Zacks Equity Research

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Trinity Biotech (TRIB-NASDAQ)

TRIB: Q3 Results Solid. Raising Price Target.

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	05/11/2010
Current Price (010/21/10)	$6.88
Six- Month Target Price	**$8.55**

OUTLOOK

The May 2010 sale of the stodgy and low margin coagulation business and subsequent shift in strategy towards building out the high potential POC segment creates significant opportunity for long-term revenue and EPADR growth. The $90MM all-cash deal is a win-win-win for TRIB. We expect 8% EPADR growth in 2010 despite the 30% lost revenue contribution from coag. Huge premium from the deal allows TRIB to pay off all debt and ramp pipeline development of the faster growth and higher margin POC segment.

We are maintaining our Outperform rating. Our price target is $8.55.

SUMMARY DATA

52-Week High	**$6.99**
52-Week Low	**$3.47**
One-Year Return (%)	**81.33**
Beta	**1.63**
Average Daily Volume (sh)	**36,510**
Shares Outstanding (mil)	**21**
Market Capitalization ($mil)	**$140**
Short Interest Ratio (days)	**1.98**
Institutional Ownership (%)	**42**
Insider Ownership (%)	**8**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**5.2**
Earnings Per Share (%)	**3.5**
Dividend (%)	**N/A**
P/E using TTM EPS	**11.1**
P/E using 2010 Estimate	**11.3**
P/E using 2011 Estimate	**11.5**
Zacks Rank	**3**

Risk Level	**Average,**
Type of Stock	**Small-Value**
Industry	**Med Products**
Zacks Rank in Industry	**40 of 66**

ZACKS ESTIMATES

Revenue
(millions)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2009	$31.1 A	$32.3 A	$31.7 A	$30.8 A	$125.9 A
2010	$29.0 A	$22.6 A	$18.8 A	$18.9 E	$89.3 E
2011					$81.6 E
2012					$90.0 E

Earnings per Share
(EPS is operating earnings before non recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2009	$0.12 A	$0.14 A	$0.15 A	$0.16 A	$0.57 A
2010	$0.15 A	$0.15 A	$0.16 A	$0.15 E	$0.61 E
2011					$0.66 E
2012					$0.77 E

Zacks Projected EPS Growth Rate - Next 5 Years % **11**

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WHAT'S NEW

Third Quarter Financial Results

On October 20, 2010 Trinity Biotech reported financial results for the third quarter ending September 30, 2010. The company beat our estimates on both revenue and EPS. Revenue of $18.8 million was 2% ahead of our $18.2 million forecast while EPS (adjusted for a non-cash charge related to the coag divestiture) beat by $0.035 ($0.162 A vs. $0.127 E) or 28%.

The % difference in revenue was fairly evenly split between clinical lab and POC with clinical lab turning in $14.6 million ($14.2 million E) and POC generating $4.2 million ($4.1 million E). Clinical lab performed relatively well despite a poor showing for Lyme disease sales and a ~$500k forex headwind. The remainder of the infectious disease business as well as the diabetes business performed especially well in the U.S. and China – posting double-digit growth in both countries. Management made special mention on the call that growth China has been tremendous and above expectations. We expect China as well as Brazil to be strong catalysts for sales growth for the company over the next several years.

POC revenue increased 8% y-o-y with U.S. HIV sales up 4% while HIV sales in Africa grew 12%, despite no shipments to the problem customer with credit issues. Management continues to expect the African HIV business to experience significant growth as they expand their geographic reach over the continent.

EPS handily beat our estimate as a result of the slight beat on the top-line, significantly lower than anticipated net operating expenses, higher interest income and a lower tax rate. The bulk of the difference came from $651k (vs. $60k E) in other operating income, most of which is attributable to services that TRIB has been providing to Stago following the coag sale – we expect this income to significantly moderate in the coming quarters but for there to be some corresponding offset to operating expense. Interest income also came in well ahead of our estimate ($445 A vs $264k) due to the company earning interest at about 1.2% better than we had forecast. Finally, Trinity also benefitted from unanticipated R&D tax credits in the quarter which had the effect of reducing the effective tax rate to just under 7% (vs. 12% E). Management noted that they expect to again benefit from these credits in Q4 but then the tax rate to approach the 12% - 14% range.

We are maintaining our Outperform rating on Trinity Biotech. We have adjusted our fourth quarter and full-year 2010 EPS estimates upwards. We now look for Q4 EPS of $0.148 versus our previous estimate of $0.139 – the difference mostly attributable to expected higher interest income and a lower tax rate. Our full-year EPS estimate has moved from $0.567 prior to Q3 earnings to $0.611 currently. We are also raising our target price to $8.55 (from $7.94), which reflects 14x our revised 2010 EPS estimate.

Management gave a business update on the conference call. The proposed stock repurchase program was approved by shareholders at a special meeting on September 30, 2010. TRIB will now have to go in front of two Irish courts to gain approval – the first hearing is slated for November 10th, the second should take place a few weeks afterward. Management indicated that while there is no assurance of receiving approval from the courts, they believe it is likely. If all goes well a buyback program could commence early in 2011. We will update our model to include the effects of a reduced share count if and when the buyback program is instituted. Depending on the size and success of the program we believe this could conservatively add as much as 8% - 10% to our $0.662 2011 EPS estimate.

The PDX instrument is still slated to launch in Europe during the current quarter, at which time TRIB will also file with U.S., Chinese and Brazilian authorities. Trinity has yet to disclose which large European company will handle distribution, although apparently that will be announced when the product launches.

Relative to Tri-Stat, management had no update on the CLIA waiver but hopes to meet with the FDA in the coming weeks in order to gain more insight. The company expects to begin the registration process in the next few months for the instrument in Asia and Brazil where the TRIB already has distributors lined up. TRIB can launch Tri-Stat in Europe immediately upon signing a distribution agreement which is presumably in the works.

OVERVIEW

BUSINESS:

Bray, Ireland headquartered Trinity Biotech plc ("Trinity") was incorporated and went public in 1992. The medical diagnostics company develops, manufactures and markets reagent products and related instrumentation for the detection of autoimmune, infectious and sexually transmitted diseases, diabetes and disorders of the blood, liver and intestines. The company markets their products to the point-of-care (POC) and clinical laboratories markets in the U.S. and in over 75 countries internationally. Manufacturing sites are located in Ireland and several locations in the U.S. Trinity is a leader in the fast-growing and profitable HIV point-of-care testing segment and also has significant interests in infectious disease and diabetes testing. The company, which is also a significant provider of raw materials to the life-sciences industry, markets its products directly through its in-house sales force as well as through a network of distributors. In March 2009 the company announced a binding agreement to sell its coagulation business, which accounted for approximately 40% of total revenue in 2009, to the Stago Group for $90 million. The deal closed in early May, 2010.

Coagulation Divestiture

Terms of $90 million deal with the Stago Group included a $67.5 million upfront payment upon closing. This is to be followed by two separate installments of $11.25 million each due on the first and second anniversaries of the deal consummation. The deferred installments have no contingency provisions and are secured through a bank guarantee. In addition, Trinity retains the accounts receivable (as well as the accounts payable) related to the coagulation business, the net collection of which is expected to be approximately $4 million ($5MM A/R less $1MM A/P).

The divestiture includes all the assets of Trinity Biotech (U.K. sales) Limited, Trinity Biotech GmbH (Germany – manufacturing/sales) and Trinity Biotech SARL (France – sales). Stago also receives the coagulation assets of Biopool U.S. Inc (Jamestown, NY – sales) and Trinity Biotech Manufacturing Ltd. (Ireland – manufacturing/sales). The sale includes Trinity's list of coagulation customers and suppliers, all coagulation inventory and intellectual and developed property. 320 of Trinity's 658 employees were transferred to Stago.

Of the $125.9 million of revenue that Trinity generated in 2009, we estimate $49.7 million came from the coagulation business. Management noted that they expect annualized revenues to fall approximately 40% as a result of the coagulation divestiture. Notwithstanding the expected significant drop in revenues, management forecasts EPADR for the 12 month period following close of the deal (~ Q2 2010 – Q1 2011) of between 100% and 110% of existing levels (2009 EPADR of $0.565). We model 2010 revenue and EPADR of $89.3 million and $0.611, representing 8% EPADR growth from 2009. Our 2010 revenue forecast represents roughly flat growth from 2009 pro-forma for the coagulation divestiture. We note however, as we highlight later in this report, that we expect revenues from ongoing operations to show significant and consistent annual growth beginning in 2011.

