



2 April 2009

AtCor Medical Holdings Limited (ACG)

Speculative Buy

New Application Potential for SphygmoCor®

\$0.21

Thomas Duthy *PhD MBA*
tduthy@taylorcollison.com.au
+61 2 9232 1688

Key Points

Independent clinical trial showed SphygmoCor® predictive of pre-eclampsia in pregnant women.

SphygmoCor® predicted 79% of all cases of pre-eclampsia and 88% of early onset pre-eclampsia, at an 11% false positive rate.

Early onset detection generally accepted as offering the highest chance for successful preventative strategies.

Potential utility as a screening tool in a complex indication with few alternatives should not be underestimated.

Summary

Market Capitalisation (M)	\$21.0
Share Price	\$0.21
Price Target	\$0.30
52 Week High	\$0.21
52 Week Low	\$0.065
Av. Monthly Volume (Yr Rolling)(M)	1.5
Cash as at 31/12/08 (M)	\$2.9
Est. Cash Burn Per Quarter (M)	n/a
NTA Per Share	\$0.06

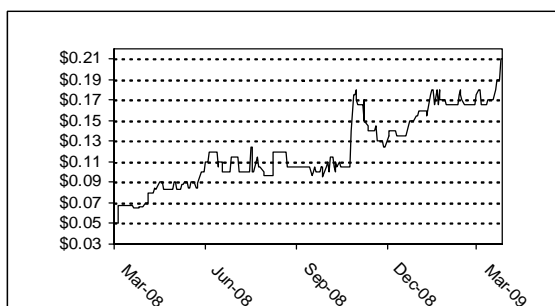
Our View

- In an interesting study outcome on 210 low risk women, the use of SphygmoCor® as a screening tool for pre-eclampsia in women as early as 11 weeks (first trimester) into their pregnancy was shown to be significantly predictive. Pre-eclampsia occurs in 5-8% of all pregnancies and is a leading cause of maternal and foetal mortality and pre-term delivery. Despite known risk factors, it is not possible to predict which women will develop pre-eclampsia during pregnancy. Screening tests have been notoriously poor predictors of the condition. For example, a 2004 publication found that in 87 separate studies comprising 211,369 patients no test was clinically useful as a screening test. Current first trimester techniques such as uterine artery Doppler combined with maternal serum testing are both expensive and invasive and yet to garner widespread clinical adoption due to a lack of significant outcome data.
- With respect to the pharmaceutical clinical trials segment, we remain confident of further contracts in the near term, driven in part by new FDA guidelines on cardiovascular testing in clinical trials, but also an element of repeat business as pharma companies seek to differentiate pipeline drugs with a potential central pressure benefit. We note management's recent attendance at a key cardiovascular conference in the US, ACC (American College of Cardiology); which is traditionally a major source of customer leads for the Company.
- We have made no changes to our FY09, FY10 and FY11 estimates as a result of the pre-eclampsia study. However, we note the continued peer review studies of SphygmoCor® seeks to drive home the message of the importance of central pressure and arterial stiffness in a range of indications. The Company has attractive defensive characteristics given its positioning as a key product vendor in blue chip pharma clinical trials, with upside into the specialist clinician market upon further re-imburement initiatives in the US particularly. We maintain our Speculative Buy recommendation and blended valuation/price target of \$0.30.

Key Financials (A\$'000)

Year End	2008	2009	2010
	Actual	Est.	Est.
Product Sales	6,451	10,279	13,743
Total Revenue	7,363	11,706	14,364
COGS	(1,286)	(1,799)	(2,405)
Net Op. Rev	(3,579)	(1,418)	723
EBITDA	(3,997)	(1,639)	702
EBIT	(4,145)	(1,778)	550
Reported Profit	(3,793)	(1,594)	570
Reported EPS (c)	(3.8)	(1.4)	0.5
PE Ratio (x)	n/a	n/a	40.5
ROE (%)	-49.4%	-31.1%	12.5%

Share Price Graph (A\$)



