

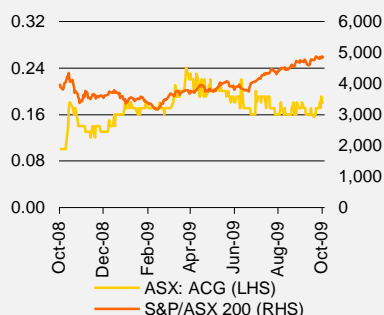
AtCor Medical Holdings Ltd.

(Ticker: ASX: ACG)

27 October 2009

RB MILESTONE GROUP 
A MILESTONE TO NEW HEIGHTS

Price (AUD):	0.18
Beta:	0.70
Price/Book Ratio:	3.44
Debt/Equity Ratio:	0.00
Target Price (AUD):	0.77
Listed Exchange:	ASX



Recent News

21/08/2009 – AtCor released its 2009 Preliminary Year End Information.

23/07/2009 – AtCor announced unaudited preliminary results for FY2009.

04/06/2009 – AtCor announced the introduction of the WISDOM system, a secure data transfer and storage network that links the company, clinical trial sites and its pharmaceutical and medical device clients.

20/04/2009 – AtCor announced signing of a new contract valued \$0.6 Million to supply SphygmoCor® systems and clinical trial support services to a leading international pharmaceutical company.

Shares in issue

(100.0m)

Market cap

(AS\$m) 18.00

52 Week- (High)-A\$0.24

52 Week (Low)-A\$0.10

Strong Growth Prospects with Multi-market Opportunities of \$2.1 billion

AtCor Medical Holdings Limited (AtCor), a global medical device company incorporated in 1994 in Australia, is engaged in designing and developing products for the early detection of cardiovascular risk and management of cardiovascular diseases (CVDs). The Company sees an opportunity of \$2.1 billion for its proprietary technology SphygmoCor® in Pharma research, clinical trials and the primary healthcare market for assessing cardiovascular risk and managing drug therapy and other interventions. AtCor is currently making losses, both at the net as well as EBITDA levels, with high investments in developing Pharma research services infrastructure and market direct sales force for key growth markets.

Investment Arguments

- AtCor's unique technology transforming the assessment and treatment of cardiovascular diseases:** The Company has developed a unique technology SphygmoCor®, which provides the opportunity to transform the clinical assessment and management of CVDs, the leading cause of death globally. In the US alone, about 80 million people have some form of CVDs which cause approximately one million deaths per year. SphygmoCor® enables quick and non-invasive assessment of cardiovascular risk in patients, with high accuracy. Currently, it is the only product available in the market to measure central blood pressure non-invasively with a high level of accuracy. SphygmoCor® has also been accredited with the 'Gold standard' brand status in central pressure and arterial stiffness measurement globally.
- Over \$2.1 billion global multi-market opportunity supports product potential:** The global market for SphygmoCor® is estimated at over \$2.0 billion and provides huge opportunities for AtCor's products. This includes the worldwide clinical practice market of about \$1.8 billion and the worldwide research market of \$306 million. The US clinical market, combining specialist and primary-care/ general practitioner (GP) users, is estimated at \$920 million. Major medical institutions including Mayo Clinic, John Hopkins and the National Institute of Health in the US, and leading pharmaceutical companies worldwide have adopted SphygmoCor®.
- Major clinical studies to support further adoption of SphygmoCor®:** AtCor has successfully penetrated the international medical research and clinical trials markets, with more than 2,000 SphygmoCor® systems currently in use at major medical institutions, research institutions and in various clinical trials with leading pharmaceutical companies. Over 400 papers have been published globally in peer-reviewed publications leading to the adoption of SphygmoCor®. The result of CAFE (Conduit Artery Function Evaluation) study, funded by Pfizer and released in 1Q CY06, has supported the effectiveness of SphygmoCor® strongly.
- Experienced management team:** AtCor's management team has extensive medical device industry experience in the US and other markets. The depth, competence and global experience of AtCor's Board and management team are key factors behind the execution and expansion of worldwide sales of the SphygmoCor® product.

	2008	2009	2010E	2011E	2012E	2013E	2014E	2015E
Revenue ('000 A\$)*	6,451	11,209	12,468	16,063	19,964	21,812	23,795	25,914
EBITDA ('000 A\$)	(4,492)	(2,699)	(1,831)	(619)	1,116	1,539	2,958	4,593
EPS (in cents)	(3.79)	(1.69)	(1.39)	(0.18)	1.55	1.96	3.38	5.01
P/E	NM	NM	NM	NM	10.35	8.15	4.74	3.19
EV/EBITDA	NM	NM	NM	NM	10.83	7.85	4.08	2.63

*Only products and services revenue considered, investment and other income excluded

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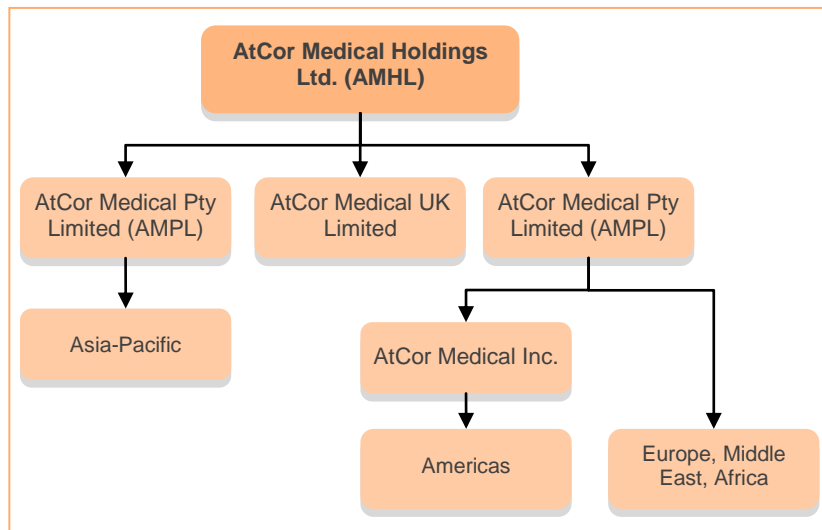
Company Overview

AtCor Medical Holdings Limited is a medical equipment manufacturing company engaged in designing and developing products for the early detection of cardiovascular risk and management of cardiovascular diseases. Its technology enables researchers and clinicians to measure central aortic pressures and other key heart function parameters non-invasively and develop solutions in the area of CVDs treatment.

The Company's product range includes an innovative cardiovascular diagnostic technology for measuring central blood pressures and other key central heart function parameters. The Company's SphygmoCor® system identifies important drug effects which cannot be detected with the traditional brachial cuff blood pressure monitoring and measurement. The SphygmoCor® family includes SphygmoCor CP Aortic BP Waveform Analysis System, SphygmoCor® CPV Pulse Wave Velocity System, SphygmoCor® Mx Aortic BP Monitoring System and SphygmoCor® CPVH Heart Rate Variability System. The central blood pressure measured by SphygmoCor®, which has been independently validated as equivalent to invasive measures, has been shown to be 50% more predictive of CVD risk and events than brachial cuff methods measured by sphygmomanometer, which has been used for over 100 years in clinical practice.

The Company sells its products through direct sales & distribution and third party distribution globally. The Company is following a direct sales & distribution strategy in key market such as the US and Australia. AtCor distributes its products globally in alliance with third party distributors. As on June 30, 2009, the Company has 2,000 products installed in over 40 countries, primarily in research and in Pharma clinical trial use.

Exhibit 1: Organizational structure



Source: Company

AtCor Medical Holdings Limited is headquartered in New South Wales, Australia. The Company was founded in 1994 to commercialize Emeritus Professor Michael O'Rourke's research, and currently conducts its research operations in Australia, Europe and the United States. Its American subsidiary, AtCor Medical Inc., is headquartered in Chicago, Illinois. The Company also has a European representative office, and markets its products through a network of national distributors in major global markets. AtCor along with its subsidiaries primarily caters to researchers, pharma companies and clinicians.

Over the years, the Company has achieved remarkable success in establishing its products globally with the approval of key regulatory bodies. The Company received CE Mark approval in 2000 and FDA clearance in 2002 for its SphygmoCor® systems.

AtCor was listed on the Australian Securities Exchange (ASX) in November 2005, and raised \$15 million through its initial public offering, mainly to build a US direct sales force and associated infrastructure, and increase initiatives to grow the clinical trials testing

market for SphygmoCor®. Historically, the Company has focused its sales and marketing efforts on the research market. However, over the past 4+ years, it has expanded its focus to include the pharmaceutical and biotech clinical trials market and the medical specialists market treating complex cases of hypertension and related disorders.

Products Overview

AtCor currently has only one marketed product, SphygmoCor®, with four variants that help to measure different parameters related to CVDs. SphygmoCor® is a medical device that assists researchers and clinicians in measuring the central blood pressure of patients. Arterial stiffening (sometimes called “arterial hardening”) is the major reason for change in central pressure which leads to CVDs. The device consists of a pressure sensor (tonometer), which is placed over the radial artery, a desktop electronics console, and a dedicated computer on which the software suite operates, providing cardiac information in either real-time or point in time. SphygmoCor® received FDA clearance in the US in 2002, and CE Mark approval in 2000. The device was also approved by Therapeutic Goods Administration (TGA) in 1996 for sale in Australia.

SphygmoCor® technology measures the arterial pressure pulse, which can be used to provide more information than a standard blood pressure measurement. The elastic and geometric properties of the arteries, along with the functioning of the heart, cause changes in the arterial pressure pulse. This makes arterial pressure very different from brachial pressure. SphygmoCor® can determine the central aortic pressure non-invasively from the pressure pulse at the radial artery in the forearm.

Current blood pressure technology (i.e., the brachial cuff) does not give any indication of central blood pressure parameters. SphygmoCor® enables clinicians to understand these central effects and therefore better understand the true impact of intervention.

The core technology that differentiates the product offering of SphygmoCor® is centered on a patented mathematical algorithm. This algorithm produces a transfer function that derives the pressure wave at the ascending aorta through a non-invasive recording of the pressure wave at the radial artery. It is one of the major barriers to entry AtCor has built to stop future competitive erosion of its markets.

AtCor offers four variants of its main product SphygmoCor®, all based on non-invasive assessment of the cardiovascular system. All the variants have the same hardware platform but differences in software systems: SphygmoCor® CP Aortic BP Waveform Analysis System, SphygmoCor® CPV Pulse Wave Velocity System, SphygmoCor® Mx Aortic BP Monitoring System and SphygmoCor® CPVH Heart Rate Variability System.

SphygmoCor® CP Aortic BP Waveform Analysis System

SphygmoCor® CP Aortic BP Waveform Analysis System takes a 10-second snapshot of the radial arterial pressure wave and derives the ascending aortic pressure wave, providing critical cardiovascular measurements including Central Aortic Blood Pressure, Augmentation Pressure, Augmentation Index, Ejection Duration and Subendocardial Viability Ratio. The system facilitates early identification of cardiovascular risk, and is a vital tool for the management of patients with hypertension, diabetes, diastolic heart failure, and other high cardiovascular risk conditions such as renal disease and diabetes.

SphygmoCor® CPV Pulse Wave Velocity System

This system enables the measurement of the velocity of the pressure wave along a specific arterial segment. The velocity of the pressure wave along the artery is dependent upon the stiffness of the artery. This system is most commonly used to measure the aortic pulse wave velocity – a classical measure of aortic stiffness - by taking a reading at the carotid artery and the femoral artery.