The divestiture of the coagulation assets comes as a surprise given Trinity's recent determination to grow this business, highlighted by the U.S. launch of its next-generation haemostasis analyzer, Destiny MAX, in July 2009 (launched in Europe in December 2008). Nonetheless, we believe selling off the coagulation business makes good strategic sense for a number of reasons. By selling the coagulation business, Trinity reduces their downside risk, maintains EPADR growth and substantially increases their opportunity for meaningful long-term growth.

- **Price**
  We believe management negotiated an outstanding price, which we estimate reflects a premium of over 100%. The market value of the entire company the day prior to the announcement was approximately $115 million (prior three month average was ~ $81 million), compared to the $90 million sale price for the coagulation business. Using price/sales to value the coagulation business would equate to a value of roughly $45.5 million – and while not the most sophisticated of valuation methods, in this case it likely results in a generous valuation for TRIB's coagulation business. Of all of Trinity's major businesses, coagulation has been the stodgiest, with sales growth and margin contribution below average. The outlook for the coagulation business has also been comparably dismal. Despite the recent launch of Destiny MAX, coagulation revenues continued to slide and were almost solely responsible for the entire drop in companywide revenue from 2008 to 2009. While coagulation would likely return to growth in the near-term, we estimate the incremental growth of the business would remain well below that of Trinity's POC platform as well as its other major clinical lab businesses. So while our P/S value for Trinity's coagulation business compares very favorably to the $90 million sales price, given the lackluster performance and outlook of the business, the "true" value, in our opinion, is likely even less than $45.5 million, which implies a sales premium of over 100%.

- **Cash infusion**

  The large cash infusion allowed Trinity to shore up its balance sheet (thereby eliminating the impending near-term debt repayments) and affords it the opportunity to reinvest in higher growth businesses through organic means as well as through in-licensing, partnerships and acquisitions and to buy back stock. As of 12/31/2009 the company carried debt (bank loans) of approximately $31 million, with $12 million due within one year and the remainder due within three years. The loans were bearing interest at about 2.6% (mostly floating-rate), and along with lease financing expenses, cost the company $1.19 million ($0.05 EPADR) in 2009. Trinity immediately repaid all the debt following the deal close. The elimination of the debt coupled with carry of the cash will turn interest expense into significant interest income in 2010. We currently model interest income of $794k for the full year 2010, compared to interest expense of $1.2 million in 2009. Barring a large acquisition or stock buyback program interest income will continue to benefit in 2011 and 2012 as the subsequent installment payments are received.

  With a war-chest of cash and cleaned up balance sheet, Trinity will have the means to quickly reinvest in higher growth opportunities. Initially we expect this to come in the form of accelerated development of the company's higher-margin POC platform, with a dedicated focus on infectious disease, diabetes and coagulation. And while we do not believe a material-sized acquisition is in the cards in the near-term, we do not rule it out, especially as the company's existing pipeline reaches commercialization.

  We expect Trinity to continue to generate significant positive cash-flow ($16MM - $20MM) and this, coupled with the transaction cash, will likely be substantially more than management can effectively use to organically reinvest in the company. Barring attractive in-licensing, partnership arrangements or a sizeable acquisition, we expect the company to reinvest the cash through stock buybacks. Management is in the midst of gaining court approval to be able to buyback stock. Due to Trinity's large writedown in 2008, the company does not have sufficient reserves in order to qualify under Irish law to buyback stock. TRIB gained shareholder approval to institute a buyback program but now must gain approval from the Irish courts. The company will go in front of two Irish courts – the first hearing is slated for November 10th, the second should take place a few weeks afterward. Management indicated that while there is no assurance of receiving approval from the courts, they believe it is likely. If all goes well a buyback program could commence early in 2011. Depending on the size and success of the program we believe this could conservatively add as much as 8% - 10% to our $0.662 EPS estimate for 2011.

- **Minimal EPADR Impact**

  While management expects the divestiture to reduce annualized revenue by about 40% in 2010, their forecast for EPADR is flat to slightly above the level in 2009 (which we think is conservative). We model 8% EPADR growth in 2010 as a result of the relatively weak margin contribution from the coagulation business, significant interest income as a result of the spike in the cash balance from the sale proceeds and what we expect will be some increased operating leverage post-divestiture. We also note that our interest income calculation for 2010 does not pro-forma in the $22.5 million deferred installments from Stago, which would generate roughly an additional $300k (~ $0.01 - $0.02 EPADR). In essence, the coagulation business's net contribution to EPADR is lower than the floating interest rate that Trinity will earn on cash.

- **No restrictions on participating in POC coagulation**

  While Trinity's clinical lab coagulation business will no longer exist following the transaction, terms of the deal allow the company to continue to participate in the higher growth POC coagulation market. Trinity will continue development of a range of coagulation tests for the POC segment including their lateral flow assay, D-dimer. The POC coagulation market, estimated at $300 million and growing at 11% per year, offers a very attractive opportunity for Trinity. The company's experience and expertise in development and marketing of coagulation tests should give them an advantage and afford them an upper hand in taking share from competitors in the space.

- **ForEx exposure mitigated**

  Historically the majority of Trinity's revenue has been booked in U.S.$ (72% of 2009 revenue). With significant manufacturing as well as research and development assets located in Europe, a substantial portion of expenses have been denominated in Euros. And while the company has at times used financial hedging instruments to hedge its foreign exchange risk, Trinity has often remained exposed to adverse movements in the U.S.$/Euro exchange rate. With the sale of the coagulation business, also goes a significant portion of European manufacturing and R&D assets, the result will be a mitigation of foreign exchange risk through a much more even matching of similar currency denominated revenues and expenses (i.e. natural hedge).

PRODUCTS:

Trinity has two main product lines, **Clinical Laboratory** and **Point-of-Care**. Approximately 54% of sales come from the U.S. market, 26% from Europe and 20% from Asia and Africa combined. The clinical lab products, which have historically generated the bulk of company revenues, include diagnostic tests and instrumentation for the detection of infectious disease, sexually transmitted diseases, blood coagulation (which is now divested) and autoimmune disorders. Trinity also sells raw materials to the life sciences industry which also run through the clinical lab business. The business's remaining major product lines, following the sale of the coagulation business, are infectious disease and clinical chemistry. As opposed to clinical laboratory products, which are used in labs in hospitals and research institutions, POC products are much simpler (in administration and interpretation) tests which are carried out in the presence of the patient.

Clinical Laboratory

Clinical lab revenues have accounted for approximately 85% (with POC accounting for the other 15%) of the company's revenue but historically have trailed the POC business in relation to % contribution to gross margin. Coagulation had accounted for approximately 45% clinical lab revenues (40% of total company revenues) with infectious disease contributing 38% (33%) and clinical chemistry at 16% (14%). As a result of the sale of the clinical lab coagulation business, POC's contribution as a percent of total revenue will significantly increase.

Coagulation

Trinity's coagulation product line comprises test kits and instrumentation used in the detection of blood coagulation and clotting disorders. Trinity has recently had a focus on growing out its coagulation business through acquisitions as well as through organic growth. Along with the 2006 acquisition of BioMerieux's coagulation business, Trinity looked for growth organically, launching their Destiny MAX instrument in Europe in late-2008 and in mid-2009 in the U.S. Destiny MAX was billed as the largest development project ever undertaken by Trinity and one that they company had high hopes for. Despite the company's efforts to grow the business, coagulation revenue growth appeared to have stalled in 2008, at least partially as a result of the launch of Destiny MAX. While Destiny MAX is specifically designed to service the $500 million high throughput segment of the market, an area that was not previously served by Trinity's instrument portfolio, the product appeared to be cannibalizing sales of the company's legacy instruments. Trinity was also facing stiff competition from larger well-entrenched competitors such as Beckman Coulter and Siemens which, combined, hold roughly 60% share of the clinical lab coagulation space.

This resulted in the coagulation business being a drag on overall company financial performance. Coagulation revenue fell approximately 5% in 2008, contributing to a 2% overall drop in total revenue. We estimate coagulation revenue fell at least another 11% in 2009, even as the other major clinical lab businesses showed modest growth. The difficulty in jump-starting revenue growth, below average margins and a highly attractive bid from Stago prompted Trinity to sell the business. We believe the divestiture will be a significant positive for Trinity and allow it to dedicate more resources towards more attractive business lines.

Infectious Disease

The infectious disease portfolio is Trinity's broadest product range. The products are used to perform tests on patient samples and the results generated are reported to physicians to guide diagnosis for a wide range of infectious diseases. This product line includes diagnostic kits for autoimmune diseases (e.g. lupus, celiac and rheumatoid arthritis), hormonal imbalances, sexually transmitted diseases (syphilis, chlamydia and herpes), intestinal infections, lung/bronchial infections, cardiovascular and a wide range of other diseases. The infectious disease platform includes assay kits as well as sales of antibodies to the life sciences industry through the company's Fitzgerald business.

