0.55**	**0.59**	**0.66**

Source: Henslow estimates

Our bear case multiples valuation (MHT is valued at only $1.9m) is greater than the share price, implying that the base business can support a valuation above what the market is currently valuing ITL at.

For MHT, if we had used FY20F revenue, we would have generated a material increase in the valuation. The bluesky for ITL is gaining traction in MHT, as the market is likely to apply a revenue multiple on that part of the business or it could be taken over.

Our base and bull case scenarios are 38% and 55% respectively above the current share price.

DCF

We use DCF to sense check our multiples valuation. We believe we have used relatively conservative DCF assumptions, being a high Beta and a long-term growth rate below what is expected for ITL's product line.

Figure 16: DCF related assumptions

Beta	1.3x	High Beta due to start up nature of MHT
Target D/D+E	20%	Base business could support this level of debt
Cost of debt (after tax)	6%	Assumed rate for ITL
LT growth rate	2.0%	Close to GDP, could be higher
WACC	11.0%	Could be lowered if MHT gains traction (lower Beta)

Source: Henslow estimates

Figure 17: Scenario based DCF

	Bear Case	Base Case	Bull Case
Present value of cashflows FY18 to FY26	23	25	40
Present value of terminal year cashflow	10	16	36
Net cash at FY18F	11	11	11
Present value of equity	43	52	86
Diluted Shares on issue	97	97	97
Present value per share	**0.45**	**0.53**	**0.90**

Source: Henslow estimates

Our DCF valuation is higher than our multiples valuation, as it captures income from MHT in outer years. This could be realistic, as should MHT gain traction, it is likely to be a saleable asset that could surprise to the upside.

We blend our DCF and multiples valuation 50/50 to arrive at a valuation, see Figure 18.

Figure 18: Blended valuation

	Bear	Base	Bull
EV/EBITDA	0.55	0.59	0.66
DCF	0.45	0.53	0.90
Combined	**0.50**	**0.56**	**0.78**

Source: Henslow estimates

Conclusions

Our base case multiples valuation of $0.59/share is 38% above the current share price. Our bear to bull multiples valuation range is $0.55 - $0.66/share, highlighting that ITL offers upside without MHT firing. Should MHT go very well, the DCF valuation would be more appropriate, (Bull case of $0.90/share), which is 112% above the current share price.

We believe that ITL has re-rating potential, particularly as it re-engages with the market and undertakes marketing post the FY17 result and Melbourne assets. The share price is significantly down from the May high of $0.66/share. We believe the main reason is the slight miss ($4.8m EBITDA vs. $5.0m) guided the main reason. We see this the price pull back as a buying opportunity.

Whilst sub $50m companies are not without risk and are often illiquid, the underlying business appears to more than support the valuation and MHT could offer a lot of upside. Most healthcare tech companies trade at very high multiples. ITL is trading as a low growth company and its FY17 results indicate strong margin improvement, which could help with a re-rating.

Whilst higher tax, less earnings from HCA and greater costs in MHT have us forecasting a lower EPS in FY18, we still forecast a return to EBITDA growth (17%) in FY19. ITL trades at a multiples discount to peers and in our opinion, looks undervalued.

Risks

Point of care devices

There are several products that allow diabetics the ability to test their glucose blood levels on a daily basis, which are known as point of care (POC) devices. Some of these allow HbA1c testing on the spot but are only available to be administered by medical professionals, requiring a nurse or a doctor to attend the patients home. Some POC devices allow the patient to conduct their own HBA1c tests but these are historically inaccurate, to the point where medical professionals cannot rely on the results. The most progressive consumer operated testing product is arguably Dario's Smart Meter (Figure 18), allowing users to:

- Connect a small device to their smartphone;
- Download an application from the app store; and
- Test blood glucose levels through the app and device.

Whilst this product is currently focused solely on daily glucose level testing, it is possible that Dario or its competitors develop the ability to test for more than a user's blood sugar levels. If this were to occur, it may pose significant competitive pressure to MHTs business model. Currently these devices have a low level of accuracy and are not accepted as a reliable source by medical practitioners, although accuracy levels are likely to increase over time.

More efficient DBS testing devices could be developed

A Melbourne based company Trajan is in the process of developing the hemaPEN (pictured in Figure 19), utilizing DBS to produce samples able to be sent to laboratories by mail for testing. This product is still in the R&D stage but is aimed at being made available to non-healthcare professionals (i.e. consumers) as well as health professionals. Trajan have not indicated that they intend on building any kind of platform or subscription service to work in conjunction with the hemaPEN.

