



26 August 2010

# CogState Limited (CGS)

FY10 NPAT of \$1.6m; Launches Axon Sports JV

Outperform

\$0.24

Thomas Duthy *PhD MBA*  
tduthy@taylorcollison.com.au  
+61 2 9377 1500

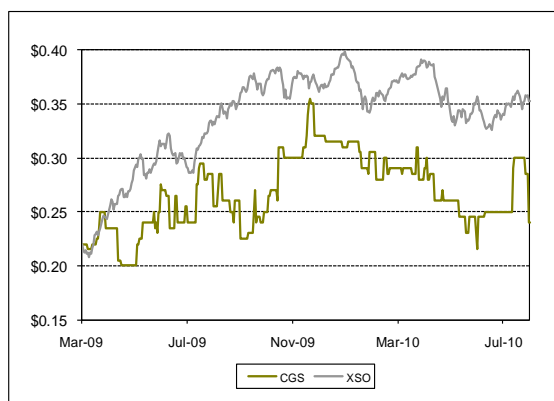
## Summary

Market Capitalisation (M)	\$15.8
Shares on Issue (M)	65.9
Share price	\$0.24
Cash (M) as at 30/6/10	\$3.1
Valuation Per Share & Price Target	\$0.42
52 week low	\$0.22
52 week high	\$0.38
Ave Monthly Vol (Yr Rolling)(M)	1.3

## Key Financials (A\$'000)

Year End	2009 Actual	2010 Actual	2011 Est.
Product Sales	8,387	9,485	11,654
Total Revenue	9,103	9,747	11,793
Net Op. Rev	2,125	1,180	2,403
EBITDA	2,019	1,017	2,199
EBIT	1,762	584	1,779
Normalised NPAT	1,987	1,568	1,613
Reported Profit	1,430	1,638	1,073
Reported EPS (c)	2.2	2.5	1.6
Rep. PE Ratio (x)	10.7	9.7	14.9
ROE (%)	41.7%	27.4%	14.2%

## Share Price Graph (A\$)



## FY10 Key Points

Reported NPAT of \$1.6m, impacted by one-off tax credit of \$1.3m, in line with results guidance presented in July.

Normalised NPAT (ex UBC term payments, FITB, FX and one-off development costs) was down 21.1% on pcp.

Reported product sales were \$9.4m and up 13.1% on pcp, or 35% in US\$ terms.

Operating cash flows of \$1.5m up 34% on pcp driven by an increase in cash receipts.

## Our View

- Defensive, with Growth Thematic Maintained** – In our view the FY10 result indicates the relative resilience of the providing cognition testing to the clinical trials market to broader economic conditions and more particularly the distinct advantage of operating in a largely oligopolistic market structure, targeting growth indications of Alzheimer's disease and schizophrenia. Highlighting this growth, we note three year sales CAGR stands at a very respectable 35.5%. However, 2H sales of \$4.4m versus \$5.1m in the 1H and corresponding PBT loss of \$0.08m versus PBT of \$0.8m in the 1H was a surprise, and largely the result of new contract deferrals.
- Consolidation in the Market Continues** – We note CogState's former clinical trials partner and 16.5% equity holder, UBC Corporation is to be acquired by Medco Health Solutions, Inc. (NYSE:MHS) for US\$730m cash, representing ~2.6x FY10 revenues. This follows on from UBC's divestment of its equity interest in CogState and subsequent acquisition of Cognitive Drug Research (CDR) in 3Q CY09 who remain CogState's largest competitor in the computerised cognition testing market.
- Axon Sports JV Looks Promising** – CogState hosted a conference call on its new US\$0.5m JV investment in Axon Sports, targeting the concussion testing market in athletes, which they estimate is worth up to US\$150-US275m p/a. We were impressed by the US management team and strategy, but it's too early to call on likely success or otherwise. We are forecasting recognised share of losses from the JV of \$0.3m in FY11 and in FY12 \$0.1m. However, we see this as a conservative assessment, given the unpredictability of uptake for this relatively new concept. We note Axon has already struck a deal with Wells Fargo Insurance Services to package the Axon test to student athletes.
- Outlook** – Through continued penetration in the global clinical trial market, we anticipate product revenue growth of 22.9% and 17.2% in FY11 and FY12, respectively. However, as a result of adjustments for the Axon Sports JV and income tax expense recognition from FY11 onwards, we have reduced our reported FY11 NPAT by 48.9% to \$1.1m. CogState trades on a revised 14.9x FY10 EPS (9.9x on a normalised basis) or 5.4x on an EV/EBITDA basis. We maintain our 12 month PT of \$0.42 and our Outperform recommendation on the stock.

