Initiating Coverage Report

Anteo Diagnostics

Becoming global player in IVD

Chief Research Analyst

Marcel Wijma MSc

+1 (917) 460 6185 (US)

+31 (6) 8489 2954 (NL)

+61 (0) 426 4349 240 (AU)

m.wijma@leeuwenhoeck.com

http://www.leeuwenhoeck.com

Date: 20 November 2015

Name:	**Anteo Diagnostics**
Country:	**Australia**
Price:	**AUD 0.09**
ISIN Code:	**AU0000ADOAC2**
Reuters Code:	**ADO.AX**
Market Cap (AUD m):	**77.2**
EV (AUD m):	**72.0**
Cash & cash eq. (AUD m):	**5.2**
Shares outstanding (m):	**857.3**
Volume:	**1,216,880**
Free float:	**100%**
52-week Range:	**0.07-0.20**

AUD million (ending 30/6)	2014A	2015A	2016E
Total Income	2.635	2.445	25.000
Net (Loss)/Profit	(2.492)	(4.220)	2.000
Net (Loss)/Profit per share (cents)	(0.3)	(0.5)	0.2
R&D costs	2.845	3.116	4.000
Cash increase/(decrease)	4.449	(1.864)	4.800
Cash and marketable sec.	7.070	5.207	10.000

Executive Summary

- Anteo Diagnostics (ASX: ADO) is an Australia based medical technology company that provides scientists in the Life Sciences, In Vitro Diagnostic (IVD), Medical Device and Energy markets with powerful tools developed with its patented core nanotechnology.

- Anteo's healthcare nanotechnology called Mix&Go has broad applicability in the diagnostic and healthcare sectors. Mix&Go was developed using coordination chemistry. This type of chemistry offers multipoint binding of fragile biomolecules to synthetic surfaces. The gentle yet secure binding Mix&Go provides, reduces damage to antibodies during assay development, leading to improved diagnostic tests and more accurate results. Mix&Go improves diagnostic tests, and is a cheaper and easier alternative to traditional chemistries such as EDC and NHS. Mix&Go is easier to use than conventional laboratory methods, while giving scientists, increased antibody functionality and decreased background interference, leading to better sensitivity and more accurate results.

- In August, Anteo entered into an agreement to acquire Belgian diagnostic company DIAsource ImmunoAssays SA. DIAsource develops, manufactures and markets clinical diagnostic products in the field of endocrinology, fertility, cardiovascular and oncology. With estimated revenues of AUD 22 million for 2016FY and an EBITDA margin of 20%, this company will increase Anteo's total revenue tenfold and will propel the company into profitability. The acquisition provides Anteo with a truly global distribution platform, manufacturing capabilities and a significantly broadened product range.

- In the IVD market, Anteo is successfully implementing a strategy that has the ability to increase revenues substantially. This strategy is based on three objectives:

- Identifying and working with strategic partners to adopt Mix&Go into their products and/or their assay development workflow. Once Mix&Go is adopted, Anteo leverages the strategic partner's existing network to generate additional partnerships and collaborations.

- Co-developing new products and/or incorporation of Anteo's technology with major global companies in IVD. Here the company has arrangements with leading companies in the diagnostics and medical devices sector like Cook Medical (Australia), and a large global healthcare company (unnamed for reasons of confidentiality).

- Setting up third party distribution agreements in several parts of the world and additional agreements with regional players (like Komabiotech in South Korea) focusing on key target customer groups.

- In Anteo's pathway to product uptake and commercialization, the company already successfully set up distribution agreements with Sigma Aldrich, Veritas and Qiagen. Next to that, Anteo has executed a new agreement with POC1 (codename) and received important endorsement of its Mix&Go by Luminex.

- The diverse application of Anteo's nanotechnology is being realized. One example is the potential use of Mix&Go to pre-treat patient samples to remove interference, giving clinicians more accurate results that will influence how hundreds of millions of patients' samples are treated each year. Anteo is currently working with a strategic partner to develop a solution that answers a clinical and market need for a simple, automated approach to sample pre-treatment. This use of Anteo nanotechnology is applicable in traditional high throughput IVD systems, molecular spectroscopy and Point of Care sectors of the IVD market. In the US alone, up to 10 billion laboratory

tests are performed each year, and the global immunoassay instruments and reagents market is expected to reach USD 19.1 billion by 2018. IVD is the main market focus for Anteo.

- Earlier this year, Anteo filed an important patent covering inventions made in the energy sector using its nanotechnology. Anteo provides a "drop-in" approach for developing high performance battery materials, compatible with current and near term battery manufacturing processes. The company has established a special purpose entity with a focused budget, Anteo Energy Pty. Limited, to explore this opportunity in energy. For that reason it raised AUD 1 million with long term shareholders who wanted to invest in the company's continuing development of its nanotechnology in the battery sector.

- Based on our NPV valuation, we believe that Anteo Diagnostics is substantially undervalued at the current share price of AUD 0.088. Major valuation drivers for Anteo are the strong upside potential for its revenues, scale and distribution. In that respect the acquisition of DIAsource is definitely a value-add. Using our valuation model, the Company's current total value is AUD 170-230 million, or AUD 0.16-0.21 per share. This represents a substantial upside from the current share price.

Company Profile & Technology

Anteo Diagnostics is an Australia based medical technology company that uses its patented nanotechnology to develop, manufacture and commercialize proprietary surface coatings for use in healthcare, life sciences and beyond. Its core nanotechnology has a broad range of applications.

The company is developing its own pipeline of value-added products based on their nanotechnology, and continues to evolve and broaden its portfolio of formulations, which enables it to address new markets with demanding technological challenges. Recent examples of this include, the development of formulations addressing the needs in the vast medical device market as well as the battery market.

Partnerships with leading companies in the IVD and Medical Devices space

The company has a growing number of partnerships in place in the healthcare and diagnostics sectors. These partnerships are important agreements to enter international markets and increase Anteo's customer base. For that reason, Anteo has unfolded a strategy that is focused on three objectives:

- Adoption of Anteo products through their strategic partners and their partners' existing networks. Here the company is already working with a number of key strategic partners around the globe to provide improved test performance to the USD 5 billion lateral flow market, and is undertaking collaborative work to address the clinical laboratory immunoassay market, which is forecasted to reach USD 23.7 billion in 2019.

