



11 August 2008

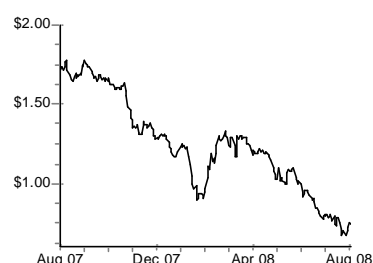
\$0.75

BUY

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Price Performance



Security/Capital Details

ASX Code	BTA
Market Cap	\$135 M
Issued Shares	181.0 M
Avg Mth T'over	9.27 M
12 Mth High – Low	\$1.78 - \$0.67

Key Data/Ratios – FY 2008

Cash	\$56.1 M
EBIT / Sales	\$46.5M
EV	\$78.9 M
Interest Cover	x
ROE	-10.7%
EPS Growth	-122.9%
PEG Ratio	0.16 x
NTA / Share	\$ 0.25
DCF	\$ 1.32
12 Mth Price Target	\$ 1.42

BUY: Total return +10% or more over a 12 month period

HOLD: Total return expected to be between +10% to -10% over a 12-month period

SELL: Total return expected to be -10% or more over a 12 month period

TOTAL RETURN OR TSR = capital growth in share price + expected dividend yield in that period

Year to June	NPAT (Rep) \$M	EPS (Norm) c	EPS Growth %	PER x	P/CF x	EV/EBITDA x	DPS c	Div Yld %	Franking %
2007a	20.2	11.4	280.3	10.6	10.3	8.0	0.0	0.0	0
2008e	-6.8	-2.6	-122.9	-30.8	-82.5	-7.8	0.0	0.0	0
2009e	14.1	8.8	439.6	9.1	24.7	8.1	0.0	0.0	0
2010e	12.2	7.8	-11.9	10.3	37.4	9.7	0.0	0.0	0

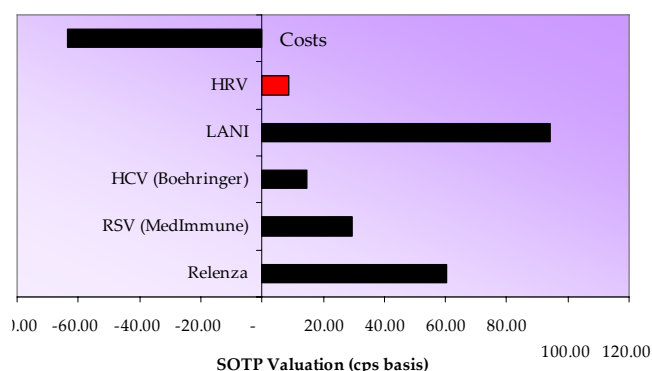
Recommendation

BTA has commenced dosing patients in a Phase IIa challenge study of their drug compound BTA798, which is designed to prevent human rhinovirus (HRV) infection. HRV infection is associated with exacerbation events in asthma and COPD and these people are the target market for BTA798. Final results from the trial are expected in April 2009. The link between HRV infection and COPD/asthma exacerbations is not well understood, but preventing infection looks to be a better strategy than treating it. This is a significant progress milestone but there are no changes to our valuation. Target of 142 cps. BUY reiterated.

Key Points

- BTA798 is BTA's drug candidate against human rhinovirus (HRV) infection. HRV is the cause of most common colds, but presents particular dangers to patients with asthma or COPD, whose airways are highly sensitized to viral and bacterial infections. HRV is a known trigger for exacerbation events in both diseases. BTA798 would most likely find commercial use as a preventative agent – preventing HRV infections during high-risk seasons will hopefully reduce the frequency and severity of exacerbations.
- Phase IIa studies of BTA798 have now commenced dosing in the UK. Importantly the trial design will test the compound's ability to prevent HRV infection. Healthy volunteers will be treated with BTA798 and then deliberately inoculated with HRV. If BTA798 is effective at any of the three doses being investigated, drug-treated patients will be protected from the infection, compared to patients who were given placebo.
- The HRV program comprised a relatively small component of our BTA valuation when we initiated coverage. Our appraisal considered preventative use only. Graphically, our sum of the parts (SOTP) price target has the following composition:

Figure 1: Relative contributions by each of the drug development programs to the BTA 12 month target price on a cps basis.



- Full results from this Phase IIa study are expected in April 2009. We expect BTA to partner the BTA798 program on the strength of this Phase II data.
- **Valuation** – our 142 cps share price target is retained. BUY recommendation is reiterated.

Biota Holdings (BTA : \$0.75)

INVESTMENT FUNDAMENTALS

Yr Ending June	2006A	2007A	2008E	2009E	2010E
EPS Reported (c)	-6.3	11.2	-3.8	7.8	6.7
EPS Normalised (c)	-6.3	11.4	-2.6	8.8	7.8
EPS Growth (%)	N/A	280.3%	-122.9%	439.6%	-11.9%
PER Normalised (x)	-19.1	10.6	-30.8	9.1	10.3
DPS (c)	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)	0%	0%	0%	0%	0%

VALUATION DATA

Yr Ending June	2006A	2007A	2008E	2009E	2010E
EV / EBITA (x)	-12.5	8.6	-7.3	8.5	10.4
EV / EBITDA (x)	-13.4	8.0	-7.8	8.1	9.7
CFPS (c)	-4.3	11.6	-1.0	3.2	2.1
Price / CF	-28.0	10.3	-82.5	24.7	37.4
Book Value / Share (\$)	0.3	0.4	0.3	0.3	0.4
Price / Book (x)	4.6	3.0	2.6	2.4	2.0

PROFIT & LOSS (\$m)