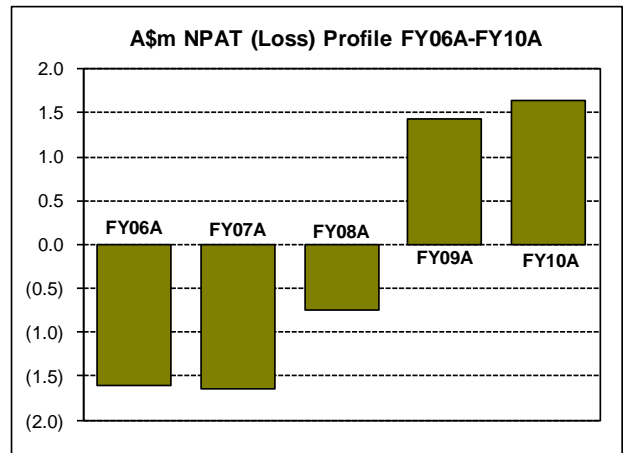
## FY10 NPAT Overview

Reported NPAT of \$1.6m, aided by one-off tax credit of \$1.3m.

CogState has delivered an FY10 NPAT of \$1.6m, positively impacted by the one time recognition of income tax losses, resulting in a credit of \$1.3m. Recognised total sales revenues of \$9.5m was up 13.1% on pcp, or +35% on pcp in US\$ terms. The business is particularly sensitive to movements in the AUD/USD given 89% of FY10 sales were US\$ denominated and 73% of costs are A\$ denominated.

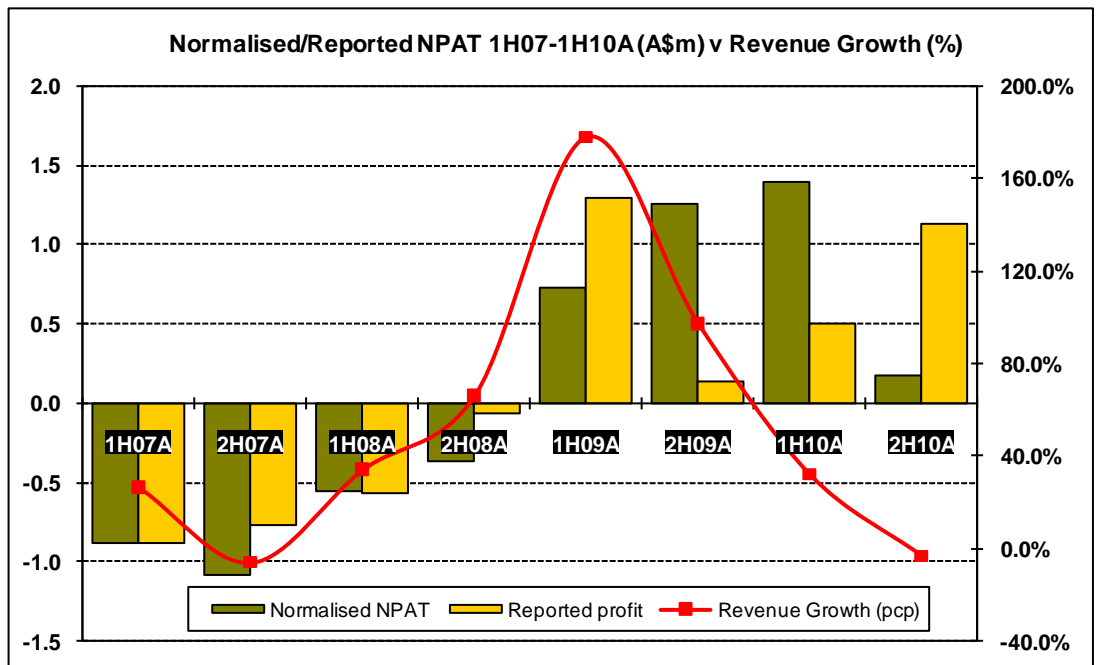
Signed US\$8.8m in clinical trial contracts up 22.2% on pcp.