SphygmoCor® Mx Aortic BP Monitoring System

This device provides a continuous real-time derivation of the aortic pressure wave and key cardiovascular parameters, allowing beat-to-beat monitoring of the central blood pressure of

the patient. The system is ideally suited for anaesthesiology and intensive care environments.

SphygmoCor® CPVH Heart Rate Variability System

This device provides a non-invasive means of quantifying cardiac autonomic activity, which has widespread application in clinical medicine

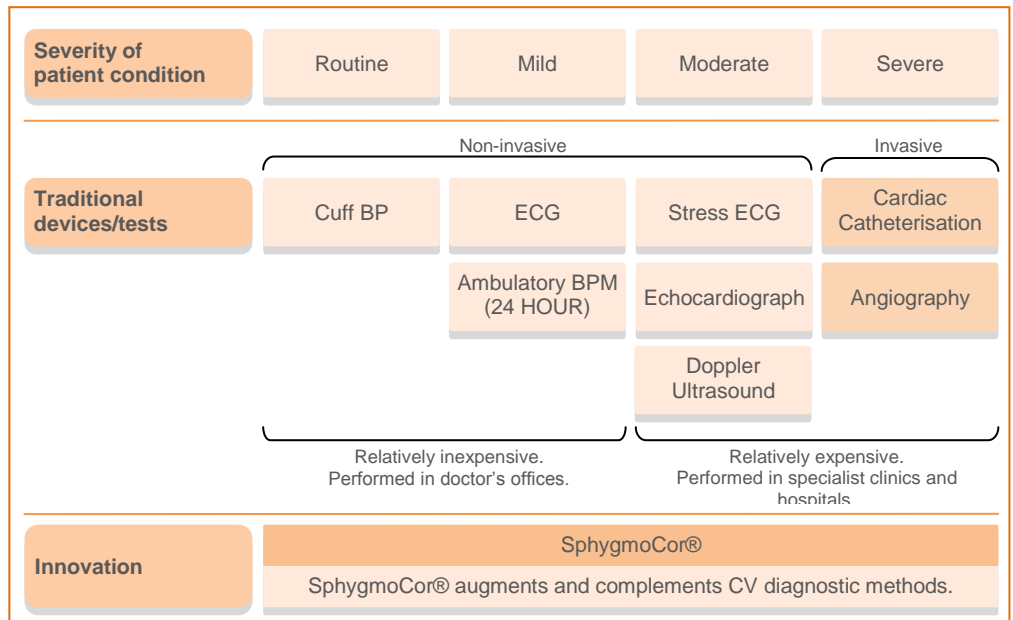
Exhibit 2: Key performance indicator of SphygmoCor®

Central Parameter Measured By SphygmoCor®	Information Provided	Cardiovascular Risk Identified
Arterial stiffness	A measure of the elasticity of the arterial system	Heart failure, stroke and heart attack risk
Aortic systolic and diastolic blood pressure	Blood pressure at the heart	Stroke risk
Left ventricular load	The work load on the heart when it is pumping	Heart failure risk
Coronary perfusion pressure	The pressure pushing blood through the coronary arteries	Heart attack risk
Cardiac cycle timing	Timing of the heart pumping cycle	Heart failure, heart attack risk
Cardiac supply/demand index	Potential cardiac supply versus actual physiological demand	Myocardial ischemia risk, exercise tolerance

Source: Company report

SphygmoCor® is complementary to the existing and commonly used cardiovascular devices such as Electrocardiogram (ECG), conventional cuff blood pressure and Echocardiogram. It provides additional new valuable and complementary information to enhance the doctor’s assessment and treatment capabilities.

Exhibit 3: SphygmoCor® augments and complements CV diagnostic methods



Source: Company prospectus

High Clinical Acceptance of SphygmoCor®, with positive study results

AtCor has made significant investments in recent years to establish that central pressures and risk factors assessed by SphygmoCor® will allow more effective penetration into clinician markets. Since the issue of its IPO in late 2005, the Company has invested a substantial amount in clinical trial research associated with heart failure and other disease states, including atrial fibrillation and preeclampsia.

In the recent years, there has been a wave of scientific and medical publications on central pressures and arterial stiffness. This shows that pharma companies and medical

researchers are increasingly focusing on the development of improved products related to CVDs. The Company is currently sponsoring or involved with a number of additional clinical trials, being carried out across the world. These are over and above the independent investigations being undertaken in a number of clinical settings to probe into and expand the utility of SphygmoCor®.

To date, more than 400 peer-reviewed scientific articles incorporating SphygmoCor® monitoring have been published, many of which demonstrate a correlation between elevated central blood pressure, arterial stiffness and cardiovascular diseases. The major studies done by independent investigators examining the utility of SphygmoCor® have shown high effectiveness of SphygmoCor® in determining the parameters related to cardiac measurements for risk assessment of CVDs. In 3Q CY07, The Strong Heart Study (a major clinical study involving over 3,500 patients, funded by the National Institutes of Health in the US) found central pressures measured by SphygmoCor® more strongly relate to cardiovascular diseases and outcome than brachial pressure which is measured by the traditional sphygmomanometer. The study highlighted that central pulse pressures are 50% better predicting CVDs outcomes than cuff pressures. Further data analysis found that central pulse pressures of 50 mm of mercury or above resulted in a significant increase in cardiovascular events.

Exhibit 4: Key Industry studies supporting effectiveness of AtCor’s SphygmoCor® technology

Major Clinical Study	Key Findings
CAFE STUDY (Sub-study of Pfizer-sponsored ASCOT trial): >2000 patients, 2001-2006	Significant difference in central BP explained differential outcomes in study designed to manage all patients to the same target brachial blood pressure
US NATIONAL INSTITUTES OF HEALTH STRONG HEART Study: >3,500 patients were followed for an average 5 years in epidemiological study	Central pressures were strongest predictor of CV outcomes (50% greater than cuff pressures), cuff pressures ceased to be statistically significant when both included in multivariate analysis
REASON Study: Does central pressure augmentation predict CV outcomes in end stage renal disease patients?	Pressure augmentation was a strong independent predictor of survival
ROTTERDAM Study: Is arterial stiffness associated with risk of coronary heart disease and stroke?	Showed arterial stiffness is an independent predictor of coronary heart disease and stroke in asymptomatic individuals

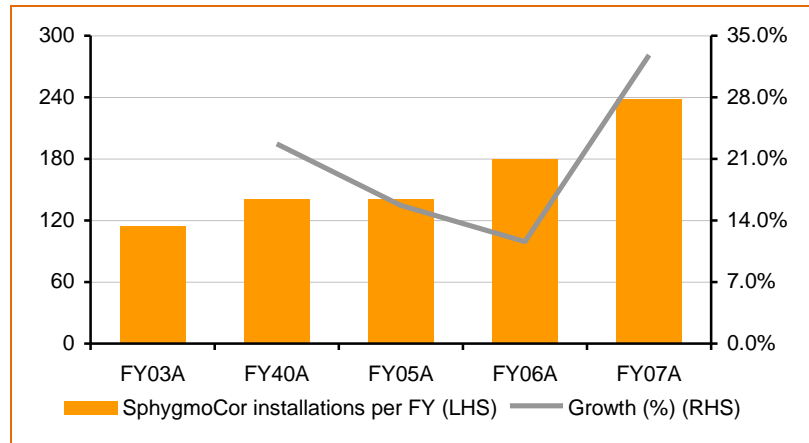
Source: Company presentation

The result of the CAFE (Conduit Artery Function Evaluation) study, funded by Pfizer and released in 1Q CY06, showed that the non-invasive central blood pressure assessment (by SphygmoCor®) could detect significant cardiovascular drug effects using two different drug regimes, but these were not detected by brachial blood pressure measurement. This study, part of the 19,257 patient Anglo-Scandinavian Cardiac Outcomes Trial (ASCOT) study, included 2,199 hypertensive patients. Additionally, in the CAFE cohort, central pulse pressure was a significant determinant of total cardiovascular and renal events, which correlated well with data from the Strong Heart Study.

Meanwhile, the number of SphygmoCor® systems installed globally has significantly increased over the last few years. The Company has been putting constant effort to increase the effectiveness of the system and boost its marketing activities. As a result, the

number of systems installed globally has increased to more than 2,000 in July, 2009 from 750 in November, 2005.

Exhibit 5: SphygmoCor® systems installations per FY and Growth (%)



Source: AtCor Medical

As per some important study papers presented by independent research institutions in FY2009, there is a strong possibility of SphygmoCor®'s future adoption in

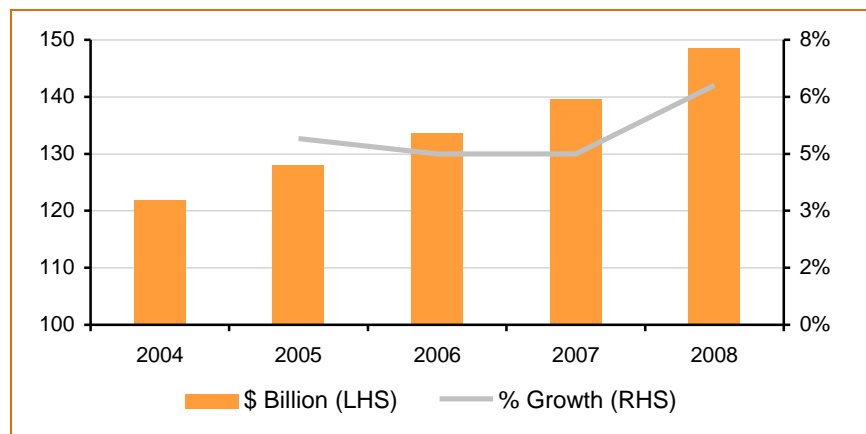
- Managing drug therapy in heart failure,
- Managing cardiac resynchronisation therapy-pacemaker optimization,
- Predicting first onset atrial fibrillation, and
- Identifying preeclampsia risk within the first eight weeks of pregnancy

The preliminary studies in all these diseases showed that SphygmoCor® was at least as effective as other available alternatives, but is very cost-effective. The follow-on studies which are either underway or would be commencing soon for each of these potential indications are expected to provide big opportunities for SphygmoCor®.

Global Healthcare Equipment Industry Overview

In 2008, the global healthcare equipment industry registered 6.3% growth to \$148.4 billion, compared to \$139.6 billion in 2007. Over the last five years, the industry has posted a compounded annual growth rate (CAGR) of 5.0%. It is poised to grow up to \$200.8 billion by 2013, at a CAGR of 6.2% during 2008-2013.