- Co-developing new products with major players in the IVD area. This would also trigger customers of these major players to use Anteo's products (magnetic beads, Mix&Go, gold nanoparticles). Here the company is co-developing novel serum depletion products that have the potential to pre-treat hundreds of millions of patient specimens worldwide

and improve the quality of reported patient results. Anteo can thereby tap into the market for pretreatment of specimens at numerous laboratories to reduce their costs and improve patient care. This has the potential to be reimbursed by healthcare insurers. An additional source of revenues will be royalties that can come from the sales of these products by third parties.

- Set up of distribution agreements with third parties in order to increase the visibility and sales of Anteo's product portfolio. An example is the recent announced agreement with South Korea based Koma Biotech, who will market, distribute and support the Anteo Mix&Go (AMG™) products in South Korea. The life sciences industry in South Korea is substantial and growing due to the health and economic challenges, which accompany the region's rapidly aging population. It has a population of over 50 million people.

Anteo has already shown progress with this strategy. Cook Medical Australia, part of the world's largest privately owned medical device company, and IMRA America have recently entered into separate partnerships with Anteo Technologies to develop products with broad applications in the medical device, IVD and global life science markets. A trusted distributor of innovative products, Veritas Corporation, has signed an agreement with Anteo to own distribution rights to Mix&Go Reagents and the Anteo Mix&Go (AMG) product range in Japan.

Furthermore, Anteo is increasing the adoption of Mix&Go product range via co-development partnerships including, IMRA and POC1 (see below).

Anteo has signed a funded and expanded agreement with a major global healthcare company (known as POC1 for confidentiality reasons). POC1 is developing a handheld immunoassay analyzer (point-of-care device), to better diagnose health conditions faster than the methods available on the market today. Initial research using Anteo's proprietary technology on part of the device (beads) has delivered positive results that satisfy the requirements of POC1. This has led

to an expansion of the scope of Anteo's involvement with POC1. Anteo is now undertaking work on the biosensor surface to further improve outcomes on the device.

The importance of this agreement is:

- Increased financial return to Anteo.
- The opportunity to achieve platform incorporation of Mix&Go in POC1's device is significant.
- The additional R&D focus on the sensor provides Anteo with a holistic perspective of the customer's device, and equips POC1 to solve the broader constraints in order to achieve the device's full potential.
- POC1 and Anteo continue to work closely together to drive research and development to deliver the next generation point of care device.
- The POC1 platform has the potential to be utilized for a broad array of tests in various disease fields. POC1 will work with other point of care system providers and other point-of-care tests developers and will introduce Anteo and its capabilities to other major players in the POC space.
- Novel applications of Anteo's nanotechnology, and all associated intellectual property were captured in Anteo's recent patent applications.

Mix&Go Healthcare Nanotechnology

Attaching fragile proteins to synthetic surfaces is often required in modern drug discovery research, life science research and development, as well as for the development of therapeutic and diagnostic products. Depending on the particular method and application, many different

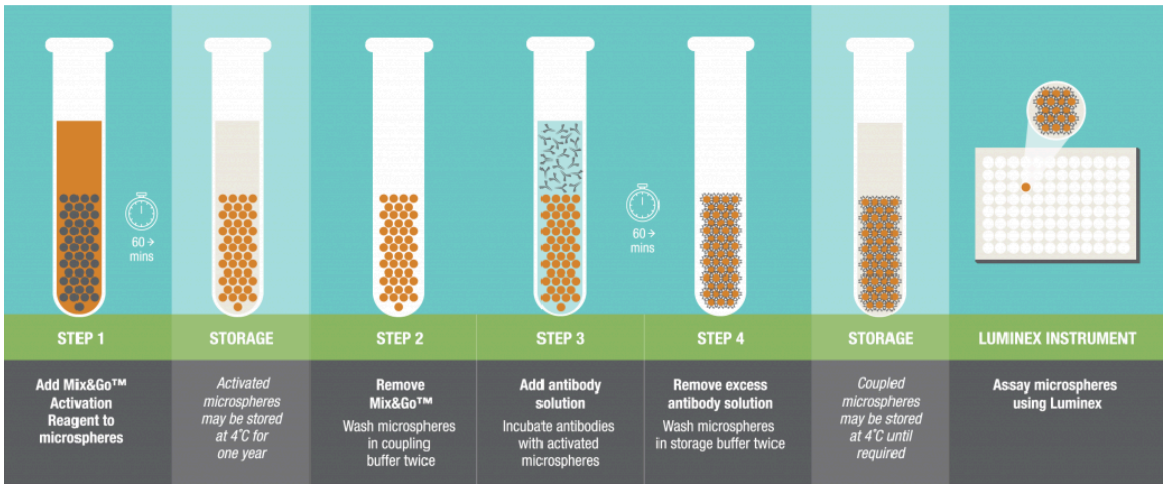
synthetic materials – magnetic beads, various plastics, glass, metals, and porous membranes – are used. The surface characteristics of these materials vary enormously as do the type, size, and number of biomolecules to be immobilized. Maintaining the activity of biomolecules on these synthetic surfaces continues to be an industry challenge. Standard chemistries tend to damage a large percentage of the biomolecules attached to the synthetic surface. Damage results in reduction or loss of function of the biomolecule requiring the manufacturer to either use a large excess of these expensive molecules or sacrifice performance in their tests.

Mix&Go improves diagnostic tests, and is a cheaper and easier alternative to traditional chemistries such as EDC and NHS. Using a surface coating such as Mix&Go Activation Reagent that relies on coordination chemistry for multipoint binding, antibodies will take advantage of the gentle yet secure binding nature of the reagent, and will retain higher functionality and stability than with EDC or NHS Chemistry. Scientists can also reduce reagent preparation time by 3-4 hours by using Mix&Go instead of EDC or NHS chemistries. In addition, Mix&Go is water based and reduces the amount of hazardous chemicals scientists work with.