During FY10 the clinical trials business, which comprises 98% of group revenues executed 38 clinical trials contracts worth US\$8.8m, up 22.2% on pcp. Recognised product sales from the clinical business were \$9.3m, up 14.9% on pcp, which given the effects of currency is a reasonable result in our view. The Company announced it was contributing US\$0.5m into a JV vehicle with Quixote Investment to form Axon Sports, which will market and sell a cutting edge Computerised Cognitive Assessment Tool (CCAT) to protect the athletic brain.



Source: CogState reports; Taylor Collison

Examining the business on a reported v normalised basis, excluding the effects of tax credits, UBC termination payments, product development expenditure and FX, we note a sharp decline in normalised profit in the 2H, resulting from the delay of clinical trial contracts into FY11, resulting in a 13.2% reduction in revenues v the 1H. Normalised/reported NPAT over the period 1H07 to 2H10 is shown below.



\* Normalised: Ex -FX, UBC payments, product dev costs, tax credits; Source: CogState reports; TC est.

## Financial Highlights

The financial highlights for FY10 are shown below. We have reconciled our estimates on a “pre-guided basis”. That is to say, prior to the July sales/NPAT guidance provided to the market, principally because the final FY10 result is virtually identical to the July update in all respects. We had not anticipated an income tax credit in our FY10 assumptions of \$1.3m, which significantly impacted our assumptions.

## Financial Highlights FY10

	FY09	FY10	Change (%)	TC est. FY10	Difference (%)
Sales Revenue	8.4	9.5	13.1%	9.1	-4.1%
SG&A Expenditure	(4.4)	(5.0)	13.2%	(5.7)	14.4%
EBITDA	2.0	1.0	-49.6%	0.5	-50.8%
Reported NPAT	1.4	1.6	n/a	(0.1)	n/a
Normalised NPAT*	2.0	1.6	-21.1%	1.2	-20.9%

\*Ex-FX, UBC payments, product dev costs, tax credits; Source: CogState reports; TC est.

Underlying profit, excluding tax credit was \$0.5m ahead of expectations.

Excluding the \$1.3m tax credit, the underlying result of \$0.4m was +\$0.5m better than our estimates principally because of favourable FX and a \$0.16m export development grant.

The headline results on a half versus half basis are shown below. The 1H generated a significant percentage of the normalised profit for the FY, while revenues were 53.5% of total recorded for the FY.

## Half on Half Splits

	FY09		FY10	
	1H	2H	1H	2H
Total Revenue	4.6	4.5	5.2	4.5
<i>1H/2H Split</i>	<i>51.0%</i>	<i>49.0%</i>	<i>53.5%</i>	<i>46.5%</i>
EBITDA	1.4	0.6	0.9	0.1
<i>1H/2H Split</i>	<i>70.1%</i>	<i>29.9%</i>	<i>90.0%</i>	<i>10.0%</i>
Normalised NPAT *	0.7	1.3	1.4	0.2
<i>1H/2H Split</i>	<i>41.7%</i>	<i>58.3%</i>	<i>89.1%</i>	<i>10.9%</i>
Reported Profit	1.3	0.1	0.5	1.1
<i>1H/2H Split</i>	<i>90.3%</i>	<i>9.7%</i>	<i>30.8%</i>	<i>69.2%</i>

\*Ex-FX, UBC payments, product dev costs, tax credits; Source: CogState reports; TC est.