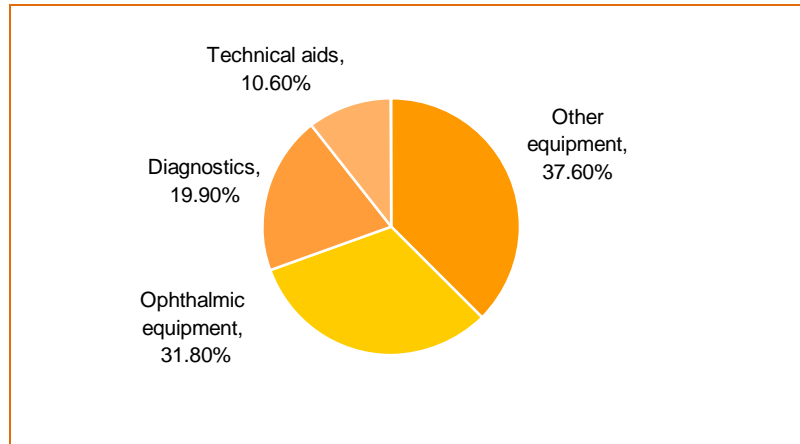
Exhibit 6: Global healthcare equipment market value: \$ billion, 2004-2008



Source: Datamonitor

In 2008, the most lucrative segment of the health care equipment industry, namely ophthalmic equipment, generated total revenues of \$47.2 billion, equivalent to 31.82% of the overall industry size. In comparison, sales of diagnostics equipment generated revenues of \$29.6 billion, or 19.94% of the market's aggregate revenues.

Exhibit 7: Global healthcare equipment market segmentation

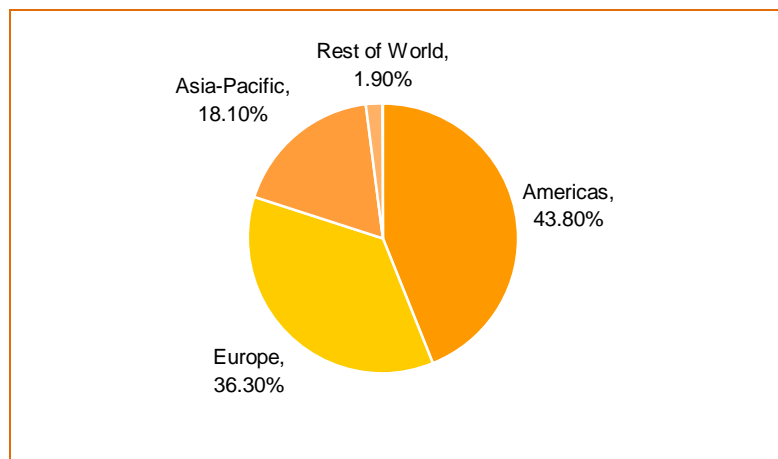


Source: Datamonitor

Americas holds 43.8% share of the global market

Americas (including Brazil, Canada, Mexico, and the US) dominates the global healthcare equipment industry with a 43.8% share of the overall market value. Europe (including Belgium, the Czech Republic, Denmark, France, Germany, Hungary, Italy, Netherlands, Norway, Poland, Russia, Spain, Sweden and the UK) commands about 36.3% share, while Asia-Pacific (including Australia, China, Japan, India, Singapore, South Korea and Taiwan.) holds a 18.1% share of this market.

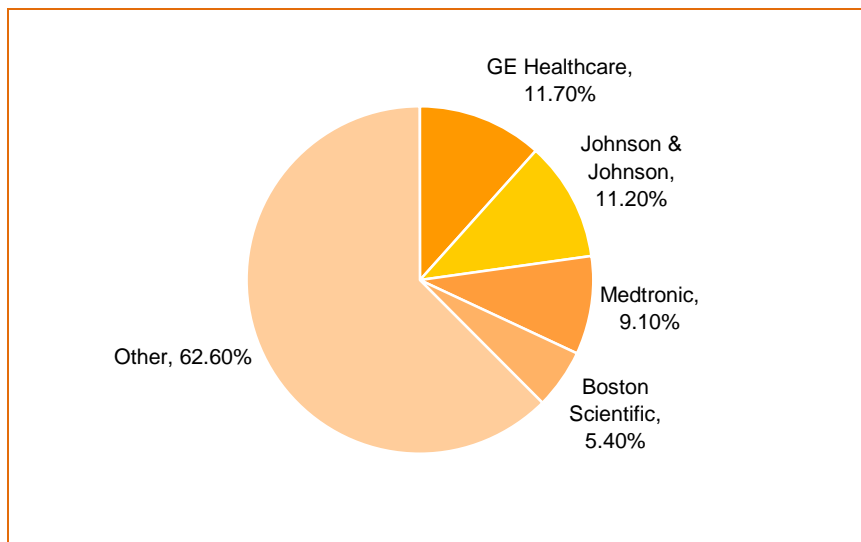
Exhibit 8: Global healthcare equipment market segmentation



Source: Datamonitor

The healthcare equipment market remains largely fragmented even though a number of large international players continue to maintain their domination over smaller firms. The top four companies operating in this market, namely GE Healthcare, Johnson & Johnson, Medtronic, and Boston Scientific, together generate less than 40% of global revenues. However, concentration has increased over the years as larger players constantly acquire smaller companies.

Exhibit 9: Global healthcare equipment market share

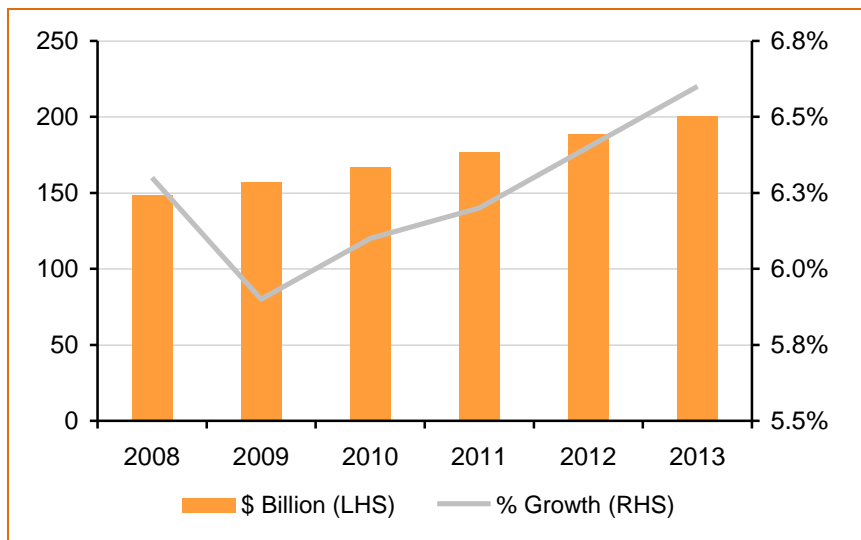


Source: Datamonitor

Forecasted to grow at a CAGR of 6.2% during 2008-2013

The global healthcare equipment industry is expected to reach \$200.8 billion by 2013 from \$148.4 billion in 2008, posting a higher CAGR of 6.2% as compared to a CAGR of 5.0% recorded during 2004-2008.

Exhibit 10: Global healthcare equipment market value forecast: \$ billion, 2004-2008



Source: Datamonitor

Global Cardiovascular Disease Diagnostics Market to Reach \$9.4 Billion By 2010

According to a report by Global Industry Analysts, Inc., global cardiovascular disease diagnostics market is expected to reach about \$9.4 billion by 2010 amid growing incidence of CVDs across the globe. Every year, 30 million new cases are reported from across the world. The US is the largest cardiovascular disease diagnostics market, estimated at \$2.9 billion in 2007, and is followed by Europe and Japan. With the introduction of improved diagnostics, acute and chronic medications and surgical techniques, there has been a significant plunge in total cardiovascular disease mortality over the past few decades.

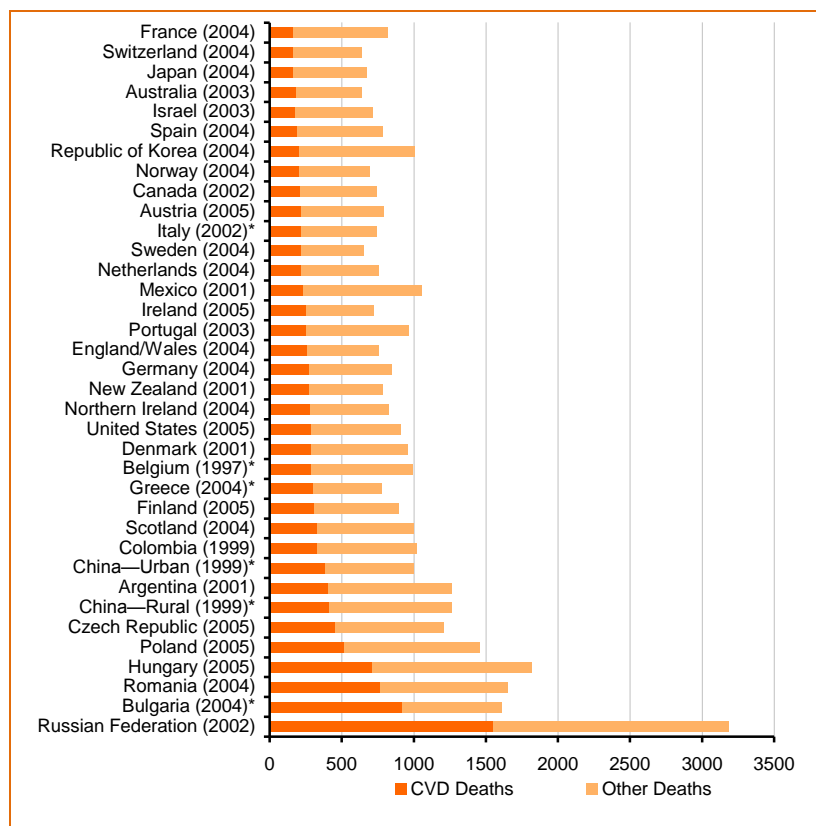
The increasing acceptance of Computed Tomography (CT) and Magnetic Resonance (MR) angiography is expected to modify cath-lab function. Imaging technologies are non-invasive and provide quicker diagnosis, which not only negates the requirement of invasive diagnostic techniques but also helps in early detection of the disease, especially in case of patients complaining of un-diagnosed acute chest pain.

Major Trends and Growth Drivers

High Incidence of Cardiovascular Death

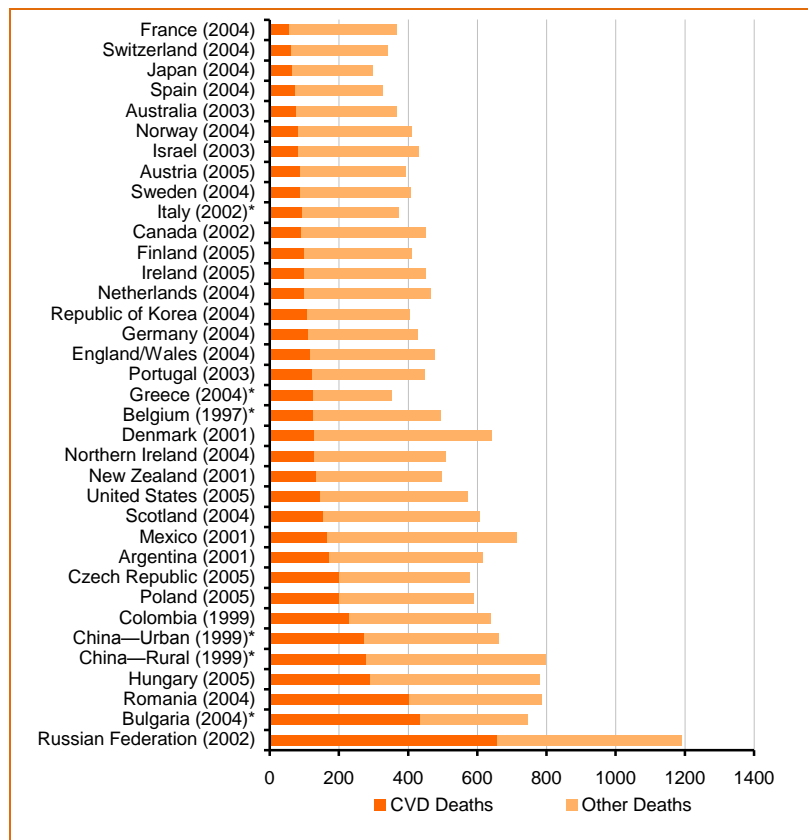
The increasing incidence of deaths from CVDs across the globe has raised the scope for further research in the area of cardiovascular treatment and early detection of CVDs. According to the World Health Organization (WHO), about 17.1 million people died from CVDs in 2004, representing 29% of all global deaths. Of this, an estimated 7.2 million died from coronary heart disease and 5.7 million from stroke. By 2030, almost 23.6 million people are expected to die from CVDs, mainly from heart disease and stroke, forecasted to remain the single leading cause of death.