Medical advancements

Alternatives such as saliva or urine have been used for consumer hormone testing, kidney health, STIs and drug testing, (pictured in Figure 21). Medical advances may at some point allow similar tests to MHT. It is likely that blood tests will remain the most reliable form of testing but some consumers would likely be willing to sacrifice some accuracy to avoid pain or blood.

MHTs product is significantly less invasive than the traditional method of fronting up to a clinic to provide a blood sample, which contributes to MHTs appeal. However, the product does result in a small amount of pain and uses blood, which may discourage some people from using MHT (shrinking the addressable market). Currently MHT is the only blood testing platform that is wholly accessible by consumers without the need for GP referrals or the assistance of medical professionals.

Figure 19: Dario starter pack

Source: Dario.com

Figure 20: hemaPEN

Source: Trajanscimed.com

Figure 21: Multistix test

Source: Superpharmacy.com.au

Potential threat to GPs business model

Many GP's are aligned with a particular pathology lab (and probably receive income for patient referrals). Using MHT test does not result in a referral and hence, for some GP's, the test impedes their income.

On the flip side, MHT is likely to lead to patients undertaking tests more regularly, which could lead to improved diagnosis of patient ailments and improved health. If MHT can establish a track record of providing GP's more regular and accurate information that helps them assist their patients, we could see GP's refer patients to use MHT.

High customer concentration

A high proportion of ITLs Biomed and HCA products are distributed by several large medical suppliers (though it does and can sell direct). If one of ITL's major distributors were to cease selling ITL's products, it could materially impact sales. The two main distributors are bioMerieux and Fresienus (combined they represent an estimated 30% of FY17 revenue).

Share register

The key point in relation to the register of ITL is the lack of institutional investors in the top five shareholders. Over time, we see potential for this to change.

In the past few years, ITL has had limited contact with the investment community and has focused on improving the performance of the company, making sure it has a positive story before refocusing on engaging with the institutional investment community. Such engagement could assist with a rerating of the business and we expect ITL will (post the FY17 result) re-engage with the market. In our opinion, the investment thesis should see the stock secure investor attention.

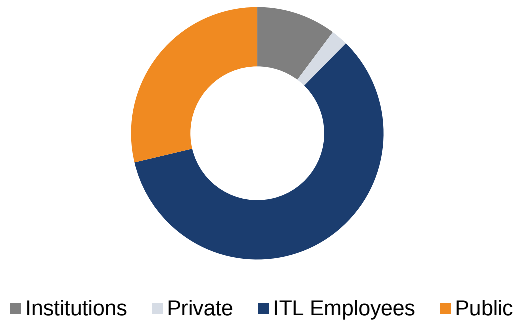
The M.D. is clearly aligned with shareholders, owning 37% of the company.

Figure 22: Top 5 register

	Top 5 Register	Shares (m)	Shares (%)
1	**Bill Mobbs**	35.8	37.0%
2	**TBF Investment**	4.4	4.6%
3	**Chris Carr**	4.0	4.1%
4	**Pie Funds**	3.5	3.7%
5	**Andrew Turnball**	3.0	3.1%
		48.6	50.7%

Source: CapIQ

Figure 23: Register mix



Source: CapIQ & Company Reports

Liquidity and index

Liquidity in ITL is low, with $1.6m of value trading per month on average or ~$8k per day. We expect liquidity would improve via more market exposure, but the stock is likely to remain relatively illiquid.

With a market cap of ~$40m, ITL is not in any index. It is included in the Healthcare Supplies GICS code. Companies in this sector often trade at high multiples (seen as an area of above GDP growth).

Board & Management

Figure 24: Board

William Mobbs Executive Chairman & Co-Founder	• Co-founder of ITL and founder and executive Chairman of MHT, Bill has spent seven years as CEO • 30+ years of experience in developing, manufacturing marketing and selling products into the global medical and healthcare industry
Andrew Turnbull NED	• Extensive experience in establishing and expanding businesses, having founded Walter Turnbull, Canberra's largest accounting firm, over an 18-year period, to encompass Sydney, Melbourne and Darwin offices • After Walter Turnbull was acquired by PwC Andrew took the position of Managing Partner for PwC Canberra, serving a number of Government and private clients
Mark Peatey NED	• Previously a partner at EY before founding Maxim and P2 advisory, with extensive experience in specialised finance and chartered accounting • Mark has had a particular focus on emerging and growing businesses and has deep experience in capital markets and structuring organic and inorganic growth plans for businesses