Fig. 1 Mix&Go can be broadly utilized in the life sciences, laboratory diagnostic and point-of-care spaces. The range of synthetic materials it can be applied to is much broader than for other commercial alternatives thus making it a universal surface coating solution.

At the end of 2014 Anteo released its Mix&Go Activation Kit for Multiplex Microspheres to market. This kit is for use with Luminex particles, and was designed as an alternative to the traditional covalent coupling method. Reference laboratory testing underway has confirmed the ease of use, reproducibility and scalability attributes this kit delivers, solving known problems for Luminex system users.

In April, on the corporate blog, Luminex wrote about the benefits of using the Anteo Mix&Go (AMG) Activation Kit for Multiplex Microspheres on the Luminex xMAP platform.

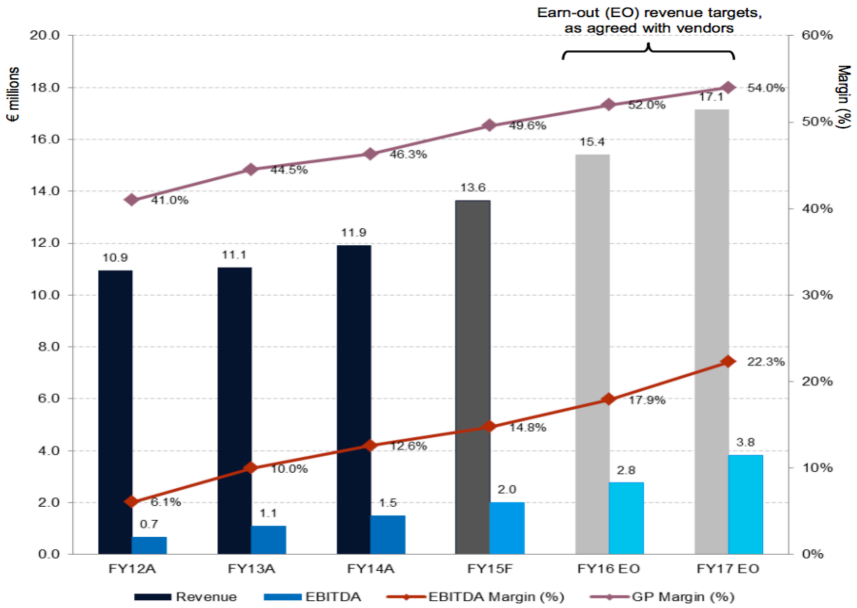


How the Anteo Mix&Go (AMG) Activation Kit for Multiplex Microspheres works

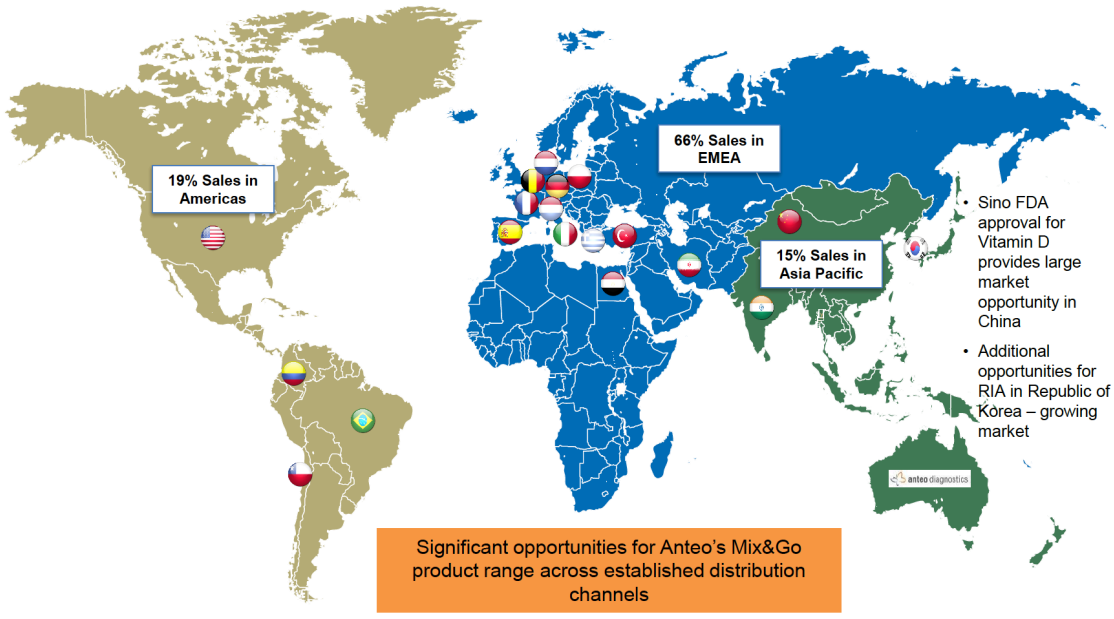
Acquisition of DIASource

In August, Anteo announced that it had entered into an agreement to acquire Belgian based company DIAsource. DIAsource is a vertically-integrated specialty diagnostics company that develops, manufactures, markets and distributes clinical diagnostics products in the fields of endocrinology, especially bone metabolism, fertility, cardiovascular and oncology.

DIAsource is a company that services customers in 75 countries worldwide and sells products both directly and through a global network of 90 main distributors and 40 OEM partners. The company generated revenue of EUR 11.9 million (AUD 18.0 million) in 2014 and EUR 7.2 million (AUD 10.9 million) in the first half of 2015. This represents revenue growth of 25% with an average EBITDA margin of 20.6% this year. DIAsource recently achieved its fifth consecutive revenue growth quarter and fifth consecutive best quarter ever in the company's history, thanks to growth in its Vitamin D portfolio and its established line of specialty RIA and ELISA assays, two different forms of immunoassays.