Exhibit 11: International death rates: Death rates (per 100,000 people) for total cardiovascular disease and total deaths in selected countries for men aged 35 to 74 years



Source: The World Health Organization, NCHS, and NHLBI.

Exhibit 12: International death rates: Death rates (per 100,000 people) for total cardiovascular disease and total deaths in selected countries for women aged 35 to 74 years



Source: The World Health Organization, NCHS, and NHLBI.

In the developed economies, especially the US and European countries, the prevalence of CVDs have increased significantly in the recent years. According to data available, 80 million people have some form of cardiovascular disease in the US, and cardiovascular disease causes approximately one million deaths in this country every year. Also, CVD is a leading cause of premature permanent disability. It is estimated that approximately 22% of people in the US have some form of cardiovascular disease and approximately 33% of those aged over 35 years show one or more defined cardiovascular risk factors. It is estimated that the CVDs deaths accounted for about 35.3% of the US mortality in 2005.

In Australia, about 3.67 million people are affected by heart, stroke and vascular diseases and more than 1.1 million people have some form of disability caused by cardiovascular problems. About 90% of Australians are exposed to at least one modifiable risk factor (for stroke, heart, or vascular diseases) including smoking, lack of physical activity and obesity. CVDs account for nearly 40% of deaths in this country each year – more than all forms of cancer combined. Every 10 minutes, one Australian dies from CVDs.

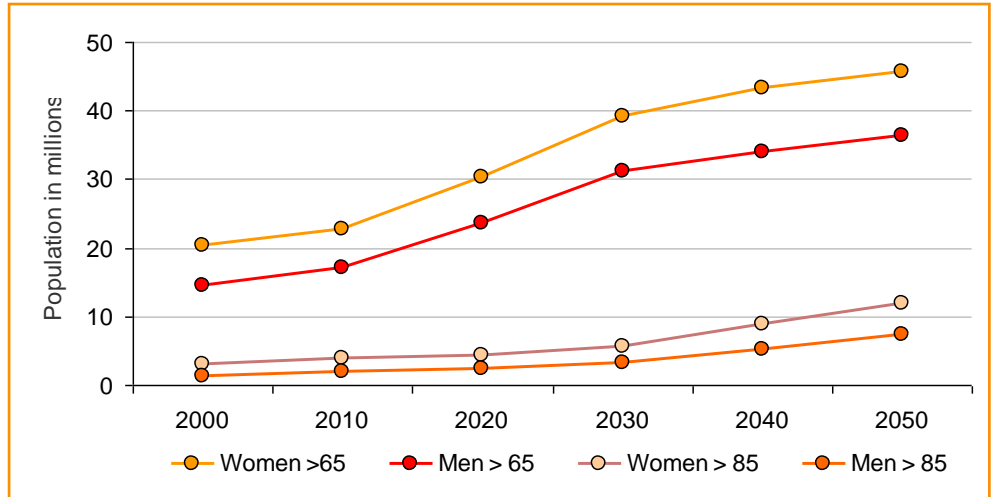
However, the prevalence of CVDs is not only limited to the developed countries as the number of such cases is increasing significantly in low and middle-income countries as well. In the recent years, the number of CVDs deaths has increased substantially in countries such as Russia, India and China. The low and middle-income countries are getting severely affected from CVDs, as 82% of the global CVDs deaths occur in these countries, mainly due to absence of better medical devices to detect the diseases in early stages.

The healthcare costs associated with the management of CVDs is about €169 billion in the European Union, A\$4 billion in Australia and US\$394 billion in the US. There is an urgent need to detect CVDs earlier and initiate measures for disease prevention.

Ageing Population & Increasing Obesity to Drive Demand Higher

The ageing population in the developed economies, especially in the US and European countries, is one of the major reasons for the increase in the incidence of cancer and cardiovascular diseases. In the US, the size of the population aged over 65 years would reach 82 million by 2050 from about 34.9 million in 2000.

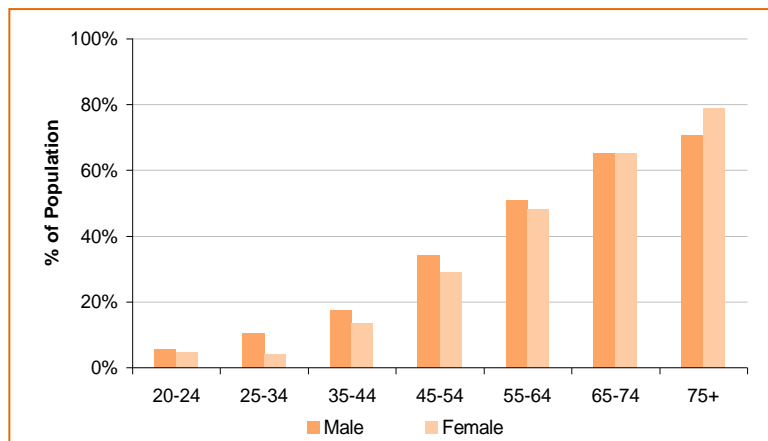
Exhibit 13: Population aged over 65 years



Source: University of Arizona Health Sciences Center (US Census Bureau)

The prevalence of CVDs increases significantly with the ageing of the population, as witnessed in developed economies such as the US and Europe. According to the University of Arizona’s Health Sciences Center, about 65% of the US population aged 65-74 years suffer from some form of CVDs as against a mere 5% in the age group of 20-24 years.

Exhibit 14: Estimated prevalence of cardiovascular diseases in US age 20 and older by age and sex



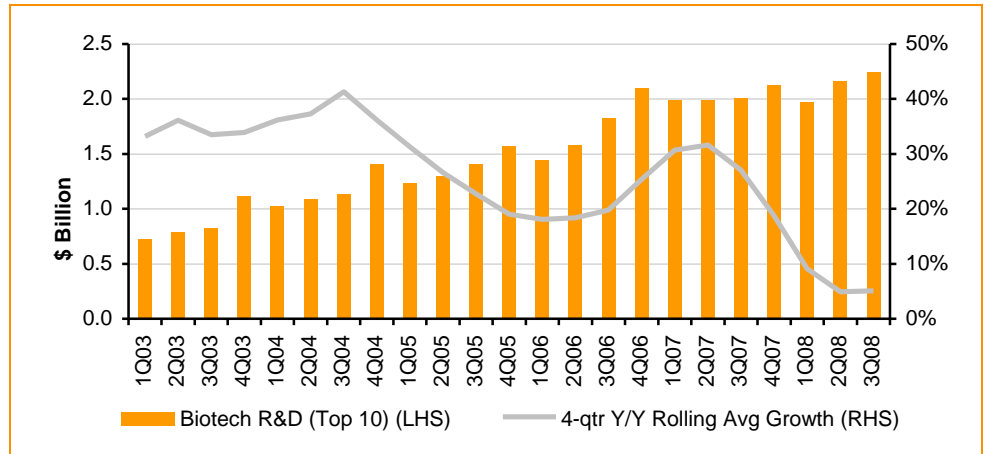
Source: University of Arizona Health Sciences Center

The prevalence of obesity has also become a major reason for the increasing incidence of cardiovascular diseases. According to the US National Health and Nutrition Examination Survey for adults aged 25-74 years, only 7.5% of the US populations currently have five important "heart healthy" factors – not smoking, low blood cholesterol, normal blood pressure, normal weight, and no sign of diabetes. This is significantly less than the figure (10.5%) recorded in 1994.

Uptrend in Biotech Spending & Clinical Trials

The global biotech spending has seen an uptrend over the years, as spending by top biopharma companies has increased substantially. Although there has been a gradual decline in the rate of growth, overall spending is still rising.

Exhibit 15: Biotech R&D is on upward trend



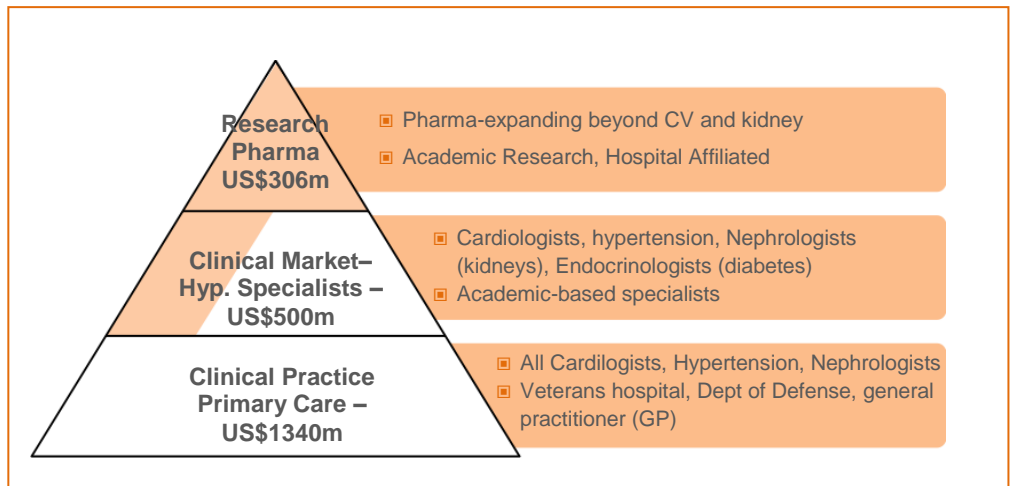
Source: ICON Presentation

The global clinical trials market recorded a 10% growth to \$50 billion in 2008. With increased emphasis on cost-effectiveness of pharmaceutical R&D, the big pharma companies are either delegating the responsibility of clinical trials to contract research organizations (CROs) or improving their research process with the adoption of new technologies & systems such as SphymoCor®.

Multi-market Opportunity (of over \$2.1 billion): AtCor’s Top Down Approach

The current addressable market opportunity for the Company in the research and pharma sector is estimated at \$306 million. This is based on the growth in the pharma market and larger cardiovascular opportunity and utility of the Company’s products across other diseases at various academic research centers and affiliated hospitals. The global clinical specialist’s market opportunity is estimated at \$500 million, while the clinical practice market space is valued at \$1,340 million. Currently, the Company addresses a market of \$486 million, representing 23% of the available total market opportunity.