Source: Company Announcements & CapIQ

Figure 25: Key management

William Mobbs Executive Chairman & Co-Founder	• *As Above*
Trevor Doolan CFO	• After roles with ITL as financial controller and company secretary for ~5 years Trevor became CFO at the beginning of FY17 • Trevor has held various corporate finance positions prior to ITL, including finance director at ECP Australia and Hartman Pacific
Dr. Nicholas Cerneaz GM MHT	• Previously served as CEO of Seeing Machines, responsible for its glaucoma diagnostic technology • Significant industry experience in developing and commercialising medical software and devices
Narinder Kanda GM HCA	• After joining ITL in 2004 Narinder has served as senior Vice President of Operations of ITL Healthcare and MD of ITL Asia Pacific • Narinder previously served as operations manager at Unomedical, a specialised medical device manufacturer
Craig Wilson GM ITL Biomed	• Previously managing director of EvolveTech and CWP Design and VP of Design and OEM at ITL where he assisted ITL in the development and commercialisation of its products • Craig has served as GM of ITL BioMedical since 2010
Stephanie Norrell VP Sales and Marketing	• Senior vice president of manufacturing operations for the American Red Cross and formerly a registered nurse. • Joined ITL in 2001.

Source: Company Announcements & CapIQ

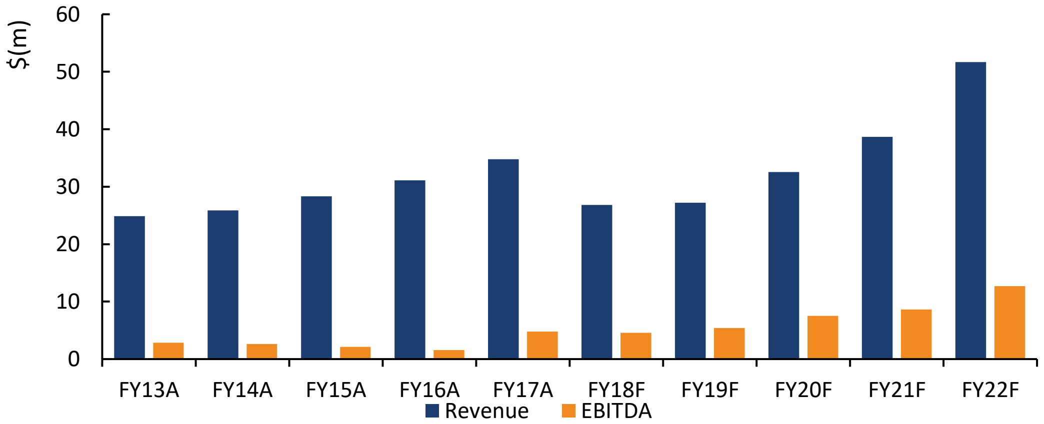
Appendix

History

ITL Healthcare was established in 2003 through ITL Limited's acquisition of Surgicare, which specialised in the manufacture of procedure packs, surgical drapes and gowns (now HCA division). ITL Limited was itself established in 1994, focusing on the development of devices and infection control, for use in clinical practice, animals and general healthcare. The company now comprises three divisions:

1. HCA;
2. BioMed; and
3. MyHealthTest.

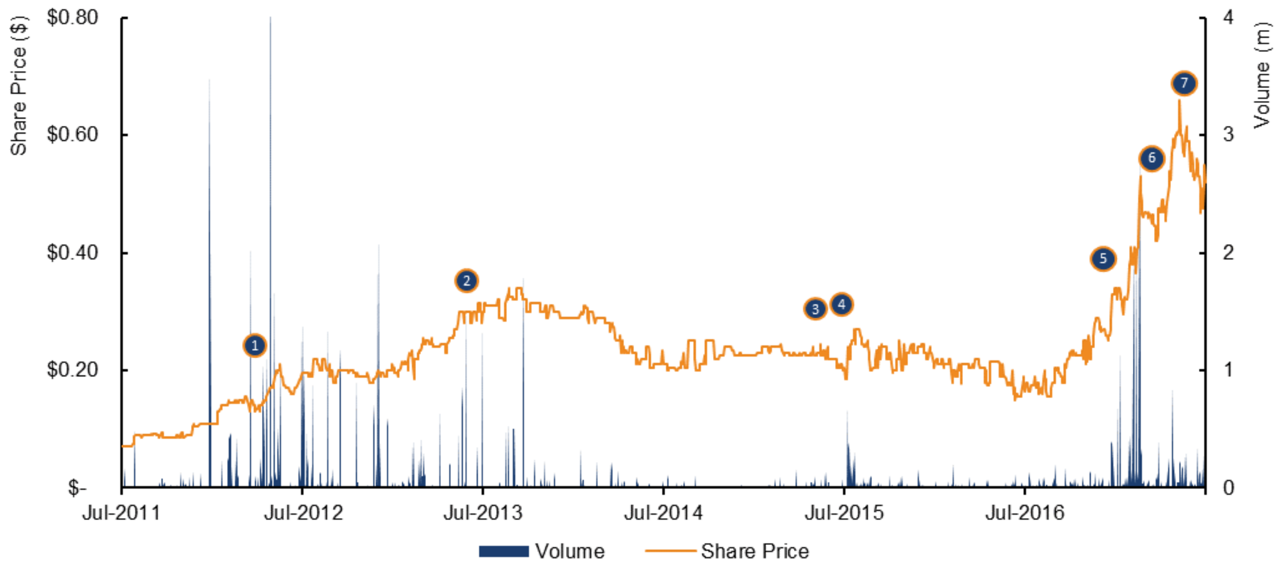
Figure 26: Historical divisional revenue & underlying EBITDA



