BELL POTTER

7 June 2023

Speculative

See key risks on Page 4 and Biotechnology Risk Warning on Page 7. Speculative securities may not be suitable for Retail Clients.

Analyst
John Hester 612 8224 2871

Authorisation
Sam Brandwood 612 8224 2850

4D Medical (4DX)

Prospects for VA Contract Improving

Recommendation
Buy (unchanged)
Price
$0.825
Valuation
$1.10 (previously $1.05)
Risk
Speculative

GICS Sector

Healthcare Equipment and Services

Expected Return	
Capital growth	**33.3%**
Dividend yield	**0.0%**
Total expected return	**33.3%**
Company Data & Ratios	
Enterprise value	**$205.7m**
Market cap	**$284.7m**
Issued capital	**345.1m**
Free float	**80%**
Avg. daily val. (52wk)	**$533,000**
12 month price range	**$0.29 - $1.27**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	1.14	0.36	0.64
Absolute (%)	-27.31	129.17	28.91
Rel market (%)	-26.40	130.95	29.90

Absolute Price

SOURCE: IRESS

Commercialisation Momentum Continues To Build

The recently completed capital raise was well supported by institutions and retail shareholders following a spate of news flow regarding commercialisation activities for the XV LVAS in the United States. This included the first commercial contract with University of Miami and first scan completed at a Department of Veterans Affairs hospital. The VA is the largest hospital system in the US by some distance and its business could accelerate adoption of 4DX technology into mainstream by years.

Strong Cash Position

4DX raised $45m in total, issuing ~50m new shares representing ~17% dilution. Following this round, pro-forma cash at 31 March is $79.3m providing at last 2 years cash runway – assuming no abatement in the rate of cash burn.

While our financial model anticipates the company will have sufficient capital to achieve cash flow breakeven, there remains considerable uncertainty around the timing of key events including, in the main, large scale contracts with the VA. Notwithstanding, progress with VA negotiations accelerated from the moment of the appointment of Dr David Shulken (former Secretary to the Department of Veterans Affairs) as an advisor to the company in April. With 3.5m veterans within the VA system potentially eligible for screening to toxins from burn pit exposure, this opportunity continues to be the most lucrative. For the remainder of CY23 it is reasonable to expect the announcement of a pilot programme with at least one VA hospital. We also expect a second commercial contract in the private sector is likely as a pilot programs have been ongoing for months.

Investment View: Retain Buy (Spec) Valuation $1.10

Changes to earnings are not material. As we had previously allowed for a capital raising in 2024, the dilution to shares on issue from our previous valuation assumption is modest, hence we maintain our speculative Buy rating. Valuation is increased by 4.7% to $1.10 (from $1.05) following model roll forward.

Earnings Forecast

June Year End	FY22	FY23e	FY24e	FY25e
Revenues	1.1	1.8	3.6	24.7
EBIT $m	-24.5	-29.9	-28.8	-19.0
NPAT (underlying) $m	-24.6	-29.9	-28.8	-19.0
NPAT (reported) $m	-24.6	-29.9	-28.8	-19.0
EPS underlying (cps)	-8.4	-9.4	-8.4	-5.5
EPS growth %	nm	nm	nm	nm
PER (x)	nm	nm	nm	nm
FCF yield (%)	nm	nm	nm	nm
EV/EBITDA (x)	nm	nm	nm	nm
Dividend (cps)	-	-	-	-
Franking	0%	0%	0%	0%
Yield %	0%	0%	0%	0%
ROE %	-41%	-41%	-65%	-75%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Moving towards commercialisation

Overview of capital raise

8 May, institutional placement for $20m @ $0.91 – 20% discount to last price prior to the announcement.

24 May, Securities Purchase Plan (SPP) closes raising $25m. Over-subscribed from the original $15m limit. Directors chose not to scale back applications. Shares issued at $0.89 representing lower of $0.91 and 2.5% discount to the 5 day VWAP.

A total of 50 million shares were issued across both the placement and SPP representing ~17% of the shares on issue prior to these transactions.

New shares under the placement and SPP are entitled to 1 free attaching option for every two shares issued. The exercise price on the options of $1.365 represents a 50% premium to the placement price.

Pro forma cash at 31 March 2023 becomes approximately $79.6m inclusive of the cash raised in these transactions. Based on the most quarterly recent cash burn rate this represents 2 years of cash flow, however, we expect cash burn to begin to decline in FY24 as revenues from these early commercialisation initiatives grows.