ACG - Summary of Forecasts

ACG \$ 0.21

PROFIT & LOSS SUMMARY (A\$000s)					
Period	FY07A	FY08A	FY09E	FY10E	FY11E
Total Revenue	5,736	7,363	11,706	14,364	16,668
<i>Growth (pcp)</i>	33.9%	28.4%	59.0%	22.7%	16.0%
Cost of Goods Sold	(1,011)	(1,286)	(1,799)	(2,405)	(2,898)
<i>Gross Margin</i>	79.2%	80.1%	82.5%	82.5%	82.5%
Net Operating Revenue	(5,251)	(3,579)	(1,418)	723	3,469
Direct R&D Expenses	0	0	0	0	0
EBITDA	(5,917)	(3,997)	(1,639)	702	3,358
Dep'n/Other Amort'n	(162)	(148)	(140)	(152)	(168)
EBIT	(6,079)	(4,145)	(1,778)	550	3,190
Net Interest	666	418	221	21	111
Pre-Tax Profit	(5,413)	(3,727)	(1,557)	570	3,301
Tax Expense	230	(66)	(37)	0	0
Minorities	0	0	0	0	0
NPAT	(5,183)	(3,793)	(1,594)	570	3,301
<i>Growth (pcp)</i>	-29.4%	26.8%	58.0%	310.0%	148.7%
Net Abnormals	0	0	0	0	0
Reported Profit	(5,183)	(3,793)	(1,594)	570	3,301

PER SHARE DATA					
Period	FY07A	FY08A	FY09E	FY10E	FY11E
Reported EPS (c)	(5.2)	(3.8)	(1.4)	0.5	3.0
<i>Growth (pcp)</i>	n/a	-26.8%	-61.8%	-135.8%	478.7%
EPS Pre-Net R&D (c)	(5.4)	(4.3)	(2.0)	(0.0)	3.0
<i>Growth (pcp)</i>	n/a	-20.5%	-53.5%	-98.7%	-11276.3%
Dividend (c)	0.0	0.0	0.0	0.0	0.0
Franking	0%	0%	0%	0%	0%
Gross CF per Share (c)	(4.6)	(4.0)	(0.7)	1.6	2.0
NTA per share (c)	9.1	5.7	3.7	4.3	7.3

KEY RATIOS					
Period	FY07A	FY08A	FY09E	FY10E	FY11E
EBITD/Sales Margin %	-103.2%	-54.3%	-14.0%	4.9%	20.1%
EBIT/Sales Margin %	-106.0%	-56.3%	-15.2%	3.8%	19.1%
Current ratio (x)	4.5	2.9	2.6	2.7	3.5
Net Debt : Equity (%)	-74.6%	-55.6%	-52.3%	-79.4%	-72.8%
ROE (%)	-43.6%	-49.4%	-31.1%	12.5%	50.6%
Dividend Payout Ratio (%)	n/a	n/a	0.0%	0.0%	0.0%

VALUATION MULTIPLES					
Period	FY07A	FY08A	FY09E	FY10E	FY11E
PE Ratio (x)	n/a	n/a	n/a	40.5	7.0
Dividend Yield (%)	n/a	n/a	0.0%	0.0%	0.0%
EV/EBITDA (x)	n/a	n/a	n/a	24.4	4.5
EV/EBIT (x)	n/a	n/a	n/a	31.2	4.7

CAPITAL RAISING ASSUMPTIONS					
Period	FY07A	FY08A	FY09E	FY10E	FY11E
Shares Issued (m)	0.0	0.0	0.0	0.0	0.0
Issue Price (A\$)	0.00	0.00	0.00	0.00	0.00
Cash Raised (A\$m)	0.0	0.0	0.0	0.0	0.0

* TC est additional \$0.5m in expense in FY10 if FY09 US reimbursement achieved

BALANCE SHEET SUMMARY					
Period	FY07A	FY08A	FY09E	FY10E	FY11E
Cash	6,999	3,316	2,241	3,865	5,959
Receivables	1,446	1,877	2,878	1,787	3,311
Pre Payments	0	0	0	0	0
Inventories	383	401	720	962	1,159
Investments	0	0	0	0	0
Other	196	100	159	159	159
Total Current Assets	9,024	5,694	5,998	6,773	10,588
Investments	0	0	0	0	0
Inventories	0	0	0	0	0
Receivables*	1,828	1,684	0	0	0
Property Plant & Equip	284	350	449	513	550
Intangibles	268	222	173	147	125
Deferred Tax Assets	0	0	0	0	0
Other	0	0	0	0	0
Total Non-Current Assets	2,380	2,256	622	661	675
TOTAL ASSETS	11,404	7,950	6,620	7,433	11,263
Accounts Payable	1,985	1,953	2,261	2,474	2,980
Revenue in Advance	0	0	0	0	0
Borrowings	0	0	0	0	0
Deferred Tax Liabilities	0	0	0	0	0
Provisions	19	19	51	69	83
Total Current Liab	2,004	1,972	2,313	2,542	3,063
Borrowings	0	0	0	0	0
Provisions	18	17	20	20	20
Other	0	0	0	0	0
Total Non-Current Liab	18	17	20	20	20
TOTAL LIABILITIES	2,022	1,989	2,333	2,562	3,083
TOTAL EQUITY	9,382	5,961	4,287	4,871	8,180