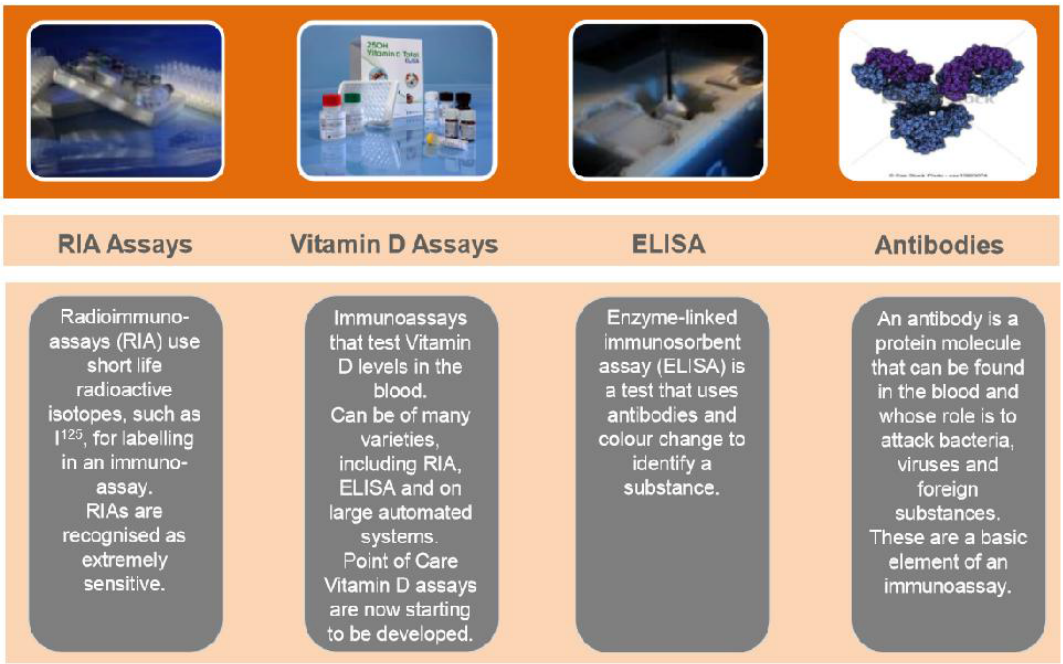
With extended reach into 75 countries, the possibilities for Anteo to leverage the Mix&Go product range and capabilities throughout DIAsource's supply chain are significant. Anteo will also gain access to a large manufacturing capability, which will provide a platform to manufacture products at scale. This previously would have required Anteo to undertake significant further investment. DIAsource has a FDA certified manufacturing facility that enables Anteo to deliver fully certified products directly to IVD manufacturers, reducing business barriers. This facility has the capacity to include Anteo's Mix&Go products. In short, the acquisition of DIAsource considerably improve critical mass in Anteo's target markets.



DIAsource manufactures and distributes a broad catalogue of ELISA and RIA products for clinical diagnostics via established distribution and dealer networks worldwide. Included in the offering is a broad range of antibodies and laboratory instrumentation. DIAsource's products are well suited

to mid-tier and specialist laboratories. The large manufacturing capability will provide a platform to produce Anteo products at considerably greater scale. This was previously unattainable to Anteo without significant investment.

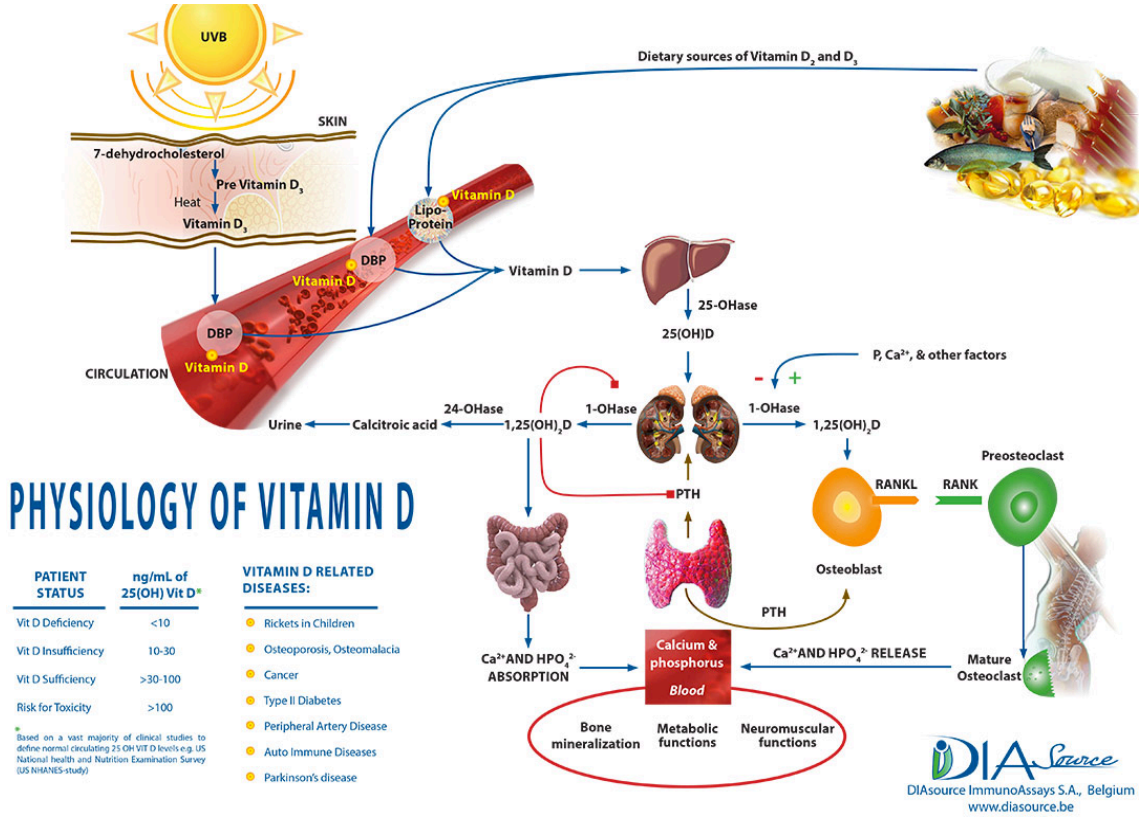
It is expected that the already impressive performance of DIAsource can be further improved through the introduction of Mix&Go. The power of Mix&Go, along with Anteo knowhow, to allow for the development of tests that are either more commercially valuable or less expensive to manufacture will strengthen the current position. The ability to demonstrate these commercial benefits, coupled with the distribution made possible through DIAsource, is expected to amplify



the broader uptake of Mix&Go.