Overview of recent commercialisation announcements

4DX is expanding its commercial footprint in Australia and the US. Commercialisation began in Australia in 2022 with the iMed contract which has now expanded to 27 sites. The following announcements relate to commercialisation activities in the United States.

- **5 April** – first commercial contract in the US (University of Miami). Minimum of $1m - $1.5m over 5 years.
- **13 April** – Dr David Shulken appointed as advisor to 4DX. Dr Shulken is a previous Secretary of the US Department of Veterans Affairs. He was recently named by industry publication *Modern Healthcare* as one of the "*50 Most Influential Physician Executives in the Country*" and as among the "*One Hundred Most Influential People in American Healthcare*". Dr Shulken's key value add is his network of contacts within the VA as 4DX looks to deploy XV Technology as part of the VA's implementation of PACT Act-enabled care for Veterans.
- **1 May** – First commercial XV LVAS scan within the VA at Harry S. Truman VA hospital Colombia, Missouri;
- **5 May** – First pilot programme with the Military Health System (MHS) within the US Department of Defence. Fixed volume of scans to be performed at commercial rates but no revenue guidance included;
- **18 May** – Announces granting of first "Authority To Operate" at Harry S. Truman memorial VA Hospital;
- **23 May** – company unveils CT based ventilation perfusion product (CT:VQ) at the American Thoracis Society Annual Meeting. The technology is a potential market disruptor to conventional imaging for diagnosis of pulmonary embolism.
- The 4DX technology does not require a contrast media for the perfusion piece, hence it is a potential market disruptor for the nuclear medicine VQ scan initially and later for CTPA based assessment[1]. The logistics of a nuclear medicine scan

[1] CT Pulmonary Angiography

make it a cumbersome and costly examination, hence why 4DX will target the VQ scan initially.

Summary

The company has made pleasing progress with the commercialisation of the XV LVAS technology in 1H CY23. Collectively revenues expectations remain fairly modest, however, for FY23 we expect $1.2m in commercial (SaaS) revenues.

The appointment of Dr David Shulken as an advisor is likely to be pivotal for gaining penetration to the very large Veterans Affairs (VA) market. Given his previous office at the VA, Dr Shulken's network of contacts is likely to include key decision makers and in our view these are essential to accelerating adoption. The VA is well funded to pay for the XV LVAS scan via PACT Act funding which was made in to law in 2022.

The awarding of the Authority To Operate (ATO) at Harry S. Truman is another important milestone. Once a second hospital within the VA grants a second ATO the company will be eligible to apply for a National ATO, providing it with authorisation to operation at all 171 major clinical centres within the VA network.

For the moment, the nature of the relationship with Harry S. Truman VA hospital remains loosely defined and this is likely based on commercial sensitivities. We expect the company to announce a formal pilot study with the VA as the next step in the process. The pilot program with MHS is exactly the style of engagement we would expect with the VA.

REIMBURSEMENT PROGRESS

Before the end of CY 2023 we expect at least one of the peer reviewed clinical trial papers will be published.

From 1 July the class III CPT code comes into effect, allowing hospitals to bill the XV LVAS scan. Patients will be required to self pay for this test.

As each of these pieces falls into place the company will gradually move toward the ultimate goals of commercial agreements with the VA healthcare system, reimbursement from medicare, and additional commercial contracts with healthcare systems outside of the VA.

While our financial model anticipates the company will have sufficient capital to achieve breakeven cash flow, there remains considerable uncertainty around the timing of key events. Nevertheless, the progress with the VA accelerated following the appointment of Dr Shulken as an advisor. With up to 3.5m veterans within the VA potentially eligible for screening to toxins from burn pit exposure, this opportunity continues to be the most lucrative.

Changes to earnings are not material. As we had previously allowed for a capital raising in 2024 the dilution to shares on issue from our previous valuation assumption is modest, hence we maintain our speculative buy rating. Valuation is increased to $1.10 following a roll forward of the model.

4DX Medical

4DX Medical Limited (4DX) is a Melbourne-based software technology company commercialising its patented imaging platform, 'XV Technology'. This four-dimensional lung imaging technology utilises proven, patented mathematic models and algorithms to convert X-ray scans into quantitative data to enhance the capacity of physicians to manage patients with respiratory diseases and diseases of the lung.