The vast majority of Trinity's infectious diseases product line is FDA approved and CE marked for sale in Europe. Products are sold in over 75 countries, with the focus on North America, Europe and Asia. Trinity sells the products under the Bartels, CAPTIA, MarDx, MicorTrak and MarBlot brand names.

The infectious disease business has shown consistent annual growth and has been one of the company's better performing business lines. Revenue from the segment increased by 8% in 2008 and we estimate (management did not break it out) it posted low single digit growth in 2009. The company has made recent acquisitions (Cortex Biochem and Sterilab Services in 2007) as well as launched internally developed products which has aided growth of the business.

The company's Lyme disease kits, which command as much as 90% market share in the U.S., have been a large contributor to recent growth in the segment. Trinity also continues to upgrade its Lyme disease offerings in Europe and launched its latest Lyme Enzyme Immunoassay (EIA) in January 2008. Trinity remains focused on development of its Western Blot offerings and has begun launching its Bordatella pertussis Western Blot product in Europe. The company has also been expanding the range of products that can be used on their TrinBlot automated blotting instrument, which launched in 2007. The system was launched for use with U.S. Lyme in 2008 and was validated for use with the new Bordatella pertussis product in 2010. We expect the Lyme disease products to remain a high growth area as the incidence of the disease continues to escalate, both in the U.S. and in Europe.

We also expect growth in the infectious disease business to come from acceleration in reagent sales through further instrument placements and expansion into new markets, especially in Asia. China has recently become a huge opportunity for growth of Trinity's infectious disease as well as diabetes offerings. The Fitzgerald business will also remain a solid contributor and one which we believe will be a catalyst to growth of the infectious disease business.

Clinical Chemistry

The Trinity's clinical chemistry business includes reagent products such as ACE, Bile Acids, Lactate, Oxalate and Glucose 6 phosphate dehydrogenase (G6PDH) that are significantly differentiated from competing products. The products are suitable for both manual and automated testing and have proven performance in the diagnosis of many disease states from liver and kidney disease to G6PDH deficiency which is an indicator of hemolytic anemia. The majority of clinical chemistry revenue is derived from the company's Primus business.

Trinity significantly beefed up its clinical chemistry portfolio with the 2005 acquisition of Primus Diagnostics, a leader in the field of in-vitro diagnostic testing for hemoglobin A1c which is used in the monitoring of diabetes. Primus manufactures a range of instrumentation using patented HPLC (high pressure liquid chromatography) technology. All of the systems use boronate affinity technology which is the method of choice in the healthcare industry and which provides highly accurate and interference-free reporting of HbA1c (measurement of average blood sugar control over the last several weeks). These products are considered the most accurate and precise methods available for detection and monitoring the patient status and overall diabetic control. The company's range of products target small physicians' offices to large hospital labs. Primus sells the products directly in the U.S. and through a distribution network internationally. The company's flagship product, the PDQ A1c Analyzer, is designed as a fast, semi-automatic, compact instrument for use in physicians' offices and smaller labs. An enhanced version (PDQ Plus), designed for clinics and larger labs, is fully-automated and provides processing of up to 28 patients per sample.



PDQ Plus – Primus Diagnostics

The Primus product range also includes HPLC equipment specifically designed to detect hemoglobin variants which is important for screening populations for genetic abnormalities that can lead to conditions such as sickle cell anemia. Primus' ultra^2 Dual-assay Analyzer is designed to deliver fast and accurate measurements of A1c levels and hemoglobin variants. Primus also developed the GeneSys system for assay and detection of hemoglobin variants in neonatal screening which launched in the U.S. in May 2008. Subsequent to the launch, four state laboratory services have adopted the method for their state-wide screening programs for all neonates.



ultra^2 Dual-assay Analyzer – Primus Diagnostics

Primus continues to focus on development of its PDX instrument in which it has invested $4 million over the past two years. PDX is expected to be used in hospital laboratories and diabetes clinics. The instrument uses the boronate affinity technology and is significantly faster than competing products. We expect PDX to launch in Europe in the fourth quarter 2010 and for Trinity to simultaneously file for FDA approval as well as approval in Brazil and China. Trinity expects to sign distribution agreements for the European market within the next few weeks and already has distributors in place in Brazil and China. The PDX launch in Europe should provide an immediate boost to company revenue and earnings, which we expect to significantly ramp over the next few quarters. The instrument should also provide gross margins well above 50%.

Primus is also working on the development of TRI-Stat, a new HPLC instrument which is slated to replace the PDQ Analyzer. TRI-Stat is expected to be used in the point-of-care segment which will open it up to a significantly larger market relative to the PDQ product which is largely used in reference labs. The new instrument is designed so as to not sacrifice accuracy or speed and is also developed on the boronate affinity technology.

Clinical chemistry has been another of Trinity's better performing businesses which we expect to continue indefinitely. The segment experienced revenue growth of 15% in 2007, 9% in 2008 and what we approximate (was not broken out) to be low-single digit growth in 2009. The dip in revenue growth in 2009 was a result of macro forces, which we believe will reverse as the global economy strengthens. The Primus business is in a sweet-spot, targeting the growing diabetic population in the U.S. and Europe. The obesity epidemic continues to grow both domestically and abroad at an alarming rate, which will translate into a larger diabetic population and one which the Primus business will be a direct beneficiary.

Point-of-Care

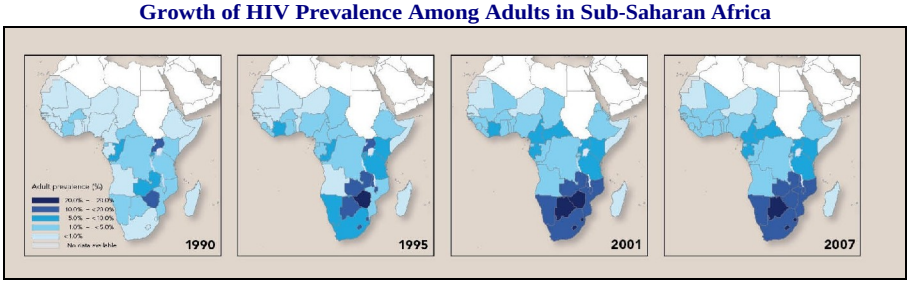
Point-of-care are tests that are performed in the presence of the patient and are usually administered in physician offices and local clinics. The vast majority of Trinity's POC revenue is derived from the company's UniGold HIV test. UniGold HIV, is a single-use rapid test for the detection of antibodies to HIV-1 and was the first test approved that can be used in all three sample types of plasma, serum or whole blood. Trinity holds roughly 20% world market share in HIV testing through its UniGold and Capillus brands. The major markets for the test are the in U.S., where the CDC has recommended its use to control the spread of AIDS/HIV, and in sub-Saharan Africa which is more heavily affected by the virus than anywhere else in the world. In Africa the UniGold HIV test is administered in voluntary counseling and testing centers (VCT) that are an integral part of the battle against spread of the virus. The product has been regarded as one of the best, or the best, quality product on the market in Africa and along with Inverness' Determine product, dominates the market. In the U.S., UniGold HIV has experienced very rapid growth, increasing sales from approximately $6 million in 2008 to $8 million in 2009.

Despite the strong growth of UniGold HIV in the U.S., Trinity's POC business has struggled over the last couple of years, although we do not believe this is indicative of future performance. POC revenue fell 23% in 2008 as the prior year was exceptionally strong (up 66%) making for a difficult comparison and, although HIV sales in Africa fell from 2007, they were up 16% from 2006. In the U.S. POC revenue increased 18% y-o-y. POC revenue in 2009 fell another 5% which was negatively impacted by an 18% drop in HIV test sales in Africa – however, this was largely a result of Trinity's decision to not ship to a major HIV customer in Africa due to credit concerns. Management has noted that this issue is being resolved and shipping to the customer had resumed during Q2 2010 – however, in Q3 shipments to this customer were again frozen. We expect that this situation may take some time to fully resolve. We expect positive sales growth to resume in Africa HIV sales and Trinity's HIV sales as a whole for the full-year 2010. Going into 2011 and beyond HIV sales should benefit from the company expanding its geographic reach in Africa.