Increasing importance of Vitamin D might be one of the big growth drivers

The Vitamin D assets of DIAsource are well understood by Anteo and represent a potential area of growth across the combined business. Vitamin D deficiency is a common condition that affects a significant number of Australians. Vitamin D is important in the maintenance of bone health, and deficiency leads to osteomalacia and contributes to fragility fractures. Deficiency has also been implicated in a wide variety of extra-skeletal conditions. Vitamin D can be easily assessed in patients by measuring serum 25-hydroxyvitamin D.



Source: DIAsource

This acquisition will transform Anteo Diagnostics dramatically and is expected to be completed in November 2015. DIAsource has the potential to deliver a number of important benefits to Anteo including:

- **Strong revenue, revenue growth and EBITDA margin** – with strong fundamentals, including a 20% EBITDA margin over the last four quarters, the DIAsource deal transitions Anteo towards a cash flow positive organization with significant upside earnings potential.

- **An experienced and globally-networked team** – the DIAsource team brings extensive industrial diagnostic experience that dovetails with Anteo's capabilities and "know-how", as well as an established business network of research and commercial partners worldwide.

- **A broad suite of existing products** – The major product lines: radioimmunoassay (RIA), Vitamin D and ELISA platforms are all growing and have clear niches that are well positioned for further growth in mid-tier and specialist pathology laboratories.

- **A strategic location** – Belgium is centrally located in Europe; situated between Germany, France, the UK and the Netherlands. DIAsource's head office and operations are based in the middle of one of the most prosperous and densely populated region in Europe, with good access to core European markets and Anteo's customers.

- **Additional differentiators** – DIAsource's existing platform provides significant opportunities for Anteo's Mix&Go technology; delivering tailored customer offerings and accelerating sales of the Mix&Go technology and product range.

IVD Market: Major growth opportunities

In spite of all the advances we have made in medicine, people still get sick. But thankfully, we are continuously getting better with our ability to diagnose the causes of diseases. One clear way medicine is improving is the *in vitro* diagnostics (IVD) market — a subset of the overall medical technology market — which focuses on laboratory diagnostic tests for conditions like infectious diseases, chronic diseases, sexually-transmitted diseases (STDs) and oncology, The better we get at figuring out what's ailing people, the faster we can treat them.

An estimated 70% of all decisions regarding a patient's diagnosis and treatment, hospital admission and discharge are based on laboratory test results.

Anteo has a number of approaches to improve diagnostic testing and monitoring of patients. The unique protein attachment process has been shown to increase the sensitivity of laboratory tests as well as point-of-care and rapid tests. More sensitive detection of a biomarker of disease often means earlier treatment with improved outcomes for patients.

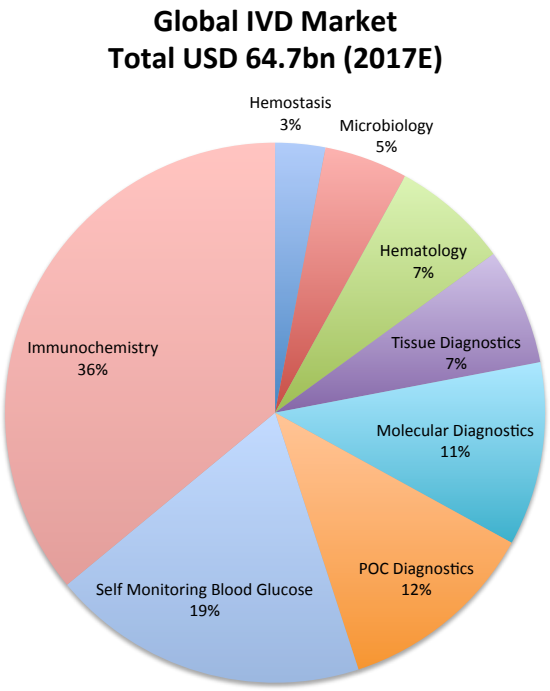
Another large and currently almost unaddressed market is that of sample pre-treatment. Recently, Anteo filed a new patent application in this space describing a method to pre-treat patient samples to remove interfering substances before the actual diagnostic test is performed. The pre-treatment patent addresses various sample specific interferences in IVD tests that can result in erroneous results and lead to unfavorable patient outcomes. There is an identified and acknowledged clinical need for a simple, inexpensive, automatable and effective solution to mitigate sample specific interferences without altering or changing the sample composition.

In the U.S. alone up to 10 billion laboratory tests are performed each year, and the global immunoassay instruments and reagents market is expected to reach USD 19.1 billion by 2018. Anteo is exploring strategic partnership opportunities to co-develop novel serum depletion

products that have the potential to pre-treat hundreds of millions of patient specimens worldwide and improve the quality of reported patient results. A major collaboration with a highly reputed clinical partner will be announced soon.

This use of Anteo's nanotechnology is applicable in traditional high throughput IVD systems, classical ELISA tests and Point of Care sectors of the IVD market.

Despite global economic and industry challenges, in vitro diagnostics (IVD) markets are growing robustly at double the rate of the global pharmaceutical industry. The global IVD market size was USD 47.3 billion in 2013; it is expected to reach USD 64.7 billion in 2017, at a compound annual growth rate of 7.3%.



The largest markets continue to be the United States and Western Europe, which collectively represent nearly 60 percent of the global IVD market. The anticipated outcome for these markets, however, varies. Asia-Pacific healthcare expenditure is forecast to increase 151 percent by 2020. The demand for better quality healthcare and healthcare infrastructure development will drive strong demand for IVD in the region.

One of the most important market drivers promoting this achievement is the regular need for detecting infections. Infectious disease testing will always be a key driver for diagnostics testing because new pathogen strains develop each year, such as in seasonal influenza and H1N1. Additionally, hospital acquired infections, like Methicillin-resistant Staphylococcus aureus, necessitate increased testing.