- The XV (Ventilation) system received FDA approval in May 2020 and TGA approval shortly after. The US market alone is estimated at up to 73m lung assessments annually. The technology has the potential to replace each of the existing modalities for the assessment of lung function. The initial target markets are luminary hospital sites in the US and specifically in-patient CT Scans of which there are ~10.9m performed in the US each year.
- 4DX will deliver the service via a Software as a Service (SaaS) model whereby images are processed in the cloud by a range of third party providers utilising the 4DX proprietary technology. The company intends to charge US$175 per scan which should provide it with better than 90% gross profit margin, however, first commercialisation agreements are yet to be signed.
- 4DX is a new imaging technology that is somewhat disruptive to well established clinical practice. It has broad clinical support from key opinion leaders in the United States, nevertheless any new medical technology, particularly a diagnostic tool faces a long period in which its commercial and clinical benefits require validation.

In our view the key risk areas are:

- Funding – The company commenced commercialisation of its products in mid 2020 in the US and is yet to generate meaningful revenues or positive cash flow generation from operating activities. It is competing in a well established industry and there is no guarantee that it will achieve either of these financial objectives. 4DMedical may be required to raise additional funds from time to time to finance the development and commercialisation of its products and other longer-term objectives.
- Third Party Providers – 4DX will rely on the services of numerous third party providers to render its services. These include cloud service providers Amazon Web Services and Microsoft, software providers and services including Laurel Bridge and various providers of PACS systems, all of which provide critical pieces of infrastructure for modern radiology services. Each of these providers must be HIPAA compliant as well as provide a continuous reliable services at rates which allow 4DX to earn the margins included in our forecast. There are numerous risk factors which may prevent any of these providers from being able to deliver these services. Fortunately, the company has the ability to diversify its risk among several competing parties.
- Superseding Technology - There is a risk that new technology will be developed that will supersede 4DMedical's technology. In addition to the 20 years of monopoly rights granted by 4DMedical's extensive patent portfolio, 4DMedical will continue to invest heavily in research and development to mitigate the risk that other competitor technologies will supersede the current and future product offerings developed by 4DMedical. However, 4DMedical cannot guarantee that its technology will not be superseded.

Regulatory risk - Although the FDA has provided its clearance for the XV LVAS, the additional VQ (Perfusion) and CFPA (Vasculature) products still require FDA clearance. Failure to receive regulatory clearance will have a negative impact on 4DMedical's future revenue streams.

4D Medical
as at 7 June 2023

Recommendation	Buy, Speculative
Price	$0.825
Valuation	$1.10

Table 1 - Financial summary

A$m	FY21	FY22	FY23e	FY24e	FY25e
Year Ending 30 June					
Commercial (SaaS) revenues	0.2	1.1	1.2	1.8	20.2
Scanner sales	-	-	0.6	1.8	4.5
Total Revenue	0.2	1.1	1.8	3.6	24.7
Revenue growth	-88%	603%	69%	104%	579%
COGS	-0.1	-0.8	-0.6	-1.8	-5.0
Gross profit	0.1	0.3	1.2	1.8	19.7
GP Margin	67%	27%	66%	51%	80%
Other income	5.5	12.3	10.4	9.3	3.0
Employee expenses	-11.4	-19.2	-20.2	-21.2	-22.2
R&D spend	-3.0	-4.4	-7.2	-4.0	-4.0
Depreciation and amortisation	-0.7	-1.5	-1.3	-1.3	-1.3
Other expenses	-9.3	-12.0	-12.8	-13.4	-14.1
EBIT	-18.8	-24.5	-29.9	-28.8	-19.0
Interest expense	-2.6	-0.1	0.0	0.0	0.0
Other items	0.0	0.0	0.0	0.0	0.0
Pre tax profit	-21.4	-24.6	-29.9	-28.8	-19.0
Tax expense	-	-	-	-	-
NPAT- reported	**(21.4)**	**(24.6)**	**(29.9)**	**(28.8)**	**(19.0)**
Add back					
Non recurring items net of tax	-	-	-	-	-
Normalised NPAT	(21.4)	(24.6)	(29.9)	(28.8)	(19.0)