## Margin Analysis

Cost of sales was re-classified by the Company during FY09, to reflect an allocation of direct expenditure related to servicing clinical trial contracts, including employee salaries, project costs, depreciation and travel. In FY10, we believe an additional \$0.5m included into cost of sales related to product development expenditure on several key programs, excluding Axon Sports. We have adjusted our cost of sales numbers for depreciation, and note that gross margins improved by 370 bps on pcp after reclassification to 68.0%, in-line with pcp.

\$0.5m in one-off product development costs lowered gross margins in FY10.

Like for like gross margins stable.

Aspirational goal of management remain +70% margins over longer term.

## Margin Analysis

	FY09	FY10	Change	Comment
Sales Revenue	8.4	9.5	13.1%	Significant headwind from AUD/USD as US\$ revenues up 35% on pcp to US\$8m
Cost of Sales	(2.6)	(3.5)	35.2%	
<i>Gross Margin</i>	<i>68.0%</i>	<i>62.4%</i>	<i>-560 bps</i>	Impacted by \$0.5m in product dev costs - like for like margins down 20 bps on pcp
EBITDA	2.0	1.0	-49.6%	
<i>EBITDA Margin</i>	<i>22.2%</i>	<i>10.4%</i>	<i>-1,180 bps</i>	
EBIT	1.8	0.6	-66.9%	
<i>EBIT Margin</i>	<i>19.4%</i>	<i>6.0%</i>	<i>-1,340 bps</i>	
Reported NPAT	1.4	1.6	14.5%	Benefit of \$13m tax credit in FY10. Normalised NPAT down 21% on pcp
<i>NPAT Margin</i>	<i>17.1%</i>	<i>17.3%</i>	<i>+ 20 bps</i>	

Source: CogState reports TC est.

We are forecasting EBIT margin expansion into FY11-FY12 as the Company realises further operating leverage from a slowdown in growth from operating cost base expenses, with revenue growth generated from a surge in Alzheimer's Disease clinical trials where CogState is well positioned with a suite of innovative products.

## Changes to Forecasts

Our changes to our FY11 and FY12 estimates are shown below, as a result of the FY10 result, Axon Sports JV, recognised tax expense moving forward and the general market outlook provided by management. We note that despite income tax expense recognition, the Company will not be required to pay income tax, as the income tax benefit rolls off the balance sheet. Therefore, the effect on cash flows is limited by our adjustments.

### Changes to Forecasts

A\$m	FY11E			FY12E		
	Prev	New	% Change	Prev	New	% Change
Sales Revenue	11.5	11.7	1.3%	13.5	13.7	1.2%
EBITDA	2.8	2.2	-21.5%	4.5	4.1	-8.5%
EBIT	2.2	1.8	-19.1%	3.7	3.4	-8.1%
NPAT reported	2.1	1.1	-48.9%	3.8	2.5	-34.1%
EPS Reported (c)	3.2	1.6	-49.6%	5.8	3.8	-35.1%
NPAT Adj.*	2.3	1.3	-41.6%	3.8	2.5	-34.1%
EPS Adj.* (c)	3.6	2.0	-43.9%	5.8	3.8	-35.1%

*FY11, FY12 revised down due to tax expense recognition, share of JV losses.*

\* Ex UBC termination payments; Source: Taylor Collison estimates

## A Word on the Axon Sports Joint Venture

CogState hosted a conference call to launch the Axon Sports Joint Venture with Quixote Investment, LLC, a Portland, Oregon based investment group immediately following the release of its FY10 results. CogState and Quixote have contributed US\$0.5m each into the JV, which provides Axon with an exclusive license to use and sell the CogState technology in the sports market of North America. CogState retains an option for further investment into the JV as required.

*Market size for athlete concussion testing estimated at US\$150-\$275m p/a.*

Though early days, Axon is expected to market and sell a cutting edge Computerised Cognitive Assessment Tool (CCAT) to protect the athletic brain. Target market segments are collectively 60m+ individuals, with potential market size p/a of US\$150m-US\$275m, which assumes one baseline cognition test p/a and 10% rate of brain injury requiring a further test. Retail tests are expected to sell for US\$7.50, with wholesale tests substantially lower.