While the HIV POC segment will likely continue to be characterized by "choppy" revenue growth due to unpredictable demand and increasing competition from new entrants, we believe it will remain a very attractive growth opportunity for Trinity. The prevalence of HIV remains on the rise in sub-Saharan Africa with approximately 22 million infected with the virus (~ 67% of the worldwide total), which is growing at about 9% per year. In some countries in the region, it is estimated that as many as 25% of adults have contracted the virus. Certain countries in Africa such as Senegal have significantly reduced the prevalence of HIV, largely as a result of increased HIV testing. Increased testing compliance should also benefit from The President's Emergency Plan for AIDS Relief (PEPFAR) which was signed into law in 2003 and in 2008 was extended through 2013. PEPFAR authorizes up to $48 billion (~ $26 billion for HIV/AIDS) to combat HIV/AIDS, malaria and tuberculosis outside the U.S. We note, however that this is subject to change under the Obama administration. Obama's 2010 and 2011 budgets currently include $6.7 billion and $7 billion for PEPFAR funding, respectively. Demand for UniGold HIV will directly benefit from the continuing call for cheaper and more effective testing in Africa. U.S. sales, which have essentially quadrupled over the last four years, should continue to exhibit strong growth. And while the segment continues to become more crowded with new competitors, Trinity's expertise, 20% market share, widely adopted technology and distribution network should afford it significant advantages in capturing additional share. Additional growth should be spurred by a HIV p24 antigen test which Trinity currently has under development and which we expect to launch in the next 18 months.

Trinity's HIV Business To Benefit From the Persistent Sub-Saharan Africa HIV/AIDS Epidemic

Growth of HIV Prevalence Among Adults in Sub-Saharan Africa



Source: UNAIDS, A Global View of HIV Infection 2007

With the sale of the company's coagulation business, we expect Trinity to place ever more emphasis on their POC business which offers higher margins than the clinical lab business and, in our opinion, offers more opportunity for growth. In addition to opportunities to further develop their rapid test HIV products, the company has indicated that they will focus on other infectious diseases, coagulation and diabetes testing on the POC platform.

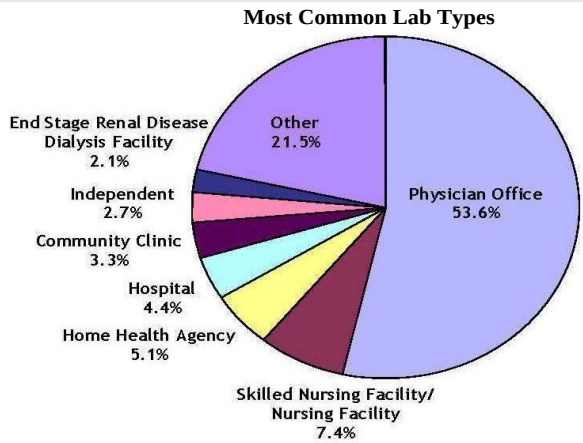
Infectious Disease
In infectious disease, which we estimate to be a $450 million market, Trinity will focus on a number of areas including sexually transmitted diseases, specifically HSV (herpes) typing, syphilis, HIV p24 (HIV antigen test) and Chlamydia. In the enterics area development is underway on tests for giardia, clostridium difficile and cryptosporidiosis. Trinity also expects to develop a variety of flu tests on the POC platform. All of these will be qualitative lateral flow tests which are licensed through Inverness. A number of these tests Trinity currently markets in the clinical lab setting and therefore expects to use its existing distribution channels to market similar tests to the POC segment. Trinity has ramped up development at its Dublin, Ireland and Carlsbad, CA facilities to handle the new POC products.

POC Coagulation
Trinity will also enter the POC coagulation market. Terms of the transaction with Stago allow Trinity to participate in the POC coagulation market, one that we believe holds significantly more long-term growth and earnings potential relative to the clinical lab coagulation space. POC coagulation is roughly a $300 million market, growing at approximately 11% annually. We estimate Trinity would not have been able to grow their clinical lab coagulation better than the low single digits for the long-term. Margins in the POC coagulation segment, which we forecast will run near 50% - 55%, will also be significantly greater than what Trinity was able to earn in the clinical lab coagulation setting, which we estimate at around 40%. The company will rely on their vast expertise in the coagulation market in building out their POC coagulation development offerings and marketing strategies. Trinity's initial product in the POC coagulation space is expected to be a quantitative lateral flow D-dimer test (for diagnosis of deep vein thrombosis – DVT) which we think could hit the market sometime in the third or fourth quarter of 2011.

HbA1c (diabetes)
And, as previously mentioned, the third area of the POC segment that Trinity expects to target is diabetes, a market that is growing by leaps and bounds and, although crowded with a number of competitors, one which we believe Trinity can effectively compete. The POC diabetes market is worth approximately $300 million and growing at about 10%. Trinity's Primus business is working on the development of TRI-Stat, a new HPLC instrument which is slated to replace the PDQ Analyzer. However, unlike the PDQ Analyzer, which is largely used in sophisticated laboratories, TRI-Stat will target the POC segment which will open it up to a significantly larger market relative to the PDQ product. The new instrument is designed so as to not sacrifice accuracy or speed and similar to Primus' other A1c products, is developed on the boronate affinity technology.

Tri-Stat received FDA approval in late-2007 but has yet to launch. The instrument went through enhancements in 2008 in preparation for Clinical Laboratory Improvement Amendments (CLIA) trials, which were initiated and concluded during 2009. Trinity submitted the CLIA application for Tri-Stat on July, 2009 – the FDA will use the application in its determination of whether the instrument will be granted a CLIA waiver (i.e. – simple test with low risk if erroneous result), which would allow it to be used in the POC setting as well as more sophisticated labs. If instead the FDA determines that Tri-Stat is a "complex" testing instrument, the device could only be used in the clinical lab setting and would be essentially disqualified for use in POC. A third category, "moderately complex" would open up the test to a portion of the POC segment. The categorization is important as a CLIA waiver would allow use of the instrument to a significantly greater number of testing practitioners. Approximately 75% of all waived testing is conducted by labs certified to perform only waived or "moderately complex" tests and only about 20% of all labs in the U.S. are certified to perform "moderately complex" or "complex" tests. In addition, physician office labs, the largest segment of POC testing, have been undergoing a shift towards performing mostly waived testing which will continue to expand the POC testing market, further benefitting uptake of tests classified as waived under the CLIA guidelines.

Trinity Should Directly Benefit As More Lab Testing Shifts Towards the POC Setting

