

ITL Limited

Management restructuring – 28th October 2004

Key Financials

ASX Code:	ITD	Shares:	99.6M
Last Price:	\$0.22	Equity Cap:	\$21.9M
		June 04(a)*	June 05(f)***
Revenue (\$M)		21.6	26.3
EBITDA (\$M)		3.1	4.0
NPAT** (\$M)		1.6	2.2
EPS** (cents)		1.6	2.2
EV/EBITDA		5.2	4.0
PER		13.8	10.0

*includes Surgicare for 12mths **pre-goodwill amortization (\$0.38M)

***before non-recurrent restructuring costs (\$0.85M) & US legal expenses (\$0.6M)

ITL designs, develops, manufactures and markets innovative products for the global healthcare industry, with particular focus on the blood banking industry. As part of its October 2003 IPO, it acquired leading Australian operating room (OR) procedure kits manufacturer Surgicare. ITL Healthcare has developed its own range of non operating room, diagnostic and aged care kits.

Announcement

- The company's joint managing director Dr Jag Dillon has left the company.
- Bill Mobbs (now CEO) has initiated a review of the business to improve profitability and growth potential.

Analysis

- The core operations are enjoying significant growth momentum in the current fiscal year. The management restructuring is about optimising the decision-making process.
- Dr Dillon ran the procedure kits division and was the architect of the roll out of additional non OR products which have been slower to generate market uptake than had been envisaged. Having one Managing Director should lead to improvements in asset and resource allocation, particularly at the Malaysian manufacturing plant. Cost savings from duplicated overheads should be possible and the review is likely to result in a rationalization of product lines to allow better economies of scale.
- Peter and Nola Gray, co-founders of Surgicare, remain under contract with ITL, which has also recently employed Dawn Cash, a highly experienced National Sales Manager for procedure kits.
- Despite the distraction of integrating the ancillary products, the core Surgicare business should deliver revenue momentum of circa 15% in FY05 and is well positioned to win significant tenders as the industry orientates toward the "disposable" model. Medium term potential exists to backward integrate key kit components.
- Orders for ITL's largest single revenue generating product, the Donorcare[®] needle guard, have recovered from the slowdown last year. The SampLok Sampling Kit (SSK) has also enjoyed renewed orders from the American Red Cross.
- Development of the next generation needle guard, TINA (Transfusion Infusion Needle Assembly) is accelerating after ITL's recent award of a \$2.4million R&D grant. At the same time, the company is actively pursuing opportunities to sell lower cost derivatives of its current technology platform guards into developing markets.
- The company is pursuing significant OEM contracts that would lead to improved utilisation of moulding equipment at the Malaysian manufacturing plant and hence higher margins.

SWOT Analysis

<p><u>Strengths</u></p> <ul style="list-style-type: none"> ➤ Established product range and international distribution network ➤ Exciting new product pipeline ➤ Strong domestic position in procedure kits 	<p><u>Opportunities</u></p> <ul style="list-style-type: none"> ➤ More effective management structure ➤ Further product innovation ➤ Backward integration for procedure kit components ➤ Move into OEM
<p><u>Weaknesses</u></p> <ul style="list-style-type: none"> ➤ Currency exposure ➤ Delays in procedure kit expansion plan 	<p><u>Threats</u></p> <ul style="list-style-type: none"> ➤ Dependence on large blood-banking clients

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