*Excellent management track record.*

The pedigree of personnel behind Axon Sports is strong. The co-founders are Rudy Chapa and Patricia Eiting. They have created and sold a number of businesses. For example, SPARQ was sold to Nike for US\$25m in less than a five year time frame and Student Sports, prominent in the high school sports market was bought by mgt for <US\$0.4m and sold to ESPN for approximately US\$25m in a similar time frame.

*Solid legislative push for testing.*

We feel it too early in the JV determine with any precision the traction this business will obtain in the athlete market. However, we note very favourable macro factors, including general scientific consensus on the long term consequences of concussion injuries and several legislative frameworks. In July 2009 Lysted's Law was passed in Washington, which keeps young athletes from returning to play too soon, and the National Collegiate Athletic Association (NCAA) has adopted a policy for concussion management for all NCAA College athletes. Moreover, in the 2Q CY10, congressional hearings relating to the identification and prevention of head injuries in football and concussion in high school sports was discussed. It is currently unknown whether any further legislative frameworks will be created.

With regard to initial execution of the business model, we note Axon has executed an agreement with Wells Fargo Insurance Services Student Services Division which will package CCAT into its Play it Safe Concussion Care Solution for athletes nationwide. Fiscally, we do not anticipate this to be significant initially to Axon, but highlights the potential for like for like deals, and direct to consumer sales.

With respect to competitors in the market, Axon management confirmed three competitors, two of which it felt were immaterial. The third was IMPACT, which has a different technology

and business approach, though is estimated to hold approximately 20% of the high school football market. The IMPACT test takes approximately 20 minutes. IMPACT cites a number of professional bodies that utilise the test.

*Assumed JV losses of \$0.3m FY11, \$0.1m FY12.*

We are forecasting recognised share of losses from the JV of \$0.3m in FY11 and in FY12 \$0.1m. However, we see this as a conservative assessment, given the unpredictability of uptake for this relatively new concept.

## Outlook

As with previous years, the profit driver for FY11 remains further contracts in the clinical trials business, with 3 years sales CAGR a healthy 35.5% in this segment. We re-iterate the growing business opportunity in Alzheimer's Disease clinical trials, which is an area of intense interest to pharmaceutical and biotechnology companies. A number of new drug candidates are expected to progressively move into mid-late stage clinical trials over the next few years, which should underpin CogState's unique position in this market. The JV with Axon Sports, while very early stage, could see significant upside to CogState in terms of profit share beyond FY12 in our view, assuming 12-18 months to gain traction in the athlete market.

*Maintain Outperform. PT of \$0.42.*

As a result of adjustments for the Axon Sports JV and income tax expense recognition from FY11 onwards, we have reduced our reported FY11 NPAT by 48.9% to \$1.1m. CogState trades on a revised 14.9x FY10 EPS (9.9x on a normalised basis) of 5.4x on an EV/EBITDA basis, with a continued solid growth outlook in a defensive sector. We maintain our 12 month PT of \$0.42 and our Outperform recommendation on the stock.