Valuation Ratios (A$m)	FY21	FY22	FY23e	FY24e	FY25e
Reported EPS (cps)	-6.5	-8.4	-9.4	-8.4	-5.5
Normalised EPS (cps)	-6.5	-8.4	-9.4	-8.4	-5.5
EPS growth (%)	nm	nm	nm	nm	nm
PE(x)	**nm**	**nm**	**nm**	**nm**	**nm**
EV/EBIT (x)	nm	nm	nm	nm	nm
P/NTA (x)	3.0	4.4	4.1	7.1	13.8
Book Value Per Share (cps)	28.5	20.3	21.3	13.0	7.4
Price/Book (x)	2.9	4.1	3.9	6.4	11.2
DPS (cps)	-	-	-	-	-
Payout ratio %	0%	0%	0%	0%	0%
Dividend Yield %	0.0%	0.0%	0.0%	0.0%	0.0%
Franking %	0%	0%	0%	0%	0%
FCF yield %	nm	nm	nm	nm	nm
Net debt/Equity	0%	0%	0%	0%	0%
Net debt/Assets	0%	0%	0%	0%	0%
Gearing	na	net cash	net cash	net cash	net cash
Net debt/EBITDA (x)	na	net cash	net cash	net cash	Net Cash
Interest cover (x)	na	na	na	na	na

Cashflow (A$m)	FY21	FY22	FY23e	FY24e	FY25e
Gross cashflow	-14.5	-25.2	-25.2	-26.0	-19.3
Net interest	0.0	-0.1	0.0	0.0	0.0
Operating cash flow	-14.5	-25.3	-25.2	-26.0	-19.3
Maintenance capex	-0.6	-2.6	-1.0	-1.0	-1.0
Capitalised R&D	0.0	-0.4	-0.7	-1.0	-1.0
Other capitalised intangible	0.0	-0.4	0.0	0.0	0.0
Free cash flow	-15.1	-28.8	-26.9	-28.0	-21.3
Proceeds from issuance	89.6	0.0	43.7	0.0	0.0
Movement in lease debt	-0.5	-1.0	-1.0	-1.0	-1.0
Change in cash held	74.0	-29.8	15.7	-29.0	-22.3
Cash at beginning of period	8.4	80.9	51.1	66.8	37.7
FX adjustment	0.0	0.0	0.0	0.0	0.0
Cash at year end	**80.9**	**51.1**	**66.8**	**37.7**	**15.4**

Interim Results	1H22	2H22	1H23	2H23e
Revenues	0.2	0.9	0.5	1.3
EBIT	-12.3	-12.2	-16.2	-13.7
NPAT	-12.4	-12.3	-16.2	-13.7

Balance Sheet (A$m)	FY21	FY22	FY23e	FY24e	FY25e
Cash	80.9	51.1	66.8	37.7	15.4
Receivables	0.4	2.1	0.3	0.7	4.5
Other current assets	3.6	5.6	5.6	5.6	5.6
Inventory	0.9	-	-	-	-
Property, Plant and Equipment	1.2	5.5	6.2	6.8	7.5
Intangibles	3.9	5.1	4.8	4.8	4.8
Other non current assets	1.7	4.9	4.9	4.9	4.9
Total assets	92.5	74.3	88.6	60.5	42.6
Trade payables	6.0	7.2	8.6	10.4	12.4
Other liabilities	1.5	1.4	1.5	1.6	1.7
Lease liabilities	1.7	6.2	5.2	4.2	3.2
Total Liabilities	9.2	14.8	15.3	16.2	17.3
Net Assets	83.4	59.5	73.2	44.4	25.3
Share capital	141.6	141.7	185.4	185.4	185.4
Other equity	1.8	2.4	2.4	2.4	2.3
Retained earnings	(60.0)	(84.6)	(114.6)	(143.3)	(162.3)
Reserves	-	-	-	-	-
Shareholders Equity	83.4	59.5	73.2	44.4	25.4