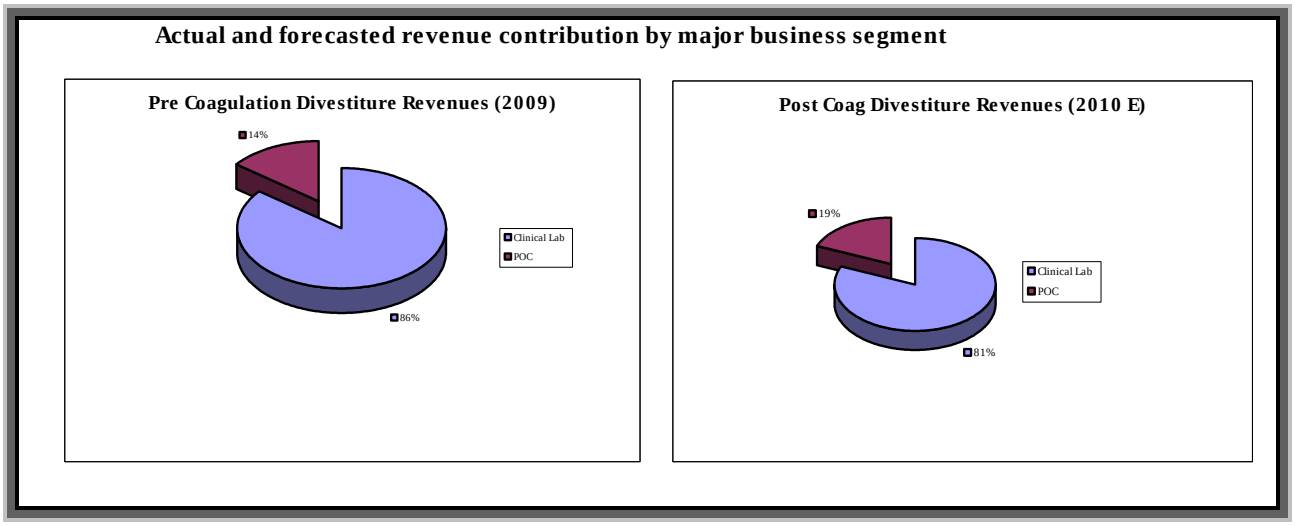


Source: Baltimore, MD: Centers for Medicare and Medicaid Services

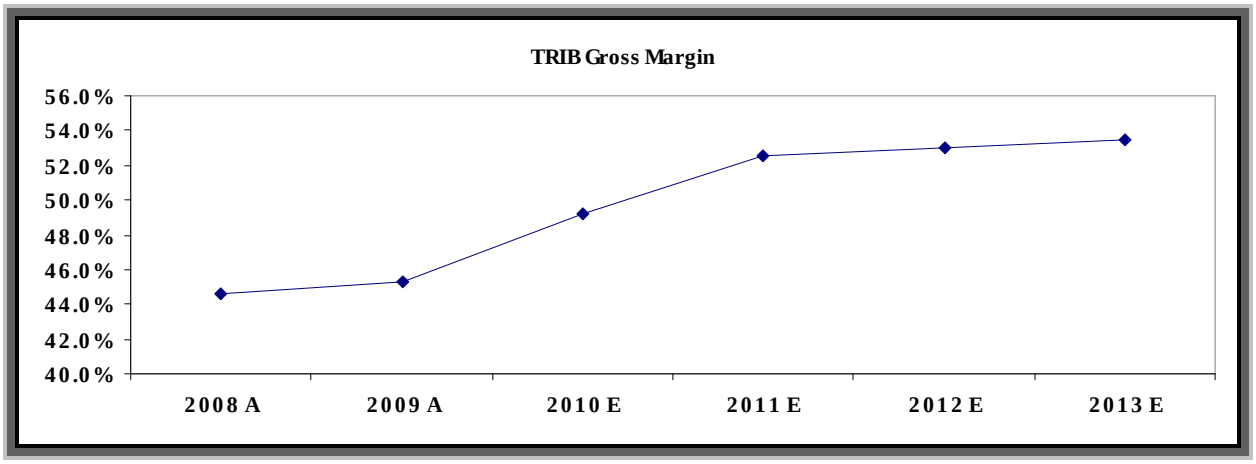
In October 2009 the FDA responded to Trinity's CLIA application requesting more detail on the calibration of the individual lots of reagents and had a statistical question on data provided in the CLIA data. Trinity responded to the FDA's request shortly afterwards. On the Q3 2010 call management had no update on the CLIA waiver but hopes to meet with the FDA in the coming weeks in order to gain more insight. The company expects to begin the registration process in the next few months for the instrument in Asia and Brazil where the TRIB already has distributors lined up. TRIB can launch Tri-Stat in Europe immediately upon signing a distribution agreement – although the company gave no indication on when that might occur (we had previously expected this to happen prior to year-end although now with little visibility we think this may be pushed back).

…positive shift in segment revenue mix…

The combination of divesting the coagulation business, beefing up the POC offerings and faster growth of the POC products will result in the higher margin POC segment contributing a larger percentage of total revenue compared to previous years. The coagulation business accounted for approximately 40% of total revenue and about 46% of the company's clinical lab sales over the last two years. Following the transaction, we expect POC to account for about 19% of total revenue in 2010, up from just 14% in 2009. POC as a percent of total revenue will again increase in 2011, reflecting the first full year without contribution from the coagulation business, coupled with commercialization of POC development projects which were initiated around the time of the divestiture announcement such as the D-dimer product. We expect POC revenue to continue to make up a greater percent of overall revenue into 2012 and beyond, benefitting from the company's earlier shift towards dedicating more resources towards POC and the resultant accelerated growth of the segment's product portfolio. Trinity will also benefit from the overall fundamental growth of the POC testing market, which according to an analysis by Life Science Intelligence, is expected to grow by 39% from 2008 through 2014 as healthcare providers shift more testing from central labs to POC.



As a greater percent of sales are derived from POC products, gross margins will widen. We expect the 45.3% gross margin logged in 2009 to widen to 49.1% in 2010, directly benefitting from the sale of the low margin coagulation business, coupled with greater contribution from more profitable POC products. We forecast gross margins to show consistent incremental year-over-year improvement as POC sales accelerate faster than sales of the lower margin clinical lab business.



COMPETITION:

The diagnostic testing market is highly competitive with over 200 companies that participate in the sector. However, a significant portion of market share is claimed by only a few large participants, especially in specific applications of diagnostic testing. Competition for like-kind products is generally based on price and customer service while value-added product differentiation such as increased sensitivity and specificity or ease of use can be rewarded with pricing power and customer loyalty.

Major corporations such as Roche, Johnson & Johnson, Abbott Labs, Siemens, Beckman Coulter and Inverness Medical Solutions are dominant players in the diagnostic testing market, targeting both the clinical lab and POC segments.

A key strategy in the industry, especially in the clinical lab setting, is to expand the instrument installed base and then to supply that base with reagent products. While this strategy can be highly successful for well entrenched (and often larger) participants, it can make gaining and even maintaining market share for new entrants and less well established competitors difficult. This results in a relatively high barrier to entry and can afford those companies that have reached a certain level of installed units a more reliable stream of revenue. With deeper pockets and vastly greater distribution networks, the larger players have an enormous advantage which allows them to squeeze out smaller companies that attempt to compete with like-kind products. For smaller companies, such as Trinity, it is critical that they avoid customer defection and compete in areas of the testing market where they hold a competitive advantage or where the overall market is experiencing growth.

Trinity's clinical lab coagulation business was having difficulty in growing the installed base, in part due to severe competition in the space from larger companies, thereby resulting in share loss and sliding revenue. Trinity will now focus on areas in which it has a much more solid competitive position and where it can skirt competition from larger competitors, namely the infectious disease segment in the clinical lab segment, where it holds as much as 90% share in Lyme disease testing. Trinity will also concentrate on building out its POC offerings, where it has had substantial success in the rapid HIV testing market and one which they can leverage their experience, know-how and distribution. The company's in-licensed lateral flow technology from Inverness maintains its solid foothold in the rapid HIV testing space and affords it the opportunity to significantly expand its POC offerings to an already established customer base. Trinity will also look to capitalize on the rapid growth of the POC segment. The company will begin offering many of its products sold through the clinical lab setting through the POC channel, thereby benefitting from the overall growth in the POC segment, which is expected to grow by as much as 30% over the next four years. Trinity has gained a loyal customer base in its Primus HbA1c business which it will exploit as it rolls out its new PDX instrument and later TRI-Stat. By targeting these niche areas and markets, where the company has had success in the past and where the company can benefit from an overall market expansion, allows the company to effectively and successfully compete in an industry that is largely dominated by only a few, very large and well entrenched companies.

CASH POSITION:

Trinity received the $67.5 million initial cash payment from Stago related to the sale of the coagulation business upon closing of the transaction in early May 2010. Trinity immediately used a portion of the proceeds to repay its entire debt balance, consisting of approximately $31 million in bank loans. As of September 30, 2010 cash balance stood at $53.8 million.

Trinity generated $14.7 million in operating cash ($4.4 million free cash flow) in 2009, $6.2 million of which came from changes in working capital. Through the first nine months of 2010 Trinity generated $15.7 million ($14.4 million ex-changes in working capital) in cash from operations. We expect the company to continue to produce a significant amount of cash and, despite the lost contribution from the coagulation business, we forecast operating cash flow of $19 million - $21 million throughout 2010. While management has already begun preparations for ramping up its additional POC activities, operating cash should be sufficient to fund capital expenditures throughout the year and we expect the company to easily remain free cash flow positive in 2010. Management has indicated that while an acquisition has not been ruled out, it is unlikely to happen in the near term. The substantial cash balance, which we estimate at about $58 million by year-end, will throw off a significant amount of interest income which will offset the lost income and cash contribution from the coagulation business (including the reduction in associated operating expenses) which was relatively low margin and asset intensive.

Stago will make the two $11.25 million follow-on cash installment payments on the next two anniversaries of the deal close. Trinity will continue to pump funds back into the business in the form of capital expenditures, but barring a major acquisition, licensing transaction or stock buyback, interest income will continue to benefit from the large cash balance and may contribute as much as $0.09 - $0.11 per share in 2011 and 2012. However, we do believe that management will be looking to put their cash to work, likely initially in the form of a significant stock buyback program. Trinity has made a number of small acquisitions in the recent past and we believe the company will continue to look for opportunistic purchases, both in outright acquisitions and through in-licensing and partnering arrangements.

OUTLOOK:

With the clinical lab coagulation divestiture completed, Trinity will now shift their energies towards growing the POC platform, with particular focus on infectious disease, HbA1c and coagulation, all of which have markets which we forecast to grow at 10% or better annually. We expect the POC segment, which had contributed approximately 14% of total revenue prior to the coagulation divestiture, to make up 23% of revenue in 2011 (first full year without clinical lab coagulation business) and grow significantly faster than the clinical lab segment. With greater exposure to the POC segment, Trinity will benefit from the ongoing fundamental growth of the POC testing market which is expected to grow by 30% from 2010 through 2014 as healthcare providers shift more testing from central labs to POC.

