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\$0.72

BUY

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Price Performance



Security/Capital Details

ASX Code	BTA
Market Cap	\$128 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 2009

Cash	\$62 M
Burn	\$28 M
EV	\$66 M
Interest Cover	x
ROE	19.6%
EPS Growth	417.9%
PEG Ratio	0.04 x
NTA / Share	\$ 0.31
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

Recommendation

BTA reported a FY08 loss of \$6.5m; marginally ahead of our forecast loss of \$6.8m. Operational highlights included the clinical progress gained in their three clinical programs: LANI, HRV and RSV. Financially the focus was on costs and a weaker year for Relenza royalties. Relenza royalties were \$20.5M for the year (FY07: \$39.8M). BTA spent \$21.8M in FY08 litigating against GSK. The year closed with \$60.2M cash and no debt. The company flagged two Board changes for FY09. Our outlook for FY09 is NPAT of \$12.8M. We retain our BUY recommendation with a share price target of \$1.42.

Key Points

- BTA announced a FY08 loss of \$6.5M. This compared with our forecast of \$6.8M. FY08 was a weaker year for Relenza royalties, which earned \$20.5M compared to \$39.8M in pcp, reflecting the volatility in government orders for pandemic drug stockpiling.
- Litigation expenses approximately doubled in FY08 to \$21.8M but saw the GSK matter resolved soon after the balance date. Without this non-recurrent expense, BTA would have posted PBT of \$12.5M and \$8.7M NPAT from its underlying business in FY08.
- The company ended the year in a position of financial strength with \$60.2M in cash and no debt. FY09 will see significant R&D expenditures with the HRV Phase IIa trial dominating the first half's expenses (~\$12M). Two new programs have been announced in the Hepatitis C and cytomegalovirus (CMV) fields. We expect to see \$4-5M of internal R&D expensed.
- We forecast NPAT of \$12.8M for FY09 with near cash neutrality as a feature. Our Relenza royalty forecast is modest at \$21.3M for the year. Our EBITDA forecasts ignore potential milestone or upfront payments.
- The Chairman, John Grant, has announced that he will retire from the BTA Board in FY09, possibly by the AGM in October. The long serving Non-executive Director, Barbara Gibson, also intends to retire from the BTA Board as at 31 December 2008.
- The on-market share buyback program will recommence on 28 August 2008. BTA has bought back and cancelled ~2.5M of the 9.16M share target they announced in February; halting that process in May when it became aware of licensing and clinical data that were likely to be price sensitive. We expect BTA to complete their buyback in FY09.
- Catalyst outlook for BTA in FY09 includes:
 - LANI Phase III trials commence in Q4CY2008;
 - HRV Phase IIa data reports Q2CY2009 – with potential for partnering activity;
 - Upside from Relenza performance.
- We retain our 12 month price target of \$1.42/share. BUY recommendation.

Year to June	NPAT (Rep) \$M	EPS (Norm) c	EPS Growth %	PER x	P/CF x	EV/EBITDA x	DPS c	Div Yld %	Franking %
2008a	-6.5	-2.6	-122.6	-30.0	29.3	-8.4	0.0	0.0	0
2009e	12.8	8.2	417.9	9.4	15.0	6.9	0.0	0.0	0
2010e	9.8	6.5	-20.3	11.8	-45.8	10.8	0.0	0.0	0
2011e	2.3	2.3	-64.5	33.3	7.6	-488.4	0.0	0.0	0

Biota Holdings (BTA : \$0.72)

INVESTMENT FUNDAMENTALS

Yr Ending June	2007A	2008A	2009E	2010E	2011E
EPS Reported (c)	11.2	-3.5	7.1	5.4	1.3
EPS Normalised (c)	11.4	-2.6	8.2	6.5	2.3
EPS Growth (%)	N/A	-122.6%	417.9%	-20.3%	-64.5%
PER Normalised (x)	10.6	-30.0	9.4	11.8	33.3
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	2007A	2008A	2009E	2010E	2011E
EV / EBITA (x)	8.6	-7.7	7.5	12.5	-57.8
EV / EBITDA (x)	8.0	-8.4	6.9	10.8	-488.4
CFPS (c)	11.6	2.6	5.1	-1.7	10.2
Price / CF	10.3	29.3	15.0	-45.8	7.6
Book Value / Share (\$)	0.4	0.3	0.4	0.4	0.4
Price / Book (x)	3.0	2.2	2.1	1.9	1.9

PROFIT & LOSS (\$m)

