



17 November 2008

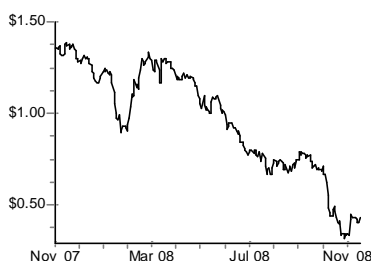
\$0.43

BUY

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### Price Performance



### Security/Capital Details

ASX Code	BTA
Market Cap	\$75.0 M
Issued Shares	174.6 M
Avg Mth T'over	9.27 M
12 Mth High – Low	\$1.39 - \$0.32

### Key Data/Ratios – FY 2009

Cash	\$62.3 M
Burn	\$28.0 M
EV	\$12.7 M
Interest Cover	n/a
ROE	19.0%
EPS Growth	414.5%
PEG Ratio	0.02 x
NTA / Share	\$ 0.35
DCF	\$ 1.27
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

**Daiichi Sankyo today announced the initiation of its pivotal Phase III clinical trial of CS-8958 for influenza. The LANI program is co-owned by BTA. The trial has been named the MARVEL study and will recruit several hundred adults with naturally acquired influenza A or B infections. A single inhaled dose of CS-8958 will be compared against Tamiflu given twice daily for 5 days. A Phase II/III study in paediatrics will also be conducted. Symptom resolution and fever are the key endpoints. This progress announcement comes a little ahead of our schedule. No change to valuation or recommendation. DCF remains \$1.27 per share. BUY.**

### Key Points

- Daiichi Sankyo has announced the start of its pivotal Phase III program to test the efficacy and safety of CS-8958, the long acting neuraminidase inhibitor (LANI) compound they co-own with BTA. The compound will be tested in adult patients who have naturally acquired influenza A or B infections. The endpoints will be resolution of symptoms and fever.
- The study (referred to as MARVEL) is a non-inferiority study – it is designed to show that the new drug is as effective as Tamiflu. That was the result we saw in August, at the completion of Phase II – CS-8958 was statistically indistinguishable from Tamiflu.
- Dosage is the important differentiator for this product – CS-8958 will be given as a once-only inhalation therapy; Tamiflu will be administered orally, twice a day for 5 days. We believe this dosing difference will be significant in both the seasonal and pandemic stockpiling influenza markets, if the product is approved in this form.
- If the safety and efficacy results from MARVEL are positive, we expect Daiichi will file a marketing application for therapeutic use – using CS-8958 to treat infections. We would expect the Japanese and other regulators to require additional trials to achieve approval as a prophylactic product.
- The announcement has come slightly ahead of our timing expectations, but we note that the trial recruitment time will depend on the severity of the influenza season in Japan, Taiwan, Hong Kong and Korea; the countries where the trial is being conducted. If the season is mild, less people present with infections.
- The trial will involve several hundred patients per arm and will be funded by Daiichi.
- In our view, the market price for BTA ignores this program completely. CS-8958 is a drug entering Phase III trials, for registration in the world's largest seasonal influenza market, under the stewardship of a major Japanese Pharma. BTA will earn royalties from Daiichi on Japanese market sales.
- **Valuation** – our fundamental DCF of BTA remains \$1.27 per share and our positive view on this company is unchanged. BUY recommendation is retained.

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	-2.7	-123.7	-28.6	27.9	-8.8	0.0	0.0	0
2009e	12.8	8.5	414.5	6.2	10.6	2.5	0.0	0.0	0
2010e	10.1	6.9	-18.3	7.5	22.9	3.5	0.0	0.0	0
2011e	4.0	3.4	-51.2	15.4	3.9	7.2	0.0	0.0	0