Sales of the company's flagship POC product, UniGold HIV, which have struggled somewhat since 2009 due to credit concerns of a major customer in Africa, have begun to rebound throughout 2010, despite again halting shipments to this customer during Q3. The product (along with Inverness' Determine test) continues to dominate the market in sub-Saharan Africa as it remains one of the best, or the best, quality product on the market. This, combined with a greater demand and funding for rapid HIV testing in sub-Saharan Africa which continues to deal with the growing HIV epidemic, will provide substantial opportunity to grow the company's international HIV business. We also believe U.S. sales of UniGold HIV, which have essentially quadrupled over the last four years, will remain strong. Trinity, which holds over 20% of the HIV testing market, has enormous potential to leverage its distribution platform and leading brand name which, coupled with the greater demand for high-quality rapid testing and the impending launch of the HIV p24 antigen test, should afford it the opportunity to grow its HIV business at an annual rate of about 15% over the next several years.

Tri-Stat's eventual launch will be another catalyst to revenue growth. TRI-Stat will gain Trinity entry into the large and rapidly growing POC HbA1c testing market. With approximately 23.6 million diabetics in the U.S., which is growing at about 1.6 million per year, the market offers enormous opportunity for Trinity to grow its POC diabetes business. Trinity has had significant success with its high-accuracy PDQ instruments in the clinical lab setting, and with the same technology incorporated into the TRI-Stat product, we look for sales to ramp quickly upon launch.

Infectious disease tests will also move to the POC platform where there is significant and growing demand. A number of the tests should launch in the next 18 months which will contribute to what we expect to be strong double-digit revenue growth in POC beginning in 2011.

Finally, Trinity will look to build coagulation testing in the POC setting. While the company struggled to grow its clinical lab coagulation business, we believe there will be more opportunity in POC, which is a $300 million market growing at 11%. By transferring intellectual property and know-how from its clinical lab coagulation business, we believe Trinity can rapidly develop several POC coagulation offerings and expect their D-dimer test to hit the market sometime in the third or fourth quarter of 2011.

And while Trinity's main focus is on the faster growing and higher margin POC segment, the company's clinical lab business will remain a large and consistent contributor to revenue, cash flow and income. The PDX instrument should launch in Europe in the fourth quarter 2010 which will provide an immediate and material contribution to revenue and earnings which we expect to significantly ramp, especially following the U.S. launch which could come towards the middle of 2011. The product is also expected to be a big seller in China, where we think it could launch towards the end of 2011. The PDX will also be submitted for approval in Brazil and could also potentially launch in 2011. The company's infectious disease offerings will remain Trinity's broadest product range. With their Lyme disease kits claiming as much as 90% share and with several new infectious disease product launches expected in 2010, the business should easily manage low-to-mid-single digit growth for the foreseeable future.

Overall we expect the majority of long-term sales growth to come from the POC segment, although the clinical lab business will remain the largest contributor to sales for the foreseeable future. For 2010 we look for sales of $89.3 million, which, pro forma for the coagulation divestiture ($73.6 million), represents roughly flat growth. We forecast POC sales to fall 8% mostly as a result of the drop in African sales due to the credit issues related to the one customer as well as a weaker Lyme and flu season in 2010 compared to 2009. Beginning in 2011 the POC business should experience rapid growth as several new products (i.e. – TRI-Stat, D-dimer, STD tests, etc.) begin making substantial contributions to revenue. Gross margin should show significant improvement now with the coagulation business divested, which was not only a hindrance to sales growth, it contributed relatively little at the margin. Operating expenses will also improve relative to sales, as Trinity sheds headcount, R&D and facilities expenses related to the coagulation business. We expect operating margin to continue to improve into 2011 and beyond as the company shifts more resources towards POC and gains additional leverage in distribution, manufacturing and overhead. The high-margin PDX instrument, expected to roll out in Europe in late 2010 and elsewhere in 2011, should also help expand overall gross margins.

RECOMMENDATION

We view the divestiture of the clinical lab coagulation business and the subsequent shift towards a greater focus on the higher growth POC segment both as major positive steps for Trinity. The $90 million sale price for the stodgy coagulation business, which had been significantly underperforming the other major business segments in revenue growth and margin contribution, reflects over a 100% premium relative to our valuation. And while the coagulation business accounted for 40% of total sales, we model EPADR to come in 8% higher in 2010 as the additional interest income generated from proceeds of the deal more than offsets the net contribution from clinical lab coagulation. The cash proceeds from the sale wipes the balance sheet clean of debt and reloads the company's coffers which, along with a steady stream of operating cash flow, will be incrementally pumped back into R&D and infrastructure as Trinity builds out its faster growth and higher margin POC business. The company will also likely be looking to buyback stock (assuming approval is granted from Irish courts) as well as supplement organic growth with in-licensing arrangements, partnerships and possibly small acquisitions. The huge cash balance (~ $54 million) along with elimination of debt maturities and loan covenants substantially enhances Trinity's flexibility and allows it to rapidly transition into products and areas that hold opportunities for significantly greater growth.

We believe Trinity's POC business offers opportunities for significant revenue and margin growth as the company shifts many of its successful clinical lab products and related technology over to POC, where it already holds a dominant and growing position in HIV testing. Ample opportunity should exist to exploit their existing distribution and marketing platforms and sell clinical lab products side-by-side with their new POC offerings. Gross margin should significantly improve as the higher margin POC segment becomes a greater contributor to total revenue. Operating margins should dually benefit as the company sheds expenses related to the resource-intensive coagulation business. The overall rapid macro shift away from central lab testing to the POC setting that is underway by healthcare providers should also benefit Trinity's POC segment growth strategy. While management's main focus for growth will be on the POC business, clinical lab products will continue to provide a large and stable source of revenue and cash flow. The company has a number of high-potential products under development, some of which are expected to launch in the next 18 months, which, coupled with positive market fundamentals, the strategic shift to greater exposure to POC and Trinity's proven ability to successfully compete against much larger competitors has us confident that the company can realize long-term double-digit annual revenue and EPADR growth.

We are maintaining our Outperform rating on Trinity Biotech. We have adjusted our fourth quarter and full-year 2010 EPS estimates upwards. We now look for Q4 EPS of $0.148 versus our previous estimate of $0.139 – the difference mostly attributable to expected higher interest income and a lower tax rate. Our full-year EPS estimate has moved from $0.567 prior to Q3 earnings to $0.611 currently. We are also raising our target price to $8.55 (from $7.94), which reflects 14x our revised 2010 EPS estimate.

KEY MANAGEMENT AND DIRECTOR PROFILES

Ronan O'Caoimh, Chairman and Chief Executive Officer: co-founded Trinity Biotech in June 1992 and acted as Chief Financial Officer until March 1994 when he became Chief Executive Officer. He was also elected Chairman in May 1995. In November 2007, it was decided to separate the role of Chief Executive Officer and Chairman and Mr O'Caoimh assumed the role of Executive Chairman. In October 2008, following the resignation of the Chief Executive Officer, Mr. O'Caoimh resumed the role of Chief Executive Officer and Chairman. Prior to joining Trinity Biotech, Mr O'Caoimh was Managing Director of Noctech Limited, an Irish diagnostics company. Mr O'Caoimh was Finance Director of Noctech Limited from 1988 until January 1991 when he became Managing Director. Mr O'Caoimh holds a Bachelor of Commerce degree from University College Dublin and is a Fellow of the Institute of Chartered Accountants in Ireland.

Rory Nealon, Chief Operations Officer: joined Trinity Biotech as Chief Financial Officer and Company Secretary in January 2003. He was appointed Chief Operations Officer in November 2007. Prior to joining Trinity Biotech, he was Chief Financial Officer of Conduit plc, an Irish directory services provider with operations in Ireland, the UK, Austria and Switzerland. Prior to joining Conduit he was an Associate Director in AIB Capital Markets, a subsidiary of AIB Group plc, the Irish banking group. Mr Nealon holds a Bachelor of Commerce degree from University College Dublin, is a Fellow of the Institute of Chartered Accountants in Ireland, a member of the Institute of Taxation in Ireland and a member of the Institute of Corporate Treasurers in the UK.

Jim Walsh, PhD, Non-executive director: joined Trinity Biotech in October 1995 as Chief Operations Officer. Dr. Walsh resigned from the role of Chief Operations Officer in 2007. He is currently CEO of Biosensia Ltd., and Stokes Bio Ltd. He also holds non Executive Director positions with PuriCore Plc (LSE: PURI) and BioCurex (OTC: BB: BOCX). Prior to joining Trinity Biotech, Dr Walsh was Managing Director of Cambridge Diagnostics Ireland Limited (CDIL). He was employed with CDIL since 1987. Before joining CDIL he worked with Fleming GmbH as Research & Development Manager. Dr Walsh holds a PhD in Chemistry from University College Galway. Dr Walsh remains on the Board as a non executive director of the Company.