## CGS - Summary of Forecasts

CGS \$ 0.24

## PROFIT &amp; LOSS SUMMARY (A\$000s)

Period	FY08A	FY09A	FY10A	FY11E	FY12E
<b>Product Sales</b>	<b>3,783</b>	<b>8,387</b>	<b>9,485</b>	<b>11,654</b>	<b>13,664</b>
<i>Growth (pcp)</i>	<i>610%</i>	<i>217%</i>	<i>3.1%</i>	<i>22.9%</i>	<i>17.2%</i>
<b>Total Revenue</b>	<b>3,931</b>	<b>9,103</b>	<b>9,747</b>	<b>11,793</b>	<b>13,842</b>
Cost of Sales	(1,267)	(2,576)	(3,484)	(3,511)	(4,042)
Direct R&D Expenses	0	0	(62)	(65)	(68)
<b>EBITDA</b>	<b>(975)</b>	<b>2,019</b>	<b>1,017</b>	<b>2,199</b>	<b>4,116</b>
Dep'n/Other Amort'n	(127)	(257)	(433)	(420)	(716)
<b>EBIT</b>	<b>(1,102)</b>	<b>1,762</b>	<b>584</b>	<b>1,779</b>	<b>3,400</b>
Net Interest	59	106	101	139	178
<b>Pre-Tax Profit</b>	<b>(1,043)</b>	<b>1,868</b>	<b>685</b>	<b>1,918</b>	<b>3,579</b>
Tax Expense	297	138	1,257	(575)	(1,074)
Minorities	0	0	0	0	0
<b>Normalised NPAT*</b>	<b>(811)</b>	<b>1,987</b>	<b>1,568</b>	<b>1,613</b>	<b>2,505</b>
<b>NPAT Adj.**</b>	<b>(630)</b>	<b>2,006</b>	<b>1,942</b>	<b>1,343</b>	<b>2,505</b>
<i>Growth (pcp)</i>	<i>619%</i>	<i>n/a</i>	<i>-3.2%</i>	<i>-30.9%</i>	<i>86.6%</i>
Net Adjustments	(116)	(576)	(304)	(270)	0
<b>Reported Profit</b>	<b>(746)</b>	<b>1,430</b>	<b>1,638</b>	<b>1,073</b>	<b>2,505</b>

## PER SHARE DATA

Period	FY08A	FY09A	FY10A	FY11E	FY12E
<b>Adjusted EPS (c)</b>	<b>(1.2)</b>	<b>3.1</b>	<b>2.9</b>	<b>2.0</b>	<b>3.8</b>
<i>Growth (pcp)</i>	<i>-66.53%</i>	<i>n/a</i>	<i>-6.32%</i>	<i>-31.46%</i>	<i>86.59%</i>
<b>Reported EPS (c)</b>	<b>(1.5)</b>	<b>2.2</b>	<b>2.5</b>	<b>1.6</b>	<b>3.8</b>
<i>Growth (pcp)</i>	<i>-60.4%</i>	<i>n/a</i>	<i>10.8%</i>	<i>-35.1%</i>	<i>133.6%</i>
<b>Normalised EPS (c)</b>	<b>(1.6)</b>	<b>3.1</b>	<b>2.4</b>	<b>2.4</b>	<b>3.8</b>
<i>Growth (pcp)</i>	<i>-63.8%</i>	<i>n/a</i>	<i>-23.6%</i>	<i>2.0%</i>	<i>55.3%</i>
Dividend (c)	0.0	0.0	0.0	0.0	0.0
Franking	0%	0%	0%	0%	0%
Gross CF per Share (c)	0.4	3.7	1.6	2.8	5.8
NTA per share (c)	3.0	7.1	10.0	11.6	15.3

## KEY RATIOS

Period	FY08A	FY09A	FY10A	FY11E	FY12E
EBITDA/Sales Margin %	-24.8%	22.2%	10.4%	18.6%	29.7%
EBIT/Sales Margin %	-28.0%	19.4%	6.0%	15.1%	24.6%
Current ratio (x)	2.2	3.5	3.1	2.6	3.3
Net Debt : Equity (%)	-54.4%	-61.4%	-44.0%	-48.9%	-64.0%
ROE (%)	-42.5%	41.7%	27.4%	14.2%	26.8%
Dividend Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%

## VALUATION MULTIPLES

Period	FY08A	FY09A	FY10A	FY11E	FY12E
Adj. PE Ratio (x)	n/a	7.6	8.1	11.9	6.4
Normalised PE Ratio (x)	n/a	7.7	10.1	9.9	6.4
PE Ratio (x)	n/a	10.7	9.7	14.9	6.4
Dividend Yield (%)	n/a	0.0%	0.0%	0.0%	0.0%
EV/EBITDA (x)	n/a	6.3	12.5	5.4	2.2
EV/EBIT (x)	n/a	7.3	21.8	6.7	2.7

## CAPITAL RAISING ASSUMPTIONS

Period	FY08A	FY09A	FY10A	FY11E	FY12E
Shares Issued (m)	7.4	13.7	0.0	0.0	0.0
Issue Price (A\$)	0.135	0.10	0.00	0.00	0.00
Cash Raised (A\$m)	10	14	0.0	0.0	0.0