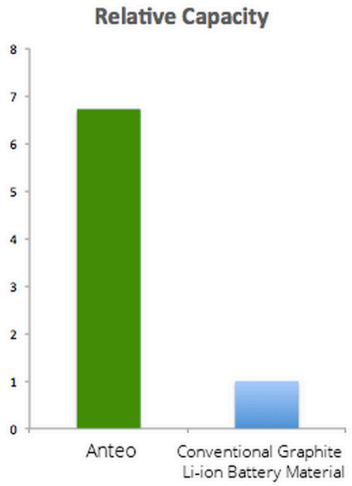
Another primary growth factor of the IVD market is the ageing demographic, which drives demand for laboratory testing. Likelihood of chronic diseases and cancer risk increases for individuals over age 65. Consequently, their healthcare needs augment and drive the demand for more screening and diagnostics testing. This may create a positive impact on clinical laboratory test volumes. Chronic diseases like diabetes, asthma, and heart disease have a high prevalence and require long-term patient management that includes clinical laboratory testing.

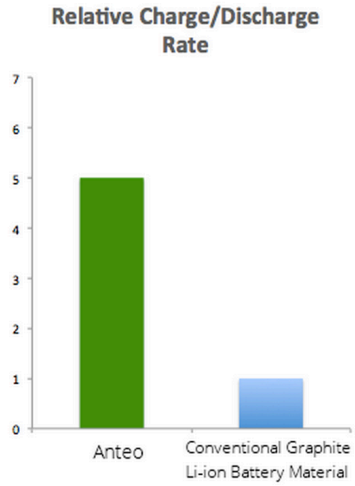
However, this robust growth has an upside and a downside for clinical laboratories and pathology groups that purchase IVD analyzers, reagents, and consumables.

Unfavorable business conditions for IVD are slowing the US market, forcing market participants to pursue outside markets that are demonstrating rapid growth. On the other hand, despite challenges in reimbursement and a need for Conformité Européenne (CE) marking reform, Western European markets exhibit an upward trajectory.

New opportunity: Battery market

Anteo filed an important patent covering inventions made in the energy sector, using its nanometer thin coating technologies. This battery patent is a truly novel yet simple application of Anteo nanotechnology. It is clear that there is significant potential in the energy field, which the company intends to realize. The company has established a special purpose entity with a focused budget, Anteo Energy Limited, to explore this opportunity in energy. For that reason it raised AUD 1 million from long-term shareholders who wished to invest in the company's continuing development of its nanotechnology in the battery sector.





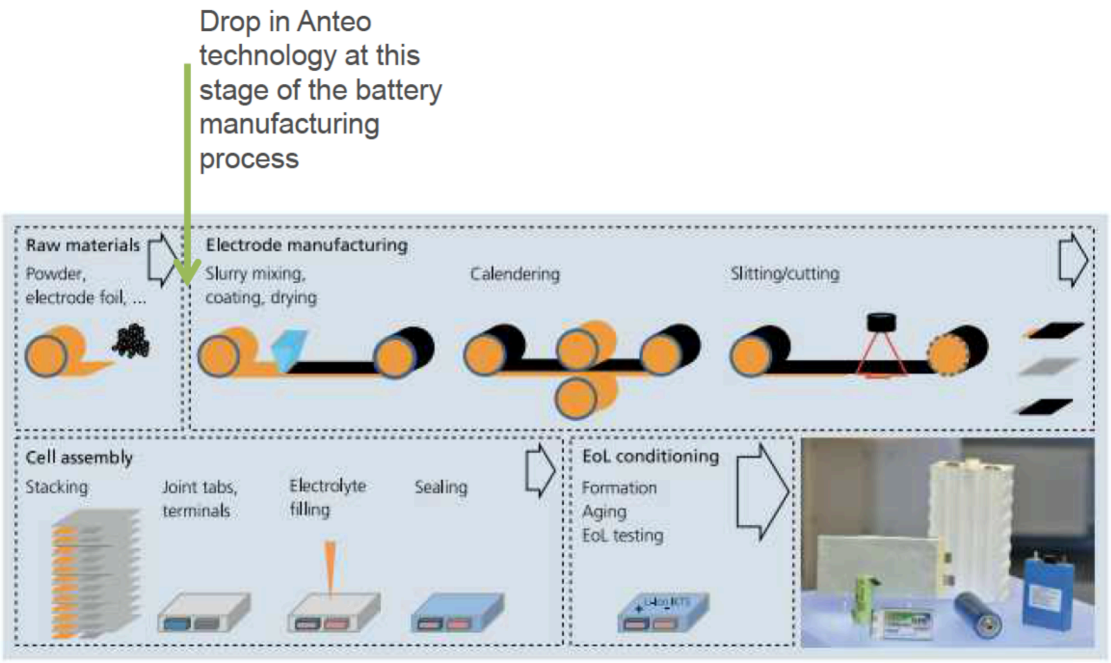
Anteo's nanotechnology provides a "drop-in" approach for developing high performance battery materials, compatible with current and near term battery manufacturing processes. Large investments in new materials and new plants are not likely to be required.

Early data indicates that a successful development program has the potential to deliver batteries with:

1. Significantly higher charging capacity when compared with current batteries and competing technologies under development. This provides lighter and smaller batteries.

2. Better charge/discharge efficiency allowing batteries to deliver more power for longer to the end user, which will result in an increased runtime per charge.

3. Significantly faster charging and longer lasting batteries.



Market for batteries expected to increase significantly

Batteries have become increasingly ubiquitous in today's society, powering everything from hearing aids to smart phones, forklifts, and even cars. Today's battery technologies range from heavy, bulky, and inexpensive lead-acid batteries to lighter, smaller, and pricier lithium-ion (Li-ion) batteries. Value chains are now well-established, with stakeholders from mining companies to materials manufacturers, to battery suppliers, to end users. Industries such as consumer electronics have become heavily invested in Li-ion technology, and the automotive sector is exploring a shift to these batteries as well.

The global lithium-ion battery market is expected to experience strong growth and reach USD 24.2 billion by 2018. The prime drivers of the market are growing demand of electronic products, automotive vehicles, etc. Trends are favorable for growth across the industry; however, significant differences in growth potential among the application markets and regions exist. Key sectors in the market applicable to Anteo technology include automotive, mobile phones and tablets, laptops, power tools, toys, other portable electronic devices, defense and renewable energy storage. Automotive has the most potential for growth.