Exhibit 16: Global market opportunity



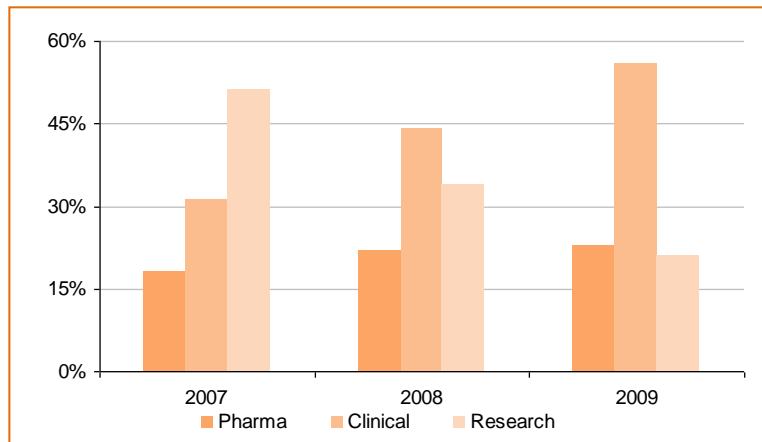
Source: Company presentation

AtCor has adopted a top-down strategy to address the market opportunities available for SphygmoCor®. The Company started market penetration with the research market, in which it is currently addressing 100% of the \$306 million global research market. The Company is putting efforts with more spending to increase the effectiveness of its product SphygmoCor® in clinical trials. AtCor has also invested significantly in its sales infrastructure to address the specialist clinical market.

AtCor's success at the next level of market opportunities largely depends on the success it achieves at the earlier level. The primary factors that would help expand the use of SphygmoCor® beyond the research/pharma market into the specialist clinical market are: clinical endorsement and acceptance by way of peer reviewed studies, and widespread use and medical reimbursement. The acceptance of SphygmoCor® in the primary care market would be significantly influenced by widespread adoption in the specialist market.

AtCor has increased its investment over the years in support of clinical trials intended to increase its market share in the specialist markets. The Company's US direct expenses for the clinical segment increased to about 56% of the total direct expenses (for all the segments of the US market) in FY09 from 31% in FY07. In contrast, the direct expenses for the research segment declined to 21% in FY09 from 51% in FY07. The increasing proportion of direct expenses allocated for the clinical segment suggests that the Company is highly focused on addressing a larger share of the clinical market.

Exhibit 17: AtCor US direct expense investment



Source: Company presentation

SWOT Analysis

Strengths

Unique product technology - SphygmoCor®

AtCor has developed a unique technology SphygmoCor® for the early detection of cardiovascular risk and management of cardiovascular diseases. Its technology enables researchers and clinicians to measure central aortic pressures and other key heart function parameters non-invasively and develop solutions in the area of cardiovascular disease treatment. Currently, there is no competing product in the market that matches the benefits provided by the SphygmoCor® system. The Company has created a strong entry barrier with its proprietary technology, which measures central blood pressure of the ascending aorta (driving cerebral blood flow) and thus provides true cardiac measurements non-invasively.

Strong pharma trial services offering

Apart from high technology products, the Company also provides highly efficient pharma trial services, which further differentiates it from the peers. Over the years, the Company has developed its services significantly for pharma trials by innovating in both SphygmoCor® device hardware and clinical trials data management technology.

In November 2008, AtCor launched its second generation platform, the SphygmoCor® EM3. This lighter-weight, portable module allows SphygmoCor® to be transported more easily to the patient trial sites. The new technology platform is expected to provide improved services to its clients in assessing cardiovascular risks.

In order to upgrade the Company's support to its clinical customers and prepare for increased adoption, AtCor launched an electronic medical records software interface in June 2009. Further, the Company enhanced its pharmaceutical clinical trials service by developing the WISDOM (Worldwide Instantaneous Study Data Operations Management) System. Through WISDOM, clinical trial data is securely and instantaneously transferred from trial sites to the AtCor Medical Clinical Trials Data Management Center, which serves to enhance data quality.

Regulatory approvals for key growth markets & strong intellectual property

The Company's proprietary technology SphygmoCor® is the only fully validated product globally, cleared by FDA and European CE Mark to measure central blood pressure non-invasively. Over the years, the Company has registered a number of patents – related to various parameters of cardiac measurements that help assess the risk of CVDs – in the key growth markets across the world. The increasing regulatory and legislative focus on cardiovascular risk assessment globally is expected to strengthen SphygmoCor® position further in the catered market.

Strong distribution partnerships globally - hybrid business model

The Company is following direct sales distribution model for its key growth markets such as US, Australia and Germany. However, it has also entered into strong partnerships with distributors globally which helps in managing its marketing expenses and distributing its products. The hybrid business model would help the Company to significantly minimize the risk related to distributors' preference to sell its competitors' products in future.

Weaknesses

Cash break-even not yet achieved:

AtCor has a history of incurring operating losses since the start of its operation. The operating losses stood at A\$1.7 million, A\$3.7 million and A\$5.4 million in FY2009, FY2008 and FY2007, respectively. The high operating losses had occurred largely due to AtCor's heavy investments in marketing. AtCor's marketing and sales expenses for FY2007, FY2008 and FY2009 were 121.8%, 76.3% and 58.4% of its product revenue, respectively.

Opportunities

Multi-market opportunities with growing CVDs cases globally

The increase in the number of CVDs patients globally provides ample growth opportunities for AtCor. According to the World Health Organization (WHO), about 17.1 million people died from CVDs in 2004, representing 29% of all global deaths. By 2030, nearly 23.6 million people are expected to die from CVDs, mainly due to heart disease and stroke. The ageing of the population, especially in the developed economies, obesity and smoking are the major factors behind the higher incidence of CVDs globally. As per Company estimates, AtCor has \$2.1 billion global market opportunity for its proprietary technology SphygmoCor®, in the areas of risk assessing and management of CVDs. The Company sees large opportunities in pharma research, clinical trials and clinical healthcare markets.

Continued investment in product development:

AtCor is currently engaged with three product development projects that are scheduled to be launched during the next 12-18 months. The Company's investment in both hardware and software would significantly enhance ease-of-use and interpretation of results for the operator and physician, improving overall delivery of care and the patient experience. To accomplish this, AtCor would nearly double its investment in R&D in 2010.

Achieving reimbursement status for SphygmoCor®

Although several key studies have highlighted the effectiveness of SphygmoCor® in measuring central blood pressure, and the product is well accepted in the pharma research market, there is still a long way to go before it gets acceptance in the specialty clinical market and primary healthcare market. AtCor is putting consistent efforts to establish its products in the specialty clinical market by achieving the reimbursement status of its products in its key growth markets such as the US, Europe and Australia.

Partnering and M&A opportunities

AtCor is open to strategic alliances and acquisitions that could enhance the shareholder’s value and strengthen the position of the Company in future.

The WISDOM System introduced by the Company is capable of being used with devices provided by partner companies.

The potential for the Company’s products being adopted in the future for the below mentioned applications is expected to fuel future growth.

- Managing drug therapy in heart failure,
- Managing cardiac resynchronisation therapy-pacemaker optimization,
- Predicting the onset of atrial fibrillation and
- Identifying preeclampsia risk in the first eight weeks of pregnancy.

Threats

Technological obsolescence:

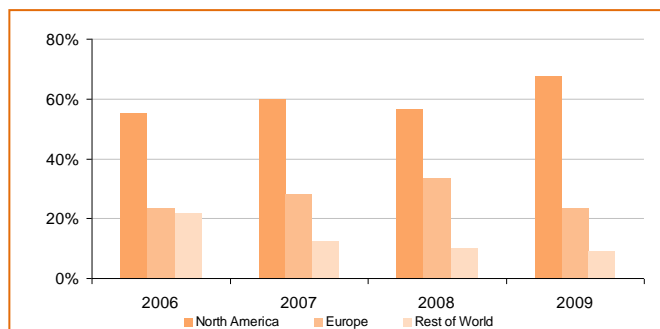
Currently, AtCor has a limited product portfolio as it markets only four products based on SphygmoCor® technology. These products have the same hardware platform but differ in terms of the software systems. The market in which the Company is operating is highly exposed to risks related to regulatory changes and technological advancements. If the Company fails to improve its technology with regulatory changes and improve technology requirements to assess risk with CVDs, its business would be impacted significantly. Even the entrance of a new player with a better technology for assessing the risk and management of CVDs would prove to be a threat to its business prospects.

Growth Strategy

Marketing Strategy - Direct Sales & Distribution

AtCor has adopted direct sales & distribution business model for distribution of its products in key markets such as the US, Australia and Europe (selected countries). The majority of the Company’s revenue comes from North America (accounting for 67.8% of FY09 revenue). Europe and the Rest of World have accounted for 23.2% and 9.0% of the FY09 revenue, respectively.

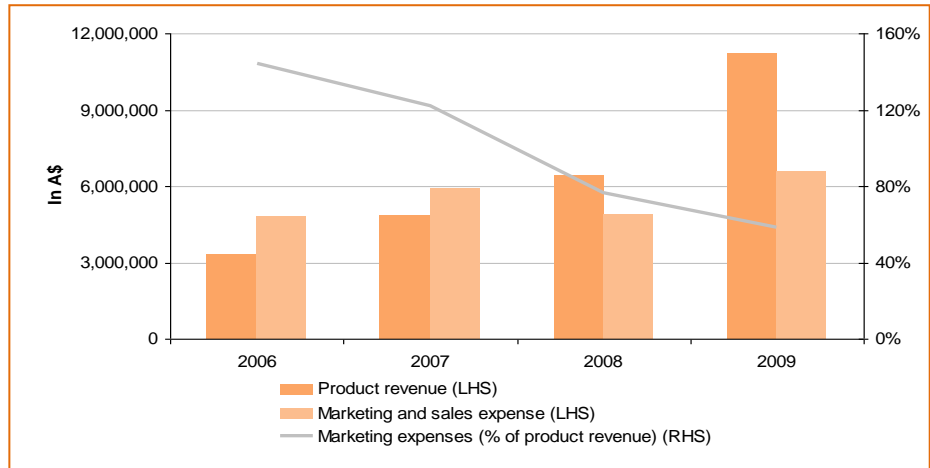
Exhibit 18: AtCor geographic product revenues (% of total product revenue)



Source: Company annual reports

The Company has invested heavily in building its own direct sales force in the US, Europe and Australia in recent years. Additionally, it has also entered into partnership agreements with distributors who are expert in selling cardiovascular devices/instruments to researchers, hospitals and clinics in certain markets, so as to avoid high direct sales expenses. AtCor’s marketing and sales expense accounted for about 58% of the product revenue in FY09. The Company has invested significantly on developing a strong sales force in the US over FY06-FY09. This was financed mainly through the proceeds from its IPO issued in November 2005. Although marketing expenses have remained high as a percentage of product revenue in the recent years, this trend is declining over the years as major investment has already been put in initial years (FY06 & FY07).

Exhibit 19: Marketing and sales expense (% of product revenue)



Source: Company annual reports

North American Sales Strategy

AtCor has adopted the direct sales and distribution model for the North American market. It sells its products directly, avoiding participation of distributors. The Company has invested heavily in the recent years to strengthen its sales force for the region. The Company has built an internal sales and marketing capability targeting key opinion leader sites nationwide. AtCor distributes its products directly to US specialists, and engages major pharmaceutical and biotechnology companies to drive in central pressure measurements using SphygmoCor® in human clinical trials to assess both cardiovascular risk and specific drug effects not detectable through brachial cuff measurements.

