

Biotech expects a bright future for fluorescence



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Company: Fluorotechnics Limited
Proposed ASX code: FLS
Proposed listing date: October 21
Shares on offer: 10 million
Issue price: \$1

FLUOROTECHNICS is a Sydney company that develops and manufactures fluorescent compounds and fluorescence-based kits for the global biotechnology sector.

Many companies conduct close analysis of proteins and living cells as part of research and development in the commercialisation of their products. Fluorotechnics caters to the research and development sector through the manufacture of protein stains and electrophoresis gels for the separation of proteins.

Fluorotechnics aims to become a leader in this \$2 billion market via its innovative and proprietary fluorescent dyes and protein stains.

Joshua Terlich of wise-owl.com notes that unlike the majority of the biotech sector, Fluorotechnics has already passed the development phase for its key products and is making sales to the life sciences market.

“The company has clear revenue targets for the medium term, which include \$18 million by 2010 and a net profit after tax of \$14.4 million by 2011,” Terlich says.

“Of particular importance is that the company does not require US Food and Drug Administration approval or have to put its products through any testing in the US or European markets, which would otherwise delay the commercialisation process.” Terlich says the segmented nature of the industry, apart from the big multinationals such as GE Healthcare, Invitrogen, Qiagen and BioRad, makes it likely complementary acquisitions can be made.

However, regardless of the prospective acquisition

activity, the company is already selling products and generating revenue.

“Fluorotechnics has more than 20 products up its sleeve, scheduled for gradual release through to 2011.”

Fluorotechnics is raising funds to assist in the expansion of production capacity for its electrophoresis gels. It is estimated these gels will sell into a \$US200 million (\$281.8 million) a year market and according to management will offer advantages over competing products.

Ten million shares are on offer at \$1 each, which yields an implied market capitalisation for the company of about \$26 million.

“In the short term, this valuation should prove reasonable provided Fluorotechnics can deliver on its revenue targets and successfully integrate its current and any future acquisitions,” Terlich says.

“Demand for the gels outstrips current manufacturing capacity and this could provide investors with some confidence that revenue expectations of a minimum of \$7.5 million for the 2009 financial year will be met.”