Source: Company Announcements & CapIQ

The company has offices and laboratories in Sydney, Melbourne, Canberra and Washington, as well as a dedicated manufacturing facility located in Malaysia. After 23 years the company has established an expansive distribution network that covers 55 countries, selling products that are backed by 48 patents. As evidenced by Figure 26, revenues in both the Biomed and HCA divisions have fluctuated, as operations have been restructured over the last five years. This appears to have had a positive effect, as the company reported record revenue in 2017.

Figure 27: ITL Share price & significant event history



Ref.	Date	Event
1	**Apr-12**	Sale of Kuala Lumpur based medical equipment and consumables business for ~$1m
2	**Jul-13**	ITL Asia Pacific acquires existing medical device manufacturing building in Perak Malaysia
3	**Mar-15**	Production and manufacturing facility opened in Bemban Malaysia
4	**Apr-15**	ITL purchases MyHealthTest (MHT)
5	**Oct-16**	bioMeriux announces five year contract
6	**Apr-17**	MHT is granted lab accreditation from NATA
7	**Jun-17**	MHT is awarded $2.6m CRC Project Government Grant

Source: Company Announcements & CapIQ

Biomed Products

Figure 28: BioMed leading products

Source: Company website

Financials

Key MHT assumptions	Bear Case FY18	Bear Case FY19	Bear Case FY20	Base Case FY18	Base Case FY19	Base Case FY20	Bull Case FY18	Bull Case FY19	Bull Case FY20
Total Tests (k)	2.1	16.5	61.5	4.2	33.1	125.4	8.5	66.3	250.8
Revenue per Test ($)	38.1	38.8	38.0	38.1	38.8	37.9	38.1	38.8	37.9
Gross Profit per Test ($)	24.8	25.2	24.7	24.8	25.2	24.6	24.8	25.2	24.6
Est. market share (%)	0.2%	0.3%	0.6%	0.2%	0.5%	1.1%	0.2%	0.7%	2.1%