In order to enhance its marketing efforts, the Company has stationed a sizeable number of employees, including the Company CEO, in the US. The Company provides purchased or leased SphygmoCor® systems, centralized and on-site training for clinical investigators and staff, and ongoing pharma trials data quality assurance and management services to serve the market more effectively and increase its sales.

European Sales Strategy

The Company has adopted a hybrid sales model for the European region. AtCor sells its products directly in the German market and through national distributors in other major Western European markets, including the UK. AtCor’s largest distributor is ScanMed Group which retains rights for the UK, Sweden, Norway and Denmark. The Company has also established a number of key opinion leader sites in Europe. Additionally, AtCor has signed distribution agreements that cover other European countries such as France, Greece, Spain, Switzerland, Benelux, Portugal, the Czech Republic, Latvia, Lithuania, Poland, Russia and Slovakia.

Exhibit 20: AtCor's distribution partners in Europe

Distributor	Countries
ScanMed Medical	UK, Sweden, Norway, Denmark
Novalab France SA	France
Elemed SA	Greece
Blau Analitica	Spain
Hemoportugal	Portugal
Admedics AG	Switzerland
Gepa Med	Austria
APC Cardiovascular Netherland	Belgium, Netherlands
Almasonic	Bulgaria
Stapro	Czech Republic, Slovakia
Draeger Medical	Hungary
Vega Spa	Italy
Interlux	Lithuania, Latvia
Medical Diagnostic Systems	Poland
Polyservice, LLC	Russia

Source: Company reports, analyst reports

Asia-Pacific Sales Strategy

AtCor sells its products through a hybrid distribution model in the region. The Company sells directly in Australia and through partnerships with local distributors in markets such as Korea, Japan, India and China. The Company has partnered in India with Vaso-Meditech (based in Chennai) and with China Gate (based in Shanghai) in China. While sales in India to date have been for research projects, in the future the Company expects to see high growth in the sale of devices in the private healthcare setting, with patients paying for the SphygmoCor® test as part of an arterial screening assessment. However, in China and HK, the Company is leveraging SphygmoCor® into the public healthcare system, initially via early adopters in Nephrology.

Strategy of technological upgradation - Continued investment in product development & technology:

AtCor is highly focused on new product development and technological advancements and makes investments for this purpose on an ongoing basis. The Company currently has three product development projects underway, scheduled for market launch during the next 12-18 months. The Company's investment in both hardware and software would significantly enhance ease-of-use and interpretation of results for the operators and physicians, improving overall delivery of care and the patient experience. To accomplish this, AtCor will nearly double its investment in R&D in 2010.

In November 2008, AtCor launched its second generation platform, the SphygmoCor® EM3. This lighter-weight, portable module allows SphygmoCor® to be transported more easily to the patient for testing. The new technology platform is expected to provide improved services to its clients in assessing cardiovascular risks. This was a critical consideration in December when a Canadian population-based genomic study purchased the system as it permits easy transport for home-based testing. In addition to design and functionality improvements, AtCor added the measurement of Heart Rate Variability to its platform. The EM3 is available in a number of model configurations which gives better scope of analyzing cardiovascular risks.

In order to upgrade the Company's support to its clinical customers and prepare for increased adoption, AtCor launched an Electronic Medical Records software interface in June 2009. The Company enhanced its pharmaceutical clinical trials service by developing the WISDOM (Worldwide Instantaneous Study Data Operations Management) System. Through WISDOM, clinical trial data is securely and instantaneously transferred from trial sites to the AtCor Medical Clinical Trials Data Management Center. This allows information

to be reviewed in near-real time, so that any necessary corrective action can be made promptly. This in turn enhances the quality of data generated in clinical trials.

National reimbursement approval for SphygmoCor® in the US – Long term growth strategy

The long term success of AtCor's products largely depends upon third party reimbursement and direct patient payment for SphygmoCor® testing. The long-term financial performance of the Company depends on the availability of national reimbursement for procedures utilizing AtCor's products from government health administration authorities, private health coverage insurers and other payer organisations. If the Company is unable to achieve reimbursement from third parties and specialist clinician/ primary general medical practitioner markets, which collectively accounts about 89.5% of the US market, its revenue would largely depend upon direct patient payment for the CVDs risk assessment test by SphygmoCor®, which seems unlikely to be absorbed directly by patients due to the relatively high cost of the test.

Currently, AtCor is following the strategy of generating local and state-based coverage decisions on SphygmoCor®, prior to seeking national reimbursement in the US. SphygmoCor® continues to receive reimbursement utilizing an unlisted Current Procedural Terminology (CPT) code (93799 - unlisted cardiovascular service or procedure) in the US following the recommendation of the AMA to utilize this code. The Company continues to invest resources in securing local reimbursement decisions (state based), which build the dossier for targeting a national reimbursement filing with the American Medical Association (AMA). The Company expects to file an application for CPT1 as early as November 2010 for the arterial tonometry procedure, which encompasses SphygmoCor®.

Competitive Analysis

Absence of Direct Competition for SphygmoCor®

There are several "markers" of cardiovascular risk being developed and coming to market for use by doctors. These include blood tests (CRP, BNP), imaging (coronary calcium scoring) and measures of arterial stiffness. These "markers" aim to determine whether a patient should be classified as being "at higher risk". However, these technologies have limited use in subsequent clinical diagnosis and management of "higher risk" cardiovascular patients. Only SphygmoCor® analyzes the full central aortic pressure waveforms and provides key features such as central systolic and diastolic pressure, augmentation pressure, and augmentation index.

The SphygmoCor® device provides new data that is complementary to current devices such as cuff blood pressure measurement, ECG and echocardiography. It does not compete with these apparent "competitor" products, but rather supplements and enhances them by providing key data not otherwise available non-invasively. Competitors' products have some aspects that are shared with the SphygmoCor® system, but none is able to produce a fully validated central pressure measurement at the heart in mm mercury (Hg), which is proprietary to AtCor due to the unique transfer function of the device. Derivation of the central pressure waveform allows central measures of particular cardiac attributes, whereas other players in the field detect peripheral pulse waves and attempt to reconcile that with what is going on centrally – this is a major drawback.

Exhibit 21: Competitive products Vs SphygmoCor®

Company	Major operational markets	Major products	Key feature	Comment/Drawbacks
Hypertension Diagnostics, Inc.	US	CVProfilor®	A blood pressure waveform analysis technology	SphygmoCor® is far less variable in measurements taken compared to CVProfilor®. SphygmoCor® analyses the radial waveform more efficiently.
HealthStats International	Asia	BPro	Combines central BP and ambulatory blood pressure monitoring	Has been shown to not be reliable when used in ambulatory setting and to not reliably determine heart rate, which is essential to understanding central blood pressure changes.
International Medical Device Partners (IMDP), Inc.	North America, South America, Europe, South Korea, and the Middle East	CardioVision MS-2000	Device producing an Arterial Stiffness Index (ASI)	Only provides one measure, arterial stiffness, and does not appear to be making inroads in the clinical market. Does not produce central waveform or pressure signal.
Pulse Metric, Inc	US	DynaPulse®	Provides information on blood pressures, heart rate and pulse waveform, and functions of left ventricle and arterial system, such as left ventricle contractility, cardiac output, and arterial compliance, distensibility and resistance.	Does not measure central pressures and arterial stiffness and has limited clinician validation via independent peer studies.
Artech Medical	Europe	Complior®	Uses pulse wave velocity measurement to determine arterial stiffness	Technology does not provide a central pressure measurement including central systolic, diastolic and pulse pressures

Source: company websites

AtCor’s proprietary database of 2,000 males and 2,000 females comprise the normal central data set, against which the patient’s central pressure data is compared to in order to assess cardiovascular risk. This proprietary database is a major entry barrier for other competitive products. This database provides context for the measurements of Augmentation Index (i.e. arterial stiffness), reflected wave measurements and central pressure measurements.

Assets: Intellectual Property (Patents)

The Company has a strong intellectual property (patents) portfolio for various parameters and information related to CVDs. The Company has registered its technology with regulatory bodies globally. AtCor also has a number of other patents covering its technology either granted or pending in the US, Europe, Japan and Australia. The Company has been granted a patent for the measurement of Aortic Flow Velocity in patients suffering from CVDs in Australia, US, Germany, France, UK and Italy.

Exhibit 22: Patents portfolio of AtCor

Country	Official Number	Nature
Aortic Flow Velocity		
Australia	722135	Granted
France	957756	Granted
United Kingdom	957756	Granted
USA	6010457	Granted
Improved Calibration		
USA	5882311	Granted
Simplified Systolic & Pulse Pressure Method		
USA	10/583,515	Pending Application
Europe	04802084.6	Pending Application
Japan	2006-544176	Pending Application
Determination of Cardiac Output from Arterial Pressure Waveform		
USA	10/591,742	Pending Application
Europe	05706343.0	Pending Application
Vasoconstriction & Vasodilation as a Cause of Hypotension		
USA	7442169	Pending Application
Method of Estimating Pulse Wave Velocity		
USA	12/09589	Pending Application
Japan	Unknown	Pending Application
Method for Determination of Cardiac Output		
USA	12/438895	Pending Application
Step Rate Device (Frequency)		
International	PCT/AU2008/000789	International Phase Clear Written Opinion
Characterisation of Aging Effect and Cardiovascular Risk		
USA	12/525014	Pending Application

Source: company

The Company's SphygmoCor® device has received FDA clearance for the US market in 2002, CE Mark approval for Europe in 2000, and also has regulatory approvals in Australia, Japan, Canada, People's Republic of China and South Korea.

Recent financial results

Exhibit 23: Annual results (FY2009)

In A\$ Million	Full Year		
	2008	2009	YOY %
Revenue from sale of goods	6.5	11.2	73.8
Other revenue	0.4	0.2	-42.2
Total revenue	6.9	11.5	66.7
Other income	0.5	0.9	91.9
Cost of sale of goods	(1.3)	(1.7)	35.3
Depreciation and amortisation	(0.1)	(0.2)	19.2
Marketing and sales expense	(4.9)	(6.6)	33.1
Product development and regulatory expense	(2.2)	(2.3)	5.2
Occupancy expense	(0.2)	(0.1)	-11.1
Administration expense	(2.3)	(3.2)	41.9
Foreign exchange losses	(0.2)	0.0	
Loss before income tax	(3.7)	(1.7)	-54.8

Income tax expense	(0.1)	0.0	-89.4
Loss for the year	(3.8)	(1.7)	-55.4
Loss attributable to members of AtCor Medical Holdings Limited	(3.8)	(1.7)	-55.4
Basic earnings/loss per share*	(3.8)	(1.7)	-55.3
Diluted earnings/loss per share**	(3.8)	(1.7)	-55.3

Source: Company & R B Milestone Research, * & ** in cents per share

The total revenue of the Company rose 73.4% (47% on a constant currency basis) to A\$11.5 million in FY2009 as compared to A\$6.9 million recorded in FY2008. The increase in total revenue was mainly due to increased product acceptance in the US pharma research market, and gains due to currency. Company revenue from the US market rose 72% in FY2009, with pharma research sector sales rising 99% and clinical practice sales improving 46%. The sales from the Asia-Pacific region also rose 57% in FY2009. The Company has won contracts valued at ~A\$6.7 million in FY2009 from players in the US pharma clinical trials market.

