ITL Limited

28 July 2005

Meeting with Bill Mobbs (CEO)

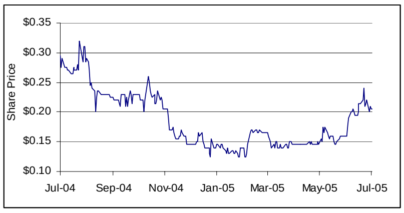
ASX: ITD **Price: $0.21**

Key Points & Analysis

- On July 26, 2005, ITL announced that the un-audited second half result will be stronger than the second half outlook provided in February 2005.Specifically; the company reported 2H '05 Revenue of $13.1m (up from a forecast of $12m) and EBITDA of $2m (forecast $1.75m).
- ITL is still expected to report a statutory loss for the year after one off charges of $1.985m announced in 1H '05 that covered separation payments for senior executives, writedown of assets relating to the Clinical Choice product range and US patent litigation expenses.
- ITL has 2 main divisions: Innovative Products Division (IPD) which focuses on the design and manufacture of safety devices for the blood and plasma collection industries and Procedure Kits Division (PKD) that primarily supplies hospitals with specialty operating room procedure kits that cover numerous procedures.
- In early June 2005, ITL announced that IPD had secured several multi-year contracts with a number of their blood banking customers. These included a further 5 year contract extension with Baxter Healthcare, the worlds largest manufacturer of blood packs, for the supply of ITL's DonorCare needle guard product which is pre attached to Baxter's whole blood collection sets. Additional long term contracts were signed with other healthcare groups including Terumo Corporation, Haemonetics Corporation and America's Blood Centres (ABC) that represent 83 blood collection centers in the US. These contract renewals also extend the range of products supported to include a number of new products. Interestingly sales of 2 recent product releases, SSK and Samplock, now both exceed the foundation DonorCare product, thus demonstrating the company's abilities in product development.
- These contract announcements will help underpin the earnings of ITL over the medium term and allows ITL to continue to work in collaboration with their end user customers to deliver the next generation of safety devices.

Key Investment Arithmetic			
Year to June:	**2004A***	**2005F**	**2006F**
Gross revenue	21.7	24.2	27.8
EBITDA	3.1	2.6	4.2
EBITDA margin	14.3%	10.5%	15.1%
Reported Net Profit	-0.8	-0.7	2.4
EPS $	-0.008	-0.007	0.024
PER	na	na	8.7
EV/EBITDA	5.7	6.9	4.2
Dividend	0.000	0.000	0.000
Yield	0.0%	0.0%	0.0%
Franking factor	na	na	na
Debt equity ratio	-24%	-14%	-15%

* pro forma for 12 months of Surgicare



Capital Details	
Share price	$0.21
Issued shares M	99.6
In-money options	0
Diluted capitalisation $M	20.9
Net cash $M	3.4
Enterprise valuation	17.5

Key Activities

ITL designs and manufactures innovative medical devices and procedure packs for global healthcare markets.

ITL's IPD Division focuses on developing safety devices that address infection control issues especially in the blood collection industry. The acquisition of CWP Design in 2003, an industrial design company, has resulted in an integrated design-development-manufacture-market service.

In 2003, ITL's PKD division made a major acquisition by purchasing Surgicare, a company that enjoys a high market share in customised procedure packs for various medical applications.

ITL now supply over 200 private and public hospitals across Australia and export blood collection safety devices to over 35 countries.

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- ITL has a significant portfolio of Intellectual Property including patents, trademarks and registered designs for its innovative products. ITL is continually adding to its portfolio through its strong and continuous commitment to research and development.

- The Procedure Kits Division (PKD) is beginning to see the fruits of the restructuring that took place earlier this year. As Bill Mobbs recently commented "the trend in the US and Europe and increasingly in Australia is towards the use of disposable drapes and gowns and customised kits". Reduction in the risks of cross infection, cost of sterilisation and improvements in inventory management within the hospital environment are creating significant market opportunities in a fast growing sector.

- In the broader Operating Kit space, ITL estimate that less than 10% of the market has converted to largely disposable kits versus 90% conversion in the US market. Major drapes and gown suppliers (which make up half the cost of an average operating room kit) such as Kimberley Clark, 3M and Molnylcke estimate the market opportunity for disposable operating room kits in Australia is around $600m pa. ITL intend focusing on the customised procedure kit space via its Sterile Designs brand where they believe better margins can be achieved. They will also continue to promote the less customised, generic kits under the Clinical Choice brand.

- A second shift has been added to the PKD divisions' factory and warehouse facilities in Breaside, Melbourne as customer demand has accelerated. ITL is now dealing with in excess of 200 hospitals .The companies strategy is to pursue a higher level of conversion across the existing customer base. Barriers to entry in the customised kit space are high, with Bill Mobbs mentioning that last month alone they had 180 requests for new or variations to items across their customised kits. This requires a level of detail that some generic kit producers would not tolerate and provides a better margin outcome for ITL.

- New product releases in the IPD division over the next 12 months include Sample First, a device that uses sample diversion technology for blood sampling prior to collection. The TINA (Transfusion Infusion Needle Assembly) is developing next generation concepts for sharps protection equipment to suit a range of needle types. Also, the Plasma collection industry (larger than whole blood collection) remains a largely untapped opportunity especially in the US.

- There are 2 substantial shareholders: Co founders Bill Mobbs 22.4% and Jag Dillon 18%.

Conclusions

After a year of restructuring and a number a senior personnel departures including the Joint CEO and CFO, ITL looks set to deliver significantly improved results and operating performance as reflected in the 2H '05 unaudited results recently announced to the ASX.

ITL operates in fast growing sectors of the Healthcare Industry, especially in the customised procedure kit space where cross infection and inventory management issues are an increasing priority for hospital operators and medical practitioners.

A number of recent contract signings with major customers such as Baxter Healthcare, Terumo Corp and American Blood Centres, will help underpin the earnings of ITL in the medium term.

Disclosure – Equity Capital Markets Limited has provided corporate finance services to ETR this financial year and has received fees for providing that service.