Lithium-ion battery suppliers will recognize that valuable opportunities exist in the industry due to impressive trends in demand quantity and growth. Earlier, the lithium-ion battery was used in some limited applications. With changing customer needs and growing awareness, the industry is meeting new challenges to develop new applications. This requires a high level of capital investment and sophisticated technological capabilities. The cost of lithium-ion batteries is expensive which may negatively affect the industry.

The biggest driver for growth of lithium-ion battery in the automotive market is its usage in electric, hybrid electric, plug-in hybrid electric, and fuel cell electric vehicles where lithium-ion battery is used for storing the electric energy, which is produced by chemical reaction. Another driver is the portability and durability of the battery product.

The global lithium-ion battery industry is growing at an impressive rate and is expected to grow more in near future. The demand is growing in automotive lithium-ion battery applications. A hike in oil prices is likely to drive the growth for electric car, electric bus, electric cycle, and electric two wheeler vehicles where lithium-ion batteries are used.

SWOT

Strengths

Strong management with extensive relevant commercial and technical expertise

Strong IP position with Mix&Go and in Energy market

Acquisition of DIAsource propels company into profitability

Direct product cost savings and work place cost efficiencies

Weaknesses

Operating losses cumulating year-on-year

Delay in roll out own product portfolio globally

Opportunities

Additional products to leverage off current platform technology, additional markets

Fast growing market of In Vitro Diagnostics (IVD)

Large growing markets

Threats

Competition or large global diagnostic companies

Failure to sign partnerships in key markets

Patent Position

Anteo continues to strengthen its IP base and utilise its existing IP in commercial opportunities. Anteo's core patent position lie in the area of developing nanometre thin glues. The initial area of application was the in vitro diagnostics and related life-science areas. These glues have commercial benefit broadly where biological materials, such as antibodies, are bound to synthetic materials. The benefits become increasingly significant as assay platforms become smaller and smaller. In this context, Anteo's IP strategy, and the expansion of its core competencies sit with smaller and smaller devices where Mix&Go can give performance benefits that cannot be achieved using existing methodologies.

A patent application, Conjugating Molecules to Particles, will move to "national phase" this year. The application focuses on methods to form multi-functional nanoparticles, which is very difficult to achieve using conventional methods. Since filing, this method has been used with success in four different commercial opportunities. It is expected that this method will underpin many collaborative or contract research activities in PoC opportunities where nanoparticles are used. Another patent application, Heterofunctional Binding Systems, entered Patent Cooperation Treaty (PCT) stage in early 2015. This application discloses methods to coat more diverse materials, some of which are of importance for providing new solutions in PoC assays. This application has been successfully used in progressing four other commercial opportunities. In February this year, a new patent application addressing pre-treatment strategies, useful for the IVD industry was filed. Work validating its commercial importance in generating data that is not biased by interfering substances is currently in progress with an independent reference laboratory. There has been significant interest in this product concept and it was the subject of a poster, then presentation at the American Association for Clinical Chemistry conference, the world's leading event for laboratory medicine, It covers approaches for clearing or depleting interfering substances from pathology samples, prior to analytical testing.

Financials

For the year ended 30 June 2015, Anteo Diagnostics reported a net loss after tax of AUD 4.2 million compared with a loss for the 2014 year of AUD 2.5 million. Revenue from sales increased 50% to AUD 0.465 million during the year , which is another step forward growing revenue from Mix&Go sales, royalties and consulting services. The company received less from the Commercialization Australia Grant AUD 649,740, (2014 AUD 836,200) because the grant completed at the end of March. The R&D Tax incentive was also lower, AUD 1.1 million (2014 AUD 1.2 million), as a result of timing impact of the grant. In future years Anteo expects the R&D Tax incentive to be more substantive. The impact on profit of these items was AUD 0.3 million. Following the placement at the end of 2013 Anteo has increased its technical and transactional capability to better drive all business activities and push to profitability. This worthwhile investment is reflected in the increase in R&D costs to AUD 3.1 million (2014 AUD 2.8 million) and Selling & Distribution costs to AUD 1.8 million (2014 AUD 1.4 million)

Total cash at the end of June 2015 amounted to AUD 5.2 million.

Financial Summary (AUD mln)

Profit & Loss Statement For full year ended 30 June	June 30 2015A (12 months)	June 30 2014A (12 months)
Revenues	2.445	2.636
Expenses		
R&D Costs	(3.117)	(2.846)
General & administrative expenses	(1.766)	(0.856)
Sales & Marketing	(1.781)	(1.426)
Income (loss) before income taxes	(4.220)	(2.492)
Tax Credits	-	-
Net Loss (Income)	(4.220)	(2.492)

Consolidated statement of cash flows

	June 30th 2015A (12 months)	June30th 2014A (12 months)
Cashflow from operating activities	(3.433)	(1.977)
Cash flow from investing activities	(0.350)	(0.206)
Cash flow from financing activities	1.919	6.632
Cash and cash equivalents at beginning of the period	7.070	2.621
Cash and cash equivalents at end of period	5.207	7.070

Management Capabilities

Seasoned innovators in healthcare and specifically in diagnostics are building Anteo Diagnostics. The company is led by an experienced Board and management team, which has been responsible for the rapid development of the business and has a successful track record of developing, protecting and commercializing innovative scientific products and processes. In the past several years, Anteo has been investing in developing a team of experts that have a focus on commercializing its medical technology and can deliver results. Its board and senior management team are highly experienced in the development and commercialization of therapeutics in elderly care.

Management Team

Mark Bouris, Chairman of the Board

In addition to his chairmanship with Anteo, Mark Bouris is the Executive Chairman of Yellow Brick Road Wealth Management and the Executive Chairman of global technology company TZ Limited. Mark is an Adjunct Professor at the University of New South Wales Australian School of Business and he sits on boards for the University of NSW Business Advisory Council and the University of Western Sydney Foundation Council. Mark holds a Bachelor and Master of Commerce from the University of New South Wales and has doctorates from the University of New South Wales and the University of Western Sydney. Mark is also a Fellow of the Institute of Chartered Accountants and the author of three business books, Wealth Wizard, The Yellow Brick Road to Your Financial Security, and What It Takes.

