

Required disclosures appear in the Appendix.

Intraday Note

Trinity Biotech plc (TRIB-\$18.71)

Raise Price Target; Adjust Earnings Estimates

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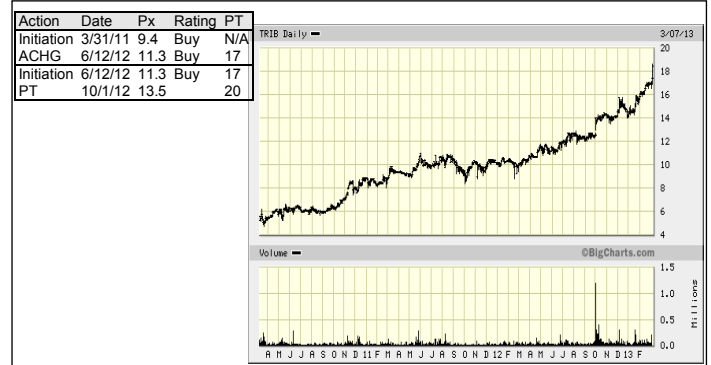
BUY

Target: \$23

March 8, 2013

Market Cap (Mil)	\$400	Price to Book Value	2.7x
Avg. Daily Trading Volume	74,000	Return on Equity (2014E)	14.4%
Shares Out (Mil)	21.312	LT Debt to Total Capital	Nil
Float Shares (Mil)	19.550	5-Year EPS Growth Rate Projection	23%
Institutional Holdings	47%	52-Week Range (NASDAQ)	19-10
Dividend	\$0.15	Russell 2000	935
Dividend Yield	0.8%	Short Interest (Mil)	0.306

	2011	2012	2013E		2014E	
			<u>OLD</u>	<u>NEW</u>	<u>OLD</u>	<u>NEW</u>
Mar.	\$0.17	\$0.19	\$0.21	\$0.19	\$0.28	\$0.25
June	0.17	0.19	0.23	0.21	0.30	0.27
Sep.	0.18	0.20	0.25	0.23	0.32	0.28
Dec.	<u>0.19</u>	<u>0.20</u>	<u>0.27</u>	<u>0.25</u>	<u>0.33</u>	<u>0.30</u>
EPS	\$0.70	\$0.77	\$0.96	\$0.87	\$1.24	\$1.10
P/E			21.5x		17.0x	



Note: 2011 and 2012 EPS include \$0.05 and \$0.06, respectively, in stock-based compensation expense; our 2013 and 2014 EPS estimates include a respective \$0.06 and \$0.07. Sum of quarterly EPS may not equal full-year total due to rounding and/or change in share count. NC = Not covered by Sidoti & Company, LLC.

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013E	2014E
Rev.(Mil.)*	\$98.6	\$118.7	\$143.6	\$140.1	\$125.9	\$89.6	\$77.9	\$82.5	\$94.2	\$112.2
IFRS EPS*	\$0.35	\$0.19	(\$1.86)	(\$3.82)	\$0.57	\$2.79	\$0.70	\$0.77	\$0.87	\$1.10

* IFRS = International Financial Reporting Standards

Description: Trinity Biotech plc (www.trinitybiotech.com) develops, manufactures and distributes diagnostic tests for the point-of-care and clinical lab markets. The tests detect infectious and sexually transmitted diseases, and autoimmune and hemoglobin disorders. Trinity also makes instruments that help diagnose and monitor diabetes. Via subsidiary Fitzgerald Industries, Trinity sells antibodies, antigens, and specialty products to the life sciences industry. Headquarters are in Bray, Ireland.

Raise Target To \$23 (From \$20) And Reiterate BUY Rating; Trim Estimates On Guidance But See Greater Likelihood Of Achieving Accelerating Growth In Diabetes And Cardiac Markets