PROFIT & LOSS	Bear FY18	Bear FY19	Bear FY20	Base FY18	Base FY19	Base FY20	Bull FY18	Bull FY19	Bull FY20
BioMed	14.0	14.9	16.4	14.0	14.9	16.4	14.0	14.9	16.4
HealthCare	12.0	10.0	10.5	12.0	10.0	10.5	12.0	10.0	10.5
My Health Test	0.8	1.6	3.2	0.9	2.3	5.7	1.0	3.6	10.4
Total Revenue	**26.8**	**26.6**	**30.1**	**26.8**	**27.2**	**32.6**	**27.0**	**28.5**	**37.3**
BioMed	4.7	5.0	5.4	4.7	5.0	5.4	4.7	5.0	5.4
HealthCare	2.4	2.5	2.6	2.4	2.5	2.6	2.4	2.5	2.6
My Health Test	0.0	0.0	0.0	(1.0)	(0.5)	1.3	(0.9)	0.3	3.4
Corporate Costs	(1.5)	(1.5)	(1.7)	(1.5)	(1.5)	(1.8)	(1.5)	(1.6)	(2.0)
Total EBITDA	**5.6**	**5.9**	**6.3**	**4.6**	**5.4**	**7.5**	**4.7**	**6.2**	**9.5**
EBIT	4.7	5.1	5.3	3.7	4.5	6.5	3.8	5.3	8.5
UNPAT pre abnormal	3.4	3.8	4.0	2.6	3.4	4.8	2.7	3.9	6.3
Abnormal Items	10.0	0.0	0.0	10.0	0.0	0.0	10.0	0.0	0.0
Reported NPAT	13.4	3.8	4.0	12.6	3.4	4.8	12.7	3.9	6.3
BALANCE SHEET									
Cash	11.3	12.5	14.0	10.5	11.4	11.7	10.7	11.9	11.8
PP&E	5.3	5.5	5.7	5.3	5.5	5.7	5.3	5.5	5.7
Debtors & Inventory	15.0	17.3	18.5	15.0	17.4	20.6	15.0	17.5	22.7
Total Assets	33.6	36.0	39.0	33.2	35.4	39.2	33.3	35.9	41.1
Borrowings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade Creditors	2.7	2.7	3.1	2.7	2.8	3.3	2.7	2.9	3.8
Total Liabilities	3.9	3.9	4.3	3.9	3.9	4.6	3.9	4.1	5.2
Shareholder Equity	29.7	32.1	34.7	29.3	31.5	34.6	29.4	31.8	35.9
CASHFLOW									
Operating EBITDA	5.6	5.9	6.3	4.6	5.4	7.5	4.7	6.2	9.5
Interest & Tax Paid	(0.1)	0.0	(1.4)	(0.1)	0.0	(1.7)	(0.1)	0.0	(2.2)
Working Cap.	2.1	(0.2)	(0.3)	2.1	(0.2)	(0.3)	2.1	(0.2)	(0.4)
Operating CF	7.6	5.7	4.7	6.6	5.2	5.5	6.7	5.9	6.9
Maintenance Capex	(2.0)	(1.0)	(1.0)	(2.0)	(1.0)	(1.0)	(2.0)	(1.0)	(1.0)
Expansion Capex	8.8	(3.2)	(1.6)	8.8	(3.2)	(3.4)	8.8	(3.2)	(4.8)
Free Cashflow (FCF)	14.4	1.5	2.1	13.4	1.0	1.2	13.5	1.7	1.2
Ord & Pref Dividends	(1.3)	(1.4)	(1.5)	(1.0)	(1.2)	(1.7)	(1.0)	(1.5)	(2.2)
Net Other	0.7	1.0	0.9	0.7	1.0	0.9	0.7	1.0	0.9
Net Cashflow	13.9	1.2	1.6	13.1	0.8	0.3	13.2	1.3	(0.2)
VALUATION METRICS									
Normalised EPS (c)	3.6	4.0	4.3	2.8	3.5	5.2	2.9	4.2	6.7
Normalised PE (x)	11.8	10.7	9.9	15.1	12.0	8.2	14.7	10.2	6.4
Enterprise Value ($m)	30	28	27	30	29	29	30	29	29
EV / EBITDA (x)	5.3	4.8	4.2	6.6	5.5	3.9	6.4	4.7	3.1
EV / EBITA (x)	6.2	5.5	4.8	8.0	6.4	4.3	7.7	5.3	3.3
EV / EBIT (x)	6.3	5.6	5.0	8.2	6.5	4.5	8.0	5.4	3.4
DPS (c)	1.3	1.4	1.5	1.0	1.2	1.8	1.0	1.5	2.3
Dividend Yield (%)	3.1%	3.3%	3.5%	2.4%	2.8%	4.2%	2.4%	3.5%	5.4%
Net Debt / EBITDA (x)	(2.0)	(2.1)	(2.2)	(2.3)	(2.1)	(1.6)	(2.3)	(1.9)	(1.2)
KEY RATIOS									
EBITDA Margin (%)	20.9%	22.4%	21.0%	17.1%	19.8%	23.1%	17.4%	21.7%	25.4%
EBIT Margin (%)	17.5%	19.1%	17.7%	13.7%	16.6%	20.0%	14.0%	18.6%	22.7%
ROE (%) y/e	11.3%	11.7%	11.4%	8.9%	10.6%	13.9%	9.2%	12.3%	17.5%
ROA (%) y/e	20.9%	21.4%	21.3%	16.2%	18.7%	23.5%	16.7%	22.0%	28.8%
Eff Tax Rate (%)	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%
EBIT Interest Cover (x)	23.4	nm	nm	18.4	nm	nm	18.9	nm	nm
Gearing ND/ND+E (%)	(60.9%)	(63.2%)	(67.8%)	(56.2%)	(56.5%)	(51.0%)	(56.9%)	(60.0%)	(48.7%)
OPCF / EBITDA (%)	136.0%	96.9%	74.3%	143.8%	96.2%	73.7%	142.7%	96.5%	73.2%

DCF Valuation A$	Bear Case	Base Case	Bull Case
	$ 0.45	$ 0.53	$ 0.90

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