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

Research Team

Staff Member	Title/Sector	Phone	@bellpotter.com.au
Chris Savage	Head of Research/Industrials	612 8224 2835	csavage
Analysts			
John Hester	Healthcare	612 8224 2871	jhester
Anubhav Saxena	Healthcare	612 8224 2846	asaxena
Thomas Wakim	Healthcare	612 8224 2815	twakim
Michael Ardrey	Industrials	613 9256 8782	mardrey
Marcus Barnard	Industrials	618 9326 7673	mbarnard
Sam Brandwood	Industrials	612 8224 2850	sbrandwood
Olivia Hagglund	Industrials	612 8224 2813	ohagglund
Joseph House	Industrials	613 9325 1624	jhouse
Daniel Laing	Industrials	612 8224 2886	dlaing
Hayden Nicholson	Industrials	613 92351757	hnicholson
Chami Ratnapala	Industrials	612 8224 2845	cratnapala
Thomas Sima	Industrials	612 8224 2843	tsima
Jonathan Snape	Industrials	613 9235 1601	jsnape
Regan Burrows	Resources	618 9236 7677	rburrows
David Coates	Resources	612 8224 2887	dcoates
Stuart Howe	Resources	613 9325 1856	showe
Brad Watson	Resources	618 9326 7672	bwatson
Associates			
Connor Eldridge	Associate Analyst	612 8224 2893	celdridge
Baxter Kirk	Associate Analyst	613 9235 1625	bkirk
James Williamson	Associate Analyst	613 9235 1692	jwilliamson

Disclosures

Research Coverage & Policies

For Bell Potter Securities' Research Coverage Decision Making Process and Research Independence Policy please refer to our company website: https://bellpotter.com.au/research-independence-policy/.

Authoring Research Analyst's Certification

The Authoring Research Analyst is responsible for the content of this Research Report, and, certifies that with respect to each security that the Analyst covered in this Report (1) all the views expressed accurately reflect the Analyst's personal views about those securities and were prepared in an independent manner and (2) no part of the Analyst's compensation was, is or will be, directly or indirectly, related to specific recommendations or views expressed by that Research Analyst in the Research Report.

Research Analyst's Compensation

Research Analyst's compensation is determined by Bell Potter Securities Research Management and Bell Potter Securities' Senior Management and is based upon activities and services intended to benefit the investor clients of Bell Potter Securities Ltd. Compensation is not linked to specific transactions or recommendations. Like all Company employees Research Analysts receive compensation that is impacted by overall Company profitability.

Prices

The Price appearing in the Recommendation panel on page 1 of the Research Report is the Closing Price on the Date of the Research Report (appearing in the top right hand corner of page 1 of the Research Report), unless a before midday (am) time appears below the Date of the Research Report in which case the Price appearing in the Recommendation panel will be the Closing Price on the business day prior to the Date of the Research Report.

Availability

The completion and first dissemination of a Recommendation made within a Research Report are shortly after the close of the Market on the Date of the Research Report, unless a before midday (am) time appears below the Date of the Research Report in which case the Research Report will be completed and first disseminated shortly after that am time.

Disclosure of Interest

Disclosure: Bell Potter Securities acted as as lead manager of the company's May 2023 capital raise and SPP for $45m and received fees for that service.

Dissemination

Bell Potter generally disseminates its Research to the Company's Institutional and Private Clients via both proprietary and non-proprietary electronic distribution platforms. Certain Research may be disseminated only via the Company's proprietary distribution platforms; however such Research will not contain changes to earnings forecasts, target price, investment or risk rating or investment thesis or be otherwise inconsistent with the Author's previously published Research. Certain Research is made available only to institutional investors to satisfy regulatory requirements. Individual Bell Potter Research Analysts may also opt to circulate published Research to one or more Clients by email; such email distribution is discretionary and is done only after the Research has been disseminated.

The level and types of service provided by Bell Potter Research Analysts to Clients may vary depending on various factors such as the Client's individual preferences as to frequency and manner of receiving communications from Analysts, the Client's risk profile and investment focus and perspective (e.g. market-wide, sector specific long term and short term etc.) the size and scope of the overall Client relationship with the Company and legal and regulatory constraints.

Disclaimers

This Research Report is a private communication to Clients and is not intended for public circulation or for the use of any third party, without the prior written approval of Bell Potter Securities Limited.

The Research Report is for informational purposes only and is not intended as an offer or solicitation for the purpose of sale of a security. Any decision to purchase securities mentioned in the Report must take into account existing public information on such security or any registered prospectus.

This is general investment advice only and does not constitute personal advice to any person. Because this Research Report has been prepared without consideration of any specific client's financial situation, particular needs and investment objectives ('relevant personal circumstances'), a Bell Potter Securities Limited Broker (or the financial services licensee, or the representative of such licensee, who has provided you with this report by arrangement with Bell Potter Securities Limited) should be made aware of your relevant personal circumstances and consulted before any investment decision is made on the basis of this Research Report.

While this Research Report is based on information from sources which are considered reliable, Bell Potter Securities Limited has not verified independently the information contained in this document and Bell Potter Securities Limited and its directors, employees and consultants do not represent, warrant or guarantee expressly or impliedly, that the information contained in this Research Report is complete or accurate.

