



26 August 2008

\$0.72

BUY

**Shane Storey**  
07 3212 1351  
shane.storey@wilsonhtm.com.au

**Graeme Wald PhD MBA**  
03 9640 3840  
graeme.wald@wilsonhtm.com.au

### 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	\$66M
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

MedImmune has assigned their interests in the BTA respiratory syncytial virus (RSV) program to their parent company, AstraZeneca (AZ). Furthermore, AstraZeneca has extended the relationship by licensing most of the geographies that MedImmune had no rights to. BTA will receive a US\$3.5M upfront payment from AZ + royalties. The AZ-BTA agreement is now a global one for this BTA9881 drug, which is a small molecule inhibitor of RSV. We see this as a resounding endorsement for the RSV program. Price target is set at \$1.42/share and the BUY recommendation is retained.

### Key Points

- When MedImmune licensed BTA's RSV drug BTA9881 in 2005, the deal encompassed the prime markets of US, Europe and Japan, but left BTA with the rights for Australia, New Zealand, China and Southeast Asia. Those rights have now been licensed to AstraZeneca (AZ). AZ have also taken assignment of MedImmune's interests. As a result, the global future of BTA's BTA9881 drug is in AZ's hands.
- All the milestone payment and royalty obligations that MedImmune agreed to have also been transferred to AZ. AZ has also agreed to pay BTA an additional US\$3.5M upfront fee in return for the additional geographies. Royalties will also be paid on sales in these countries.
- This development is a positive for BTA on two counts:
  - Partnering risk is reduced. AZ acquired MedImmune for their products and capabilities in the biologics area, which is a different area to that which BTA specialises in. There is always a risk that an acquiring company declines to take on all the programs of the companies they acquire. In this case, AZ has elected to take the BTA RSV program and add to it, which is a strong endorsement.
  - AZ is likely to have superior mid- and late-stage clinical and regulatory capabilities for small molecule drugs than would MedImmune, whose strengths lie in monoclonal antibodies and protein therapeutics. BTA9881 is a small molecule drug and will likely benefit from the change of partner.
- While positive news, there is no need to change our valuation of the BTA9881 program or BTA. Our RSV market model is based on the US, European and Japanese markets, which adequately describe the potential value of the global RSV market. No additional milestone payment obligations come from this geographical licence extension. We expected AZ to become involved with BTA9881 at some point, given its expertise in small molecule development and its recent expansion in infectious disease capabilities.
- We retain our 12 month BTA price target of \$1.42 per share. BUY.

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
<b>EPS Normalised (c)</b>	<b>11.4</b>	<b>-2.6</b>	<b>8.2</b>	<b>6.5</b>	<b>2.3</b>
EPS Growth (%)	N/A	-122.6%	417.9%	-20.3%	-64.5%
<b>PER Normalised (x)</b>	<b>10.6</b>	<b>-30.0</b>	<b>9.4</b>	<b>11.8</b>	<b>33.3</b>
DPS (c)	0.0	0.0	0.0	0.0	0.0
Payout (%)	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
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
<b>Price / CF</b>	<b>10.3</b>	<b>29.3</b>	<b>15.0</b>	<b>-45.8</b>	<b>7.6</b>
Book Value / Share (\$)	0.4	0.3	0.4	0.4	0.4
<b>Price / Book (x)</b>	<b>3.0</b>	<b>2.2</b>	<b>2.1</b>	<b>1.9</b>	<b>1.9</b>

### 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
<b>EBITA</b>	<b>18.0</b>	<b>-10.7</b>	<b>10.3</b>	<b>6.6</b>	<b>-1.1</b>
Amortisation	0.3	1.8	2.0	2.0	1.9
<b>EBIT</b>	<b>17.7</b>	<b>-12.5</b>	<b>8.3</b>	<b>4.6</b>	<b>-3.0</b>
Net Interest Expense	-2.5	-3.2	-4.5	-5.2	-5.3
<b>Pre-tax Profit</b>	<b>20.2</b>	<b>-9.3</b>	<b>12.8</b>	<b>9.8</b>	<b>2.3</b>
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
<b>Net Profit</b>	<b>20.2</b>	<b>-6.5</b>	<b>12.8</b>	<b>9.8</b>	<b>2.3</b>
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
<b>EBIT / Sales (%)</b>	<b>31.7%</b>	<b>-60.9%</b>	<b>38.8%</b>	<b>16.7%</b>	<b>-10.8%</b>
ROA (%)	N/A	-42.0%	27.9%	15.3%	-10.9%
<b>ROE (%)</b>	<b>N/A</b>	<b>-9.6%</b>	<b>19.6%</b>	<b>13.9%</b>	<b>3.1%</b>
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
<b>Net Profit</b>	<b>5.5</b>	<b>-12.0</b>	<b>6.1</b>	<b>6.7</b>	<b>5.5</b>
EBIT / Sales (%)	34.6%	-448.7%	36.3%	40.5%	22.1%