Denis R. Burger, PhD, Non-executive director: co-founded Trinity Biotech in June 1992 and acted as Chairman from June 1992 to May 1995. He is currently Executive Chairman of BioCurex, Inc, a cancer diagnostics, OTC:BB listed company and is also non-executive Chairman of Lorus Therapeutics, Inc, a cancer therapeutics, TSX listed company. Until March 2007, Dr Burger was the Chairman and Chief Executive Officer of AVI Biopharma Inc, a NASDAQ listed biotechnology company. He was also a co-founder and, from 1981 to 1990, Chairman of Epitope Inc. In addition, Dr Burger has held a professorship in the Department of Microbiology and Immunology and Surgery (Surgical Oncology) at the Oregon Health and Sciences University in Portland. Dr Burger received his degree in Bacteriology and Immunology from the University of California in Berkeley in 1965 and his Master of Science and PhD in 1969 in Microbiology and Immunology from the University of Arizona.

Peter Coyne, Non-executive director: joined the board of Trinity Biotech in November 2001 as a non-executive director. Mr Coyne is a director of AIB Corporate Finance, a subsidiary of AIB Group plc, the Irish banking group. He has extensive experience in advising public and private groups on all aspects of corporate strategy. Prior to joining AIB, Mr Coyne trained as a chartered accountant and was a senior manager in Arthur Andersen's Corporate Financial Services practice. Mr Coyne holds a Bachelor of Engineering degree from University College Dublin and is a Fellow of the Institute of Chartered Accountants in Ireland.

Clint Severson, Non-executive director: joined the board of Trinity Biotech in November 2008 as a non-executive director. Mr Severson is currently Chairman, President and CEO of Abaxis Inc., a NASDAQ traded diagnostics company based in Union City, California. Since November 2006, Mr. Severson has also served on the Board of Directors of CytoCore, Inc. From February 1989 to May 1996, Mr. Severson served as President and Chief Executive Officer of MAST Immunosystems, Inc., a privately-held medical diagnostic company and to date he has accumulated over 30 years experience in the medical diagnostics industry.

James D. Merselis, Non-executive director: joined the board of Trinity Biotech in February 2009. Mr. Merselis is currently President and CEO of Nexus Dx, Inc, a privately held, San Diego-based diagnostics company working to improve patient care by providing rapid and reliable point-of-care medical test information. Prior to this Mr. Merselis served as President and CEO of Alverix, Inc., a privately held company developing portable medical diagnostic instruments. From 2002 to 2007, Mr. Merselis served as President and CEO of HemoSense, Inc. (NASDAQ: HEM), a point-of-care diagnostics company providing patients and physicians with rapid test results to help manage the risk of stroke with the use of warfarin or Coumadin. Prior to his tenure at HemoSense, Mr. Merselis served as President and CEO of Micronics, Inc., a microfluidics company. In addition, Mr. Merselis held a series of increasingly responsible executive positions over twenty-two years with Boehringer Mannheim Diagnostics (now Roche Diagnostics). Mr. Merselis is the Chairman of Akrotome Imaging, a California-based, privately held start-up developing novel imaging agents for cancer diagnosis.

Kevin Tansley, Chief Financial Officer: joined Trinity Biotech in June 2003 and was appointed Chief Financial Officer and Secretary to the Board of Directors in November 2007. Prior to joining Trinity Biotech in 2003, Mr Tansley held a number of financial positions in the Irish electricity utility ESB. Mr Tansley holds a Bachelor of Commerce degree from University College Dublin and is a Fellow of the Institute of Chartered Accountants in Ireland.

Source: Trinity Biotech

FINANCIAL STATEMENTS

INCOME STATEMENT

Trinity Biotech

	2009 A	Q1A	Q2A	Q3A	Q4E	2010 E	2011 E	2012 E	2013 E
Clinical Lab Revenue	**$107,778**	**$24,651**	**$18,615**	**$14,547**	**$14,680**	**$72,493**	**$62,830**	**$67,857**	**$72,607**
% of total revenue	*85.6%*	*85.0%*	*82.3%*	*77.6%*	*77.8%*	*81.2%*	*77.0%*	*75.4%*	*73.0%*
YOY Growth	*-11.0%*	*-6.7%*	*-29.5%*	*-47.7%*	*-45.9%*	*-32.7%*	*-13.3%*	*8.0%*	*7.0%*
Point-of-Care Revenue	**$18,129**	**$4,362**	**$4,011**	**$4,202**	**$4,195**	**$16,770**	**$18,794**	**$22,109**	**$26,840**
% of total revenue	*14.4%*	*15.0%*	*17.7%*	*22.4%*	*22.2%*	*18.8%*	*23.0%*	*24.6%*	*27.0%*
YOY Growth	*-4.6%*	*-6.6%*	*-32.1%*	*8.0%*	*14.6%*	*-7.5%*	*12.1%*	*17.6%*	*21.4%*
Total Revenues	$125,907.0	$29,013.0	$22,626.0	$18,749.0	$18,875.0	$89,263.0	$81,624.0	$89,965.8	$99,446.8
YOY Growth	*-10.2%*	*-6.7%*	*-30.0%*	*-40.9%*	*-38.7%*	*-29.1%*	*-8.6%*	*10.2%*	*10.5%*
Cost of Revenues	$68,891	$15,484	$11,469	$9,262	$9,230	$45,445	$38,771	$42,284	$46,243
Gross Income	$57,016	$13,529	$11,157	$9,487	$9,645	$43,818	$42,853	$47,682	$53,204
Gross Margin	*45.3%*	*46.6%*	*49.3%*	*50.6%*	*51.1%*	*49.1%*	*52.5%*	*53.0%*	*53.5%*
Research & Development	$7,341	$1,794	$1,198	$758	$955	$4,705	$4,244	$4,678	$5,171
% R&D	*5.8%*	*6.2%*	*5.3%*	*4.0%*	*5.1%*	*5.3%*	*5.2%*	*5.2%*	*5.2%*
Selling General & Admin	$36,013	$8,115	$6,977	$6,113	$5,788	$26,993	$24,487	$26,090	$28,342
% SG&A	*28.6%*	*28.0%*	*30.8%*	*32.6%*	*30.7%*	*30.2%*	*30.0%*	*29.0%*	*28.5%*
Other Operating (Income)	($437)	($56)	($527)	($651)	($100)	($1,334)	($200)	($200)	($200)
Operating Income	$14,099	$3,676	$3,509	$3,267	$3,002	$13,454	$14,321	$17,114	$19,890
Operating Margin	*11.2%*	*12.7%*	*15.5%*	*17.4%*	*15.9%*	*15.1%*	*17.5%*	*19.0%*	*20.0%*
Interest income, net	($1,185)	($231)	$152	$445	$428	$794	$2,226	$2,850	$3,200
Pre-Tax Income	$12,914	$3,445	$3,661	$3,712	$3,430	$14,248	$16,547	$19,964	$23,090
Taxes	$1,091	$288	$394	$206	$226	$1,114	$1,986	$2,795	$3,233
Tax Rate	*8.4%*	*8.4%*	*10.8%*	*5.5%*	*6.6%*	*7.8%*	*12.0%*	*14.0%*	*14.0%*
Net Income	$11,823	$3,157	$3,267	$3,506	$3,203	$13,133	$14,561	$17,169	$19,858
YOY Growth	*120.9%*	*26.1%*	*8.7%*	*14.7%*	*-1.7%*	*11.1%*	*361.2%*	*425.5%*	*466.4%*
Net Margin	*9.4%*	*10.9%*	*14.4%*	*18.7%*	*17.0%*	*14.7%*	*17.8%*	*19.1%*	*20.0%*
Adjusted EPADR	$0.565	$0.150	$0.151	$0.162	$0.148	$0.611	$0.662	$0.773	$0.887
YOY Growth	*-114.7%*	*24.7%*	*5.1%*	*11.1%*	*-4.5%*	*8.2%*	*8.3%*	*16.8%*	*14.6%*
Non-recurring adjustments	$0	$0	$47,415	($587)	$0	$46,828	$0	$0	$0
IFRS EPADR	0.565	0.150	2.350	0.135	0.148	2.790	0.662	0.773	0.887
Weighted Avg. ADRs O/S	20,934	21,090	21,567	21,622	21,700	21,495	22,000	22,200	22,400