Nor does Bell Potter Securities Limited accept any responsibility for updating any advice, views, opinions or recommendations contained in this Research Report or for correcting any error or omission which may have become apparent after the Research Report has been issued.

Bell Potter Securities Research Department has received assistance from the Company referred to in this Research Report including but not limited to discussions with management of the Company. Bell Potter Securities Policy prohibits Research Analysts sending draft Recommendations, Valuations and Price Targets to subject companies. However, it should be presumed that the Author of the Research Report has had discussions with the subject Company to ensure factual accuracy prior to publication.

All opinions, projections and estimates constitute the judgement of the Author as of the Date of the Research Report and these, plus any other information contained in the Research Report, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice.

Notwithstanding other departments within Bell Potter Securities Limited advising the subject Company, information obtained in such role is not used in the preparation of the Research Report.

Although Bell Potter Research does not set a predetermined frequency for publication, if the Research Report is a fundamental equity research report it is the intention of Bell Potter Research to provide research coverage of the covered issuers, including in response to news affecting the issuer. For non-fundamental Research Reports, Bell Potter Research may not provide regular updates to the views, recommendations and facts included in the reports.

Notwithstanding that Bell Potter maintains coverage on, makes recommendations concerning or discusses issuers, Bell Potter Research may be periodically restricted from referencing certain Issuers due to legal or policy reasons. Where the component of a published trade idea is subject to a restriction, the trade idea will be removed from any list of open trade ideas included in the Research Report. Upon lifting of the restriction, the trade idea will either be re-instated in the open trade ideas list if the Analyst continues to support it or it will be officially closed.

Bell Potter Research may provide different research products and services to different classes of clients (for example based upon long-term or short term investment horizons) that may lead to differing conclusions or recommendations that could impact the price of a security contrary to the recommendations in the alternative Research Report, provided each is consistent with the rating system for each respective Research Report.

Except in so far as liability under any statute cannot be excluded, Bell Potter Securities Limited and its directors, employees and consultants do not accept any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in the document or for any resulting loss or damage (whether direct, indirect, consequential or otherwise) suffered by the recipient of the document or any other person.

In the USA and the UK this Research Report is only for institutional investors. It is not for release, publication or distribution in whole or in part in the two specified countries. In Hong Kong this Research Report is being distributed by Bell Potter Securities (HK) Limited which is licensed and regulated by the Securities and Futures Commission, Hong Kong. In the United States this Research Report is being distributed by Bell Potter Securities (US) LLC which is a registered broker-dealer and member of FINRA. Any person receiving this Research Report from Bell Potter Securities (US) LLC and wishing to transact in any security described herein should do so with Bell Potter Securities (US) LLC.

Biotechnology Risk Warning

The fact that the intellectual property base of a typical biotechnology company lies in science not generally regarded as accessible to the layman adds further to the riskiness with which biotechnology investments ought to be regarded. Clinical and regulatory risks are inherent in biotechnology stocks. Biotechnology developers usually seek U.S. FDA approval for their technology which is a long and arduous three phase process to prove the safety, effectiveness and appropriate application or use of the developed drug and even after approval a drug can be the subject of an FDA investigation of subsequently discovered possible links between the drug and other diseases not previously diagnosed. Furthermore, the Australian exchange listed biotechnology sector is subject to influence by the global biotechnology sector, particularly that in the USA. Consequently, Australian exchange listed biotechnology stocks can experience sharp movements, both upwards and downwards, in both valuations and share prices, as a result of a re-rating of the sector both globally and in the USA, in particular. Investors are advised to be cognisant of these risks before buying such a stock.

Bell Potter Securities Limited
ABN 25 006 390 772
Level 29, 101 Collins Street
Melbourne, Victoria, 3000
Telephone +61 3 9256 8700
www.bellpotter.com.au

Bell Potter Securities (HK) Limited
Room 1701, 16/F
Prosperity Tower, 39 Queens Road Central, Hong Kong, 0000
Telephone +852 3750 8400

Bell Potter Securities (US) LLC
Floor 39
444 Madison Avenue, New York NY 10022, U.S.A
Telephone +1 917 819 1410

Bell Potter Securities (UK) Limited
16 Berkeley Street London, England W1J 8DZ, United Kingdom
Telephone +44 7734 2929