## BALANCE SHEET SUMMARY

Period	FY08A	FY09A	FY10A	FY11E	FY12E
Cash	1048	3,030	3,092	3,961	6,785
Receivables	613	2,146	1,623	2,564	3,143
Pre Payments	23	29	59	59	59
Inventories	0	0	0	0	0
Other	147	60	212	212	212
<b>Total Current Assets</b>	<b>1831</b>	<b>5,265</b>	<b>4,986</b>	<b>6,796</b>	<b>10,199</b>
Investments in JV	0	0	563	563	563
Property Plant & Equip	478	698	1,236	2,106	2,532
Intangibles	402	402	402	402	402
Other	66	108	2,020	1,445	563
<b>Total Non-Current Assets</b>	<b>946</b>	<b>1,208</b>	<b>3,658</b>	<b>3,952</b>	<b>3,497</b>
<b>TOTAL ASSETS</b>	<b>2,777</b>	<b>6,473</b>	<b>8,644</b>	<b>10,748</b>	<b>13,695</b>
Accounts Payable	526	1,199	1,132	2,214	2,596
Provisions	207	271	406	350	410
Other	109	41	47	53	53
<b>Total Current Liab</b>	<b>842</b>	<b>1,511</b>	<b>1,585</b>	<b>2,617</b>	<b>3,059</b>
Borrowings	0	0	0	0	0
Provisions	10	26	38	38	38
Other	0	0	0	0	0
<b>Total Non-Current Liab</b>	<b>10</b>	<b>26</b>	<b>38</b>	<b>38</b>	<b>38</b>
<b>TOTAL LIABILITIES</b>	<b>852</b>	<b>1,537</b>	<b>1,623</b>	<b>2,655</b>	<b>3,097</b>
<b>TOTAL EQUITY</b>	<b>1,925</b>	<b>4,936</b>	<b>7,021</b>	<b>8,093</b>	<b>10,598</b>

## CASH FLOW SUMMARY

Period	FY08A	FY09A	FY10A	FY11E	FY12E
<b>EBIT (excl Abs/Extr)</b>	<b>(1,102)</b>	<b>1,762</b>	<b>584</b>	<b>1,779</b>	<b>3,400</b>
Add: Depreciation	127	257	433	420	716
Change in Pay.	93	673	(67)	1,082	382
Less: Tax paid	297	205	0	(575)	(1,074)
Net Interest	59	106	101	139	178
Change in Rec.	(409)	(1,533)	523	(941)	(582)
Other (inc. FITB)	1,140	891	(521)	(35)	803
<b>Gross Cashflows</b>	<b>205</b>	<b>2,361</b>	<b>1,053</b>	<b>1,869</b>	<b>3,824</b>
Capex	(373)	(495)	(933)	(1,000)	(1,000)
<b>Free Cashflows</b>	<b>(168)</b>	<b>1,866</b>	<b>120</b>	<b>869</b>	<b>2,824</b>
Dividends Paid	0	0	0	0	0
Exchange Rate Adjustments	(34)	16	(58)	0	0
<b>Net Cash Flow</b>	<b>(202)</b>	<b>1,982</b>	<b>62</b>	<b>869</b>	<b>2,824</b>

\* Excludes UBC termination payments, FX gains/losses, one-off product dev, one-off tax credits; \*\* Ex-UBC payments only

## Disclaimer

The following Warning, Disclaimer and Disclosure relate to all material presented in this document and should be read before making any investment decision.

**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. TC Corporate Pty Ltd ABN 31 075 963 352 ("TC Corporate") is a wholly owned subsidiary of Taylor Collison Limited. 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.

This report may contain "forward-looking statements". The words "expect", "should", "could", "may", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of and guidance on, future earnings and financial position and performance are also forward looking statements. Forward-looking statements, opinions and estimates provided in this report are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

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:** Taylor Collison is retained by the Company to provide general advisory services for a quarterly fee. 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, 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.

**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:** August 2010

**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 9377 1500 Facsimile: 02 9232 1677  
Email: sydney1@taylorcollison.com.au

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