Yr Ending June	2006A	2007A	2008E	2009E	2010E
Sales Revenue	11.6	55.8	20.5	21.3	27.6
EBITDA	-12.6	19.2	-11.5	11.2	9.1
Depreciation	1.0	1.2	0.7	0.6	0.6
EBITA	-13.6	18.0	-12.1	10.6	8.5
Amortisation	0.0	0.3	2.1	1.9	1.9
EBIT	-13.6	17.7	-14.3	8.7	6.6
Net Interest Expense	-2.3	-2.5	-4.4	-5.4	-5.6
Pre-tax Profit	-11.3	20.2	-9.8	14.1	12.2
Tax	0.0	0.0	-3.0	0.0	0.0
Tax rate (%)	0.0%	0.0%	30.6%	0.0%	0.0%
Minorities / pref divs	0.0	0.0	0.0	0.0	0.0
Equity accounted NPAT	0.0	0.0	0.0	0.0	0.0
Net Profit	-11.3	20.2	-6.8	14.1	12.2
Abn's / Extraord's	0.0	0.0	0.0	0.0	0.0
Reported Net Profit	-11.3	20.2	-6.8	14.1	12.2
Revenue Growth (%)	N/A	380.6%	-63.3%	3.9%	29.7%
EBIT Growth (%)	N/A	230.3%	-180.7%	161.0%	-24.1%
NPAT Growth (%)	N/A	278.5%	-133.8%	306.4%	-13.5%

PROFITABILITY RATIOS

Yr Ending June	2006A	2007A	2008E	2009E	2010E
EBIT / Sales (%)	-116.8%	31.7%	-69.6%	40.9%	23.9%
ROA (%)	N/A	84.8%	-55.3%	36.6%	24.4%
ROE (%)	N/A	34.1%	-10.7%	24.0%	18.3%
ROFE (%)	N/A	356.2%	-258.7%	295.5%	77.2%

INTERIMS (\$m)

Half Yr	Dec 06	Jun 07	Dec 07	Jun 08	Dec 08
Yr Ending June	1H A	2H A	1H A	2H E	1H E
Sales Revenue	20.3	35.6	16.5	4.0	8.5
EBIT	2.9	14.7	5.7	-20.0	4.7
Net Profit	4.1	16.1	5.5	-12.3	7.5
EBIT / Sales (%)	14.5%	41.4%	34.6%	-497.2%	55.4%

BALANCE SHEET (\$m)

Yr Ending June	2006A	2007A	2008E	2009E	2010E
Cash	46.2	62.2	56.1	54.4	56.4
Receivables	5.9	9.4	4.0	3.3	4.3
Inventories	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Current Assets	52.1	71.5	60.1	57.7	60.7
Net PPE	5.5	4.9	5.5	6.4	7.6
Investments	0.0	0.0	0.0	0.0	0.0
Intangibles	0.0	13.7	11.6	9.7	7.8
Other	0.0	2.4	0.0	7.0	8.0
Non-current Assets	5.5	21.0	17.1	23.1	23.5
Total Assets	57.6	92.5	77.2	80.8	84.2
Current Payables	4.0	6.0	6.5	6.7	7.0
Current Debt	0.0	0.0	0.0	0.0	0.0
Non-Current Debt	0.0	0.0	0.0	0.0	0.0
Provisions	0.6	7.4	3.2	2.3	1.9
Other	6.0	7.5	11.5	10.2	4.0
Total Liabilities	10.7	20.9	21.1	19.2	12.9
Equity	158.0	161.7	159.1	153.1	153.1
Reserves	-0.1	0.6	0.8	0.8	0.8
Retained Profits	-111.0	-90.8	-103.9	-92.3	-82.6
Minorities	0.0	0.0	0.0	0.0	0.0
Total Equity	46.9	71.5	56.0	61.6	71.3
Total Funds Employed	0.7	9.4	0.0	7.2	14.9

LIQUIDITY & LEVERAGE RATIOS

Yr Ending June	2006A	2007A	2008E	2009E	2010E
Net Debt (Cash) (\$m)	-46.2	-62.2	-56.1	-54.4	-56.4
Net Debt / Equity (%)	-98.5%	-86.9%	-100.0%	-88.3%	-79.2%
Interest Cover (x)					
Debt / CashFlow (x)	0.0	0.0	0.0	0.0	0.0

CASHFLOW (\$m)

Yr Ending June	2006A	2007A	2008E	2009E	2010E
EBIT	-13.6	17.7	-14.3	8.7	6.6
Dep'n and Amort'n	1.0	1.6	2.8	2.5	2.5
Net Int Rec'd (Paid)	2.3	2.5	3.8	5.4	5.6
Tax Paid	0.0	0.0	0.0	0.0	0.0
Dec / (Inc) W'kg Cap	1.8	-4.7	5.9	0.9	-0.7
Other	6.8	4.0	3.4	0.0	0.0
Operating Cash Flow	-7.7	21.0	-1.7	5.9	3.9
Capital Expenditure	-2.0	-0.9	-1.4	-1.5	-1.9
Asset Sales	0.1	0.0	0.0	0.0	0.0
Investments	0.0	-5.5	0.0	0.0	0.0
Other Inv. Flows	0.0	0.0	0.0	0.0	0.0
Investing Cash Flow	-1.9	-6.4	-1.4	-1.5	-1.9
Equity Raised	31.9	1.4	0.0	0.0	0.0
Inc / (Dec) in Loans	0.0	0.0	0.0	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0	0.0
Other Fin. Flows	-0.9	0.0	-3.0	-6.0	0.0
Financing Cash Flow	31.0	1.4	-3.0	-6.0	0.0
Net Cash Flow	21.4	16.0	-6.1	-1.6	2.0

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