### BALANCE SHEET (\$m)

Yr Ending June	2007A	2008A	2009E	2010E	2011E
Cash	<b>62.2</b>	<b>60.2</b>	<b>62.0</b>	<b>57.1</b>	<b>73.4</b>
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
<b>Current Assets</b>	<b>71.5</b>	<b>64.4</b>	<b>67.0</b>	<b>62.3</b>	<b>77.8</b>
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
<b>Non-current Assets</b>	<b>21.0</b>	<b>24.8</b>	<b>25.2</b>	<b>25.0</b>	<b>21.0</b>
<b>Total Assets</b>	<b>92.5</b>	<b>89.3</b>	<b>92.1</b>	<b>87.3</b>	<b>98.9</b>
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
<b>Total Liabilities</b>	<b>20.9</b>	<b>26.0</b>	<b>25.0</b>	<b>13.4</b>	<b>25.6</b>
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
<b>Total Equity</b>	<b>71.5</b>	<b>63.3</b>	<b>67.1</b>	<b>73.9</b>	<b>73.2</b>
<b>Total Funds Employed</b>	<b>9.4</b>	<b>3.1</b>	<b>5.1</b>	<b>16.8</b>	<b>-0.2</b>

### 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
<b>Net Debt / Equity (%)</b>	<b>-86.9%</b>	<b>-95.0%</b>	<b>-92.4%</b>	<b>-77.3%</b>	<b>-100.3%</b>
Interest Cover (x)					
<b>Debt / CashFlow (x)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

### 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
<b>Operating Cash Flow</b>	<b>21.0</b>	<b>4.8</b>	<b>9.3</b>	<b>-3.0</b>	<b>18.4</b>
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
<b>Investing Cash Flow</b>	<b>-6.4</b>	<b>-3.8</b>	<b>-1.5</b>	<b>-1.9</b>	<b>-2.0</b>
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
<b>Financing Cash Flow</b>	<b>1.4</b>	<b>-3.0</b>	<b>-6.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Net Cash Flow</b>	<b>16.0</b>	<b>-2.0</b>	<b>1.8</b>	<b>-4.9</b>	<b>16.4</b>

Disclosure of Interest. The Directors of Wilson HTM Ltd advise that at the date of this report they and their associates have relevant interests in 58,080 securities in Biota Holdings. They also advise that Wilson HTM Ltd and Wilson HTM Corporate Finance Ltd A.B.N. 65 057 547 323 and their associates have received and may receive commissions or fees from Biota Holdings in relation to advice or dealings in securities. Some or all of Wilson HTM Ltd authorised representatives may be remunerated wholly or partly by way of commission.



Disclaimer. Whilst Wilson HTM Ltd believes the information contained in this communication is based on reliable information, no warranty is given as to its accuracy and persons relying on this information do so at their own risk. To the extent permitted by law Wilson HTM Ltd disclaims all liability to any person relying on the information contained in this communication in respect of any loss or damage (including consequential loss or damage) however caused, which may be suffered or arise directly or indirectly in respect of such information. Any projections contained in this communication are estimates only. Such projections are subject to market influences and contingent upon matters outside the control of Wilson HTM and therefore may not be realised in the future.

The advice contained in this document is general advice. It has been prepared without taking account of any person's objectives, financial situation or needs and because of that, any person should, before acting on the advice, consider the appropriateness of the advice, having regard to the client's objectives, financial situation and needs. If the advice relates to the acquisition, or possible acquisition, of a particular financial product – the client should obtain a Product Disclosure Statement relating to the product and consider the Statement before making any decision about whether to acquire the product. This communication is not to be disclosed in whole or part or used by any other party without Wilson HTM Ltd's prior written consent.

---

BRISBANE Ph: 07 3212 1333 Fax: 07 3212 1399	SYDNEY Ph: 02 8247 6600 Fax: 02 8247 6601	MELBOURNE Ph: 03 9640 3888 Fax: 03 9640 3800	GOLD COAST Ph: 07 5557 3000 Fax: 07 5557 3010	BALLINA Ph: 02 6681 3477 Fax: 02 6681 4933	GEEELONG Ph: 03 5225 1500 Fax: 03 5225 1599
CANBERRA Ph: 02 6230 1000 Fax: 02 6230 5668	DALBY Ph: 07 4662 3833 Fax: 07 4662 4169	HERVEY BAY Ph: 07 4128 3300 Fax: 07 4128 4903	TOWNSVILLE Ph: 07 4725 5787 Fax: 07 4725 5104	TAMWORTH Ph: 02 6766 7114 Fax: 02 6766 7285	

---

Our web site: [www.wilsonhtm.com.au](http://www.wilsonhtm.com.au)