The Company's gross margin improved by 350 basis points to 84.8% in FY2009 from 81.3% in FY2008, mainly due to increased volume, lower costs (attributable to its new portable EM3 technology launched in November 2008), and higher revenue from clinical study services offered to the pharmaceutical industry.

Marketing and sales expenses were up 33.1% to A\$6.6 million in FY2009 from A\$4.9 million in FY2008, largely due to increased spending on marketing infrastructure, ie for building a strong direct sales force in US to penetrate the market more aggressively and FX impact of US expense consolidation into Australia. Product development & regulatory expenses also increased by 5.2% to A\$2.3 million in FY2009 from A\$2.2 million in FY2008. Administrative expenses jumped 41.9% to 3.2 million amid increased business activities, variable compensation growth from strong performance, expense reclassification and FX.

The Company's net loss declined 55.4% to A\$1.7 million in FY2009, compared to A\$3.8 million in FY2008, mainly due to increased gross margin and reduction in occupancy expense, foreign exchange losses and income tax expenses. Basic loss per share fell 55.4% to 1.7 cents per share in FY2009 from 3.8 cents per share a year ago.

As of June 30, 2009, cash and cash equivalents were A\$3.4 million, up A\$0.1 million over June 30, 2008. This was largely attributable to increased receipts from customers as a number of pharmaceutical companies pre-paid the equipment portion of leases versus paying month-to-month. The Company is not expecting to raise further funds for operating purposes in near term.

Basis for Revenue Projections

The key assumptions made in forecasting revenues are as follows:

- The company's revenue is expected to grow at a rate of 15% over FY2009-15.
- Going forward, the investment income for the Company is expected to decline significantly, mainly because the Company would not be eligible for government R&D grants and ongoing investment in product & services development and for strengthening its sales force. This may actually reduce the amount of free cash at hand that the Company can park in short term investment avenues.
- We have made our revenue projections on the basis of the Company's current products and services portfolio. The Company currently has three product development projects underway, scheduled for market launch during the next 12-18 months. AtCor's revenue would see a higher growth if the Company can commercialize its product as per guidance. The Company management expects new product launch during H1 CY2010.

- As the Company has a history of operating losses, it is expected to benefit in terms of paying income taxes as accumulated losses would reduce the taxable income for the Company. Considering the losses incurred by the Company and its subsidiaries, we have assumed a zero tax liability for the period FY2010-15.

Exhibit 24: Revenue Projection Assumptions

	2009A	2010E	2011E	2012E	2013E	2014E	2015E
Growth Rate (%)							
Products	51%	11%	30%	27%	8%	8%	8%
Services	249%	12%	25%	15%	14%	13%	12%
Total	74%	11.2%	28.8%	24.3%	9.3%	9.1%	8.9%

Source: Company & RB Milestone Research

Exhibit 25: Revenue Break-up

(in '000 A\$)	2009A	2010E	2011E	2012E	2013E	2014E	2015E
Revenue							
Products	8,614	9,562	12,430	15,786	17,049	18,413	19,886
Services	2,595	2,906	3,633	4,178	4,763	5,382	6,028
Total	11,209	12,468	16,063	19,964	21,812	23,795	25,914
Revenue Share							
Products	76.8%	76.7%	77.4%	79.1%	78.2%	77.4%	76.7%
Services	23.2%	23.3%	22.6%	20.9%	21.8%	22.6%	23.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company & RB Milestone Research

Exhibit 26: Income Statement

(in '000 A\$)	2009A	2010E	2011E	2012E	2013E	2014E	2015E
Revenue	11,209	12,468	16,063	19,964	21,812	23,795	25,914
YOY %	73.8%	11.2%	28.8%	24.3%	9.3%	9.1%	8.9%
Cost of Goods Sold	1,740	1,870	2,409	2,995	4,362	4,759	5,183
Gross Profit	9,469	10,598	13,654	16,970	17,450	19,036	20,731
Gross profit margin	84.5%	85.0%	85.0%	85.0%	80.0%	80.0%	80.0%
Other Operating Expenses	12,168	12,429	14,273	15,853	15,911	16,078	16,138
EBITDA	(2,699)	(1,831)	(619)	1,116	1,539	2,958	4,593
EBITDA Margin	-24.1%	-14.7%	-3.9%	5.6%	7.1%	12.4%	17.7%
Amortisation on Property and Equipments	176	154	150	149	149	150	150
Other Income	1,191	597	587	579	573	570	568
Profit Before Tax	(1,684)	(1,389)	(182)	1,546	1,963	3,379	5,012
Less: Taxes	7.0	-	-	-	-	-	-
Profit After Tax	(1,691)	(1,389)	(182)	1,546	1,963	3,379	5,012
Net Profit Margin	-15.1%	-11.1%	-1.1%	7.7%	9.0%	14.2%	19.3%
Shares Outstanding (in,000)	100,000	100,000	100,000	100,000	100,000	100,000	100,000
EPS (in cents)	(1.69)	(1.39)	(0.18)	1.55	1.96	3.38	5.01

Source: Company & RB Milestone Research

While the gross margin is expected to remain steady in the range of 84-85% over FY2010-2012, the Company expects its marketing and sales expenses as percentage of sales to reduce over the years, as the business stabilizes. We expect similar benefit to flow in for product development and regulatory expenses as well.

Exhibit 27: Costs as a Share of Revenue

(% of Revenue)	2009A	2010E	2011E	2012E	2013E	2014E	2015E
Marketing and Sales	58.4%	54.0%	49.0%	44.0%	40.0%	37.0%	34.0%
Product Development and Regulatory Expenses	20.2%	18.9%	14.8%	12.0%	11.1%	10.3%	9.6%
Occupancy Expenses	1.3%	1.2%	0.9%	0.7%	0.7%	0.6%	0.6%
Administration Expenses	28.6%	25.6%	24.1%	22.6%	21.1%	19.6%	18.1%
Amortization of Property & Equipment as % of Net Assets	1.6%	1.2%	0.9%	0.7%	0.7%	0.6%	0.6%

Source: Company & RB Milestone Research

Exhibit 28: Costs

(in '000 A\$)	2009A	2010E	2011E	2012E	2013E	2014E	2015E
Cost of Goods Sold	1,740	1,870	2,409	2,995	4,362	4,759	5,183
Marketing and Sales	6,550	6,733	7,871	8,784	8,725	8,804	8,811
Product Development and Regulatory Expenses	2,266	2,356	2,380	2,404	2,428	2,452	2,476
Occupancy Expenses	142	144	145	147	148	150	151
Administration Expenses	3,210	3,196	3,877	4,519	4,610	4,672	4,699

Source: Company & RB Milestone Research

As on June 30, 2009, the Company is debt free and possesses healthy cash position of A\$3.4 million. We do not expect Company to raise funds (debt) in the near future for operational purposes.

Given, the portfolio of debtors who are big Pharma companies, the risk of bad debts or write offs is very low.

Exhibit 29: Assets

(in '000 A\$)	2009A	2010E	2011E	2012E	2013E	2014E	2015E
Current Assets	3,416	1,955	1,549	2,851	4,698	7,952	12,832
Cash and Cash Equivalents	3,382	3,591	4,407	5,204	5,387	5,550	5,690
Accounts Receivables	434	483	622	773	845	922	1,004
Inventories	139	155	199	248	270	295	321
Others	7,372	6,184	6,777	9,075	11,200	14,719	19,847
Total							
Property Plant and Equipment	841	991	1,141	1,291	1,441	1,591	1,741
Gross Fixed Assets	489	644	793	943	1,092	1,242	1,391
Less: Accumulated Depreciation	352	347	347	348	349	349	350
Net Block of Fixed Assets	3,416	1,955	1,549	2,851	4,698	7,952	12,832
Intangible Assets	177	177	177	177	177	177	177
Total	7,900	6,708	7,301	9,600	11,725	15,245	20,373

Source: Company & RB Milestone Research

Exhibit 30: Liabilities

(in '000 A\$)	2009A	2010E	2011E	2012E	2013E	2014E	2015E
Current Liabilities							
Creditors	3,223	3,416	4,181	4,923	5,080	5,215	5,325
Provisions	4	5	6	7	8	9	9
Total	3,227	3,420	4,187	4,930	5,087	5,224	5,334
Other	28	31	40	50	55	59	65
Shareholders Equity							
Capital	28,982	28,982	28,982	28,982	28,982	28,982	28,982
Reserves	963	963	963	963	963	963	963
(Deficit) / Surplus	(25,300)	(26,688)	(26,871)	(25,325)	(23,362)	(19,983)	(14,971)
Total	4,645	3,256	3,074	4,620	6,583	9,962	14,974
Total	7,900	6,708	7,301	9,600	11,725	15,245	20,373

Source: Company & RB Milestone Research

AtCor is expected to generate positive operating cash flow in FY2012, with increase in business activities, growth in revenues and rationalization of fixed overheads.

Exhibit 31: Cash Flow Statement

(in '000 A\$)	2010E	2011E	2012E	2013E	2014E	2015E
Cash Flow from Operating Activity						
PAT	(1,389)	(182)	1,546	1,963	3,379	5,012
Depreciation	154	150	149	149	150	150
(Incr)/Decr in Working Capital	(80)	(233)	(253)	(120)	(129)	(137)
(Incr)/Decr in Other Liabilities	3	9	10	5	5	5
Cash Flow from operations	(1,311)	(257)	1,452	1,997	3,404	5,030
Cash Flow From Investing Activity						
Purchase of Fixed Assets	(150)	(150)	(150)	(150)	(150)	(150)
Cash Flow from Investing	(150)	(150)	(150)	(150)	(150)	(150)
Cash Flow From Financing Activity						
Fresh Equity	-	-	-	-	-	-
Cash Flow from Financing	-	-	-	-	-	-
Increase/Decrease in Cash	(1,461)	(407)	1,302	1,847	3,254	4,880
End of the year Cash	1,955	1,549	2,851	4,698	7,952	12,832

Source: Company & RB Milestone Research

Exhibit 32: Free Cash Flows

(in '000 A\$)	2008	2009	2010E	2011E	2012E	2013E	2014E	2015E
EBIT	(3,727)	(1,684)	(1,389)	(182)	1,546	1,963	3,379	5,012
Tax Rate	-	-	-	-	-	-	-	-
EBIT(1-tax rate)	(3,727)	(1,684)	(1,389)	(182)	1,546	1,963	3,379	5,012
Add: Depreciation	(3,727)	(1,684)	(1,389)	(182)	1,546	1,963	3,379	5,012
Less: Capex	(3,727)	(1,684)	(1,389)	(182)	1,546	1,963	3,379	5,012
Less: Increase in WC	(3,727)	(1,684)	(1,389)	(182)	1,546	1,963	3,379	5,012
FCFF	(3,727)	(1,684)	(1,389)	(182)	1,546	1,963	3,379	5,012
ROIC								
Invested Capital	2,663	1,257	1,332	1,566	1,819	1,940	2,069	2,207
Average Invested Capital	2,532	1,960	1,295	1,449	1,693	1,880	2,004	2,138
ROIC	-147.2%	-86.0%	-107.3%	-12.6%	91.3%	104.4%	168.6%	234.5%

Source: Company & RB Milestone Research

Valuation & Investment View

Valuation based on forecasted earning

Exhibit 33: Price target based on forecasted revenue

2009	2010	2011	2012	2013	2014	2015
0.69	0.77	0.85	0.94	1.05	1.16	1.30

Source: R B Milestone Research

We value the Company by assigning revenue multiple to the 2015 revenue, and then discounting by an appropriate discount factor. We have used a multiple of 5 on the 2015 revenue and arrived at a value per share of A\$1.30 for 2015. We have used a discount factor of 11.1% (considering the Weighted Average Cost of Capital), and arrived at a fair value of A\$0.69 and one year target price of A\$0.77. Accordingly, we set a target price of A\$0.77 for the Company.