## Biota Holdings (BTA : \$0.43)

## INVESTMENT FUNDAMENTALS

Yr Ending June	2007A	2008A	2009E	2010E	2011E
EPS Reported (c)	11.2	-3.7	7.3	5.8	2.3
<b>EPS Normalised (c)</b>	<b>11.4</b>	<b>-2.7</b>	<b>8.5</b>	<b>6.9</b>	<b>3.4</b>
EPS Growth (%)	N/A	-123.7%	414.5%	-18.3%	-51.2%
<b>PER Normalised (x)</b>	<b>15.8</b>	<b>-28.6</b>	<b>6.2</b>	<b>7.5</b>	<b>15.4</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)	16.0	-8.0	2.8	4.0	9.7
EV / EBITDA (x)	14.9	-8.8	2.5	3.5	7.2
CFPS (c)	11.6	2.8	4.9	2.3	13.2
<b>Price / CF</b>	<b>15.4</b>	<b>27.9</b>	<b>10.6</b>	<b>22.9</b>	<b>3.9</b>
Book Value / Share (\$)	0.4	0.4	0.4	0.5	0.5
<b>Price / Book (x)</b>	<b>4.5</b>	<b>2.1</b>	<b>1.3</b>	<b>1.1</b>	<b>1.1</b>

## PROFIT &amp; LOSS (\$m)

Yr Ending June	2007A	2008A	2009E	2010E	2011E
Sales Revenue	39.8	20.5	21.3	27.6	28.2
EBITDA	17.5	-9.4	11.3	7.6	0.7
Depreciation	1.2	0.9	1.0	1.0	1.0
<b>EBITA</b>	<b>16.3</b>	<b>-10.3</b>	<b>10.3</b>	<b>6.6</b>	<b>-0.3</b>
Amortisation	0.3	1.8	2.0	2.0	1.9
<b>EBIT</b>	<b>15.9</b>	<b>-12.1</b>	<b>8.3</b>	<b>4.6</b>	<b>-2.2</b>
Net Interest Expense	-1.9	-2.8	-4.5	-5.5	-6.2
<b>Pre-tax Profit</b>	<b>17.8</b>	<b>-9.3</b>	<b>12.8</b>	<b>10.1</b>	<b>4.0</b>
Tax	-2.3	-2.8	0.0	0.0	0.0
Tax rate (%)	-13.2%	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>10.1</b>	<b>4.0</b>
Abn's / Extraord's	0.0	0.0	0.0	0.0	0.0
Reported Net Profit	20.2	-6.5	12.8	10.1	4.0
Revenue Growth (%)	N/A	-48.4%	3.7%	29.7%	2.2%
EBIT Growth (%)	N/A	-175.8%	168.4%	-44.3%	-146.8%
NPAT Growth (%)	N/A	-132.2%	296.7%	-21.1%	-60.4%

## 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	6.1	-18.1	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>5.6</b>
EBIT / Sales (%)	36.7%	-446.8%	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>62.3</b>	<b>64.4</b>	<b>85.4</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>67.3</b>	<b>69.6</b>	<b>89.8</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>92.5</b>	<b>94.6</b>	<b>110.8</b>
Current Payables	6.0	12.0	8.3	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>21.3</b>	<b>13.4</b>	<b>25.6</b>
Equity	161.7	159.1	154.2	154.2	154.2
Reserves	0.6	1.4	1.4	1.4	1.4
Retained Profits	-90.8	-97.3	-84.5	-74.4	-70.4
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>71.5</b>	<b>63.3</b>	<b>71.1</b>	<b>81.2</b>	<b>85.2</b>
<b>Total Funds Employed</b>	<b>9.4</b>	<b>3.1</b>	<b>8.8</b>	<b>16.8</b>	<b>-0.2</b>

## CASHFLOW (\$m)

Yr Ending June	2007A	2008A	2009E	2010E	2011E
EBIT	15.9	-12.1	8.3	4.6	-2.2
Dep'n and Amort'n	1.5	2.7	3.0	3.0	2.9
Net Int Rec'd (Paid)	2.7	2.8	4.5	5.5	6.2
Tax Paid	0.0	0.0	0.0	0.0	0.0
Dec / (Inc) W'kg Cap	0.0	9.7	-4.5	-1.5	1.3
Other	0.4	2.7	-2.7	-7.6	14.8
<b>Operating Cash Flow</b>	<b>21.0</b>	<b>4.8</b>	<b>8.6</b>	<b>4.0</b>	<b>23.0</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	-5.0	0.0	0.0
<b>Financing Cash Flow</b>	<b>1.4</b>	<b>-3.0</b>	<b>-5.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Net Cash Flow</b>	<b>16.0</b>	<b>-2.0</b>	<b>2.1</b>	<b>2.1</b>	<b>21.0</b>

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