



## R&D Tax Incentive Review

- UBI has been leveraging the Federal R&D Tax Rebate for the past 4 years to conduct high value research and development (“R&D”) that is focused on commercialising Australian science in large global markets
  - UBI has demonstrated its ability to develop and commercialise world class medical devices for demanding and highly regarded international companies like Johnson & Johnson and Siemens Healthcare
  - Our company has developed the business infrastructure including a world class manufacturing facility, skills and experience to generate a return on investment in future R&D programs
- As a direct result of UBI’s R&D programs, we have seen products launched internationally and export revenues increasing rapidly (34% increase year-on-year for the financial year 2017)
- Building on this early success, UBI needs to continue to invest in R&D at a level required to create world beating products in a competitive and technically demanding field that will in turn drive export revenue growth and create high value employment opportunities
  - UBI spent ~\$13.6 million in R&D for FY2017
  - Contributions made in the form of taxes to both the federal and state governments for FY2017 were as follows:

	<b>\$ ('000)</b>
Payroll tax	440
PAYG	2,642
Withholding tax	207
	<b>3,289</b>
<b>Taxes paid as a % of R&amp;D spend</b>	<b>24%</b>

- However, due to our early success, our revenues exceeded the \$20 million threshold in FY2017 at which we are ineligible to access the R&D Cash Rebate
  - As a result, our company will be required to reduce our investment in R&D and forego attractive business opportunities
- In the medical technology industry, timeliness to market is a key to competitive differentiation
  - Our inability to access the R&D Cash Rebate over the next few years will reduce our ability to innovate at an accelerated pace and compete effectively in global markets.
- UBI believes that this \$20 million threshold for claiming a cash rebate is arbitrary and limits the effectiveness of an otherwise excellent program. Given Australia’s focus on growth opportunities, investment in creating employment and innovation and to compete in global markets we believe that:
  - Companies like UBI need to generate closer to \$50 million in revenues to sustainably invest in R&D at the rate needed to compete internationally
  - UBI therefore recommends that the revenue level at which certain companies are no longer eligible for the R&D Cash Rebate should be raised from \$20 million to \$50 million. This could be achieved by a 2<sup>nd</sup> level assessment of enhanced criteria by AusIndustry as a result of fine tuning the existing program.

Please Note: This is not a level playing field. Multinationals go where the economic benefit is the greatest. J&J transferred the strip manufacturing from UBI to Inverness Scotland where they receive R&D Grants and Government Assistance at a level not approachable by UBI.



**Universal Biosensors (ASX: UBI) Overview**

<b>Ownership</b>	ASX listed (UBI) since 2006.
<b>Business description</b>	UBI is a specialist medical diagnostics company focused on the development, manufacture and commercialisation of in-vitro diagnostic tests for professional point-of-care and home use.
<b>Commercial opportunity</b>	Point-of-care diagnostics means rapid, low cost, easy-to-use diagnostics that offer improved health outcomes and better health economics.  Global market estimated at ~US\$16 billion, growing at ~10% annually.
<b>UBI technology</b>	~44 patent families protecting an innovative approach to electro - chemical sensing that allows powerful and low cost analysis of a single drop of blood in a matter of seconds or minutes.  Applicable to a broad range of diagnostic applications.  Substantial trade secrets embodied in UBI's custom automated production facilities.
<b>Products in market</b> <i>(developed by UBI)</i>	<i>OneTouch Verio</i> blood glucose monitoring system <ul style="list-style-type: none"> <li>• used by people with diabetes to manage their condition.</li> <li>• designed for LifeScan (a Johnson &amp; Johnson company).</li> <li>• launched internationally in 2010.</li> <li>• now sold in over 90% of the world market.</li> </ul> <i>Xprecia Stride Coagulation Analyser</i> <ul style="list-style-type: none"> <li>• used by people taking the anti-coagulant drug Warfarin to manage their therapy.</li> <li>• designed for Siemens Healthcare Diagnostics.</li> <li>• launched internationally in late 2014.</li> <li>• UBI is the sole supplier of the consumable test strips to Siemens.</li> </ul>
<b>Manufacturing capability</b>	ISO 13485 certified, world scale manufacturing facility in Rowville, Victoria.
<b>Employees</b>	~100 employees.
<b>Revenues</b>	\$25.2 million <i>(FY2017)</i> .
<b>Revenue Growth</b>	34% <i>(FY2017 vs FY2016)</i> .