Yr Ending June	2007A	2008A	2009E	2010E	2011E
Sales Revenue	55.8	20.5	21.3	27.6	28.2
EBITDA	19.2	-9.8	11.3	7.6	-0.1
Depreciation	1.2	0.9	1.0	1.0	1.0
EBITA	18.0	-10.7	10.3	6.6	-1.1
Amortisation	0.3	1.8	2.0	2.0	1.9
EBIT	17.7	-12.5	8.3	4.6	-3.0
Net Interest Expense	-2.5	-3.2	-4.5	-5.2	-5.3
Pre-tax Profit	20.2	-9.3	12.8	9.8	2.3
Tax	0.0	-2.8	0.0	0.0	0.0
Tax rate (%)	0.0%	30.3%	0.0%	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	20.2	-6.5	12.8	9.8	2.3
Abn's / Extraord's	0.0	0.0	0.0	0.0	0.0
Reported Net Profit	20.2	-6.5	12.8	9.8	2.3
Revenue Growth (%)	N/A	-63.2%	3.7%	29.7%	2.2%
EBIT Growth (%)	N/A	-170.8%	166.1%	-44.3%	-165.9%
NPAT Growth (%)	N/A	-132.2%	296.9%	-23.5%	-76.7%

PROFITABILITY RATIOS

Yr Ending June	2007A	2008A	2009E	2010E	2011E
EBIT / Sales (%)	31.7%	-60.9%	38.8%	16.7%	-10.8%
ROA (%)	N/A	-42.0%	27.9%	15.3%	-10.9%
ROE (%)	N/A	-9.6%	19.6%	13.9%	3.1%
ROFE (%)	N/A	-170.8%	249.5%	60.4%	-13.7%

INTERIMS (\$m)

Half Yr	Dec 07	Jun 08	Dec 08	Jun 09	Dec 09
Yr Ending June	1H A	2H A	1H E	2H E	1H E
Sales Revenue	16.5	4.1	8.5	12.8	11.1
EBIT	5.7	-18.2	3.1	5.2	2.4
Net Profit	5.5	-12.0	6.1	6.7	5.5
EBIT / Sales (%)	34.6%	-448.7%	36.3%	40.5%	22.1%

BALANCE SHEET (\$m)

Yr Ending June	2007A	2008A	2009E	2010E	2011E
Cash	62.2	60.2	62.0	57.1	73.4
Receivables	9.4	4.3	5.0	5.2	4.4
Inventories	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Current Assets	71.5	64.4	67.0	62.3	77.8
Net PPE	4.9	7.5	8.0	8.9	9.9
Investments	0.0	0.0	0.0	0.0	0.0
Intangibles	13.7	12.1	10.1	8.1	6.2
Other	2.4	5.2	7.0	8.0	4.9
Non-current Assets	21.0	24.8	25.2	25.0	21.0
Total Assets	92.5	89.3	92.1	87.3	98.9
Current Payables	6.0	12.0	12.0	7.0	7.5
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	7.4	1.3	2.8	2.4	0.7
Other	7.5	12.7	10.2	4.0	17.4
Total Liabilities	20.9	26.0	25.0	13.4	25.6
Equity	161.7	159.1	153.1	153.1	153.1
Reserves	0.6	1.4	1.4	1.4	1.4
Retained Profits	-90.8	-97.3	-87.5	-80.7	-81.3
Minorities	0.0	0.0	0.0	0.0	0.0
Total Equity	71.5	63.3	67.1	73.9	73.2
Total Funds Employed	9.4	3.1	5.1	16.8	-0.2

LIQUIDITY & LEVERAGE RATIOS

Yr Ending June	2007A	2008A	2009E	2010E	2011E
Net Debt (Cash) (\$m)	-62.2	-60.2	-62.0	-57.1	-73.4
Net Debt / Equity (%)	-86.9%	-95.0%	-92.4%	-77.3%	-100.3%
Interest Cover (x)					
Debt / CashFlow (x)	0.0	0.0	0.0	0.0	0.0

CASHFLOW (\$m)

Yr Ending June	2007A	2008A	2009E	2010E	2011E
EBIT	17.7	-12.5	8.3	4.6	-3.0
Dep'n and Amort'n	1.6	2.7	3.0	3.0	2.9
Net Int Rec'd (Paid)	2.5	3.2	4.5	5.2	5.3
Tax Paid	0.0	0.0	0.0	0.0	0.0
Dec / (Inc) W'kg Cap	-4.7	9.7	-0.8	-5.2	1.3
Other	4.0	2.6	0.0	0.0	0.0
Operating Cash Flow	21.0	4.8	9.3	-3.0	18.4
Capital Expenditure	-0.9	-3.8	-1.5	-1.9	-2.0
Asset Sales	0.0	0.0	0.0	0.0	0.0
Investments	-5.5	0.0	0.0	0.0	0.0
Other Inv. Flows	0.0	0.0	0.0	0.0	0.0
Investing Cash Flow	-6.4	-3.8	-1.5	-1.9	-2.0
Equity Raised	1.4	0.0	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	0.0	-3.0	-6.0	0.0	0.0
Financing Cash Flow	1.4	-3.0	-6.0	0.0	0.0
Net Cash Flow	16.0	-2.0	1.8	-4.9	16.4

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