Dr Geoff Cumming, Chief Executive Officer

Dr. Cumming has over 20 years' experience in the healthcare and biotechnology market. Geoff's roles have progressed from pure research to sales and marketing roles through to Managing

Director level and Board seats. Previously Managing Director of Roche Diagnostic Systems – Oceania Regional Centre, where he transformed a loss making business to one achieving over 30% compound annual growth over a four year period and the highest profitability levels in Roche's global organization. Geoff was also Managing Director and CEO of an Australian based biotechnology company commercializing a range of products in cancer diagnosis and treatment. During his tenure he was responsible for taking research from Sydney University through to product registration. This involved capital raising, managing Intellectual Property, investor relations and forging links with relevant international partners.

Richard Martin, Chief Financial Officer

Mr. Martin has practised as a Chartered Accountant for 16 years, 11 as a partner in a Sydney accounting practice. Mr Martin has been involved with the Company since it was founded by Dr Maeji. He has considerable experience both operationally and advising corporate entities, his work has included complex business structuring and financing, the establishment of international hotels from conception, public listing of companies, management of foreign currency exposure, establishing and operating start up technology companies and the negotiation and implementation on the purchase and sale of enterprises. Mr Martin is a former director of Boulder Steel Ltd. He has been a Director of Anteo since September 2005.

Dr N. Joe Maeji, Chief Scientific Officer

Dr Joe Maeji has more than 20 years' experience managing successful R&D projects in the biotechnology and life science industries. His focus has been on the commercialisation of products and technologies at the interface of chemistry and biology. Mr Maeji holds a Ph.D. in Polymer Engineering from the Tokyo Institute of Technology.

Sandra Andersen, Director

Mrs Sandra (Sam) Andersen is a Certified Practicing Accountant, and holds a Bachelor of Laws. She is a Fellow of Finsia and the Australian Institute of Company Directors. Sam Andersen was appointed as a Director in May 2011. Mrs Andersen is a Director & Chair of the Risk Committee of Beyond Bank Australia, Member of the Board of Trustees and Chair of the Finance and Audit Committee for Melbourne Convention and Exhibition Trust, a Director of Australian Hearing Services, Chair of the Audit and Risk Committee for the Department of Premier and Cabinet Victoria and a Director and the Chair of the Audit & Risk Management Committee for Victrack. She began her career with a law degree and subsequently held senior executive positions with ANZ Bank, Commonwealth Bank of Australia and National Australia Bank. Following a career change from banking and finance into industry, Mrs Andersen was the Chief Financial Officer at Lumacom Ltd and Chief Operating and Financial Officer of Multi-Emedia.com Ltd. She led the initial public offering for and became the Managing Director of Eyecare Partners Limited, a company which trebled in size in its first 2 years of operation.

Dr John Hurrell

Dr. John Hurrell has 30 years of experience in the biotechnology and life science industries. He has a strong track record of success in starting, building, growing and improving the profitability, performance and value of life science and healthcare companies. Currently Dr. Hurrell works as Senior Vice President at PTS Diagnostic Inc. where he is responsible for the International Business Development and Sales. Previous roles included: Senior Executive Vice President at Seegene, Inc. where he was responsible for the International Business Division, President and General Manager at Focus Diagnostics, VP of Business Development at Quest Diagnostics as well as senior positions at Genzyme, Boehringer Mannheim, Merck Serono, and a number of other companies.

Valuation

We value Anteo Diagnostics at AUD 170-230 million using a risk-adjusted NPV valuation. This is valuing the potential of the Mix&Go platform, new and existing partnerships and the increased market outreach via the acquisition of DIAsource. We think that the acquisition of DIAsource calls for a rerating of the company. We have not put a valuation on the Energy division since that is still early stage. However, we feel that the potential for its batteries activities offers additional upside potential for the stock price. We estimate that Anteo will be able to substantially increase revenues from its Mix&Go platform via the current partnerships, its focus on the fast growing IVD market and the extended market reach with the acquisition of DIAsource. Revenues from DIAsource are expected to increase 10-15% in the next few years with EBITDA margins of 20%.

Our model suggests Anteo Diagnostics is currently worth AUD 170-230 million, which compares to the market capitalisation of AUD 76.3 million. On a per share basis, using the number of shares in issue of 857.3 million we derive a value of AUD 0.20-0.27 per share. This is based on the current value of its Mix&Go platform and the further roll out of its current products in both North America and Europe via the acquisition of DIAsource. The AUD 0.20-0.27 per share value is not a price target but a fair value for the stock today. Upside would come from a more rapid increase in revenues from customers and partnerships than we currently model. This would also increase the probabilities of success for securing new business in later years, resulting in a higher valuation. It should be stressed that the risk-adjustment applied to cash flows from each business unit relates to commercial/competitive risk (ie ability to secure new customers in a competitive field), as opposed to technical risk associated with gaining regulatory approvals, which we view as relatively low. Ultimately, Anteo may end up with fewer customers but generating significantly more project work than predicted, or more customers with fewer projects, but predicting the timing and scale of these contracts is difficult at this stage. Hence we adopt a base-case approach of 1-3 new customers per quarter, generating a sliding-scale of business, and retaining Anteo's services for a number of years.

Analyst: Marcel Wijma MSc

Marcel Wijma, Chief Research Officer and managing partner, has a longstanding history in financial biotech research. After selling Van Leeuwenhoeck Research (VLR) to SNS Securities in 2006, he established an award winning analyst team in biotech/life sciences at SNS Securities. In 2009, Marcel was awarded by Financial Times/Starmine as being one of the Top-3 biotech analysts in Europe. Later that year, Marcel purchased VLR from SNS Securities after which the company was reconstituted. At VLR, he leads the professional VLR research organisation, which is augmented by selected external financial researchers with a specialisation in Life Sciences. Mr. Wijma has a Masters degree in Financial Economics from Erasmus University in Rotterdam.