* Assumes director loans repaid in FY10

CASH FLOW SUMMARY					
Period	FY07A	FY08A	FY09E	FY10E	FY11E
EBIT (excl Abs/Extr)	(6,079)	(4,145)	(1,778)	550	3,190
Add: Depreciation	121	102	102	130	149
Amortisation	41	46	38	22	19
Change in Pay.	597	(32)	308	212	507
Change in Rev. in Ad.	0	0	0	0	0
Less: Tax paid	230	(66)	(37)	0	0
Net Interest	666	418	221	21	111
Change in Rec.	(65)	(287)	683	1,092	(1,525)
Change in Inv.	(89)	(18)	(319)	(242)	(197)
Gross Cashflows	(4,578)	(3,982)	(782)	1,784	2,254
Capex	(137)	(168)	(200)	(160)	(160)
Free Cashflows	(4,715)	(4,150)	(982)	1,624	2,094
Dividends Paid	0	0	0	0	0
Net Cash Flow	(4,715)	(4,150)	(982)	1,624	2,094

Disclaimer

Warning (General Advice Only): Past performance is not a reliable indicator of future performance. This report is a private communication to clients and intending clients and is not intended for public circulation or publication or for the use of any third party, without the approval of Taylor Collison Limited ABN 53 008 172 450 ("Taylor Collison"), an Australian Financial Services Licensee and Participant of the ASX Group. While the report is based on information from sources that Taylor Collison considers reliable, its accuracy and completeness cannot be guaranteed. This report does not take into account specific investment needs or other considerations, which may be pertinent to individual investors, and for this reason clients should contact Taylor Collison to discuss their individual needs before acting on this report. Those acting upon such information and recommendations without contacting one of our advisors do so entirely at their own risk.

Any opinions, conclusions, forecasts or recommendations are reasonably held at the time of compilation but are subject to change without notice and Taylor Collison assumes no obligation to update this document after it has been issued. Except for any liability which by law cannot be excluded, Taylor Collison, its directors, employees and agents disclaim all liability (whether in negligence or otherwise) for any error, inaccuracy in, or omission from the information contained in this document or any loss or damage suffered by the recipient or any other person directly or indirectly through relying upon the information.

Disclosure: Analyst remuneration is not linked to the rating outcome. Taylor Collison may solicit business from any company mentioned in this report. For the securities discussed in this report, Taylor Collison may make a market and may sell or buy on a principal basis. Taylor Collison has been retained by the Company to provide ongoing corporate advisory services. Taylor Collison, or any individuals preparing this report, may at any time have a position in any securities or options of any of the issuers in this report and holdings may change during the life of this document. As at the date of release of this research report, Taylor Collison, its Director's and staff collectively have a significant interest in ACG.

Analyst Interests: The Analyst(s) may hold the product(s) referred to in this document, but Taylor Collison Limited considers such holdings not to be sufficiently material to compromise the rating or advice. Analyst(s)' holdings may change during the life of this document.

Analyst Certification: The analyst(s) certify that the views expressed in this document accurately reflect their personal, professional opinion about the financial product(s) to which this document refers.

Date Prepared: April 2009

Analyst: Thomas Duthy

Release Authorised by: David Whiting

Taylor Collison Limited
Sharebrokers and Investment Advisers
A.B.N. 53 008 172 450 AFSL No. 247083

Level 16, 211 Victoria Square
Adelaide, South Australia, 5000
G.P.O. Box 2046, Adelaide, South Australia, 5001
Telephone: 08 8217 3900 Facsimile: 08 8231 3506
Email: broker@taylorcollison.com.au

Level 10, 167 Macquarie Street
Sydney, New South Wales, 2000
G.P.O. Box 4261, Sydney, New South Wales, 2001
Telephone: 02 9232 1688 Facsimile: 02 9232 1677
Email: sydney1@taylorcollison.com.au

Participant of the Australian Stock Exchange Group
www.taylorcollison.com.au
ESTABLISHED 1928