Exhibit 34: Calculation of Weighted Average Cost of Capital

Calculation Of Weighted Average Cost Of Capital (In A\$ '000)	
Cost of Equity	
Risk Free Rate	5.5%
Stock Premium	7.0%
Beta	0.70
Expected Return	11.1%
Average Borrowing rate (before tax)	0.0%
Tax Rate	0.0%
Cost of Debt	0.0%
Book value of equity (As on June 2009)	4,645
Book value of debt (As on June 2009)	-
Total Capital (excl deferred tax liability)	4,645
WACC (Weighted Average Cost of Capital)	11.1%

Source: RB Milestone Research

Peer Valuation analysis

Exhibit 35: Peer valuation table

Company Name	Ticker Symbol	Price / share (A\$)	Market Cap. A\$ million	Price / Sales		
				2007	2008	2009
Uscom Limited	UCM	0.74	29.60	15.20	22.32	15.06
IMI Medical Limited	IMI	0.004	6.39	3.03	3.30	NA
ImpediMed Limited	IPD	0.78	75.29	12.35	17.03	21.16
Hypertension Diagnostics, Inc.	HDII	0.10*	4.10**	2.17	7.42	8.19
Average for the Peer group				8.19	12.52	14.80
AtCor	ACG	0.18	18.00	2.81	2.26	1.35

Source: Thomson, R B Milestone Research, * figures in USD, ** Figures in USD Million

When compared with its peers, the Company seems to be undervalued, trading at a P/S of 1.35x 2009 Sales. While the highest P/S of its peer group is 21x 2009 Sales, the lowest is 8x 2009 sales. On a conservative note, even if we assign a multiple of 5 times the sales of FY2015, and discount it with cost of capital we arrive at one year target price of A\$0.77.

Outlook - FY2010

On track for continued growth in FY10

The Company expects strong double digit growth on a constant currency basis in its revenue in FY2010, with continued acceptance of SphygmoCor® in pharma clinical practice. The Company is currently in negotiations with multiple major pharma players for clinical trials. The Company expects to file an application for CPT1 as early as November 2010 for the arterial tonometry procedure, which encompasses SphygmoCor®.

Investing for sustainable growth & continued leadership

The Company is expected to continue its investments in product development and services improvement. The Company is planning to double its investment in technology development in FY2010. But, in the absence of any concrete guidance we have assumed the product development expenses to remain stable in line with amount incurred in FY2009.

Sufficient funds

The Company has sufficient funds to run its operating activities in FY2010. AtCor is not looking to raise any funds in FY2010, and is expected to reduce its operating cash burn in H2 FY2010. Also, the Company is debt free, as of June 30, 2009.

Major milestones expected

The Company is expecting to reach some major milestones in FY2010. It expects positive announcements for some major studies underway currently which are due in FY2010 and strong pharmaceutical sector demand for the remainder of the fiscal year. The Company is expected to continue its growth in local reimbursement in the US, and is planning for national filing of CPT 1 as early as November 2010 for the arterial tonometry procedure, which encompasses SphygmoCor®.

Key Risk factors

- The commercial success of AtCor's products largely depends on the acceptance by medical practitioners and the healthcare system. The Company expects that there may be some reluctance among medical practitioners to use devices they have not previously used. If SphygmoCor® device fails to achieve sufficient market acceptance, the Company's future revenue would suffer significantly.
- The Company's nature of business is such that its sales tend to be made on a "one-off" basis, with no formal written long term contracts in place. Purchase orders are raised and placed either through distributors or directly with AtCor, and orders are filled either out of AtCor's inventory or manufactured to meet the specific order. As such, AtCor's sales revenue is dependent on clients and distributors continuing to place orders for the purchase of the SphygmoCor® device, which cannot be guaranteed. Future revenue could be at risk if distributors opt to change suppliers. However, the Company has entered into annually renewable exclusive agreements with its distributors globally. Its pharma contracts, which account for ~50% of the total business, are multi-month/year deals typically with noncancellable equipment revenue.
- The global medical devices market is highly fragmented and competitive in nature as about 60% of the global market is dominated by small players. The Company's financial performance or operating margins would be adversely impacted if it fails to position its products effectively in the targeted market. Even a new entrant or aggressive moves from an established player could impact its revenue significantly.

- The industry in which the Company operates is subject to regulatory changes and there can be no assurance that it would be able to comply with new regulations in existing or for new markets. In the event of non-compliance, AtCor may not be able to market the SphygmoCor® device in some key markets which could impact its revenue generation and future performance.
- The Company has a limited number of products and patents. If the Company fails to protect the patent covering the SphygmoCor® technology, which is registered only in the US and till 2011, the Company's future performance would be impacted adversely. AtCor's product is also facing the risk of technological obsolescence as the Company is operating in a market characterised by rapid and significant technological change.
- The Company may need to raise additional funds to undertake further commercialisation of the SphygmoCor® device. There is no guarantee that such funding would be available in the future and on acceptable terms, especially in view of the continued global financial crisis.
- The Company is facing certain inherent risks for its existing and proposed international operations, such as unexpected changes in regulatory requirements, fluctuations in currency exchange rates, technology export and import restrictions or prohibitions, seasonal reductions in business, political instability, war and other economic and political risks. Such events could adversely impact the success of the Company's international operations.
- The Company's reporting currency is AUD. Since it has global operations, any adverse movement in AUD vis-à-vis other major currencies would mount pressure on its revenues, impacting its business.

Annexure I: Management

AtCor Medical Holdings Ltd

Donal O'Dwyer, Chairman

He has been working with the Company as an Independent Director of the Group since September 2004 and as Chairman since November 2004. Before joining the AtCor Board, he was worldwide President of Cordis Cardiology, the \$2 billion cardiology division of Johnson & Johnson. Earlier, he worked with Baxter Healthcare for 12 years and assumed the position of President at Baxter's European Cardiovascular group. He holds BEng from University College, Dublin and an MBA from Manchester Business School.

Duncan Ross, CEO

He has been working with the group as Chief Executive Officer since November 2006. He has over 25 years experience in the clinical diagnostics and life sciences device industry with companies such as the American Hospital Supply Corporation and Baxter International. Prior to joining AtCor Medical, he worked as Group President of Fisher Scientific Inc. and Apogent Technologies Inc. He received his BS in Finance and Economics from Babson College.

Dr. Michael O'Rourke, Medical Director and Co-founder

He is the Co-founder and inventor of the core technology for the SphygmoCor system, and serves as medical advisor for the Company. He is Emeritus Professor of Medicine at the University of NSW and is recognized as an international leader in the field of cardiovascular physiology and medicine, having more than 300 scientific papers to his credit. He is also co-author of the standard reference textbook McDonald's Blood Flow in Arteries, and serves on the editorial Board for the American Heart Association journal Hypertension. He has received MD and DSc from the University of Sydney.

Peter Jenkins, Non-executive Director

He has been working with AtCor since 2000, and has served as Chairman for 4 years. He was until his retirement a Consultant to Colonial First State Private Equity (CFSPE), and also has 25 years experience in the international pharmaceutical industry. Before joining CFSPE, he worked with Schering Plough Corporation, and held various senior positions in sales/marketing, and as a Country Manager.

Dr. David Brookes, Non-executive Director

He has been serving as an Independent Director of the Group since November 2008. He currently works as a general medical practitioner and has extensive experience in rural Australia, especially in pediatric and procedural practice. He has been an independent director of Living Cell Technologies since August 2007, and is currently Chairman of Innovance Ltd. He has received a Bachelor of Medicine and Bachelor of Surgery from Adelaide University (1985) and is a Fellow of the Australian College of Rural and Remote Medicine.

Peter Manley, Chief Financial Officer

He started working with the Company in March 2005 as Company Secretary, and currently serves as Chief Financial Officer. Before joining AtCor, he was Company Secretary and CFO at Sirtex Medical Ltd, a publicly listed medical device company. Prior to this, he held financial positions in a variety of large Australian and foreign-owned corporations. He holds a CPA degree, and has completed BBus from University of Technology, Sydney.

Annexure II: US Healthcare System and Reimbursement

The major players in the US Healthcare Market are:

- Centres for Medicare and Medicaid Services (CMS) - government funded
- Managed Care – point of care directed by gatekeepers who are the physicians
- Third Party Payers – insurance companies, 5 major players

The Current Procedural Terminology (CPT) code set is maintained by the American Medical Association (AMA). The CPT code set accurately describes medical, surgical, and diagnostic services and is designed to communicate uniform information about medical services and procedures among physicians, coders, patients, accreditation organisations, and payers for administrative, financial, and analytical purposes. There are three types of CPT codes: Category I CPT Code(s), Category II CPT Code(s) – Performance Measurement and Category III CPT Code(s) – Emerging Technology. Essentially, the CPT Codes, as endorsed by the AMA provide a level of validation and as such, reimbursement from the CMS and Third Party Payers becomes less complicated.

The coding enables providers of medical services to properly bill for the service performed. The bill is then submitted to the relevant payer(s), and the relevant payment is returned to the provider of the service. According to the AMA, in developing new and revised regular CPT I codes the Advisory Committees and the Editorial Panel usually require that:

- The service/procedure has received approval from the Food and Drug Administration (FDA) for the specific use of devices or drugs;
- The suggested procedure/service is a distinct service performed by many physicians/practitioners across the United States;
- The clinical efficacy of the service/procedure is well established and documented in U.S. peer review literature;
- The suggested service/procedure is neither a fragmentation of an existing procedure/service nor currently reportable by one or more existing codes; and
- The suggested service/procedure is not requested as a means to report extraordinary circumstances related to the performance of a procedure/service already having a specific CPT code.

Legal Notes and Disclosure

Some of the information in this report relates to future events or future business and financial performance. Such statements constitute forward-looking information within the meaning of the Private Securities Litigation Act of 1995. Such statements can be only predictions and the actual events or results may differ from those discussed due to, among other things, the risks described in AtCor Medical Holdings Ltd.' company reports. The content of this report with respect to has been compiled primarily from information available to the public released by AtCor Medical Holdings Ltd. through news releases and SEC filings. AtCor Medical Holdings Ltd. is solely responsible for the accuracy of that information. Information as to other companies has been prepared from publicly available information and has not been independently verified by AtCor Medical Holdings Ltd. or RBMG. Certain summaries of scientific activities and outcomes have been condensed to aid the reader in gaining a general understanding. For more complete information about AtCor Medical Holdings Ltd. the reader is directed to the Company's website at www.atcormedical.com. This report is published solely for information purposes and is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any state. Past performance does not guarantee future performance. This report is not to be copied, transmitted, displayed, distributed (for compensation or otherwise), or altered in any way without RBMG's prior written consent.