- We reduce our 2013 and 2014 EPS estimates to \$0.87 (from \$0.96) and \$1.10 (from \$1.24), respectively, on greater clarity of expenses related to the U.S. medical device tax, U.S. clinical trials and cardiac instrument cost of goods.
 - Despite the downward revision to our EPS estimates, we see growth in the diabetes A1c and point-of-care cardiac markets accelerating over the next two-to-five years, which underlies our BUY rating on TRIB.
 - We also raised our valuation multiple to 18x (from 13x) as our prior multiple was too low, in our opinion, given the company's accelerating growth and our 23% five-year EPS CAGR forecast.
 - As a result, our new \$23 (from \$20) price target is based on 18x (from 13x) our revised 2014 operating EPS estimate of \$1.06 (from \$1.19) plus about \$4 per share in projected year-end 2014 cash.
- ☐ **We lower our earnings expectations for 2013 and 2014...** Management provided further clarity on costs surrounding the U.S. medical device tax (\$0.04 in 2013) and clinical trials (\$3-\$4 million); we previously estimated about \$0.01-\$0.02 and \$2 million, respectively. In addition, we overestimated placements in 2013 and 2014 for Trinity's ultra²™ diabetes instrument and lowered our projections, accordingly. Furthermore, given the likelihood that Trinity will be aggressive in placing instruments in Europe when its new cardiac test is launched, we think gross margin will come under pressure; as a result, we reduced our 2014 gross margin forecast to 50.7% (from 52.4%). In all, these adjustments lead us to lower our EPS estimates for 2013 and 2014 to \$0.87 (from \$0.96) and \$1.10 (from \$1.24), respectively.
- ☐ **...and bring valuation more in-line with our growth estimates.** Our previous valuation multiple of 13x was based on the stock's five-year historic range of 5x-15x forward earnings; TRIB averaged about 12x over that period. Further validating our

prior valuation was the anchoring of TRIB's trading range to that of its closest comparison Alere Inc. (NYSE: ALR, NC). Now, TRIB has broken from that range, and thus, we have shifted to our valuation more in-line with our projected EPS growth rate. As such, we raise our valuation multiple to 18x (from 13x) to reflect the market's new valuation framework.

- We increase our price target to \$23 (from \$20) and reiterate our BUY rating.** We see a long runway of growth ahead for Trinity and expect the company to continue to execute on its long-term strategies in the diabetes and point-of-care cardiac markets. In addition, the company has maintained a solid balance, with \$3.50 per share in cash and zero debt at year-end 2012. As a result, we reiterate our BUY rating on TRIB and raise our price target to \$23 (from \$20). Our new \$23 price target is based on 18x our revised 2014 operating EPS estimate of \$1.06 plus about \$4 per share in projected 2014 year-end cash. Our prior \$20 target was based on 13x our previous 2014 operating EPS estimate of \$1.19 plus \$4 in cash.

Key Risks	Regulatory risk	European exposure	Customer concentration (Premier distributors)
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TRINITY BIOTECH PLC

Table 1. Trinity Biotech plc Income Statement

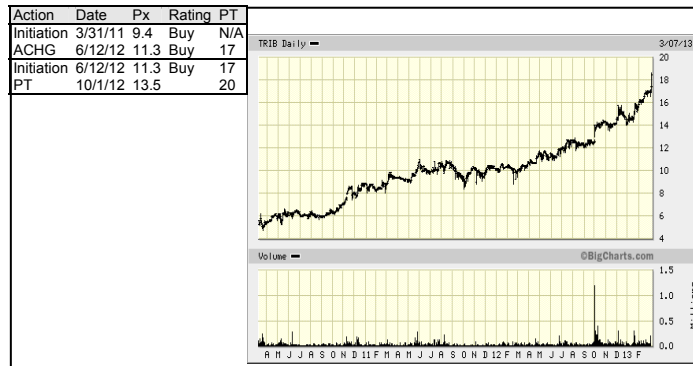
(Dollars in thousands, except where noted)