Brian Marckx, CFA

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BALANCE SHEET

Trinity Biotech

	September 30, ***2010***	*June 30,* ***2010***	*March 31,* ***2010***
ASSETS			
Non-current assets			
Property, plant and equipment	$5,535	$5,339	$12,131
Goodwill and intangible assets	$36,120	$35,127	$46,247
Deferred tax assets	$4,490	$4,073	$5,627
Other assets	$11,738	$11,762	$1,330
Total non-current assets	$57,883	$56,301	$65,335
Current assets			
Inventories	$18,758	$18,064	$40,033
Trade and other receivables	$27,371	$28,592	$20,415
Income tax receivable	$168	$257	$260
Cash and cash equivalents	$53,802	$50,042	$6,222
Total current assets	$100,099	$96,955	$66,930
TOTAL ASSETS	**$157,982**	**$153,256**	**$132,265**
EQUITY AND LIABILITIES			
Current liabilities			
Interest-bearing loans and borrowings	$265	$246	$13,429
Derivative financial instruments	$88	$406	$279
Income tax payable	$366	$148	$207
Trade and other payables	$12,831	$12,241	$11,732
Provisions	$50	$50	$50
Total current liabilities	$13,600	$13,091	$25,697
Non-current liabilities			
Interest-bearing loans and borrowings	$205	$294	$16,409
Other payables	$519	$607	$38
Deferred tax liabilities	$6,915	$6,575	$8,163
Total non-current liabilities	$7,639	$7,476	$24,610
TOTAL LIABILITIES	$21,239	$20,567	$50,307
Shareholder's equity			
Share capital	$1,087	$1,083	$1,080
Share premium	$161,220	$160,817	$160,739
Accumulated deficit	($29,483)	($32,811)	($83,717)
Translation reserve	($544)	($544)	($385)
Other reserves	$4,463	$4,144	$4,241
Total equity	$136,743	$132,689	$81,958
TOTAL EQUITY AND LIABILITIES	$157,982	$153,256	$132,265

Trinity Biotech plc

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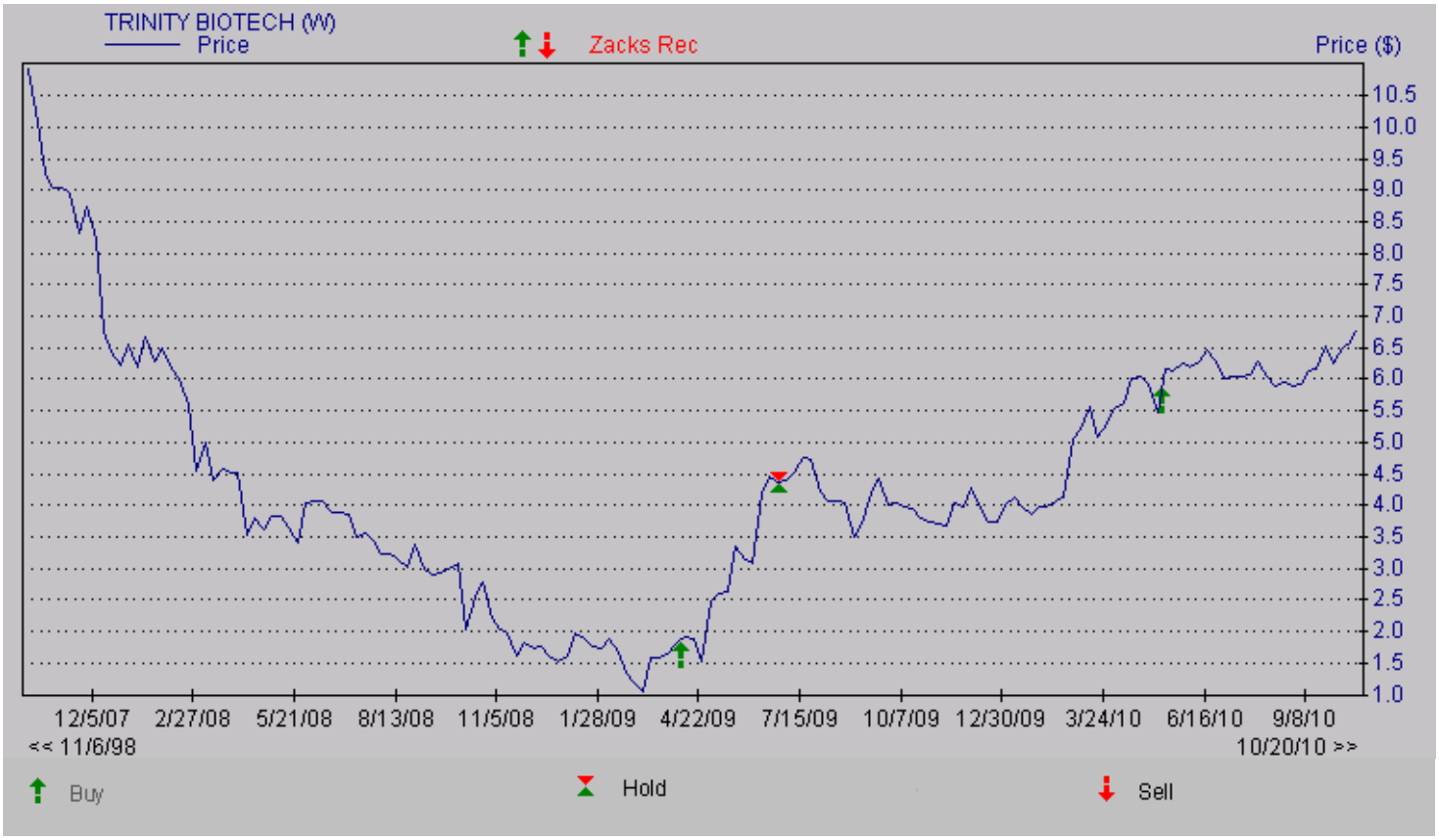
CASH FLOW STATEMENT

Trinity Biotech

	Three Months			12 Months
	Sept 30,	June 30,	March 31,	December
	2010	**2010**	**2010**	**2009**
Cash flows from operating activities				
Profit/ (loss) for the period				$11,824
Adjustments to reconcile net profit to cash provided by operating activities:				
Depreciation				$1,786
Amortization				$1,959
Income tax expense/ (credit)				$1,091
Financial income				($8)
Financial expense				$1,192
Share-based payments				$521
Foreign exchange losses on operating cash flows				$109
Loss/ (profit) on disposal / retirement of PP&E				$66
Impairment of assets				—
Non-cash restructuring expenses				—
Other non-cash items				$1,158
Operating cash flows before changes in working capital	**$5,260**	**$4,415**	**$4,911**	**$19,698**
Decrease/ (increase) in trade and other receivables				$3,872
Decrease/ (increase) in inventories				$2,372
(Decrease)/ increase in trade and other payables				($10,409)
Total Change in Working Capital	($332)	$1,468	$221	($4,165)
Cash generated from operations	$4,928	$5,883	$5,132	**$15,533**
Interest paid				($883)
Interest received				$12
Income taxes received/ (paid)				$70
Net interest and income taxes paid	$347	($352)	($225)	($801)
Net cash provided by operating activities	**$5,275**	**$5,531**	**$4,907**	**$14,732**
Cash flows from investing activities				
Payments to acquire subsidiaries and businesses				—
Deferred consideration to acquire subsidiaries and businesses				—
Payments to acquire intangible assets				($8,103)
Disposal of financial assets				—
Proceeds from disposal of property, plant and equipment				$249
Acquisition of property, plant and equipment				($2,481)
Net cash used in investing activities	**($1,515)**	**$65,406**	**($2,324)**	**($10,335)**
Cash flows from financing activities				
Proceeds from issue of ordinary share capital				$897
Proceeds from borrowings, short-term debt				—
Proceeds from borrowings, long-term debt				$307
Expenses paid relative to share issue and debt financing				($68)
Repayment of long-term debt			($2,439)	($5,400)
Proceeds from new finance leases				$1,298
Payment of finance lease liabilities				($546)
Net cash (used in)/ provided by financing activities	**$0**	**($27,117)**	**($2,439)**	**($3,512)**
Increase/ (decrease) in cash and cash equivalents				$885
Effects of exchange rate movements on cash held				$9
Cash and cash equivalents at beginning of period	$50,042	$6,222	$6,078	$5,184
Cash and cash equivalents at end of period	**$53,802**	**$50,042**	**$6,222**	**$6,078**

Trinity Biotech plc

HISTORICAL ZACKS RECOMMENDATIONS



DISCLOSURES

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