	2011	Mar	Jun	Sep	Dec	2012	MarE	JunE	SepE	DecE	2013E	MarE	JunE	SepE	DecE	2014E
Point-of-Care	16,562	5,121	4,410	4,751	4,872	19,154	4,976	4,951	5,317	5,599	20,844	5,942	6,234	7,366	7,759	27,302
Clinical Laboratory	61,386	14,905	16,399	16,100	15,952	63,356	16,707	17,806	18,940	19,915	73,368	19,611	20,930	21,779	22,537	84,856
Coagulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	77,948	20,026	20,809	20,851	20,824	82,510	21,683	22,757	24,257	25,515	94,212	25,553	27,164	29,145	30,296	112,158
% yoy growth (comparable)	5.6%	7.4%	7.0%	5.2%	4.1%	5.9%	8.3%	9.4%	16.3%	22.5%	14.2%	17.8%	19.4%	20.2%	18.7%	19.0%
Cost of sales	37,820	9,683	10,071	10,213	10,290	40,257	10,625	11,151	11,765	12,375	45,915	12,393	13,175	13,990	14,542	54,099
Gross profit	40,128	10,343	10,738	10,638	10,534	42,253	10,833	11,370	12,240	12,875	47,317	12,894	13,707	14,852	15,439	56,892
Other operating income	910	175	114	86	93	468	-	-	-	-	-	-	-	-	-	-
R&D	3,206	845	753	767	765	3,130	700	700	700	700	2,800	700	700	700	700	2,800
% of revenue	4.1%	4.2%	3.6%	3.7%	3.7%	3.8%	3.2%	3.1%	2.9%	2.7%	3.0%	2.7%	2.6%	2.4%	2.3%	2.5%
SG&A	20,812	5,204	5,240	5,147	5,159	20,750	5,421	5,576	5,943	6,124	23,063	5,877	6,248	7,286	7,271	26,682
% of revenue	26.7%	26.0%	25.2%	24.7%	24.8%	25.1%	25.0%	24.5%	24.5%	24.0%	24.5%	23.0%	23.0%	25.0%	24.0%	23.8%
Indirect share based payments	1,236	337	563	461	314	1,675	304	319	340	357	1,319	358	380	408	424	1,570
% of revenue	1.6%	1.7%	2.7%	2.2%	1.5%	2.0%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Operating Expense	25,254	6,386	6,556	6,375	6,238	25,555	6,424	6,594	6,983	7,181	27,182	6,935	7,328	8,394	8,395	31,052
Operating income - EBIT	15,784	4,132	4,296	4,349	4,389	17,166	4,409	4,775	5,258	5,694	20,135	5,959	6,379	6,458	7,044	25,840
Non-recurring items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	2,428	546	605	597	532	2,280	561	576	591	585	2,312	584	586	591	610	2,372
Interest expense	(12)	(1)	(35)	(26)	(26)	(88)	-	-	-	-	-	-	-	-	-	-
Other income (loss)	2,416	545	570	571	506	2,192	561	576	591	585	2,312	584	586	591	610	2,372
Pretax income - EBT	18,200	4,677	4,866	4,920	4,895	19,358	4,969	5,351	5,849	6,279	22,447	6,544	6,965	7,049	7,653	28,211
Income tax expense	(2,607)	(567)	(564)	(460)	(426)	(2,017)	(696)	(749)	(819)	(879)	(3,143)	(916)	(975)	(987)	(1,071)	(3,950)
	14.3%	12.1%	11.6%	9.3%	8.7%	10.4%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
Net Income	15,593	4,110	4,302	4,460	4,469	17,341	4,274	4,602	5,030	5,400	19,305	5,627	5,990	6,062	6,582	24,262
Diluted earnings per ADR	\$0.70	\$0.19	\$0.19	\$0.20	\$0.20	\$0.77	\$0.19	\$0.21	\$0.23	\$0.25	\$0.87	\$0.25	\$0.27	\$0.28	\$0.30	\$1.10
Weighted average shares	22,212	22,155	22,439	22,488	22,563	22,411	22,413	22,263	22,113	21,963	22,188	22,221	22,071	21,921	21,771	21,996
Margin analysis																
Gross margin	51.5%	51.6%	51.6%	51.0%	50.6%	51.2%	50.0%	50.0%	50.5%	50.5%	50.2%	50.5%	50.5%	51.0%	51.0%	50.7%
Operating expense	32.4%	31.9%	31.5%	30.6%	30.0%	31.0%	29.6%	29.0%	28.8%	28.1%	28.9%	27.1%	27.0%	28.8%	27.7%	27.7%
Operating margin	20.2%	20.6%	20.6%	20.9%	21.1%	20.8%	20.3%	21.0%	21.7%	22.3%	21.4%	23.3%	23.5%	22.2%	23.2%	23.0%
Net margin	20.0%	20.5%	20.7%	21.4%	21.5%	21.0%	19.7%	20.2%	20.7%	21.2%	20.5%	22.0%	22.1%	20.8%	21.7%	21.6%

Source: Sidoti & Company, LLC and company reports

Appendix Required Disclosures

Trinity Biotech plc (TRIB-\$18.71) BUY Target: \$23 March 11, 2013



Key Risks	Regulatory risk	European exposure	Customer concentration (Premier distributors)
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Valuation:

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Appendix Continued

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